



# The Influence of Deceptive Advertising on Customer Trust and Loyalty:

A Study of Telecom Sector in Pakistan

**Authors:** Mirza Shahzad

Mehnaz Kausar

**Supervisor:** Christopher Nicol

**Umeå School of Business and Economics**

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## Abstract

**Purpose:** The effects of deceptive advertising practices on customer loyalty towards mobile service providers have been investigated empirically by this study. The main contribution of this study is to investigate the perceived deception-customer loyalty relationship under the moderating effect of corporate image and mediating effect of customer trust. The study is done in the context of Pakistan's telecommunication sector.

Existing literature is insufficient to explain perceived deception and customer loyalty relationship. We proposed a model to test and explain the interrelationship of deception, trust, loyalty and corporate image

**Research Methodology:** we have adopted quantitative research method, according to need of our study. A total sample of 232 respondents has been achieved with the help of self-administered questionnaire. Measurement scale for perceived deception were taken from Chaouachi & Rached (2012) and for corporate image, customer trust and customer loyalty have been found from Aydin & Özer (2005).

**Analysis & Findings:** Descriptive and inferential statistical tools were used for analysis. Correlation analysis, simple and multiple regression analysis were conducted under the inferential statistical part. The findings have rejected the proposed hypothesis that perceived deception is negatively associated with customer trust and loyalty. We found customer trust as a mediator between perceived deception and customer loyalty while corporate image moderates the relationship between perceived deception and customer trust.

**Research Limitations:** the study could not achieve highly representative sample of overall population as Facebook was selected to conduct survey due to time constraint.

**Implications and future research:** The study shows that deception in advertising perceived by customer does not affect trust and loyalty in a negative way which suggests that there are additional factor that can explain the relationship further. A comparative study with qualitative focus could be revealing in this context.

**Key Terms:** Marketing communications, Advertising, *Deceptive advertising, perceived deception, customer trust, customer loyalty, corporate image, consumer behavior, false advertising.*



## Acknowledgement

First, I would like to thank Allah for giving me the opportunity to complete my Master's Degree from Umeå University. I like to thank my father and specially my husband for their persistent support. Special thanks to our supervisor Chris Nicol who supported us in the accomplishment of our thesis project.

Mehnaz Kausar  
27<sup>th</sup> May, 2016  
Umeå, Sweden

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Mirza Shahzad  
27<sup>th</sup> May, 2016  
Umeå, Sweden



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## 1- INTRODUCTION

*This chapter is a prelude which describes the problem background and research gap to the reader. The first part of this section elaborates the role of marketing communication and its effects on customer behavior. Furthermore, problem statement regarding perceived deception is discussed that emerge particular research questions in our context. Lastly, this section defines key terms used in the study.*

### 1.1 Choice of Topic

The authors of this thesis studied marketing at Umeå University and developed keen interest in the subject. The selection of topic was partly due to the interest in marketing and partly due to its role in everyday life and persuasiveness on consumers. Marketing affects our lives and influences the choices made by us for different products ranging from a tooth paste to university education. Marketing pursuits that affect us the most is marketing communications. The importance of marketing communications as a core marketing activity has always been interesting and its manipulative power to transform customer choices is worth observing.

As a consumer we expose to a number of advertisements in our daily life that makes advertising a popular choice among marketing communications for getting across a company's message to its potential audience. It is a non-personal form of promotion which is considered influential and has a deep penetration into our lives.

Telecommunication companies providing mobiles services try to reach and influence their customers in different ways. Especially when the market is highly competitive and the margins are slim these companies tend to innovate manipulative promotional practices which may deceive / mislead customers. The authors had observed such misleading advertisements in a number of sectors but wanted to study Pakistan's telecommunication sector to observe the effect of these practices on customer trust and loyalty.

### 1.2 Background

Telecommunication industry provide wide solution for communication with other people and under its umbrella, we can transmit voice, pictures, videos and text. Moreover, this channel of communication promotes business activities, voice conversation and amusements. Due to rapid change in consumer attitudes, telecommunication sector also transform their business strategies to attract consumer through internet services, mobile-phone packages and text bundles. According to Gallup (2015), telecommunication sector has faced vigorous competition because consumer market has increased its demand regarding internet and call packages. The mobile-phone operators pursued this opportunity for maximizing their customer base. In this regard, mobile-phone operators spent gigantic amount of their marketing budget to attract customers through appealing call, text and

internet packages. In Telecommunication sectors, mostly TVCs (Television Commercial) are utilized for promotional and advertising activities. During fiscal year 2011-12, mobile-phone companies have advertised their product/services which accounted for 23% of total TVCs (Gallup, 2015) Thus, when promotional activities are carried out of engaging more and more customers, there is a chance of deception through marketing communication tools (Richards & Preston, 1992).

According to Kotler & Keller (2011, p. 476) marketing communications is defined as “*the means by which firms attempt to inform, persuade, and remind consumers—directly or indirectly—about the products and brands they sell*”. The role of marketing communication is that of a differentiator/promoter for a firm’s offerings in the market and includes different modes of communication such as: advertising, sales promotion, events, direct marketing, public relations, interactive marketing, word of mouth marketing and personal selling (Fill, 1999; Kotler & Armstrong, 2010; Wright, 1995). In a competitive business environment customer face the challenge of coping with these modes of marketing communications. Advertising is an important and visible mode of marketing communications, long term effect of advertising is crucial for a firm’s value and advertising is an important pillar of business value chain (Wang et al. , 2008, p. 130).

Customers, on the other hand, being exposed to the direct impact of promotional stimuli, require complete and correct information to make rational choices for purchase decisions. Certain indirect promotional tools impact consumer’s perception that showed influence on customer attitude and emotional responses. Companies operating in no or weak regulatory framework might try to influence customer purchase decision in their favor through deceptive advertising.

In Pakistan, telecommunication became one of the biggest sectors over the past decade. That consists of mobile network providers, landline network providers, and internet service providers. Competition is intense in telecom due to the presence of various service providers with more or less the same offerings. Uniformity of offerings makes them less significant for the customers putting excessive pressure on the companies to make the services attractive for customers. Different marketing strategies are pursued to achieve higher market share, integrated marketing communications/advertising among the most decisive. Given the importance of advertising as a tool to attain certain objectives, misleadingly persuasive advertising practices may seem promising to attract and influence customers. Such persuasion through false advertising claims is called deceptive or misleading advertising (Hattori & Higashida, 2014, p. 1). Through misleading claims, mobile companies get a larger market share and increased profitability. They attract new customers and optimize advertising expenditures. Growth over the last decade has been substantial and exaggerations seem to serve the sector. Humorous and emotive persuasion are among the most common techniques used by telecom companies to mask the deceptive claims that make it harder for customer’s to detect deception.

