

## **CHAPTER 2: LITERATURE REVIEW**

As mentioned above, this chapter explains about the theoretical background of the adopted conceptual model and the definitions of each research construct (standardised advertisements, adapted advertisements, brand familiarity, execution styles, attitude towards the advertisements and purchase intention) from supported literatures.

### **2.1 Theoretical Background**

The first part of this chapter presents the theoretical reviews of the adopted advertising model. Then, the later part explains about standardised advertisement, adapted advertisement, brand familiarity, execution style and favourable attitude and purchase intention will be cited.

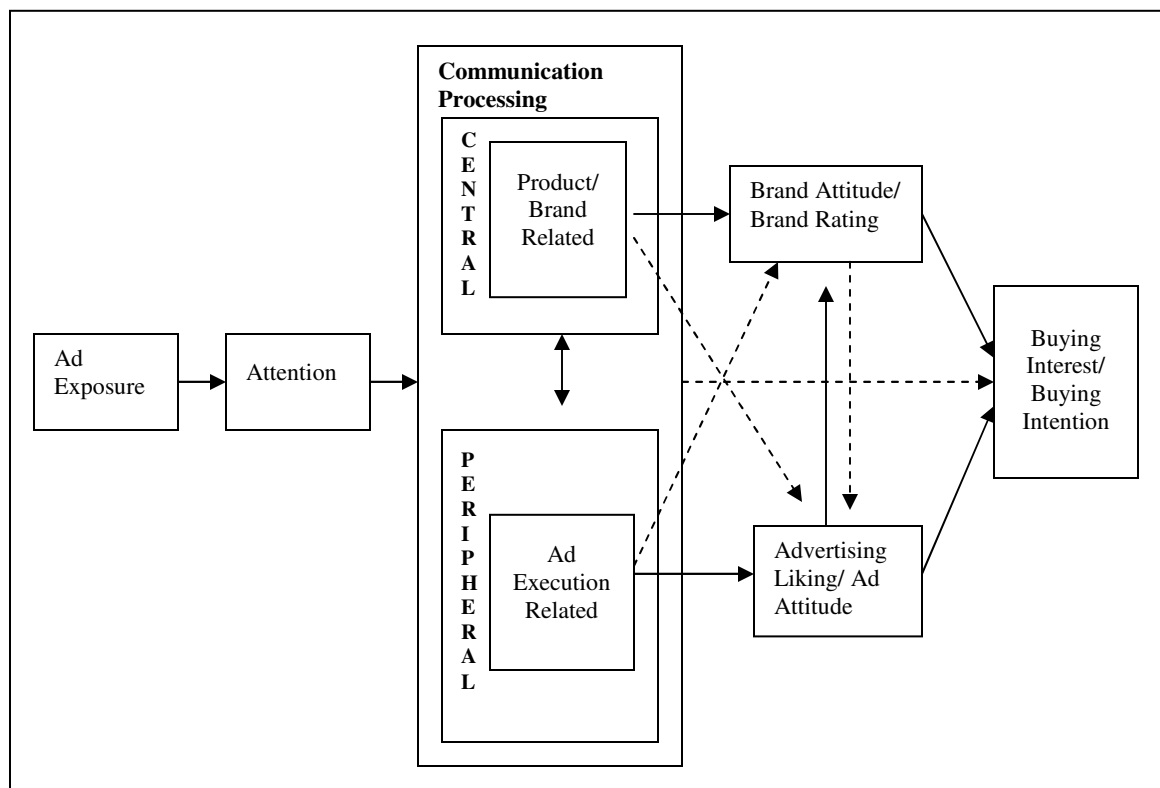
#### *2.1.1 Advertising Response Model (ARM)*

Accordingly to Advertising Research Foundation's Copy Research Validity Project (ARF/ CRVP), advertising likability was found to be the measure of ad effectiveness and predictor for sales (Haley and Baldinger, 1991). Greene (1992) has also added that commercial liking are influenced by communication and persuasiveness of advertisements rather than the entertainment value. As consumers that are exposed to communication are considered as an active information processor, therefore support arguments (favourable thoughts) are

predicted to create positive attitude change whereas counterarguments (unfavourable thoughts) are predicted to be resistant to persuasion (Metha, 1994). This has indirectly made researchers to advance into measuring attitude and its effect (Fishbein and Ajzen, 1975) which led to the use of brand attitude and purchase intention as the persuasion measurement.

