



**CUSTOMERS PERCEPTION TOWARDS ETHICAL
ADVERTISEMENTS IN MALAYSIA**

BY

AISHATH NIHA

**A dissertation submitted in fulfilment of the requirement for
the degree of Master of Science (Marketing)**

**Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia**

FEBRUARY 2016

ABSTRACT

The fact that potentially unethical advertisements are reaching the marketplace suggests that current methods of evaluating advertisements may be insufficient for some of today's controversial or innovative advertising strategies. Interestingly, customers are constantly prone to advertisements both directly and indirectly. However, the question arises whether these advertisements are perceived to be ethical in the customers' mind. Many research experts believe such uncertainty could be an indication of a downfall for the advertising industry. It is worthwhile to be aware of the ethical issues facing advertisers in order to reduce the negative perceptions toward advertisements. This research focuses on some major perceptions for customers in addressing the perception towards ethical advertising. By examining whether the perceived factors such as deceptive messages, religiosity and emotional appeal can shape overall positive ethical perception. This research would provide marketers with a clear understanding on the ethical grounds. Therefore, if the accountable people such as advertisers and businesses work cooperatively and think about the consequences, these problems will be diminished in the future. Data was collected from 200 Malaysian customers and Structural Equation Modeling (SEM) was used to test the research hypothesis. The results confirmed that the independent variables used in this research do contribute to the customers perception on ethical advertisements on a large scale. Several propositions for future research have also been identified.

ملخص البحث

هناك حقيقة تؤكد على أنّ الإعلانات غير الأخلاقية قد ملأت السوق، الأمر الذي يشير إلى أنّ الأساليب المتبعة حالياً في تقييم الإعلانات قد لا تخلو من بعض الأمور المثيرة للجدل اليومي، أو من الإستراتيجيات الإعلانية المبتكرة. ومن المثير للاهتمام أنّ الزبائن هم عرضة باستمرار للإعلانات سواء بصورة مباشرة أو غير مباشرة. ومع ذلك، فإنّ السؤال الذي يطرح نفسه هو هل هناك من ينظر إلى الأثر الأخلاقي لهذه الإعلانات على عقلية العملاء؟، ولا يعتقد العديد من خبراء الأبحاث أنّ هذا الأمر قد يكون مؤشراً على سقوط صناعة الإعلان. ومن الجدير بالذكر أنه ينبغي أن نكون على بينة من أنّ القضايا الأخلاقية قد تواجه المعلنين من أجل الحد من التصورات السلبية تجاه الإعلانات. ويركز هذا البحث على بعض المفاهيم الرئيسة لدى العملاء المتعلقة بمعالجة نظرهم تجاه قيم الإعلان الأخلاقية، وذلك عن طريق دراسة العوامل التي يتم النظر إليها بعين الاعتبار مثل الرسائل الخادعة، والتدين، والنداء العاطفي، وهل يمكن لهذه الأمور السابقة أن تشكل التصور الأخلاقي الإيجابي العام في المجتمع؟. إنّ هذا البحث يُمكن المسوقين من الفهم الواضح لدور الأسباب الأخلاقية. وعليه فإذا كان الناس المعنيين مثل المعلنين وأصحاب الشركات على قدر من المسؤولية وعلى جانب من التفكير في العواقب، فإنّ هذه المشاكل سوف تتضاءل في المستقبل. وقد تم جمع قاعدة بيانات هذه الدراسة من مائتي عميل ماليزي، وتم الاعتماد على نموذج المعادلة الهيكلية (SEM) من أجل اختبار فرضية البحث. وأكدت النتائج أنّ المتغيرات المستقلة المستخدمة في هذا البحث تسهم في إدراك العملاء للقيم الأخلاقية في الإعلانات على نطاق واسع، هذا بالإضافة إلى تحديد العديد من البحوث المستقبلية المقترحة.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing)

.....
A.K.M. Ahasanul Haque
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing)

.....
Dzuljastri Abdul Razak
Examiner

.....
Muhammad Tahir Jan
Examiner

This dissertation was submitted to the Department of Accounting and is accepted as a fulfilment of the requirement for the degree of Master of Science (Marketing)

.....
Suhaimi Mhd. Sharif
Head, Department of Business
Administration

This dissertation was submitted to the Kulliyah of Economics and Management Sciences and is accepted as a fulfilment of the requirement for the degree of Master of Science (Marketing)

.....
Maliah Sulaiman
Dean, Kulliyah of Economics and
Management Sciences

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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ACKNOWLEDGEMENTS

I am thankful to Almighty Allah (S.W.T), the most Merciful, the most Compassionate, for bestowing on me the strength, courage and patience for successfully completing the dissertation despite all the challenges.