Deceptive elements in telecom advertising exist in the price of a particular service, speed quality, call quality, internet package, downloading speed, network availability, mobile phones and after sale services. Customers who detect deception in ads may not be the one deceived by them, or a customer being a victim of deception might realize it later (Olson & Dover, 1978, p. 29). There have been some studies on deceptive advertisement in the context of Pakistan's telecommunication sector that examined the effect on customer loyalty (Hasan & Subhani, 2011; Khan et al., 2015). These studies establish the fact that practice of deceptive advertisement does exist in the telecommunication sector. The dilemma is that customers do not get what they are promised in ads. Deceptive advertising leads to customers towards ads and induces negative beliefs (Darke & Ritchie, 2007, p. 114). It could be said that deceptive advertising attracts certain responses from the consumer that affect consumer behavior while consumer's trust and loyalty are important antecedents of consumer behavior.

### 1.3 Examples of Deceptive Advertising:

To help readers understand the nature of deceptive advertising practiced in telecom sector in Pakistan we present some examples. Most common form of deceptive advertising is through television commercials. The deception in TV ads is often masked with emotions, humor, arousal and fear.

For instance, in a Telenor's TV ad they show that orchestra is waiting for a blind folk singer who is 2000 miles away from the studio and could not reach because he broke his leg (Advertisistan, 2016). The singer informs the producer by calling him, both of them are shown in desperation for some seconds until an idea pops up to record the song over a mobile call. An emotional folk song is sung by the singer with crystal clear quality, thus making a claim that Telenor hd calling has such a great voice quality that one can record songs over it. Telenor's voice quality in remote areas is considered below average. The claim in the ad is deceptive and the deception is masked with emotional appeal.

For the launch of mobile package Jazz X, Mobilink aired an ad showing a teenage guy using a phone that cast 3d holograph in the air, while a car is following him (Best ads Channel, 2015). Upon noticing the guy hides behind a pillar and an astonishingly beautiful girl comes out of the car and reaches for the guy to check his phone. The guy asks her to go get her own Jazz X by pointing toward a Mobilink outlet. The girl gets the phone and says "I got mine, go get your Jazz X". The ad is deceptive as it prominently shows the feature of the phone that it does not have i.e. holograph. The ad can be perceived deceptive and the deception is masked with arousal.

Ufone TV commercial shows a man walking home and a pocket picker snatches his wallet and runs away (Ahmad, 2011). The man starts chasing the pocket picker, the chase sequence is filmed in a funny way. In the end, when pocket picker is far ahead of the man he checks the wallet, finds it empty and says "so you do not use Ufone that's why your wallet is empty". This ad was part of a campaign by Ufone to claim that they have cheapest rates. The ad claimed 0,30 PKR per minute without any hidden charges. The actual plan had connecting

charges and general sales tax which were not revealed to the audience. The ad is deceptive because it did not reveal full information and was not the cheapest option at that time. While deception is masked with humor.

Deceptive advertising in print ads is mostly in the form of price and tariff rate manipulation. Information is often concealed about the taxes and additional charges that might incur as a result of switching between the packages or subscribing to an additional service (Hasan & Subhani, 2011, p.262). Deceptive claims about voice quality, internet data limit and 3g services are also made in print ads. Majority of print ads are in native Pakistani language. Print ad in Figure 1 to shows the deceptive claim about the call rates by Zong (China Mobile). This package was launched in 2009 and has been applicable / selling till 2012.

**zong**  
سب کا بہ دو

ProPakistani.com

1 روپیہ ≠ 1 روپیہ  
1 = 1.40??  
جیلیبی کی طرح سیٹھا  
3 کروڑ 7 لاکھ 1 خاص فیبر

**8 آنے / کال**  
کوئی بھی نمبر، کوئی بھی نیٹ ورک  
صرف 50 پیسے فی 30 سیکنڈ

لوگ سادگی کا دعویٰ تو کرتے ہیں مگر پورا چ کہنے سے کتراتے ہیں۔ صرف ZONG دیتا ہے آپ کو پورا چ وہ بھی آدھے ریت پر۔ اب کسی بھی دوسرے موبائل نیٹ ورک پر کال ملائے صرف 8 آنے میں یعنی 50 پیسے فی کال۔ اور آپ یہ نمبر کسی بھی تبدیل کر سکتے ہیں۔ آپ کو صرف پہلے منٹ کے 40 پیسے امانی دیتے ہوں گے۔  
تو اب کسی سے چھٹی چاہے بات کرو اور سب کا بہ دو۔  
سہولت استعمال کرنے کیلئے اپنے ZONG نمبر سے 907 ڈائل کریں۔  
یہ آفر صرف 12 آنے تک پر دستیاب ہے۔

CHINA MOBILE | 111-222-111 | www.zong.com.pk

ADÉTUDE

Figure 1: Example Print Ad (Zong 8 any per 30 sec)  
(Propakistani, 2009)

The ad is showing in an indirect satirical manner that other operators are charging more from the customers than what they actually claim. Satirical message is shown on a black board

with a sketch of Albert Einstein to imply the validity of claim in a humorous way. A claim is made in the ad that they charge less per call than other operators. The currency unit “Anna” used for the claim had been abandoned in Pakistan for more than 55 years ago. The operator used the old currency unit to communicate that their call rates are cheaper i.e. 8 Annas / call. But in reality they are charging 50 Paisas per 30 seconds not per call, excluding taxes, subscription charges and connecting charges, which was in no way cheaper than other operators.

#### 1.4 Research Gap

According to Gardner (1975, p. 40) “*Deception in advertising is far from a new concern. Claims made for remedies hundreds of years ago were often so deceitful that by today's standards they are humorous*”.

Research evidences that deceptive advertising practices does not evolve recently but have long been used by companies (Barbour II & Gardner, 1982; Carson et al, 1985; Gaeth& Heath, 1987; Gardner, 1975, 1976). Literature is available to know about the potential effects of deceptive advertising on consumers and cognition (Barone &Miniard, 1999; Boush et al., 2015; Campbell, 1995; Craig et al., 2012; Darke& Ritchie, 2007; Jeong& Yun Yoo, 2011; Olson & Dover, 1978; Saeed et al., 2013; Xie, 2014; Xie&Boush, 2011; Xie et al., 2015).

There are studies providing evidence that deception in ads is affecting the consumer behavior (Armstrong et al., 1979; Barone & Miniard, 1999; Hasan & Subhani M.I., 2011; Jeong & Yoo, 2011; Khan et al., 2015; Olson & Dover, 1978; Wright, 1995). Xie & Boush, (2011, p. 293) in their review of research literature conclude that “Extant research has documented that consumers can be highly susceptible to deceptive advertising claims that lead them to acquire false information, form misperceptions, and become involved in consumptive behaviours to their detriment”. Khan et al., (2015) in their study observed that consumer behavior is affected by incorrect interpretation, financial/emotional loss, and misleading claim; that affect brand attitude, trust and consumer loyalty. (Hasan & Subhani, 2011) also conducted a study and observed that deceptive elements are present in the ads affecting consumer’s loyalty. The literature available on perceived deception customer loyalty relationship and effect is insufficient and indicate a gap in literature. Only two studies (Hasan & Subhani, 2011; Khan et al., 2015) were found which were conducted in the context of deceptive advertisement and customer loyalty while none of them directly pointed out the relationship and affect between the variables.

