Mediation role of brand preference on bank advertising and customer loyalty

A developing country perspective

George Kofi Amoako, Peter Anabila and Ebenezer Asare Effah
Department of Marketing, Central University, Accra, Ghana, and
Desmond Kwadjo Kumi
DAL Consultancy Company Limited, Accra, Ghana

Received 14 July 2016
Revised 2 November 2016
6 December 2016
Accepted 12 December 2016

Abstract

Purpose – The purpose of this paper is to investigate the mediating role of brand preference on the relationship between bank advertising and customer loyalty in Ghana's banking industry.

Design/methodology/approach – A total number of 600 respondents participated in the study. Convenient sampling technique was employed to select a cross-section of customers from the universal banks currently operating in Ghana. Structural equation modeling technique of PLS was used to test the nature of relationships in the research hypotheses.

Findings – The study found a significant positive relationship between advertising effectiveness and brand preference. Also, there is a significant positive relationship between advertising and customer loyalty. Again, there is a significant positive relationship between brand preference and customer loyalty. Finally, brand preference positive mediates the relationships between advertising and customer loyalty.

Practical implications – The study provides a useful guide to strategy and policy formulation in marketing communication by establishing the potential viability of advertising strategy in bank marketing and its potential to generate brand preference and customer loyalty.

Originality/value – The study has practical implication for, and relevance not only to the banking industry communication strategy but also the entire financial services industry.

Keywords Ghana, Brand preference, Advertising, Banking industry, Customer loyalty

Paper type Research paper

1. Introduction

Ghana's banking sector has witnessed significant changes and rapid transformation in recent times due to the liberalization of the industry through legal, regulatory and institutional reforms over time (Owusu-Frimpong, 1999; Adjei and Chakravarty, 2012). The Central Bank in 2006 deregulated the banking system by collapsing the rigid tripartite compartmentalization of the industry into commercial, development and merchant banks in favor of a universal banking regime that permits banks to cover all spheres of banking business depending on their resource capacity and risk appetite (Narteh and Owusu-Frimpong, 2011), thus providing a level playing field for fair and intense competitive rivalry.

A key development in Ghana's banking industry in the past few decades has been the influx of foreign banks and aggressive expansion of branches of existing ones (Owusu-Frimpong, 1999; Adjei and Chakravarty, 2012; Hinson and Osarenkhoe, 2013). This has been coupled with the emergence of new competing technologies to deliver financial services, such as automated cheque clearing system, automated teller machines (ATMs), internet banking, mobile banking and other stored value cards to reduce pressure on over-the-counter services as banks attempt to outmaneuver each other in the competitive battle (Lewis, 1991; Zineldin, 1996). The rising spate of banking competition, the multiplicity of technological solutions and ever increasing customer sophistication

International Journal of Bank Marketing
Vol. 35 No. 6, 2017
pp. 983-996
© Emerald Publishing Limited
0265-2323
DOI 10.1108/IJBM-07-2016-0092

have crystallized into a complex system of industry dynamics resulting in banks having to brace themselves to grapple with a rather daunting duo of fulfilling the requirements of sophisticated customers and taming aggressive competitors.

At the same time, allied financial institutions such as rural and community banks, savings and loans companies, micro-finance institutions, mobile money service providers, etc. have increased in number and are keenly competing with banks for funds needed for effective financial intermediation. The Bank of Ghana's (2015) Annual Report shows that the banking industry comprises 29 universal banks, 139 rural and community banks and 546 micro-finance institutions. These universal banks altogether had 1,173 branches and 912 ATMs scattered across the ten regions in the country showing a vast network of distribution intensity characterized by branch expansion and the proliferation of ATMs to increase access and convenience to customers in keeping with prevailing competitive demands (Hinson and Osarenkhoe, 2013; Bank of Ghana, 2015).

What is more, there is an increase in demand for greater management efficiency and accountability to increase shareholder value since "financial liberalization often results in changes in ownership and governance structure of banks" (Adjei and Chakravarty, 2012, p. 93). Continuous innovation in terms of marketing strategy and tactics has therefore become a necessary survival instinct banks must develop as a way of life if they have to survive and achieve sustainable competitive advantage. According to Roy (2011), the levels of complexity of marketing undertaken by financial service organizations, and the resultant competitive intensity, have increased substantially in recent times. Such is the level of competitive intensity in Ghana's banking industry that Narteh and Owusu-Frimpong (2011, p. 375) described as "unprecedented."

Within this context, the quests for brand differentiation to develop stronger brand appeal and customer loyalty to bolster competitive advantage have assumed greater significance than ever before. Understandably, the banks in Ghana have embarked on aggressive marketing communications to highlight tangible differences in their value propositions to influence consumer attitudes and behaviors in favor of their brands. One communication tool that is widely used by the banks is advertising – an effective mass-oriented persuasive tool that is directed at an audience with a view to galvanizing them toward effecting relevant attitudinal and behavioral responses in favor of the firm. According to Pergelova *et al.* (2010), advertising is one of the few ways of achieving differentiation in financial services. Again, Estelami (2012) posits that financial services advertising facilitates the differentiation of a company from its leading competitors and this assumes added significance due to the complexity of financial products/services which makes it difficult for the average customer to fully appreciate the merits and weaknesses of competing financial products.

In the wake of rising costs and the presence of brand parity in the financial services landscape, the quest for advertising efficiency to increase brand preference and customer loyalty has assumed greater significance in this hyper-competitive era. While continuous use of advertising by banks in Ghana suggests some level of appreciable trust in its efficacy as a vital communication tactic; there is very little evidence, if any, in terms of research results to establish the relationships between effective advertising, brand preference and customer loyalty in Ghana's banking industry. The study therefore investigates the mediating role of brand preference on the relationship between bank advertising and customer loyalty in Ghana's banking industry.