Heartfelt appreciation is extended to the following persons who have been contributory in the research and writing of this thesis. I would like to express deep gratitude to my supervisor Professor Dr. A.K.M Ahasanul Haque for his patient and collegial guidance throughout the whole research project. It is hard to imagine a supervisor with a greater commitment and it is because of his guidance that this thesis was brought to a successful completion. Throughout the entire process of writing the dissertation, he was always willing to help, even during his annual leave. Indeed, I consider myself very fortunate to have him as my supervisor.

Special gratitude is extended to my loving husband Ismail Fiyaz whose spiritual encouragement in times of despair was a constant source of strength. Truly I am indebted to his efforts and patience throughout the process.

The personal support from my family was instrumental in the completion of this thesis. I would like to express my deepest thanks to my parents, Mohammed Hussain and Fathmath Umar. I thank them for unconditionally loving and supporting me in every way possible throughout my entire life. I am grateful to them for not only giving me the opportunity, but as well as encouraging and motivating me to learn and seek knowledge. Special thanks are reserved for my brothers Hussain Nihaz and Ibrahim Nuham.

I wish to thank my friends Huma Ozev, Mariyam Himmath and Aminath Sofa for their devoted friendship. They have always been beside me through the thick and thin. I thank them for being there for me whenever I needed them and continuously helping me in every way possible.

My appreciation also goes to those customers who willingly participated in the research by completing questionnaires. I thank them all for their generosity and kindness. Without the support and well-wishes of the abovementioned persons this thesis would never have seen the light of day. Thank you.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

“In law a man is guilty when he violates the rights of others. In ethics he is guilty if he only thinks of doing so” (Kant, I. 18th century philosopher)

With consumer tastes and incomes over the last century having changed driven on the back of a burgeoning middle class and globalisation that unlocked the reach of organisations across national geographical boundaries much easily. The role of advertising has become indispensable in the operations of competitive markets and growth of economic sectors, from consumer consumable goods to industrial production equipment. As concurred to by Sanayei (2011), this provides justification to the billions of dollars spent annually spent by organisations to promote their products on a global scale such as Coca cola, Toyota, Ford and McDonalds.

Crucially advertising not only attracts consumers to a product or product range against that of competitor alternative but provides a platform to give value proposition information to prospective consumers. Consumers are constantly bombarded with both direct and indirect forms of advertising. Hence, taking into consideration the cultural diversity of markets such as in Malaysia, advertisers have to be mindful of a number of variables such as religious, traditional and historic practices of its demographic audiences (De Run, Butt, Fam & Jong, 2010).

Waller & Fam (2000) argued that in a diverse and developing market such as Malaysia, factors such as the type of media, ability to advertise certain types of goods, pressure groups and Government control, play a huge role which effects product advertisers. Consumers are confronted on a daily basis with circumstances they need

to make choices, between select what they know or perceive to be good or bad. With it are questions regarding what is moral or shameless, ethical or unethical and as per the impression of every person; the right choice from their perspective is made. A case in point being the controversial Coca cola adverts directed at children yet its products contain unhealthy levels of sugar for the children.

The term ethics encompasses the conviction that individuals hold against what is viewed as right or off base. Ethical values direct individuals as they settle on choices in their individual and expert lives (Zhu, May & Avolio, 2004). Also referred to as ones morals, ethic is the standards that serve as rules of social engagement for both people and organizations. They help set limits in regards to what is adequate and what is not, since these practices are identified with good emotions about good and bad (Zhu, May & Avolio, 2004).