Corporate image could be considered as an overall impression left by a firm on the cognition of a customer (Balmer et al., 2001; Balmer& Gray, 2003; Dowling, 1988). It is closely related to corporate reputation(Gotsi& Wilson, 2001, p. 24). According to Barich & Kotler (1991, p. 97) corporate or marketing image affects behavior of the public, it constitutes of how “exchange value” of a company is rated by its customer and general public compared to competitor . It balances the perception of service quality, it is observed to have a significant impact on customer loyalty, customer satisfaction and effects the satisfaction judgement (Andreassen&Lindestad, 1998b, p. 18). According to Aydin &Özer (2005, p.

917) a firm's stability, innovativeness, social contribution, market position and public opinion are decisive elements in ascertainment of corporate image. Research suggests that corporate image has an impact on consumer behavior (Andreassen & Lindestad, 1998a; Flavián, Guinaliu, & Torres, 2005; Hsieh et al., 2004; Nguyen & Leblanc, 2001; Pope & Voges, 2000; Richard & Zhang, 2012). Literature is missing to evidence impact of deceptive advertisement on corporate image. There is no study found for moderating impact of corporate image on perceived deception – customer loyalty relationship. Given the significant impact of corporate image on consumer behavior, corporate image is expected to significantly impact perceived deception – customer loyalty relationship or might change the direction thereof. The given literature gap is further elaborated in the context of sector/country specific study in the next paragraphs.

Telecom sector is an important sector due to its size in Pakistan but telecom companies in Pakistan have long been involved in the deceptive marketing to stimulate their profit. The service providers have learned over time to continue with deceptive practices without violating marketing guidelines provided by regulatory authority. There are very few studies carried out in the area of deceptive advertising and the focus of these has mainly been on factors that lead to deceptive advertising. In very few studies, the deception- loyalty relationship is moderated under demographic variables

In Pakistan, there is a substantial research gap to study deceptive advertisement specifically in the telecom sector (Telecommunication sector and money transfer companies). Although, there are earlier studies on the issue of deceptive advertising with reference to telecommunication sector in Pakistan (Khan et al., 2015, Hasan & Subhani 2011). But these studies focus mainly on defining deceptive advertising and to some degree reflect on its impact on customer loyalty. There is a clear research gap to study the relationship of deceptive advertising and customer loyalty under moderation of corporate image and mediation of customer trust. The author's contribution is to empirically study perceived deception and customer loyalty with relation to corporate image (moderating variable) and customer trust (mediating variable).

### 1.5 Problem Statement

While considering response of advertising on consumer behavior, positive/negative messages impact customer's stimuli. From customer perspective, such advertisements provide misapprehended images about the product/service. Thus, these deceptive advertisements impact customer loyalty which persuade them to purchase a product/service but when customer didn't obtain its desired benefits that were promised by organization. Then disappointment of the customers might vary depending on how they perceived the deception and what impact the corporate image of the service provider had on the customer. The mobile-phone operators in Pakistan are heavily campaigning for acquiring more market share through different attractive tools that are emotional, romantic and full of humor. These advertisements create perception about product/service that impact brand trust and loyalty. However, prior literature (Carson et al., 1985; Gaeth & Heath, 1987) concluded that

deceptive advertisement might harm brand image that effect behavioral loyalty. Previous research on this topic, didn't elaborate the role of corporate image and brand trust in the context of telecommunication sector of Pakistan.

### 1.6 Research Question

Based on the background, research gap and problem statement, following research questions have been formulated:

- How perceived deception affect the customer loyalty?
- How customer trust is affected by perceived deception?
- Does customer trust mediate the relationship between perceived deception and customer loyalty?
- Does corporate image moderate the relationship between perceived deception and customer trust?

### 1.7 Objectives

In order to address research question we have formulated following objectives:

- To investigate the relationship between perceived deception and customer's loyalty.
- To investigate the relationship between perceived deception and customer trust.
- To investigate the relationship between perceived deception and customer's loyalty with mediating effect of customer trust.
- To investigate the relationship between perceived deception and customer trust under the moderating effect of the corporate image.

### 1.8 Purpose of Study

Purpose of this study is to investigate the relationship between perceived deception-customer loyalty under the moderating effect of corporate image and also to check mediation of customer trust between perceived deception and customer trust in telecom sector of Pakistan. Pakistan has been a country with a monopolistic market in telecommunication sector but over the past two decades, both national and international entrants have changed its dynamics for operating business. The larger population size of the country was an enticing factor for telecom companies to enter the market. Nowadays, mobile-phone operators have reached every corner of the country and Pakistan is the 10<sup>th</sup> largest cellular market in South Asia (Khan et al., 2015, p. 91). The presence of many heavyweights in the market gave way to tough competition and competitive pricing. Given the tough competition, companies resorted to deceptive ads to manipulate customer psyche, exploit emotions and profit from low literacy of customers. What is deceptive or misleading might vary from person to person? Some customers can fall for deceptive ads over and over again but some may detect them immediately. Does the customer trust explains the impact of deceptive advertisement on customer loyalty through its mediation? How customer's loyalty would be impacted by deceptive ads when the said constructs are moderated under corporate image? The purpose of this study is to review the available literature on deceptive advertisement, corporate

image, customer trust and customer loyalty to simulate them through empirical findings for ascertaining affect and relationship thereof.

### 1.9 Significance of Research

This research will help to analyze the customer's response to deceptive advertisement which may or may not be negative and will be beneficial for companies to make effective advertisement campaigns for customer acquisition and loyalty. It will help companies to effectively manage perception about a brand in customer's mind which might be beneficial to avoid brand switching. Theoretical significance of this study is to ascertain the relationship between deceptive advertising and customer loyalty under the moderating effect of corporate image and mediating effect of customer trust.

### 1.10 Delimitation

This thesis will explore the influence of deceptive advertising on consumer behavior. Since, deception leads to affect the customer loyalty, this study will explore that market dynamics impact relationship. However, this research will not investigate any other behavioral aspect that leads towards consumer attitude. The literature collected for this thesis is considered best according to authors' knowledge. The outcome of this study would add to existing literature and be used to understand customer perspective for better application of advertising strategies.

### 1.11 Definition of Key Terms

#### **Deception:**

*“Deception which may be in form of omission, misleading practice, misrepresentation or deceptive advertisement. Marketing forms are dishonest if customers have faith in that they are getting a lesser amount of value from a product or service than they could actually get.”* (Saeed et al., 2013, p. 1662)

#### **Deceptive advertising:**

*“Deceptive advertising is false or misrepresentative speeches in advertising. The commercials and posters have the possible conviction to encourage people into commercial trades. The deception may take the form of false price comparisons, an important condition for a very low price.”*(Saeed et al., 2013, p. 1662)

#### **Perceived deception:**

*“The perception of deception in advertising is defined as the extent to which a consumer believes that the ad in which he was exposed tends to mislead him.”* (Chaouachi & Rached, 2012, p. 3)

#### **Corporate image:**

According to Barich and Kotler (1991) *“Corporate image is described as the overall impression made on the minds of the public about a firm. It is related to the various physical and behavioral attributes of the firm, such as business name, architecture, variety of products/services, tradition, ideology, and to the impression of quality communicated by each person interacting with the firm's clients.”*(cited in Nguyen & Leblanc, 2001, p. 228 )