2. Theoretical background and hypotheses development

2.1 Advertising effectiveness

Advertising has become an essential value driver in modern business and an integral part of most successful marketing strategies in both financial and non-financial services. Estelami (2012, p. 127) defined advertising in financial services as "Marketing communications carried out through the mass media or direct marketing means, with the intention of motivating the purchase of specific financial products or encouraging particular forms of financial behavior." Advertising is one of the key promotional tools and a principal element underpinning the integrated marketing communications strategy of many organizations today.

Advertising appeals provide the stimulus for consumer preference and patronage of a product since it has the ability to inform, persuade, remind and reinforce consumer decisions (Kotler and Armstrong, 2010; Alamro and Rowley, 2011). According to Mishra (2009), an advertising appeal needs to be unique in order to provide a positive impression about the product to respective target audiences. Kumar (1998) posits that one key and important success factor is believability. Believability is derived from source credibility which embodies attractiveness, trustworthiness, expertise and likability which form the fundamental building blocks for developing strong brand preference. Advertisers try to influence attitudinal and behavioral responses by developing strong brand positioning to create brand preference and to develop strong emotional attachment to their brands through deeper and clearer understanding of their target audiences (Mishra, 2009). Marketers believe that human behavior is motivated by need and advertising effectiveness is heavily boosted when the advertiser's message appeal matches consumer needs. Hence, advertising strategy should enhance the evaluation of each stage of the consumer decision-making process by providing service quality indicators and relevant information about service performance (Narteh and Owusu-Frimpong, 2011). Additionally, advertising effectiveness depends on the extent to which an ad campaign leverages the effective use of a coordinated media mix to deliver maximum communication impact (Kotler *et al.*, 1999; Estelami, 2012).

Advertising accountability and return on advertising investment have become hot issues for most organizations today (Kotler and Armstrong, 2010). This is further complicated by the fact that with the proliferation of media options, the existence of brand parity and audience sophistication, firms are hard pressed to determine the most efficient allocation of resources to maximize returns (Hong-Youl *et al.*, 2011). While significant inroads have been made in terms of the developments of theoretical insights into understanding consumer behavior, predicting the effectiveness of individual advertising messages can only be done within a wide range of uncertainty (Poieszand and Robben, 1994).This phenomenon is further accentuated by the fact that due to the growing competition in the marketplace, coupled with the existence of media clutter, about 37.3 percent of advertising budgets are wasted (Kotler and Armstrong, 2010). It is therefore imperative that the goal of maximizing advertising spend to achieve optimum results becomes an issue of serious concern to marketing management today. Consequently, a "value-for-money" paradigm of quantitative measurement of advertising results against expenditure is evolving in keeping with the need to maximize efficiency in promotional efforts (Bendixen, 1993).

Advertising is often used to create consumer brand experience and emotional responses to specific brands. The importance of brand experience as a principal source of brand associations has been widely corroborated by extant literature (O'Loughlin and Szmigin, 2005; de Chernatony and Cottam, 2006). Other scholars tend to focus on the hierarchy of effects model in determining advertising effectiveness (Kotler and Armstrong, 2010). Yet still others have argued that the key factors which contribute to advertising effectiveness are principally inherent in the ad execution and appeal. According to Blasberg and Vishwanath (2003), two main characteristics of successful brands are innovativeness and the use of aggressive advertising. Batra *et al.* (1995) found that product features, brands and advertising copy determine advertising effectiveness. Korgaonkar and Bellenger (1985) drew comparisons from two studies and concluded that factors fundamental to advertising success are message creativity, media selection, financial/managerial resources and agency-client relationship. In a similar vein, Schori and Garee (1998) posit that highly creative successful advertisements have a powerful and compelling effect on buying intentions thereby resulting in higher purchases. Before the reputation of the brand can be built, the consumer must perceive added value in a product relative to other competing brands. Marketing research is important in terms of identifying customers' needs and choice criteria in order to craft compelling advertisements.

In an empirical study of mobile telecommunications service customers in Jordan, advertising emerged as making the most significant contribution to brand preference (Alamro and Rowley, 2011). This is consistent with previous studies which found that advertising significantly increases brand awareness with attendant positive effect on brand preference (Mitchell and Olson, 1981; Lutz *et al.*, 1982; Gardner, 1985). Consumers prefer brands that provide a meaningful experience (Goode *et al.*, 2010). Preference is more in tune with a liking or overall rating of a brand compared to other brands in a consumer's evoked set. Brand preference reflects certain cognitive judgments as well as some positive affective feelings, which are likely to be held in the memory (Jamal and Al-Marri, 2007).

2.2 Brand preference

Since the 1970s, there has been a great deal of interest shown by marketing scholars in consumer brand preference studies (Jalilvand *et al.*, 2016). Researchers have focused on examining the antecedents of brand preferences over different ranges of product categories (Mulyanegara and Tsarenko, 2009). The central concern of marketers in this globalized context is to develop a strong brand image that is perceived favorably and seen as distinctive by their respective target audiences. The impact of consumers' brand evaluations and attendant brand associations determine the strength and uniqueness of the brand (Keller, 2012). Developing unique brand propositions and strong brand associations which imply superiority over other competing brands, have often been cited as the principal reason why companies invest in advertising (Aaker, 1996; Keller, 2012).