Figure 2.1.1

*Advertising Response Model (ARM): Conceptual Model*



Source: Adapted from Metha, A. (1994), "How Advertising Responses Modeling (ARM) Can Increase Ad Effectiveness", Journal of Advertising Research.

Therefore, Gallup and Robinson, Inc. (G&R) has developed the Advertising Response Model (ARM) to define how consumers process advertisements which

they are being exposed to (Mehta, 1994). Based on the ARM above (Figure 1), it is said that initially consumers needed to be exposed to an advertisement which would gain their attention, later advertisements processing (communication processing) will take place (Petty and Cacioppo, 1986). Central processing is focusing on the brand or product and therefore it is related directly to brand attitude (brand rating) and eventually affect buying intention whereas the peripheral processing focuses on the advertisement and it leads to advertising liking (advertising attitude) later influence the buying intention (Metha, 1994).

However, peripheral processing may also influence the brand attitude and it is the same case to central processing to advertising liking as well (Biel and Bridgwater, 1990; Greene, 1992). At the same time, the ARM has also suggested that brand attitude may influence ad attitude in the case of established brands (Mackenzie, Lutz and Belch, 1986). It is also mentioned that ARM is able to identify the marketing communication objectives of variables which were expected to influence the dependent variables of advertising (Mehta, 1994). Therefore, the ARM is used as the conceptual model for the paper in testing all the hypotheses which will be explained in Chapter 3.

### *2.1.2 Standardised Advertisement*

Accordingly to Onkvisit et al. (1987), an advertisement is considered as standardized when the main theme is being sustained even if the illustration such as the model in the advertisement is being changed. Furthermore, it has been

mentioned that “a successful global marketing strategy consists of having a common brand name, packaging and communications” (Levitt, 1983). Some authors have even claimed that a modified advertisement is still considered as standardised advertisement as long as the central theme is maintained (Onkvisit et al., 1999). Pepsi would be best to describe a successful application of the standardisation strategy (Onkvisit et al., 1999).

The advertisements standardisation deals with whether each element of marketing (4Ps) should be standardised across countries (Onkvisit et al., 1987). The appropriateness of applying standardised advertisements is mainly depending on situation-specific and type of product, consumer characteristics and environmental factors (Cavusgil, Zou and Naidu, 1993; Onkvisit et al., 1994) and therefore the advertisements are likely to be accepted by consumers in some countries with standardised approach compared to the others (Sriram and Pradeep, 1991; Keman and Domzal, 1993).

Some researchers claim that some products can be easily reached to the similar target consumers across the countries as they are generally young people which they are open-minded, less culturally bound, make more use of international media and contacts (De Pelsmacker et al., 2001). This is profound in luxury products, advance products and new innovations which they are seen to be successful marketed in a standardised way (Belch and Belch, 1998) and have further added that this is particularly true when great brand familiarity and

transformational execution style was involved. This can be seen in Seitz and Johar's study where they found perfume ads to be highly standardised in five largest countries in Europe which includes France, Germany, Italy, Spain and United Kingdom (Seize and Johar, 1993).

Besides the above, Kaynak and Kucukemiroglu (2001) have also found that country-of-origin play a significant role as shown by Hong Kong consumers that they prefer foreign products compared to their local products. This incident has intensified consumers' response towards the statement of 'everything foreign is good' (Blech et al., 1998). Due to this preference, many multinational companies tend to market their products with international celebrities to promote their brand image like in China (Bates, 1998). Earlier research has been made to 150 US multinationals which was conducted by Hite and Fraser (1988), has also proved that well-known companies are likely to be successful with standardised advertisements adoption. Coca-cola, Pepsi Cola and McDonald's are some examples of big companies that have successfully built their brand images worldwide through standardisation (Kansos, 1992).

In general with all the reasons above, consumers have positive responses towards standardised advertisements. In other words, consumers perceived standardised advertisements as more creative, better in quality of executions (Wang, 2000) and innovative compared to their local counterparts (Jeong et al., 2002). This is shown in 1987, when a survey has been done in Beijing by the

People's University of China and China Central TV which revealed almost 30 percent of the residents like international advertisements and more than 10 percent even like them very much (Wang, 2000). Furthermore, they defined them as 'more honest, more artistically designed and more pleasant experience' (Pollay et al., 1990) and 'more memorable and more convincing' (Tai et al., 2002). With the reasons mentioned above, a survey was conducted again in 1996 which reported 58 percent of the Chinese consumers illustrate positive view towards international advertisements and only 3 percent dislike them (Wang, 2000). Nevertheless, similar result can still be seen in Tai et al. (2002) where the Chinese consumers prefer international advertisements to their local advertisements.