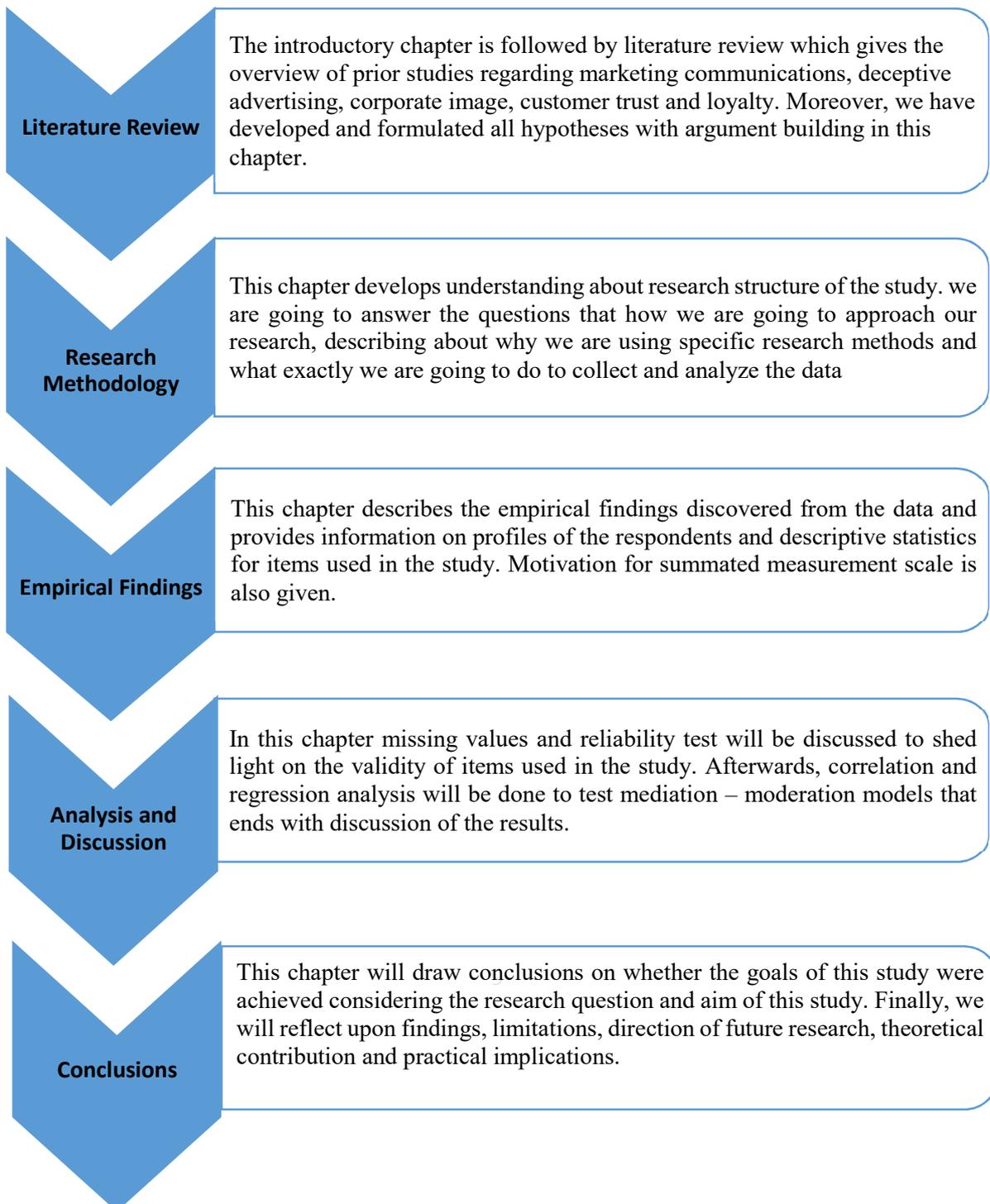
#### **Customer loyalty:**

Oliver (1997, p. 392) defines customer loyalty as “a deeply held commitment to rebuy or repatronize 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.” (Cited in Aydin & Özer, 2005, P. 911)

**Customer trust:**

“According to Anderson and Narus (1990) “trust occurs when one party believes that the other party’s actions would result in positive outcomes for itself, consequently, in order to trust a brand, customers should perceive quality as being positive.”(Cited in Aydin & Özer, 2005, p. 912)

**1.12 Disposition**



## 2- LITERATURE REVIEW

*This chapter illustrates previous studies that support research questions and hypotheses development. Based on theoretical literature from marketing, management and psychology this chapter interlinks the key constructs leading toward the development of the proposed model.*

### 2.1 Marketing Communications and Advertising

*This section of the literature review gives background on marketing communication, advertising, motivations behind advertising, advertising's effect on sales, and its impact on key antecedents of consumer behavior.*

From the market exchange perspective, marketing could be termed as a process of exchanging economic value between the parties involved (Bagozzi, 1975; Houston & Gassenheimer, 1987). Organizations mostly offer their product/services to consumer based on perceived value, packaging, price and promotions that create an exchange process among firms and customers. To reach the potential customer and to make the offerings attractive, organizations often need to communicate their ideas, goods and services. According to Delozier (1976) (cited in Fill, 1999, p. 6) defined marketing communications as, “*The process of presenting an integrated set of stimuli to a market with the intent of evoking a desired set of responses within that market set and setting up channels to receive, interpret and act upon messages from the market for the purposes of modifying present company messages and identifying new communication opportunities*”.

Marketing communications provide alternatives for getting the message across to different audiences, depending on the nature of the product and market. It informs the market about the attributes of a product, type of need fulfillment and communicates the potential value of the product as well (Ottesen, 2001, p. 41-42). It also informs how and where the offering could be bought and, through a repetitive process, keeps on reminding the market about the product/service. Once the process is initiated and the offering is communicated to the market, the potential buyers register their responses in different forms. These responses include the psychological evaluation of the offering's value and interaction with the product / service. These encounters and interaction illicit certain behavioral responses that range from pre-purchase to post-purchase behaviors.

Advertising is an important tool in marketing and could be an equally important part of business communication / promotion strategy of a company for reaching its clients. The study of (Kotler et al., 1999, p. 756) defined “*advertising as a paid form of non-personal promotion of ideas, goods and services*”. It is also considered a facilitation and repetition of message through artistic use of content to audience. The marketers reach the consumer through advertising, it's a way of connecting to the consumers, so there is always a target for the advertising stimuli and without a defined target the aim and rationale of advertising would not exist (Aaker et al., 1992, p. 2). The consumer is the focus of advertising and

provides behavioral possibilities of liking or not liking and buying or not buying the product/service. As the whole effort is assumed for the consumer, knowing the dynamics of consumer behavior and understanding the markets are important for achieving advertising objectives (Ottesen, 2001, p. 23).