Scholars have conceptualized brand preference from different standpoints. While Keller (2003), view brand preference as an antecedent of brand loyalty, Chang and Ming (2009) hold the view that brand preference is the outcome of brand loyalty. In contrast, Rundle-Thiele and Mackay (2001) regard them as synonymous concepts that are mutually inter-changeable. One of the most cited conceptualization of brand preference is by Hellier *et al.* (2003, p. 1765) who defined brand preference as "The extent to which the customer favors the designated service provided by his or her present company, in comparison to the designated service provided by other companies in his or her consideration set." Similarly, Mitchell and Amioku (1985) defined brand preference as a bundle of attributes (consumer attributes, product/service attributes and market attributes) that cause a customer to favor one brand over another. According to Jalilvand *et al.* (2016), brand preference represents the bias a consumer holds or displays in favor of a particular brand relative to others in the same product/brand category. Most scholarly investigation of brand preference have often focused on brand image, brand knowledge, brand awareness, brand associations as the basis for developing brand equity (Aaker, 1996; de Chernatony, 2006; Kapferer, 2008; Keller, 2012). Brand preference can result from a pre-purchase/pre-consumption stimuli emanating from marketing communication activities of firms or word-of-mouth communication, or the culmination of post-purchase/post-consumption evaluation of the product's perceived performance *vis-à-vis* consumer's expectation. Examples of consumption preference behaviors include consistent purchase of one brand from a list of competing offers, favorable word-of-mouth, providing referrals or simply showing open admiration for their preferred brands. It has been argued that marketers have for some time now regarded intention as the most accurate predictor of purchase behavior (Morwitz and Schmittlein, 1992;

Pecotich *et al.*, 1996). Based on the above theoretical foundation, we propose our first hypothesis as follows:

H1. There is positive and significant relationship between advertising and brand preference.

2.3 Customer loyalty

The central challenge of marketing management today is how to retain customers in the long term to provide competitive advantage and ensure organizational survival on a sustainable basis. Research has shown that it is more cost effective to retain existing customers than to attract new ones and that a small percentage increase in customer retention results in a far more greater corresponding increase in firm profitability (Fornell and Birger, 1987; Reichheld and Sasser, 1990; Kim and Cha, 2002). Therefore any strategy that guarantees customer loyalty becomes a winning formula since it is a cost effective means of ensuring business progress on a realistically sustainable basis. Customer loyalty is defined by Oliver (1999, p. 34) as "a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior." While there is distinction in loyalty measures between attitudinal and behavioral loyalty, Olsen (2002) asserts that loyalty is commonly assessed by behavioral measures rather than attitudinal measures. Also, Bennett and Rundle-Thiele (2002) found that the degree of commitment toward buying a brand and the propensity to be loyal are two separate dimensions. According to Schiffman and Kanuk (2007, p. 227), "attitudinal measures are concerned with consumers' overall feelings about the product and the brand" while "behavioral measures are based on observable responses to promotional stimuli." It is assumed that customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm relative to competitors. However, studies have reinforced the notion that behavioral loyalty does not necessarily reflect attitudinal loyalty, since there might exist other factors, such as distance and monopoly power, that might deter customers from considering alternative offers (Reinartz and Kumar, 2002; Aldlaign and Buttle, 2005). This ties in firmly with the position of other scholars who hold that customer loyalty consists of a dispositional commitment and preference for the particular brand (Dick and Basu, 1994; Chaudhuri and Holbrook, 2001). In an empirical study, Chang and Liu (2009) found that higher customer brand preference was associated with more willingness to continue using the service brand (Chang and Liu, 2009).

Since advertising affects customer expectation of service quality (Kirmani and Wright, 1989, Moorthy and Zhao, 2000; Yoo *et al.*, 2000), and customer expectation affect customer preference, advertising is indirectly linked to customer loyalty. Effective and consistent advertising has been one of the principal techniques used by advertisers to bolter customer loyalty and create a sense of strong sentimental and emotional attachment to a brand. According to Agrawal (1996), advertising can be viewed as a defensive strategy used to build brand loyalty. Scholars have long recognized advertising as an antecedent of customer loyalty (Agrawal, 1996; Yoo *et al.*, 2000). Prudent spending on advertising is a necessary prerequisite for insulating a firm's customers from undue encroachment by marauding competitors (Hong-Youl *et al.*, 2011). A study of Turkish banks showed that advertising efficiency is a critical factor determining customer loyalty (Cengiz *et al.*, 2007). Advertising has a significant role in reinforcing perceived performance and usage experience of a particular brand (Kirmani and Wright, 1989). According to the authors, the use of corporate advertising creates the perception of strong institution with innovative products and services in retail banking. It stands to reason that in a fiercely competitive industry like Ghana's banking sector, advertising could be effectively employed to develop positive attitudes toward a brand and ultimately increase brand loyalty.

Thus, we propose the following hypotheses based on the above theoretical foundation:

H2. There is positive and significant relationship between advertising and customer loyalty.

H3. There is positive and significant relationship between brand preference and customer loyalty.

H4. Brand preference will mediate the association between advertising and customer loyalty.

3. Methodology

A quantitative survey was used to test the research model. Survey questionnaires were pretested using a small number of respondents. As a result of the pretesting, minor modifications were made to the questionnaire to ensure clarity, reliability and consistency of the measures adopted in the study. The resultant questionnaire was administered to the customers of universal banks in Ghana. The questionnaire was designed to provide answers to the four research hypotheses adopted in the study. The questionnaire consists of two sections: A and B. Section A captured the background information of respondents. Section B presented in Table I has three major sub-sections within which questions were asked based on the main constructs of the study namely advertising, brand preference and customer loyal. Respondents were asked to rate the extent to which they agreed (or disagreed) with the statements on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

A total of 700 customers of 26 different universal banks in Ghana were surveyed based on convenience sampling techniques. A response rate of 85.7 percent was achieved (633 completed questionnaires, 600 were usable). Data collection, which was conducted in English language, spanned the period between 2 October and 30 November, 2015. Of the total number of respondents, 350 of them were customers of foreign banks whereas the remaining 250 were the customers of local banks. There was almost an even number of male and female respondents (male 47.2 percent, female 52.8 percent). The modal and mean age group was 26 to 35 years accounting for about 49 percent of respondents. The modal length of banking relationship was one to six years accounting for about 47 percent of respondents (mean length was approximately six years).