Spence and Heekeren (2005) contend to ethics as “a set of prescriptive rules, principles, values, and virtues of character that inform and guide Advertising ethics. However, Schlegelmilch (1998) argued that defining ethics is hard to do due to the fact that it cannot be directly measured and it originates from many internal and external. Given the way that advertising is relied upon to recognize, anticipate and fulfill client prerequisites productively, ethical issues become important in sending the right message (Carrigan, 2005). Specific advertisements have prompted the formation of new laws and regulations with respect to the universe of ethical advertisement in Malaysia (Zhu, May & Avolio, 2004).

In order to comply to ethical practices in advertising, promoters in Malaysia have employed mixed bag of ethical advertising methodologies, which include amongst others; trepidation, amusingness, sex, music, levelheadedness, feelings and lack. Sponsors utilize these aspects in order to guarantee getting the most effective

stimulated response from the advertisements (Zhu, 2006). Two primary methods namely sex and emotional appeal is widely used, yet more often than not they are not sufficiently solid to be utilized exclusively. Sex appeal utilizations in advertising message the presence or use of asexual substance and/or object. Emotional appeal attempts to influence the consumers choice by evoking sentimental emotions that can lead to a purchase (Petrick & Quinn, 2001).

1.2 BACKGROUND OF THE STUDY

Malaysia is a multicultural nation of diverse religions and ethnic backgrounds. As a fast growing nation being sustained by a wide range of consuming public, ethical issues have been receiving considerable attention and a cause for concern by the government to ensure all stakeholders do not feel violated, insulted or undermined. Zabihollah (2008) describes the concept of ethics as, moral values, personal integrity and other aspects such as fairness and equity. These aspects are observed by different people as acceptable standards of behaviour.

Given different cultural contexts locally, regionally and internationally the need for proper ethical behaviour within organizations and its interaction with stakeholders is essential to avoid possible lawsuits. Ethical behavior differs from one social group to another. In today's increasingly internationalized business world there has always been high pressure on companies to behave ethically as different cultures merge (Griffin and Pustay, 2007).

This study looked at the perception of customers towards ethical advertising. By ethical advertisement more focus will be given on the accepted perspective ways and morals concerning the advertisement of a product. As business ethics are important in today's business context, focus on this study is placed on how much

knowledge today customer has regarding ethical advertisement and its implications. Since customers play a vital role in the success or failure of products, their perception in the matter of advertisement should be the biggest challenge. Investigation about ethical advertisements and how customers perceive will be compared in this study.

It provides a deeper understanding of advertising ethics, and the consequences of deceiving its customers by advertising faulty or in a less desirable manner. It is vital to have an effective ethical conduct to ensure that information is more reliable and responsible (Zabihollah, 2008).

This study was conducted to investigate perception of customers towards advertisement ethics. Advertisement is defined as any paid form of non-personal about an organization, product, service, or idea by an identified sponsor (Belch & Belch, 2012). It is thus non-personal because it involves media that can transmit a message to a large audience at the same time and there is no opportunity for immediate feedback. It is for this reason that, advertising messages and contexts should be carefully planned and selected before it is sent (Belch & Belch, 2012).

Also, it is important for advertisers to understand customers' perception towards advertisement ethics in order for them to gain their loyalty and also be effective in communicating with them. Despite this many advertisers still do not pay maximum attention towards ethical issues involved in advertisement (Belch & Belch, 2012).

Generally, advertisements are the best known and most widely used form of product/service promotion, probably because of its pervasiveness. It is also an important promotional tool, particularly for companies whose products and services are targeted at mass consumer markets such as convenience goods, packaged goods

and drug companies. It has the benefits of reaching a mass market at low cost compared to other elements of promotional mix (Belch & Belch, 2012).

Advertisements play a vital role in informing customers about the products and services offered. However, there are some advertisers who go beyond the norm in advertising messages by creating a sense of drama wow factor that is social insensitive.

Hence, this study is designed to provide some insight on the customers' perception towards advertisement ethics. Prior studies have identified few variables such as deceptive messages, economic harms of advertisements, cultural harms of advertisements, moral and religious harms of advertisement, and value system to evaluate the customer's perception towards advertisement ethics. From these variables, advertisers use some as a guideline to improve the way they craft and deliver advertisement campaigns to the current and potential customers.