The exposure to advertising embeds certain beliefs in a consumer about the attributes of a product. (Moore & Hutchinson, 1983, p. 527) Setting these beliefs within the minds of consumers is intended by the advertisers to lift the relevant attributes of the product, the possibility of unintended / undesirable outcomes are also there. These beliefs are translated into brand attitudes i.e. how consumers think and feel about a certain brand. On the other hand, advertising exposure attracts affective reaction to the advertising, which could be seen as response toward advertising stimuli. When an advertisement positively or negatively persuade customer by illicit message, it receive more affective response as compared with neutral advertisement. Thus, the content, layout and type of advertising exposure generate different affective responses which in turn affect brand attitude as shown in figure 2.

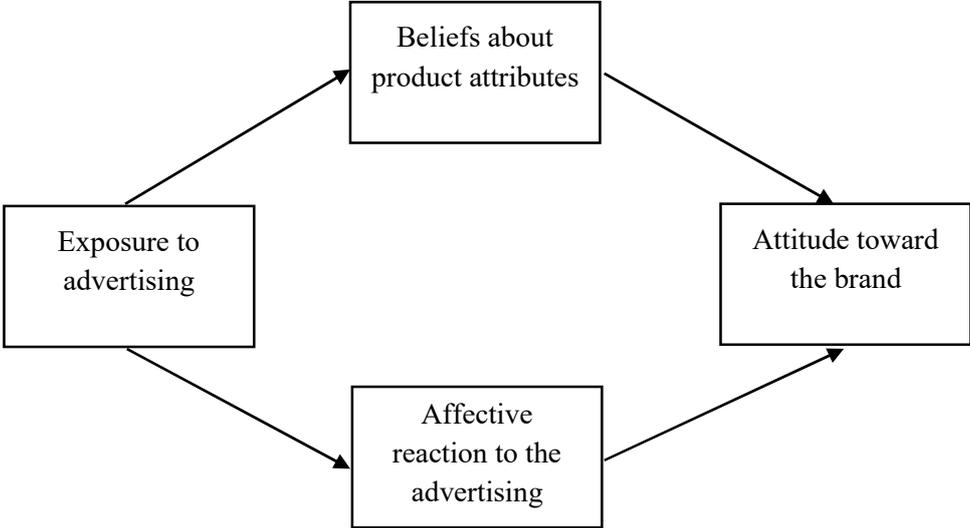


Figure 2: Advertising’s Effects on Attitude toward Brand

(Moore & Hutchinson, 1983, p. 527)

An effective advertising decision process includes set clear objective regarding its effect on perception, emotion, cognition, association, persuasion and behavior, these objective relate to factors that drive response from the consumer (Moriarty et al., 2014, p. 107). According to Kotler et al. (1999, p. 794) Informative, persuasive and reminder advertising can be chosen for the campaign, depending on the objective of advertising. Moriarty et al asserts that advertising budget is an important consideration and should correspond to the nature and importance of objectives and decisions relating to advertising content focus on the core

message that should be communicated, this phase often requires creative conceptualization and heed to sensitive cultural issues.

Television ads are an important form of advertising and there are studies with mixed results for its effectiveness and significance (Bellman et al., 2016; Krugman, 1965; Tellis & Weiss, 1995). The effectiveness and significance of the TV as a medium might vary across different cultures. According to Jin & Lutz (2013, p. 345), although there are modern mediums for advertising but the television still remains dominant as most of the consumers are exposed to it. In their study they observed that consumers have a significant attitude towards television advertising in general. The study also discovered that brands and companies are judged by their television ads. Even if brand has strong presence in other mediums, its TV ads are decisive in shaping consumer perceptions.

According to Darrat et al. (2015, p. 62) there has been various technological developments related to communication over the past decades and the infusion of latest technologies has changed the way we used to look at advertising. The canvas of advertising is larger than before and dynamics are complex; economic costs and benefits of advertising drew attention of academic and professional circles for extensive debate. One of the contemporary and controversial issues of the debate has been the relationship between advertising and sales. Advertising is often associated with increased awareness among customers as a result of increase in promotional budget while mature brands might sustain their position in the market in response to adequate budget. No rule of thumb exists for advertising expenses and resulting sales, as the proportion might vary with a number of variables. The study of (Buzzell, 1964) found that advertising brings short-term changes in market share but observed varying results across different product categories. In the short run, advertising is observed to be dependent on a firm's cost variability and have a relatively low effect on profitability (Sherman & Tollison, 1971, p. 404). Jedidi et al. (1999) in their study observed that long-term advertising has a positive impact on brand equity while short-term price promotions have a negative impact. As a whole, for decrease in price and increase in advertising budget they observed mixed results and did not point to a certain outcome.

The arguments in the previous paragraph points toward development of advertisement canvas and the potential motivation for companies to invest in advertising for increasing their market share. The previous argument is connected to the dictating nature of competition that lead companies to focus on content of advertisement in accordance with the market and competition. According to (Anderson & Simester, 2013, p. 1) sales might decrease when competitors target the same market with better advertisement content and campaign especially in mature market when competitors have undifferentiated product and customer have to have enough knowledge about product categories. On the basis of preceding argument it could be said that competition does not always make things easier for the customers.

Competitive advertising influence buying decision and leads towards both positive and negative spillovers which can work toward brand extensions and backward (Anderson & Simester, 2013, p. 1). Given the spill over arising from advertising, deceptive advertising might also have this effect on other brands of the company in a competitive market. According to (Agrawal, 1996, p. 86) in a competitive context, every brand has loyal fragment of its customer that makes transaction with particular firm; purchase product on regular basis until a new rival manufacture attracts them by offering low priced services; in case of a strong brand the loyalty can be increased and sustained with smaller amount of advertising as compared to a weaker brand while in some cases it could be vice versa. They also highlighted advertising as a 'defensive' strategy to retain loyal customer and promotional mix as an 'offensive' strategy used to keep customers away from rival brand offering.

According to Buil et al. (2013, p. 115) brand equity is an essential element that could be enhanced and levered through advertising, it has a strong influence on customer perception as well as buying decision. They conducted a survey of 302 UK customers to explore the effect of sale promotion advertising on brand equity. Result showed that advertising led toward strong brand equity, sale promotion also had a strong monetary and non-monetary influences on brand equity.

According to Ha et al (2011, p. 675) customer loyalty is achieved through customer experience, quality perception and brand image, it's among key determinants to gauge the behavior and attitude toward a product. In their study they analyzed the key factors that have strong influence on customer loyalty and reflected that advertising spending have significant influences on brand loyalty and positively enhances perceived quality, store image and consumer satisfaction.