In the analysis of data, partial least squares (PLS) were used (SmartPLS Release: 2.0 (beta) (Ringle *et al.*, 2005). PLS method is suited for predictive models using much smaller or much larger samples (Chin, 1998; Hair *et al.* 2011) and is the preferred approach when assumptions of normality are not satisfied (Wold, 1982; Chin and Newsted, 1999).

Concept/constructs	Items
Advertisement	1.1 I remember my bank's adverts easily
	1.2 I easily notice my bank's adverts even in the media traffic
	1.3 My bank's adverts make positive impression on me
	1.4 My bank's adverts are innovative and appealing
Brand preference	2.1 My bank is one of the best in the banking industry
	2.3 I am very content with the services of my bank
	2.3 My bank is highly professional in serving customer needs
	2.4 I think this brand is superior to other competing brands
Customer loyalty	3.1 I am very satisfied with my bank's services
	3.2 I go out of my way to tell others about the superior services my bank offers
	3.3 I will not hesitate to recommend my bank to anyone seeking excellent customer services
	3.4 I intend to continue doing business with my bank in the future
	3.5 I am a very proud customer of my bank
	3.6 I have never considered switching to another bank

Table I. Scales of the variables in the model

PLS also estimates each causal subsystem of paths separately (Wold, 1982; Gerbing and Anderson, 1988) thus making it less stringent than LISREL. The significance of each path was tested using bootstrap *t*-values (5,000 sub-samples) (Efron and Gong, 1983; Tortosa *et al.*, 2009), a procedure available in PLS.

4. Main results

Due to the high response rate, the test for non-response bias was not undertaken. Next, since all data for this research were conducted using a single data instrument, it is essential to test for common method variance bias. Exploratory factor analysis with extraction of only one factor showed that the factor accounted for about 37.02 percent of variance explained (which is less than 50 percent variance). Therefore common method variance bias is not a problem (Podsakoff *et al.*, 2003). Furthermore, measures were taken in the questionnaire design to minimize acquiescence bias (Lings and Greenley, 2010).

Analysis of the scales used in the study questionnaire indicated that one item had kurtosis $> \pm 1.0$. More importantly, the Komogorov-Smirnov test of normality showed that $0.169 < \alpha < 0.268$; $p < 0.01$ for all items. Similarly the Shapiro-Wilk test of normality showed that $0.858 < W < 0.914$; $p < 0.01$ for all items. These imply that the data are not normally distributed thus confirming the appropriateness of the usage of PLS statistics.

Next, a test of the psychometric properties of scales used in the study was carried out. This process involves a test of convergence and discriminant validity. An examination of the results showed that CL1 which translates as "I am very satisfied with my bank services" significantly cross-loaded into both brand preference and customer loyalty constructs. We decided to delete the offending item and re-run the measurement model to obtain the final retained items shown in Table II.

Cronbach's α for each of the scales retained ranged from 0.835 to 0.895 and composite reliability ranged from 0.890 to 0.923, meeting the minimum suggested by Nanully (1978), Gerbing and Anderson (1988), and Hair *et al.* (1998). Additionally, average variance

Codes	Constructs and items	Loading	Bootstrap *t*-values	α	CR	AVE
Advertising				0.861	0.905	0.704
ADV1	I remember my bank's adverts easily	0.836**	43.655			
ADV2	I easily notice my bank's adverts even in the media traffic	0.816**	40.819			
ADV3	My bank's adverts make positive impression on me	0.862**	75.111			
ADV4	My bank's adverts are innovative and appealing	0.843**	58.783			
Brand preference				0.835	0.890	0.671
BP1	My bank is one of the best in the banking industry	0.732**	29.357			
BP2	I am very content with the services of my bank	0.863**	75.592			
BP3	My bank is highly professional in serving customer needs	0.844**	50.496			
BP4	I think this brand is superior to other competing brands	0.830**	57.289			
Customer loyalty				0.895	0.923	0.705
CL2	I go out of my way to tell others about the superior services my bank offers	0.839**	61.030			
CL3	I will not hesitate to recommend my bank to anyone seeking excellent customer services	0.851**	45.338			
CL4	I intend to continue doing business with my bank in the future	0.858**	61.514			
CL5	I am a very proud customer of my bank	0.906**	97.676			
CL6	I have never considered switching to another bank	0.736**	26.257			

Note: ***t*-value is significant at 0.01 level

Table II. Reliability and convergent validity extracted for each of the scales retained ranged from 0.671 to 0.705 also meeting the minimum suggested by Gerbing and Anderson (1988) and Henseler *et al.* (2009). Also, each of the item loadings for the scale used was statistically significant using bootstrap *t*-values. These results imply that convergent validity has been adequately met.

Next, discriminant validity is met by the fact that the square root of the average variance extracted estimates for each of the three constructs is greater than the inter-construct correlations between them (Fornell and Larcker, 1981). This shows that each construct is distinct and differs from the other measurement constructs in the model. Therefore, the three-construct model demonstrates discriminant validity. See Table III for details.