Apart from the optimistic responses above, there are also claims from researchers lately that global strategies might not be as effective as it used to be (De Mooij, 2003). A research has been made in 1994 which shown only 28 percent of seventy-five multinationals preferred global branding strategies (Nelson, 1994). Besides that, a survey conducted in Ad Age International has also reported that only about 26 percent of the thirty-eight US multinationals employed a globalised strategy in international advertising (Dietrich, 1999), which means there are 74 percent of the remaining are supporting adapted strategy.

### *2.1.3 Adapted Advertisement*

Adapted advertisement is basically the opposite of the standardised advertisement and it is defined as advertisement which is developed specifically for a particular local's target market based on certain considerations including lifestyles, economies, language, customs, buying habits (Tansey et al, 1990; Hill and James,1990; Culter and Javalgi,1992), sex appeal, family life or even health condition (Onkvisit., 1987). These culture values are transferable in many ways such as through family, media, friends, government and others and they tend to be very broad (Samovar et al., 1998) thus, these values can influence others globally (Gudykunst et al., 1996) as the world continues to globalise (Holt et al., 2004). Values do spread out to all aspects of our lives and advertising is also not excepted (Beatty et al., 1985).

Consumers' cultural values are regarded as the source of thoughts and actions in a society (Srikandath, 1991; Chan, 1999) and therefore, it is a tool that shape consumers' lifestyles, motivations and habits as mentioned earlier (Tse et al., 1989). Accordingly to Zhang and Gelb, consumers do respond to advertisements that they can relate to their culture (Hudson et al., 2002) and this is the main reason why a humor advertisement in the USA might not be suitable to Asian audiences (Media: Asia's Media and Marketing Newspaper, 1996). Hence, some empirical research have also supported that locally adapted advertisements are more persuasive compared to those that ignore them (Han and Shavitt, 1994; Taylor et al., 1997; Gregory and Munch, 1997). This is further found by Shoham

(1996) that fully adapted advertisements are easily recognized and recalled than the standardised advertisements.

Therefore, a number of researchers emphasize that local cultural value is needed to be added into the advertising messages as it is the core of the advertising messages (Harris, 1984; Belk et al., 1985). Boddewyn et al., 1986; In China, the adaptation of local language and product attributes is rated as the number one factor in influencing advertising effectiveness (Hite and Fraser 1988; Yin 1999). Over time, multinational marketers have also realised that cultural differences will make the standardisation process difficult even in dealing with two similar product expectation's target market (Banerjee, 1994). With this, it is found more and more firms are adopting adapted approach (Kanso, 1992). Especially in Hong Kong, increasing use of local artists in advertisements is being carried out and it has been shown successful (Hong Kong File, 1999) and in Malaysia where the government has also supported this strategy by banning foreign faces to be broadcasted in the television commercial (Asian Market Research News, 2003).

As we know, westernized appeals are well-known as mentioned in standardised advertisement, however there are consumers that would still prefer transformational and traditional appeals such as consumers in Taiwan (Chiou, 2002). Findings above have also shown that our wants and needs might be universal, nevertheless all of them needed to be addressed in its specific ways (Kanso, 1992). Nonetheless, due to adapted approach's costly expenses (Hite et



al., 1988) and difficult coordination compared to standardised approach (Gould, Lerman and Green, 1999), it may be a hinder for multinational companies to adopt the approach. In spite of all the arguments above, evidently there are empirical studies supported that adapted advertisements are preferred by consumers (Chiou, 2002; Ewing et al., 2002) and there are also empirical studies that have found consumers favoured the standardised advertisements (Chan, 1999; Wang, 2000; Tai et al., 2002). For that reason, this study shall investigate Malaysian's respond on that matter.

#### *2.1.4 Brand Familiarity*

Before we go into brand familiarity, we shall explore branding as a whole and understand how it can affect consumers' attitude. Accordingly to Berry (2002), brand could enhance consumers' trust and understanding towards certain product while at the same time reduce cognitive risk. A trustworthy brand places consumers at the center of its focus by understanding consumers' real needs and fulfilling them (Bainbridge, 1997). Furthermore, brand trust offers beyond consumers' satisfaction with functional performance and attributes (Aaker, 1996). In other words, brand trust has to provide the secure feeling to consumers based on its brand's reliability and responsible for consumers' welfare (Delgado-Ballester, 2001).