## 2.2 Deceptive Advertising

*This part would describe the concept of "deception" from different point of views in extant literature, along with cognitive effects of deception, deceptive advertising and persuasion framework.*

Gneezy (2005, p. 384) argues that the concept of "*homo-economics*", someone who acts selfishly irrespective of interest of the others. This implicate, in other words, lies could be told if they benefit the liar. Imperfect information is among the basic causes of moral hazard, people might reveal or share information with each other when they could benefit from the outcomes (Hölmstrom, 1979, p. 74). According to Gardner (1975, p. 42) who put forward an operationally and behaviorally oriented definition for deceptive advertising as follow:

*"If an advertisement (or advertising campaign) leaves the consumer with an impression(s) and/or belief(s) different from what would normally be expected if the consumer had reasonable knowledge, and that impression(s) and/or belief(s) is factually untrue or potentially misleading, then deception is said to exist."*

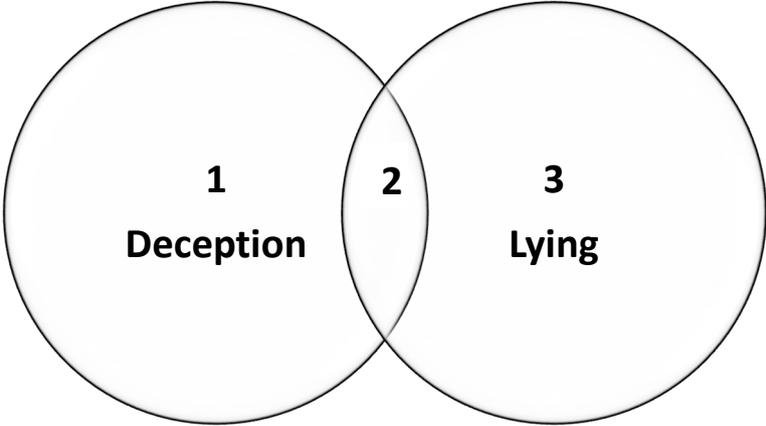
In the above definition, Gardner (1975, p. 42) pointed out three different types of deception in advertising. The nature of these types is not mutually exclusive rather overlapping and these are consumer focused. The first type of deception is unconscionable lie which could be seen as totally false claim made by an advertisement. This type of deception is an utter /outright lie, therefore, consumer cannot benefit from the claims made by the advertisement. Second in this category is called “claim fact discrepancy”, under which an advertisement is considered deceptive if the benefits of the claim could be derived from the product only when the product is used in a certain manner / way. Only those consumers can benefit from the claims that have all the information regarding the use of the product and precaution which are necessary. This type of advertisement is also considered deceptive because the discrepancy in fact provision leads the deceptive claims. The third type of deception in advertising is called “claim belief interaction”. In this type, the advertisement interacts with the beliefs and attitudes of the consumer in such a way that the consumer might consider the claims made in the ad as deceptive. It’s the way an advertisement interacts with beliefs and attitudes that make the ad deceptive not the claims in an advertisement.

According to (Carson et al. 1985, p. 94), the definition proposed by Gardner (1975, p. 42) is a reflection on the everyday term of “*deceptive advertising*”. According to Gardner’s definition, if reasonable information is not provided in an ad to the consumer about the claims of the product, the advertisement would be considered deceptive. Carson et al argues with an example that a newly migrated consumer to a country might have very less information about the existing products, products attributes, and usage. Advertiser is not responsible for the insufficient knowledge on part of the consumer. Even a very honest advertisement might not provide full information about the claims and according to Gardner’s definition; even an honest advertisement would fall under deceptive advertising. This definition cannot be considered comprehensive because the inherent knowledge in individuals might vary which can also affect the product related information and knowledge. Carson et al (1985, p. 95) revised the definition for deceptive advertising as:

“If an advertisement (or advertising campaign) leaves intelligent and knowledgeable adults (or a significant percentage of intelligent and knowledgeable adults) with an impression(s) and/or belief(s) different from what would normally be expected if the consumer had reasonable knowledge, and that impression(s) and/or belief(s) is factually untrue or potentially misleading, then deception is said to exist.”

Carson et al. (1985, p. 95) states that revising the definition would clarify the point Gardner wanted to make. But even for the revised definition certain disagreements might exist on the interpretations of “intelligent and knowledgeable adult” and “significant percentage”. A universal definition cannot be derived from the revised one as reaching the agreement about said constructs might only be possible among a certain group or locality. Immanuel Kant proposed a principal (cited in Carson et al., 1985, p. 101) as follow: “an act is wrong if it could not become a universal practice without being self-defeating”.

According to Carson et al. (1985, p. 97) deception and lying is not essentially same thing, deliberation of a false claim orally or in writing can qualify as a lie while deception could be termed as “deception” without having false claims or verbal manifestation. A gesture made in a poker game could be deceptive for other player, when one is not making any false claim or even speaking.



*Figure 3: Relationship between Deception and Lying*  
(Carson et al., 1985, p. 97)

According to Carson et al. (1985, p. 97) the Figure 3 depicts three different states of relationship between deception and lying. In area 1 deception is nonverbal and is independent of language, area 2 signifies the verbal deception or successful lies, the 3rd area depicts all the lies which fail to deceive others. The relationship between deceit and lying is an interesting approach to look at the problem for understanding the consequences of interaction between the constructs.

Olson & Dover (1978) investigated the pre-trial and post-trial cognitive effects of deceptive ads on consumer of a coffee product. The study approach was based on attitudinal information-processing of the deceptive ads. It was based on the evaluation that deceptive advertising can shape into cognitive elements which are stored in long term memory. These cognitive elements/beliefs effect the purchasing decisions of individuals, the strength of these beliefs determine the attitude toward a certain product/brand. It was observed that the deceptive ads can further effect already developed cognitive elements, beliefs and the strength of these beliefs were found to be sensitive. Deceptive advertising approach that affect the beliefs of the consumer can potentially cause false beliefs. The seriousness of false beliefs might vary among individuals based on their information processing ability and other factors. Because of the seriousness of false beliefs the intentions of deceived and non-deceived consumer to buy the product might vary.

According to Gaeth & Heath (1987, pp. 43, 44) the processing of deceptive advertising varies among older and younger adults, the difference between actual performance of the product

and false beliefs created by the advertising represents the degree to which a consumer is misled/deceived. If memory differences are kept aside, the different processing capabilities between older and younger adults could be explained by cognitive differences and past experiences. Consumers come across different kind of stimuli from the marketers which they have to cope with. Friestad & Wright (1994, p. 2) presented the persuasion knowledge model (see Figure 4) which provides a knowledge-based approach to understand marketer's persuasions targeted toward consumers and how persuasion attempts and persuasion coping behavior interacts with each other. They posit that consumer acquire knowledge about the persuasion context (topic knowledge), about the company (agent) and persuasion itself through interactions with different kind of persuasions over time. Persuasion attempt is an advertisement or campaign initiated by the company which is a function of the knowledge acquired about the target. On the other hand, coping behavior of consumer also depends on the knowledge about the agent. The strength of persuasion campaign and the degree to which a consumer espouse coping behavior is decisive in the interaction between two. If persuasion attempt is stronger than coping behavior the effect of persuasion episode would increase. Deception in advertising could affect persuasion attempt, persuasion coping behavior and persuasion episode. The more coping behavior a consumer is espousing the less persuasion effect he would absorb.