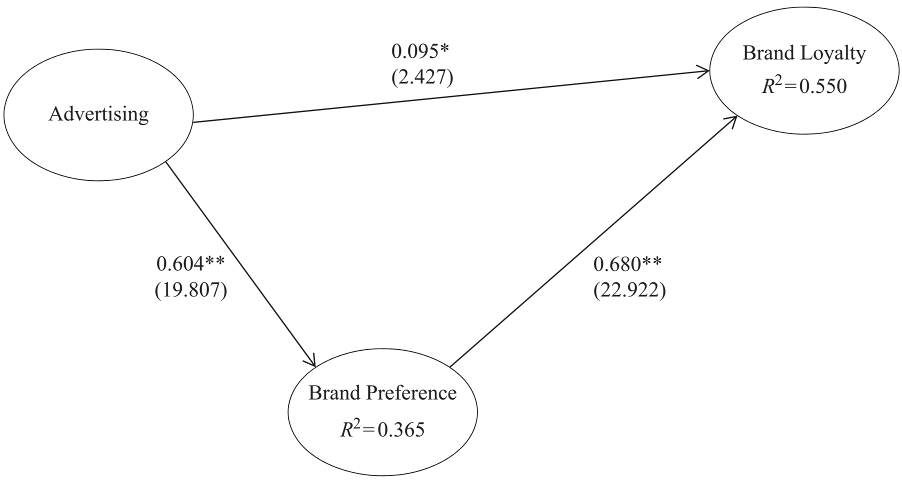
4.1 Structural equation modeling

Having confirmed the psychometric properties of the scales used, the next stage was to examine the structural model in order to assess the model's explanatory power and the significance of the hypothesized paths (Lings and Greenley, 2010). First, a direct path was modeled between advertising and customer loyalty. Second, brand preference was introduced into the model as a mediator variable. The results of the second step showed that advertising and brand preference jointly explained about 55 percent of the variance in customer loyalty. Furthermore, advertising explained about 36.5 percent of the variance in brand preference. Both of these results exceed the moderate level of 33 percent suggested by Chin (1998) showing good explanatory power. Figure 1 presents the results of structural paths showing regression weights and bootstrap *t*-values.

Table III.
Discriminant validity

Construct	1	2	3
Advertisement	*0.839*		
Brand preference	0.506	*0.819*	
Customer loyalty	0.604	0.737	*0.840*

Note: Square roots of AVEs in diagonal are shown in italics



Notes: *t*-values in parenthesis. *,**Statistically significant at 0.05 and 0.01 levels, respectively

Figure 1.
Path diagram showing regression weights and bootstrap *t*-values

The bootstrap t-values showed that all paths were statistically significant. Therefore a significant positive association exists between advertising and customer loyalty. As a result, effective advertising tends to promote customer loyalty. Therefore *H1* is supported in the present context. Similarly, a significant positive association exists between advertising and brand preference. As a result, effective advertising tends to influence brand choice. Therefore *H2* is supported in the present context. Additionally, a significant positive association exists between brand preference and customer loyalty. The more customers tend to prefer a particular brand the more loyal they will likely be to the brand. Therefore *H3* is supported in the present context.

4.2 Mediating role of brand preference

To assess the mediating role of brand preference on the association between advertising and customer loyalty, the study followed guidelines recommended by Baron and Kenny (1986) and Sobel (1982). The results revealed that the structural path coefficient between advertising and customer loyalty reduced from 0.515 to 0.095 when brand preference (mediator) was introduced into the model. Furthermore, bootstrap t-values showing the strength of association also reduced following the introduction of the mediator.

Also, Sobel z test conducted was statistical significant ($z = 14.78$, $p < 0.01$) showing strong evidence of mediation. Therefore brand preference mediates the association between advertising and customer loyalty. Therefore, *H4* is supported in the present context. However, since the association between advertising and customer loyalty is still significant after the inclusion of the mediator, this study supports partial mediation of brand preference in the association between advertising and customer loyalty. Advertising therefore had a strong indirect effect on customer loyalty. See Table IV for details.

5. Conclusions

We investigated the relationships between advertising and brand preference; advertising and customer loyalty; brand preference and customer loyalty; and finally the mediation effect of brand preference between advertising and customer loyalty with the goal of providing deeper insight as to how these important constructs interact to produce customer loyalty in Ghana's banking industry.

The results of the study confirm significant positive relationships between advertising effectiveness and brand preference (*H1*); advertising and customer loyalty (*H2*); brand preference and customer loyalty (*H3*); and the effect of mediation between advertising and customer loyalty (*H4*). Hence, our hypotheses *H1-H4* were supported by the outcomes of the study. Consequently, this study corroborates previous research which found that effective advertising promotes customer loyalty (Agrawal, 1996; Cengiz *et al.*, 2007; Hong-Youl *et al.*, 2011). The implication for policy makers of banks is that with the current fierce competitive banking landscape, banks seeking to retain customers in the long term

Structural path	Path coefficient	t-value (bootstrap)	β	SE	Sobel Z	p
Advertisement → Customer loyalty[a]	0.513**	14.943	0.513	0.034		
Advertisement → Brand preference	0.604**	19.807	0.604	0.031	14.78	0.00**
Brand preference → Customer loyalty	0.680**	22.922	0.680	0.030		
Advertisement → Customer loyalty[b]	0.095*	2.427	0.092	0.039		

Notes: [a]Direct path between advertisement and customer loyalty without brand preference; [b]direct path between advertisement and customer loyalty with brand preference as mediator Ingenuity. R^2 (Customer loyalty) = 0.550; R^2 (Brand preference) = 0.365. *t-value is significant at $p < 0.05$; **t-values are significant at $p < 0.01$

Table IV. Structural path results and mediator test to maximize customer lifetime values should innovatively deploy advertising to promote loyalty. In this regard, when banks deploy creative, appealing and memorable adverts through regular and well-coordinated media platforms, they stand a good chance of increasing customer loyalty. This is consistent with contemporary marketing practice marked by a shift in focus from transactional marketing towards customer loyalty (Reichheld and Sasser, 1990; Kim and Cha, 2002). The significance of this phenomenon is predicated on the notion that having loyal customers provides a winning formula that guarantees business progress on a sustainable basis. Agrawal (1996) posits that advertising can be viewed as a defensive strategy used to build customer loyalty. Similarly, Pergelova *et al.* (2010) and Estelami (2012) confirm the potential of advertising as a potent force for differentiating a firm and setting it apart from its leading competitors thus making advertising a strong and vital force for enhancing customer loyalty through brand differentiation. This implies that firms desirous of promoting customer loyalty should devote attention to crafting creative advertising messages tailored toward differentiating their brands by stressing superior tangible differences to inspire trust and confidence. Hong-Youl *et al.* (2011) hold that for advertising to be effective in achieving customer loyalty, such adverts should be geared toward affecting the comprehension and conviction stages of the communication process.