Due to the benefits of having a brand name, therefore companies are striving to compete with each other and it is expected that consumers encounter distraction

from competing brands (Mandese, 1991; Keller, 1991). Consequently, brand familiarity plays a crucial role in influencing consumers' decision (Holden and Rutz, 1992) and a positive brand familiarity apparently enhances greater trust feeling among consumers (Ha, 2003). Some researcher recommended brands to be advertised in the national media as it apt to be highly familiarise (Stewart, 1992; Kent and Allen, 1993). Brand familiarity has been found to be influencing consumers action such as in information search (Biswas, 1992), product evaluation and choice heuristics (Raju, 1997), advertising message processing (Kent et al., 1994) and brand choice (Hoyer and Brown, 1990). In Arora and Stoner's (1996) study, greater brand familiarity could enhance consumers' intention in purchasing automobile insurance and photocopying services. Other than that, it is also found that brand familiarity influences stock market's performance (Lane and Jacobson, 1995).

Subsequently to that, we need to comprehend that brand experience is the main contribution to influencing brand familiarity which consumers obtain through some type their exposures (Braunsberger and Munch, 1998). Whereas, Padgett and Allen argue that experience is a gathered symbolic meaning related to the consumers' behaviour, thoughts and feelings during their product or brand consumption. In directly, consumers' brand experience can be defined as knowledge and familiarity of consumers towards a brand or its brand category (Alba and Hutchinson, 1987). The higher consumers' brand experience is then

the higher consumers' abilities to be able to differentiate distinct brands (Weinberg, 2001).

Nonetheless, it is explained that advertising for familiar brands may achieve different effect compared to the unfamiliar brands (Machleit, Allen and Madden, 1993). This may be due to the purpose of the advertisements as unfamiliar brand are most probably trying to create learning and awareness about the brand's benefits (Hilton and Darley, 1991). Whereas the purpose of exposure for the familiar brands would be more as a reminder and to update consumers' existing knowledge since they are already familiar with the brand (Snyder and Stukas, 1999). In spite of that, it is said that once consumers are familiar or loyal to a brand, it may be difficult to change their perception or attitude towards the brand (Hoyer and MacInnis, 1997).

#### *2.1.5 Execution Style*

As suggested by some researchers, the issue whether international advertising is applying a standardised or adapted strategy would rely largely upon differentiating the creative strategy from its execution (Duncan et al., 1995). Advertisement execution refers to a selection of appeals, copy and illustrations that would be executed onto the advertisement (Mueller, 1996). Some major elements in advertisements execution are picture, size, colour, layout, caption and the text content (Whitelock and Chung, 1989). However, execution styles are

usually adapted to the local market environment (Tai, 1997; Koudelova and Whitelock, 2001).

In choosing appropriate execution styles, Hall (1976) has categorise countries into two which they are either in high-context or low-context culture. Martenson (1989) has extended by providing a rank for the high context to low context which Japanese with the highest-context, then the Chinese, the Arab, the Greek, the English, the French, the North American and lastly the German with the lowest-context of culture. De Mooji (1998) found out that consumers with low-context cultures are analytical and they tend to use direct spoken and written messages (informational). On the other hand, Hall (1987) noted that countries with high-context cultures would prefer contextual and emotional appeal (transformational). In a recent study, it is also reported that South Korean consumers have also shown less interest in informative commercials compared to the USA consumers (Taylor et al., 1997). Nevertheless, some countries may still exhibit similar favouritism despite the different geographic region and different cultures due to certain strategic approaches (Zandpour and Harich, 1996).

Even though cognitive reactions towards the advertisements are more affected by non-emotional appeals, however most studies shows that positive emotional appeals lead to positive brand and advertisement responses (De Pelsmacker et al., 1998). For example, some researchers have reported that a particular type of emotional appeal (humour) provided more favourable responses in the case of

existing products or brands (Yi, 1990; Chattopadhyay and Basu, 1990; Weinberger and Gulas, 1992). As for new brands, it is supported that non-emotional context would be more appropriate to get good responses (Yi, 1993; Perry et al., 1997; De Pelsmacker et al., 2002). Nonetheless, there are some researchers suggested that informational advertisements can create favourable response when there is picture effect provided in the advertisements even though the picture element does not carry much importance (Laskey, Seaton and Nicholls, 1994).