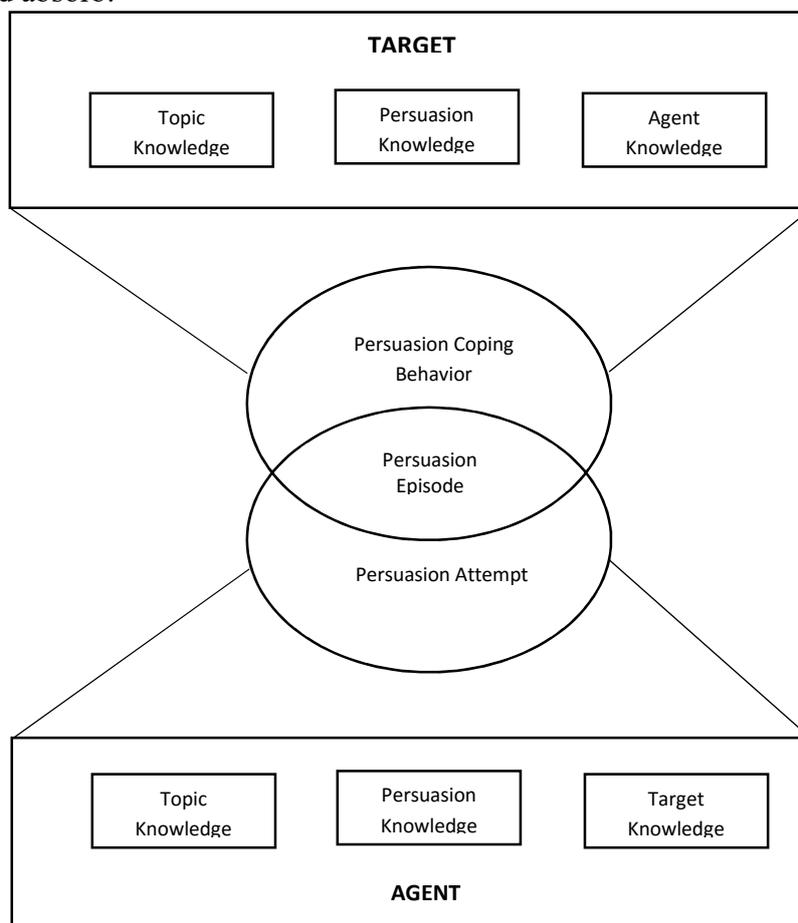


Figure 4: The Persuasion Knowledge Model

(Friestad & Wright, 1994, p. 2)

This model is a good theoretical explanation as to why different customer take the effect of deceptive advertising differently. According to Xie (2014, p. 13) consumer espouse defensive suspicion that attracts higher distrust, which is based on the consumer's knowledge about the persuasion tactics. So the more a customer is aware about the persuasion/maneuvering tactics the more prone she is to the coping behavior.

### 2.3 Perceived Deception

*After establishing the motives behind advertising, persuasion and deception in the previous parts we briefly define construct of perceived deception / deception perceived by customer.*

Deception is perceived differently by different people, among many other factors this has to do with varying processing capabilities, information availability and the context of interpretation (Gardner, 1975; Olson & Dover, 1978). Barbour II & Gardner (1982, p. 29) in their research for checking claim fact discrepancy with help of claim fact interaction found that advertisement in study produced different beliefs about the price of one product for significant number of respondents. The study provide evidence on varying interpretations and processing capabilities of customer in response to an ad. Perceived deception is the degree to which deception is detected and it's harms are perceived by a customer in a deceptive ad (Chaouachi & Rached, 2012; Xie et al., 2015).

In our study we have used the terms “deceptive advertising” and “perceived deception” interchangeably.

### 2.4 Deceptive Advertising and Customer Loyalty

*In this part we showed the impact of deceptive advertisement on customer loyalty with the help of available literature. The argument building leads to the formulation of our first hypothesis.*

Marketers might indulge in practices of misleading and deceptive advertising that tries to change consumer behavior and impression of a particular product. At the same time there is lack of compelling theoretical and effective description of deceptive advertisement so; firms cannot expose the customers fully to deceptive practices. Already mentioned research of Olson & Dover (1978) in previous section, observed cognitive influence of deceptive ad in its operating form having effect on customer's cognition and buying behavior; the potentially effected cognitive states are future purchase intention, attitude of customer and brand belief; the verbal and nonverbal cues in the ad can change into symbolic and cognitive code which can be kept in the memory for a longer time.

Gardener (1975, p. 43) states that deceptive advertising can include element of lying as well and leads toward false belief that have potential to effect buyer's behavior. The false beliefs created by advertising are in line with Olson & Dover's (1978) findings of cognitive effects of deceptive advertising. According to Gardner (1975, p. 43) the consumer tries to match the claims made in deceptive advertising with the attributes of the product and mark deviations

thereof, the seriousness of discovered deviation from the promised is reflected in the behavior of the consumer.

Deceptive advertisement is often a practice of misleading, sometimes lying with customer, gives wrong information and presents product information falsely. When customers evaluate a product after trial and perceive the deception. According to Fayyaz & Lodhi (2015, p. 470, 473) the perception of being deceived is reflected in the behavior that affect the repurchase intention of the customer thus impacting the product loyalty.

According to Xie (2014, p. 14) deceptive advertising leaves financial charge, social disbelief and emotional distress on part of the customer. According to Hunt and Vitell (2006) (cited in Xie et al., 2015, p. 281) if the customer perception does not meet with actual experience can negatively affect customer evaluation, buying attitude and purchase intention. Customer's reaction to perceived deception depends on the severity of actual or expected damage, the reaction is shown in the form of purchase/repurchase intentions (Xie et al., 2015, p. 281).

Geuens et al. (2011, p. 418) describe that emotional advertising is more effective for hedonic product as compare to the utilitarian product. They used affect infusion model and suggested that advertisement emotionally influenced all product and product extensions, it could be suggested that emotionally deceptive ads might affect loyal customers and their emotional attachment towards a particular brand.

Deceptive advertising give little or wrong information about product and motivate customer for acquiring product or service. Saeed et al. (2013) conducted a survey on deceptive advertising's effect toward customer attitude behavior and psyche. Data was collected from 150 people, they found that deceptive advertising affect the customer's attitude toward the deception in advertising.

Roman (2010) explored that the trend of online shopping and deception increased with the passage of time and it negatively affects the buyer perception. The rate of fraud, misleading, and misrepresentation increased because there is no face to face transaction, lower entry cost, nonverbal transaction are often due to the absence of legal protection for consumers. Roman collected data from 398 customer and result showed that perceived online deception have negative influence on consumer satisfaction and loyalty intentions.

From the above discussion we develop our first hypothesis i.e.

H1: Perceived deception has a significant negative effect on customer loyalty.

## 2.5 Customer Trust-Customer Loyalty

*This part with the help of previous literature sheds light on the customer trust and loyalty by providing links to the previous sections, rendering premises and developing our 2<sup>nd</sup>, 3<sup>rd</sup> and 5<sup>th</sup> hypotheses.*

Doney & Cannon (1997, p. 35) describes that companies need to find innovative and flexible resources to survive in cut throat competition due to fast shifting corporate marketing trends; various businesses have reacted to these situation and challenges through construction concerted associations with clients and dealers; the relationship relies on high level of trust; the interactive arrangement allows both parties to emphasis on the enduring benefits of bonding and profitability. Doney and Cannon (1997, p. 39) in their study established a model to analysis cognitive process in which a business develops a trustworthy relationship with its supplier and sellers. After evaluation of past performance of supplier and seller the trust is influenced and buyer make decision about future purchase intentions, positive purchase experiences increased trust that led to higher loyalty.