Advertising should not be seen entirely as an end in itself since it is a mass media promotional tool that lacks the ability to target with specificity and is relatively expensive. Hence it is prudent to combine advertising with other loyalty-related programs such as relationship marketing practices and other loyalty promotional campaigns to maximize the impact on customer loyalty. Firms can use effective advertising as a rallying point to enhance other loyalty programs. Advertising can therefore be used both a prime mover and at the same time a catalyst to reinforce other loyalty-oriented campaigns. This is consistent with Kirmani and Wright (1989) who stipulated that advertising has a significant role in reinforcing perceived performance and usage experience of particular brands.

This study recommends the use of effective advertising as one of the essential pathways to building customer loyalty. The study indicates that a key objective of advertising should first be to create brand preference as a progression to customer loyalty (Agrawal, 1996). This is because brand preference has been found to be a key antecedent of customer loyalty (Cengiz *et al.*, 2007). Banks should therefore consistently work hard to be among the best by using best practices and high levels of professional and ethical standards to increase consumer preference since it has been found to be a natural progression in the quest to attain customer loyalty which guarantees business progress and profitability on a sustainable basis (Reichheld and Sasser, 1990; Agrawal, 1996; Kim and Cha, 2002).

Nonetheless, due to the partial mediation of brand preference in the association between advertising and customer loyalty, the study acknowledges the fact that there may be few customers who might appear loyal to a bank without it being their most preferred choice. This implies that even high-performing banks in Ghana should not be complacent by taken existing loyal customers for granted but note that there is more room for increasing loyalty in the already "loyal set" (increasing the scope for attitudinal loyalty) of customers in their portfolio, thus further fortifying the bank against undue encroachment by marauding competitors (Hong-Youl *et al.*, 2011). All said and done, effective advertising should help banks to ultimately achieve customer loyalty and increased customer lifetime values through repeat purchase, favorable word-of-mouth and referral, relationship longevity and the pride of association with the bank. This will undeniably serve as a bulwark against customer defection which is the ultimate goal of any well-meaning bank in the heat of present day "unprecedented" banking competition as noted by Narteh and Owusu-Frimpong (2011, p. 375).

The study however has several inherent weaknesses which have implications for future research. The study did not consider types of advertisements and their relative effects on target audience response relative to the other constructs of interest in the study. For example, does a radio advertisement lead to increased brand preference or customer loyalty compared to TV advertisements? Furthermore, the use of convenience sampling technique limits the extent of representativeness of findings to the generality of customers of the respective banks. Finally, the study confines itself to universal banks. Future studies may look at the entire financial services industry to increase the generalizability of findings to the entire financial sector.

References

Aaker, D. (1996), *Building Strong Brands*, Free Press, New York, NY.

Adjei, E.A. and Chakravarty, S.P. (2012), "Banking industry liberalization in Ghana", *Review of Development Finance*, Vol. 2 No. 2, pp. 93-99.

Agrawal, D. (1996), "Effect of brand loyalty on advertising and trade promotions: a game theoretic analysis with empirical evidence", *Marketing Science*, Vol. 15 No. 1, pp. 86-108.

Alamro, A. and Rowley, J. (2011), "Antecedents of brand preference for mobile telecommunications services", *Journal of Product & Brand Management*, Vol. 20 No. 6, pp. 475-486.

Aldlaign, A. and Buttle, F. (2005), "Beyond satisfaction: customer attachment to retail banks", *International Journal of Bank Marketing*, Vol. 23 No. 4, pp. 349-359.

Bank of Ghana (2015), "Annual report", available at: www.bog.gov.gh/privatecontent/Publications/Annual_Reports/2015_Annual_report.pdf (accessed May 20, 2016).

Baron, R.M. and Kenny, D.A. (1986), "The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations", *Journal of Personality and Social Psychology*, Vol. 51, pp. 1173-1182.

Batra, R., Lehmann, D.R., Burke, J. and Pae, J. (1995), "When does advertising have an impact? A study of tracking data", *Journal of Advertising Research*, Vol. 35 No. 5, pp. 19-32.

Bendixen, M.T. (1993), "Advertising effects and effectiveness", *European Journal of Marketing*, Vol. 27 No. 10, pp. 19-32.

Bennett, R. and Rundle-Thiele, S. (2002), "A comparison of attitudinal loyalty measurement approaches", *Journal of Brand Management*, Vol. 9 No. 3, pp. 193-209.

Blasberg, J. and Vishwanath, V. (2003), "Making cool brands hot", *Harvard Business Review*, Vol. 81 No. 6, p. 20.

Cengiz, E., Ayyildiz, H. and Er, B. (2007), "Effect of image and advertising efficiency on customer loyalty and antecedents of loyalty: Turkish banks examples", *Banks and Banking System*, Vol. 2 No. 1, pp. 56-83.

Chang, H.H. and Liu, Y.M. (2009), "The impact of brand equity on brand preference and purchase intentions in the service industries", *The Service Industries Journal*, Vol. 29 No. 12, pp. 1687-1706.

Chaudhuri, A. and Holbrook, M.B. (2001), "The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty", *Journal of Marketing*, Vol. 65 No. 2, pp. 81-93.