1.3 PROBLEM STATEMENT

There is an increasing realization in the international arena that there should be sharing of common concerns based on recognizing and responding to ethical dilemmas. Whether an individual acts ethically or unethically are a result of a complex interaction between individual's and several moderating variables some of which include individual characteristics, organizations as well as the intensity of the ethical issues (Hishamuddin, et al., 2006).

Like in any developing economy with increasing competitive forces, Advertising plays an important role in a Muslim society such as Malaysia. However advertising professionals should synchronize their activities to be in line with the values or religious of the community in which they operate. It is obvious that a good

advertisement is a valuable tool for building the company reputation or brand equity, able to provide consumers with information as well as to influence their perceptions. However, when customers perceive an advertising message as unethical, it can distort not only the specific product advertised but also all other product extensions provided by the organization.

When planning advertisement strategies, companies or advertisers need to pay close attention to the following variables, namely: deceptive messages, economic harms of advertisements, cultural harms of advertisements, moral and religious harms of advertisement, and value system.

There has been increasing concern globally by customers about misrepresentation of advertisement messages and of withholding relevant facts, which customers see as unethical in the advertisement processes. Also, some advertisements have a corrupting influence upon culture; pushing customers into making unnecessary purchase that they don't want; or exploiting religion celebrations as a money spinning event. This creates serious prejudice to the tradition, values and religious groups concerned (Lohana & Musale, 2011).

With a fast growing and increasingly internationalizing domestic market, there have been efforts to ensure ethical practices enforcement within Malaysian business industry by the authorities. Malaysia's Corruption Perception Index (CPI) for 2010 stood at 4.4. The CPI index scales "10" as no corruption and "0" as extremely corrupt and Malaysia ranked 56 out of 178 countries. It is thus vital for a country to be more ethical in order to attract foreign investors and expand its economy (Transparency International, 2010).

Ethical advertising activities in Malaysia have risen sharply over the last decade of industrialization. The utilization of the media, in the same way as daily

papers, TV, regular postal mail, radio, magazines, outside signs and obviously the Internet made this development conceivable. It is a manifestation of transporting data to the purchaser however, which does not just have positive sides. There are also side effects as harmful products such as cigarettes, alcohol and gambling become more visible to susceptible consumers and under age children.

With manufacturers keen to sell in the widest market and demographic possible, the visibility of products and hidden dangers of the products is of major concern (Malaysian Communications and Multimedia Commission, 2009). Anandsen Gupta (2002) in his research on “Ethics in advertising” stated that the success of advertising depends on public confidence and no practice should be permitted to resort to immorality and indecency. Hence, advertisers should accomplish their obligations towards the society.

Furthermore Pandya (2005) concluded in his study that ethical advertising is mostly influenced by values, opinions and judgments. Malaysian Advertising is developing at a quick pace as such the rising number of brands is increasing with an increase in customer’s purchasing power. This has led to the group of rivalries among the brands. It has also engaged the purchasers in picking the right item or administration with extensive variety of decisions of brands at focused costs. The measure of rivalry and the shopper's desires, way of life has seen extreme changes.

Despite the fact that introduction to web openness is expanding in Malaysia at a noteworthy rate, the populace is not yet presented to it. The increase in the utilization of credit and check cards has meant that retail and stay on their toes to fulfill purchaser's changing needs and prerequisites.

Advertising should be designed to obey to the laws of the country and should not offend against morality, decency and religious susceptibilities of the people.

Such type of advertisements is termed as ethical advertisements which contributes to a good corporate reputation, heighten morale and, thus, increases the business for the advertised product. Based on the above argument, it is believed that in order for advertisers to remain competitive in the market place, it is essential to get insight into customer perception towards advertising ethics.

1.4 OBJECTIVES OF THE STUDY

The general objective of this study was to identify the importance of ethical advertising in South East Asia in general and particularly in Malaysia. Focusing on customers perception towards ethical advertisement in a multicultural market.

The specific objectives are:

1. To analyze the effects of deceptive messages/content on customers perception towards ethical advertising.
2. To analyze the effects of religiosity on customers perception towards ethical advertising.
3. To analyze the effects of nature of advertising appeal on customers perception towards ethical advertising.
4. To provide needful recommendations for marketers in formulating ethical advertising strategies for the Malaysian market.