#### *2.1.6 Attitude towards the Advertisement*

In the increasingly cluttered markets, being able to determine advertisement effectiveness would be one of the key factors in measuring the brand's or product's performance. These criteria would indirectly bring us to the question of achieving consumers' favourable attitude, attitude change, comprehension, recall, persuasiveness and eventually to purchase intent (Onkvisit and Shaw, 1999). It is shown in pass studies that consumers' demographic and behavioural responses vary greatly across countries (Onkvisit, 1987; Steenkamp and Wedel, 1999). Therefore, it is essential to understand the differences in consumers' learning and thinking pattern across countries as it is important in developing successful campaign, which would influence consumers' way of processing information and respond to advertisements (De Mooji, 1998).

Consumers' cumulative evaluation towards a brand is a good predictor to describe consumers' behaviour and intention towards a brand (Olsen and Johnson, 2003). There are two components in the evaluation which they are cognitive component and emotional component. The cognitive component includes consumers' perception towards a brand's perceived performance which they would compare it with their expected standards (Wirtz, 1993; Liljander and Strandvik, 1997). Whereas the emotional component refers to emotions towards the brand such as happy feeling, surprise or disappointed with the brand (Oliver, 1993; Liljander and Strandvik, 1997; Cronin et al., 2000; Yu and Dean, 2001).

Consumers' feeling toward the advertisement no matter favourable or unfavourable, would definitely influence their respond towards the advertisement (Metha and Purvis, 1995). An outdoor (billboard) advertising study has reported that consumers with positive attitude toward the advertisement would be able to recall the advertisement than consumers which had negative attitude (Donthu, Cherian and Bhargaya, 1993). The study done by Haley and Baldinger (1991) has also shown that commercial liking (similar to attitude-toward-the-ad) is the strongest predictor of sales in advertising.

Whether consumers are satisfy or dissatisfy with a brand, depending on their experience with the perceived performance and value of the brand (Anderson and Sullivan, 1993). However, consumer' satisfaction is closely related to positive word-of-mouth communication (Athanasopoulos et al., 2001) and the brand trust

(Delgado-BaHester and Mimuera-Aleman, 2001) that has been mentioned in the above brand familiarity topic. Nevertheless, consumers normally would already have their brand attitude and purchase intent towards certain brands, therefore it is difficult to separate them and to even change them (Machleit, Allen and Madden, 1993).

### *2.1.7 Purchase Intention*

Interestingly to know that “influence of behaviour” which resulting in increased of usage and purchase is the ultimate objective of advertising compared to getting “attention” and to be “memorized” (Onkvisit et al., 1999). Empirical studies have proposed different definitions and model to predict consumers’ brand purchase (intention to purchase) based on consumers knowledge and believe about a brand (Oliveira-Castroa et al., 2008). It is mentioned that advertising messages do influence consumers’ attitude toward the advertisement which eventually affect the brand attitude and purchase intention (Lutz, MacKenzie and Belch, 2001). Brand attitude is defined as an essential link between a brand and a purchase motivation which was caused by advertising (Rossiter and Percy, 1991).

Grisaffe and Kumar (1998) have pointed out that there are two possible behavioural intentions in customer value which they are, consumers’ likelihood to recommend a brand to others and likelihood to repurchase the brand. However, the two likelihood behaviour would depend strongly on consumer value which

includes whether to buy or not to buy a brand (Holbrook, 1999) and satisfaction judgement being made after a purchase (Sweeney and Soutar, 2001). Therefore, quality attitudes and satisfaction judgements are important component in the formation of consumers' future purchase intention (Cronin and Taylor, 1992; Taylor and Baker, 1994; Rust and Oliver, 1994).

In a global context, studies have been done on consumers' perception, attitude and purchase likelihood towards global brands (Steenkamp, Batra and Alden, 2003; Tasoluk, 2006). The studies shown that consumers perceived global brands as superior brands even though the reality quality and value of the brands are not objectively superior (Shocker, Srivastava and Ruekert, 1994; Kapferer, 1997; Keller, 1998). Steenkamp et al., (2003) found that global brands significantly increased consumers' purchase intention through their perceived brand quality and prestige which is shown in their studies done on consumers' in United States and South Korea. However, there are researchers argued that local consumers' attitude (purchase intention) would be more favourable towards adapted campaign than standardised (Onkvisit et al., 1999). Nevertheless, these favourable attitude do not always lead to purchase as for example, Giges (1992), found that European favour their local commercials, but they prefer to purchase foreign brands.

With the explanations above, this chapter has concluded the theoretical background of the adopted conceptual model and has also further discussed the



definitions of the research construct included in the research framework with the supported literature from past researches. In the following chapter, research design, conceptual framework and hypotheses are to be discussed and subsequently the questionnaire design and the measurement are to be justified. Besides that, the respondents' sampling and data analysis procedures are also being described in the later chapter.