Chin, W.W. (1998), "The partial least squares approach to structural equation modeling", *Modern Methods for Business Research*, Vol. 295 No. 2, pp. 295-336.

Chin, W.W. and Newsted, P.R. (1999), "Structural equation modeling analysis with small samples using partial least squares", in Rick Hoyle (Ed.), *Statistical Strategies for Small Sample Research*, Sage Publications, Thousand Oaks, CA, pp. 307-341.

de Chernatony, L. (2006), *From Brand Vision to Brand Evaluation*, Butterworth-Heinemann, Oxford.

de Chernatony, L. and Cottam, S. (2006), "Why are all financial services brands not great?", *Journal of Product and Brand Management*, Vol. 46 No. 2, pp. 1095-1118.

Dick, A.S. and Basu, K. (1994), "Customer loyalty: toward an integrated conceptual framework", *Journal of the Academy of Marketing Science*, Vol. 22 No. 2, pp. 99-113.

Efron, B. and Gong, G. (1983), "A leisurely look at the bootstrap, the jack-knife, and cross validation", *The American Statistician*, Vol. 37 No. 1, pp. 36-48.

Estelami, H. (2012), *Marketing Financial Services*, 2nd ed., Dog Ear, Indianapolis, IN.

Fornell, C. and Birger, W. (1987), "Defensive marketing by consumer complaints management", *Journal of Marketing Research*, Vol. 24 No. 4, pp. 99-113.

Fornell, C. and Larcker, D.F. (1981), "Evaluating structural equation models with unobservable variables and measurement error", *Journal of Marketing Research*, Vol. 18 No. 1, pp. 39-50.

Gardner, M. (1985), "Does attitude toward the ad effect brand attitude under a brand evaluation set?", *Journal of Marketing Research*, Vol. 22 No. 2, pp. 192-198.

Gerbing, D.W. and Anderson, J.C. (1988), "An updated paradigm for scale development incorporating unidimentionality and its assessment", *Journal of Marketing Research*, Vol. 21 No. 3, pp. 186-192.

Goode, M.R., Dahl, D.W. and Moreau, C.P. (2010), "The effect of experiential analogies on consumer perceptions and attitudes", *Journal of Marketing Research*, Vol. 47 No. 2, pp. 274-286.

Hair, J.F.J., Anderson, R.E., Tatham, R.L. and Black, W.C. (1998), *Multivariate Data Analysis*, Prentice-Hall, Upper Saddle River, NJ.

Hair, J.F.J., Ringle, C.M. and Sarstedt, M. (2011), "PLS-SEM: indeed a silver bullet", *The Journal of Marketing Theory and Practice*, Vol. 19 No. 2, pp. 139-152.

Hellier, P.K., Geursen, G.M., Carr, R.A. and Rickard, J.A. (2003), "Customer repurchase intention: a general structural equation model", *European Journal of Marketing*, Vol. 37 Nos 11/12, pp. 1762-1800.

Henseler, J., Ringle, C.M. and Sinkovics, R.R. (2009), "The use of partial least squares path modelling in international marketing", in Sinkovics, R.R. and Ghauri, P.N. (Eds), *Advances in International Marketing*, Vol. 20, Emerald Group, Bingley, pp. 277-319.

Hinson, R. and Osarenkhoe, A. (2013), "Determinants of bank selection: a study of undergraduate students in the University of Ghana", *Journal of Service Science and Management*, Vol. 6 No. 3, pp. 197-205.

Hong-Youl, H., John, J., Janda, S. and Muthaly, S. (2011), "The effects of advertising spending on brand loyalty in services", *European Journal of Marketing*, Vol. 5 No. 4, pp. 673-691.

Jalilvand, M.R., Pool, J.K., Vosta, S.N. and Kazemi, R.V. (2016), "Antecedents and consequences of consumers' attitude towards brand preference: evidence from restaurant industry", *An International Journal of Tourism and Hospitality Research*, Vol. 27 No. 2, pp. 167-176.

Jamal, A. and Al-Marri, M. (2007), "Exploring the effect of self image congruence and brand preference on satisfaction: the role of expertise", *Journal of Marketing Management*, Vol. 23 Nos 7/8, pp. 613-629.

Kapferer, J. (2008), *The New Strategic Brand Management: Creating and Sustaining Brand Equity Long Term*, 4th ed., Kogan, London.

Keller, K.L. (2003), *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, Pearson Education, Upper Saddle River, NJ.

Keller, K.L. (2012), *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*, 3rd ed., Pearson, Prentice Hall, Upper Saddle River, NJ.

Kim, W.G. and Cha, Y. (2002), "Antecedents and consequences of relationship quality in hotel industry", *Hospitality Management*, Vol. 27 No. 4, pp. 321-338.

Kirmani, A. and Wright, P. (1989), "Money talks: perceived advertising expenditures and expected product quality", *Journal of Consumer Research*, Vol. 16 No. 3, pp. 344-353.

Korgaonkar, P.K. and Bellenger, D.N. (1985), "Correlates of successful advertising campaigns: the manager's perspective", *Journal of Advertising Research*, Vol. 25 No. 4, pp. 34-39.

Kotler, P. and Armstrong, G. (2010), *Principles of Marketing*, Pearson, Prentice Hall, New Jersey.

Kotler, P., Amstrong, G., Saunders, J. and Wong, V. (1999), *Principle of Marketing*, Prentice Hall, Upper Saddle River, NJ.

Kumar, R. (1998), *Marketing Nuggets*, Vikas Publication House, New Delhi.

Lewis, B.R. (1991), "Service quality: an international companion of bank customers' expectations and reception", *Journal of Marketing Management*, Vol. 7, pp. 47-62.