1.5 RESEARCH QUESTIONS

Based on the research objectives, the research questions are derived as follows:

1. What are the effects of deceptive messages/content on customer's perception towards ethical advertising?
2. What are the effects of religiosity on customer's perception towards ethical advertising?
3. What are the effects of nature of advertising appeal on customer's perception towards ethical advertising?

1.6 SIGNIFICANCE OF THE RESEARCH

This study contributes to literature from both academic and managerial perspectives. From theoretical side, this research adds to the body of knowledge on ethical advertisements. as well as link the factors that provoke customers perception in relation to advertisements. Key constructs such as deceptive messages, religiosity and emotional appeal were factored within a structural model.

Furthermore with the study focusing on Malaysia, it raises the profile of ethical advertising as well as gives suggestions to the businesses and manufacturers on how to implement ethical advertisements.

From a managerial perspective, this research assists marketers in determining the effects of unethical advertisements. It directs marketers to focus more on promoting the value of the product and understanding on how customers are affected by unethical advertising practices.

With consumers being of increasingly different social backgrounds, the different views of customers should be taken into account and how organisations can

become more effective in leveraging their products in any media platform. This perception of customers will ultimately determine the success or failure of a product/service.

Given that the understanding of how ethical advertisements and their intensity influence customers is of great importance to international advertisers and advertising agency managers in their efforts to improve advertising effectiveness without offending or alienating their target audience. Some implications for international marketers are presented at the end of the paper.

1.7 ORGANIZATION OF THE DISSERTATION

Chapter One consists of introduction and overview of the study. This chapter introduced the study, formulated the research problem, questions, objectives, proposition and hypotheses. It then explained the scope of the study and outlined the research design. This chapter also provided an overview of ethical advertisement and organizational effectiveness and progress in the study of ethical leadership, including the upper echelons theory and emergent theories. The customer perception towards the ethical advertising is one of the key points to discuss. The paradox of leading and managing was discussed and strategic leadership in the new competitive landscape explored.

Chapter Two of the dissertation consists of all the literatures that have been reviewed for the proposed study. It comprises of reviews of literature specifically on perception theories and the determinants of perception towards ethical advertisements. It identifies the important variables that are affecting ethical advertisements and includes reviews of past literature on each of the variables. Lastly, this chapter

encompasses the proposed model that has been derived from the literature review and presents the hypotheses.

Chapter Three highlights the research design and the methodology. This chapter describes the stages in and the elements of the research process, focusing on the primary data collection methodology and the measures of performance. The chapter provides a discussion of the research design, research methodology, sampling design, research measurements and analysis methods applied in this study.

Chapter Four mainly focuses on the analysis and the findings of the research. In this chapter, the data were presented and analyzed. In addition, the sample is described, the nature of the results examined and an overview of the results presented.

Chapter Five, which is the final chapter highlights on the results which were obtained in the previous chapter. The implications and future recommendation will be given in this chapter. The discussion covers the key findings of the study, the conclusions drawn and the recommendations made.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter encompasses of literature viewed. The review initiates with perception theory most relevant to the topic discussed. All the research variables will be followed by the conceptual model and framework for the study. With specific reference to Malaysia and Asian economies in general, this chapter provides the justification on advertising ethics focusing on customer perceptions.. Discussions will be compared and analyzed.

2.1 CUSTOMER PERCEPTION AND ETHICAL ADVERTISEMENTS

Malaysia is a diverse country with a range of large (and influential) ethnic, language and religious differences. These factors, along with the associated legal restrictions to protect cultural identity and limit any offence to cultural groups, have meant more sensitivity regarding operating in such a multicultural market. (Waller & Fam, 2000). With consumers greatly influenced by their perception of the expected benefits and cost of a product before purchase (Blackwell, Miniard & Engel, 2001). More often than not, this perception is also influenced by the information they receive from advertisers of various product, especially for a first time purchaser.

In a study by Choe and Lau (2008), female subjects were found out to have less willingness to gauge in buying a product which has illegal or unethical aspects associated to it. However some studies found no relationship between gender and ethical behavior across all the four dimensions of consumer ethical beliefs.