Lings, L.N. and Greenley, G.E. (2010), "Internal market orientation and market-oriented behaviors", *Journal of Service Management*, Vol. 21 No. 3, pp. 321-343.

Lutz, R.J., MacKenzie, S.B. and Belch, G.E. (1982), "Attitude toward the ad as a mediator of advertising effectiveness: determinants and consequences", *Advances in Consumer Research*, Vol. 10 No. 1, pp. 532-539.

Mishra, A. (2009), "Indian perspectives about advertising appeal", *International Journal of Marketing Studies*, Vol. 1 No. 2, pp. 23-34.

Mitchell, A. and Olson, J. (1981), "Are product attribute beliefs the only mediator of advertising effects on brand attitude", *Journal of Marketing Research*, Vol. 18 No. 3, pp. 318-332.

Mitchell, I.S. and Amioku, T.O. (1985), "Brand preference factors in patronage and consumption of Nigeria beer", *Columbia Journal of World Business*, Vol. 20 No. 1, pp. 55-67.

Moorthy, S. and Zhao, H. (2000), "Advertising spending and perceived quality", *Marketing Letters*, Vol. 11 No. 3, pp. 221-233.

Morwitz, V. and Schmittlein, D. (1992), "Using segmentation to improve sales forecasts based on purchase intent: which intenders' actually buy?", *Journal of Marketing Research*, Vol. 29 No. 4, pp. 391-405.

Mulyanegara, R.C. and Tsarenko, Y. (2009), "Predicting brand preferences", *Journal of Fashion Marketing and Management: An International Journal*, Vol. 13 No. 3, pp. 358-371.

Nanully, J.C. (1978), *Assessment of Reliability in Psychometric Theory*, McGraw Hill, New York, NY.

Narteh, B. and Owusu-Frimpong, N. (2011), "An analysis of students' knowledge and choice criteria in retail bank selection in Sub-Saharan Africa", *International Journal of Bank Marketing*, Vol. 29 No. 5, pp. 373-397.

O'Loughlin, D. and Szmigin, I. (2005), "Customer perspectives on the role and importance of branding in Irish retail financial services", *International Journal of Bank Marketing*, Vol. 23 No. 1, pp. 8-27.

Oliver, R.L. (1999), "Whence consumer loyalty", *Journal of Marketing*, Vol. 63 No. 4, pp. 33-44.

Olsen, S.O. (2002), "Comparative evaluation and the relationship between quality, satisfaction, and repurchase loyalty", *Journal of Academy of Marketing Science*, Vol. 30 No. 3, pp. 355-368.

Owusu-Frimpong, N. (1999), "Patronage behavior of Ghanaian bank customers", *International Journal of Bank Marketing*, Vol. 17 No. 7, pp. 335-342.

Pecotich, A., Pressley, M. and Roth, D. (1996), "The Impact of country of origin in the retail service context", *Journal of Retailing and Consumer Services*, Vol. 3 No. 4, pp. 213-224.

Pergelova, A., Prior, D. and Rialp, J. (2010), "Assessing advertising efficiency", *Journal of Advertising Research*, Vol. 39 No. 3, pp. 39-54.

Podsakoff, P.M., MacKenzie, S.B., Lee, J.-Y. and Podsakoff, N.P. (2003), "Common method biases in behavioural research: a critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.

Poiesz, T.B.C. and Robben, H.S.J. (1994), "Individual reactions to advertising: theoretical and methodological developments", *International Journal of Advertising*, Vol. 13 No. 1, pp. 25-53.

Reichheld, F.E. and Sasser, W.E. Jr (1990), "Zero defections: quality comes to service", *Harvard Business Review*, Vol. 68 No. 9, pp. 105-111.

Reinartz, W.J. and Kumar, V. (2002), "The mismanagement of customer loyalty", *Harvard Business Review*, Vol. 80 No. 7, pp. 4-12.

Ringle, C.M., Wende, S. and Will, A. (2005), *SmartPLS 2.0 (M3) Beta*, Hamburg, available at: www.smartpls.de

Roy, A. (2011), "Strategic positioning and capacity utilization: factors in planning for profitable growth in banking", *Journal of Performance Management*, Vol. 23 No. 3, pp. 23-58.

Rundle-Thiele, S. and Mackay, M.M. (2001), "Assessing the performance of brand loyalty measures", *Journal of Service Marketing*, Vol. 15 No. 7, pp. 529-546.

Schiffman, L.G. and Kanuk, L.L. (2007), *Consumer Behavior*, 9th ed., Pearson, Prentice Hall, NJ.

Schori, T.R. and Garee, M.L. (1998), "Capitalize on the interactive nature of the internet", *Marketing News*, January 18, p. 12.

Sobel, M.E. (1982), "Asymptotic intervals for indirect effects in structural equations models", in Leinhart, S. (Ed.), *Sociological Methodology*, Jossey-Bass, San Francisco, CA, pp. 290-312.

Tortosa, V., Moliner, M.A. and Sanchez, J. (2009), "Internal market orientation and its influence on organizational performance", *European Journal of Marketing*, Vol. 43 Nos 11/12, pp. 1435-1456.

Wold, H. (1982), "Systems under indirect observations using PLS", in Fornell, E. (Ed.), *A Second Generation of Multivariate Analysis*, Vol. 1, Methods, Chapter 15, Praeger, New York, NY.

Yoo, B., Donthu, N. and Lee, S. (2000), "An examination of selected marketing mix elements and brand equity", *Journal of Academy of Marketing Science*, Vol. 28 No. 2, pp. 195-211.

Zineldin, M. (1996), "Bank strategic positioning and some determinants of bank selection", *International Journal of Bank Marketing*, Vol. 14 No. 6, pp. 12-22.

Corresponding author
George Kofi Amoako can be contacted at: gkamoako@gmail.com