Advertising spending cannot always answer the need for growth and is a big entry barrier to the sectors with higher advertising budgets (Sherman & Tollison, 1971, p. 404). According to Chioveanu (2008, p. 77) the businesses have different considerations toward advertising spending and price competition, some might invest in advertising first and enter price competition later, and vice versa. These considerations can produce different results but each pursuit will affect the customer trust in some way. Irrespective of the advertising considerations, Lau & Lee (1999, p. 345) in their study identified that brand characteristics, consumer characteristics and consumer-brand characteristics lead toward customer trust in the brand that is eventually translated into customer loyalty. In their revised model, they identified key antecedents i.e. brand liking, brand competence, brand reputation and trust in the corporate entity.

According to Anwar et al. (2011, p. 77) brand image and buyer trust have strong influence on brand attitude, which could be achieved through distinct service quality and customer expectation. Halim et al (2014, p. 165) found that service/product quality, strong brand image and trust have positive relationship with consumer loyalty. They collected data from 200 users through questionnaire, result showed significant direct and indirect effect of image and trust on loyalty.

Alhabeeb (2007, p. 611) studied consumer trust and loyalty in the perspective of value. He argues that the value a business is offering to a customer in form of its services and product is decisive in ascertainment of trust. This value is again based on the perception of customer about the product or service which might vary from customer to customer. Linkages between the variables indicate that value perception and trust are positively related and trust is positively related to loyalty

Nguyen et al (2013, p. 96) discussed that customer is the most priced asset that strengthen businesses to gain competitive edge through maintaining and sustaining association with existing customers, which is less costly. Employee's performance to build trust is key. In their study data was collected from 1269 customer, outcome showed that trust mediate the relationship between social identity (corporate image, Reputation) and loyalty.

A survey of sports shoe consumers in Turkey was conducted and data was collected from 482 online buyer, tested through structural equation modeling by Geçti & Zengin (2013). Findings of the research showed that optimistic association exist among brand effect and brand trust. Additionally trust of a brand also positively associated with attitudinal buyer loyalty and behavioral loyalty. It's like a chain linked through each other that meaningfully leads to customer loyalty.

Customer trust is reflected in attitudes toward a brand, which could be developed through two cognitive phases i.e. one for attitudinal loyalty and the other for behavioral loyalty in service sectors (Skačkauskienė et al. 2015, p. 1189). A survey was conducted by Damtew (2013) in insurance sector, they observed that customer trust in the employees of the company and trust on the company itself have a strong association with customer loyalty. The Longer a client stays with a particular business the additional worth it adds to the business.

From the previous and this section we have tried to establish that perceived deception negatively affects customer loyalty and customer trust is positively related to customer loyalty. As it is evident from this section that trust is almost fully translated into customer loyalty so we can assume that perceived deception can affect and relate to customer trust as it does with loyalty. And this interrelation also indicates toward the potential ability of customer trust to mediate between perceived deception and customer loyalty.

The above premises lead us to the formulation of following hypotheses:

H2: Perceived deception has a significant negative effect on customer trust

H3: Customer trust has a significant positive effect on customer loyalty.

H5: Customer trust mediates the relationship between perceived deception and customer loyalty.

## 2.6 Corporate Image

*This part is intended to briefly explain importance of corporate image and its effect on consumer behavior with help of previous studies. The part ends with presentation of our 4<sup>th</sup> hypothesis*

Corporate image and corporate identity are often confused with each other. Corporate image could be defined as reputation of an organization in its surroundings, while corporate identity is associated with something more than the mere reputation of an organization (Christensen & Askegaard, 2001, p. 295).

The corporate image is developed through a concerted effort across the organization which is more than just delivering a quality product or service; the pursuit for superior corporate image include among many other factors the perception of employees about the organization and corporate communication as well; it also includes the space in newspaper, presence in social media and blogging (Christensen & Askegaard, 2001, p. 310).

Andreassen & Lindestad (1998b, p. 18) found in their study that corporate image has a significant indirect impact on customer loyalty through customer satisfaction for both tangible and intangible products. Richard & Zhang (2012) did a study to examine the effect and relationship of corporate image, customer satisfaction, commitment and loyalty in travel sector. They found that customer commitment and customer satisfaction are the most contributive factors toward loyalty while corporate image effects affective commitment and customer satisfaction and its impact on customer loyalty is indirect.

Nguyen & Leblanc (2001) conducted a study to observe impact of corporate image on consumer behavior, they studied 222 consumers in retail sector, 395 students at a university and 171 clients of a long distance company. The findings of the study revealed that customer loyalty tend to be higher when corporate image and reputation of a company is higher. Hsieh et al. (2004) studied the impact of corporate image dimensions on brand purchase behavior and found that these dimensions do impact purchase behavior.

We put forward our 4<sup>th</sup> hypothesis as an end to this part.

H4: Corporate image moderates the relationship between perceived deception and customer loyalty.

## 2.7 Previous Studies in Telecom Sector

*This part is to give a brief overview about the previous studies done in telecom sector some of them are in context of deceptive advertising while some explored customer loyalty with respect to other factors.*

Aydin & Özer (2005, p. 915) identified key antecedents of customer loyalty in telecom services sector of Turkey as perceived service quality, brand image, switching cost and trust; data was collected from 19662 mobile user and result showed that all of these predictors had significant effect.

Chen & Myagmarsuren (2011) collected data from 236 customer and did a study in telecom sector of China to examine customer loyalty and find interrelationship between the loyalty and brand equity related variables. They found that brand image leads toward relationship quality, and quality leads towards relationship value, and customer loyalty mediate via relationship value; effect of brand image and company image was found insignificant

Kim et al (2004) did a study in telecom sector of South Korea to investigate, the effect of customer satisfaction and switching barriers on customer loyalty. They found that customer satisfaction in the sector stems from call quality value added service and customer support. While cost of switching to another operator work as a barrier and is significantly affect customer loyalty. If the cost of switching is high the customer would be compelled to continue or espouse loyalty toward the operator, in case of low switching cost customer would be less loyal to the service provider. Hasan & Subhani (2011) conducted a study in Pakistan Telecom industry to check the influence of deceptive advertising on customer

loyalty; they describe that the sector is booming in Pakistan but at the same time competition is getting stiffer, customer expect more from their brand at low cost; it was found that the sector is involved in deceptive advertising practices through misleading ads, use of false publicity statement about quality of service, call charges, network quality and coverage that have negative influence on customer loyalty

Jahanzeb et al. (2011) also conducted a study on cellular industry of Pakistan and the finding were partially in line with Hasan & Subhani (2011). They collected data from 300 university student and observed that price reasonability and consumer satisfaction have a significant relationship; the finding also showed that there are strong relationships between service quality, trust and loyalty. The study is not done in the context of deceptive advertising. According to Khan et al. (2015, p. 92) cellular companies in Pakistan involve in deceptive advertising that negatively affect user behavior, as a result of deception customer bear emotional and financial loss that lead towards negative behavior which can lead customers switching to other products.

**2.8 Proposed Model**

Following model is proposed based on our hypotheses.

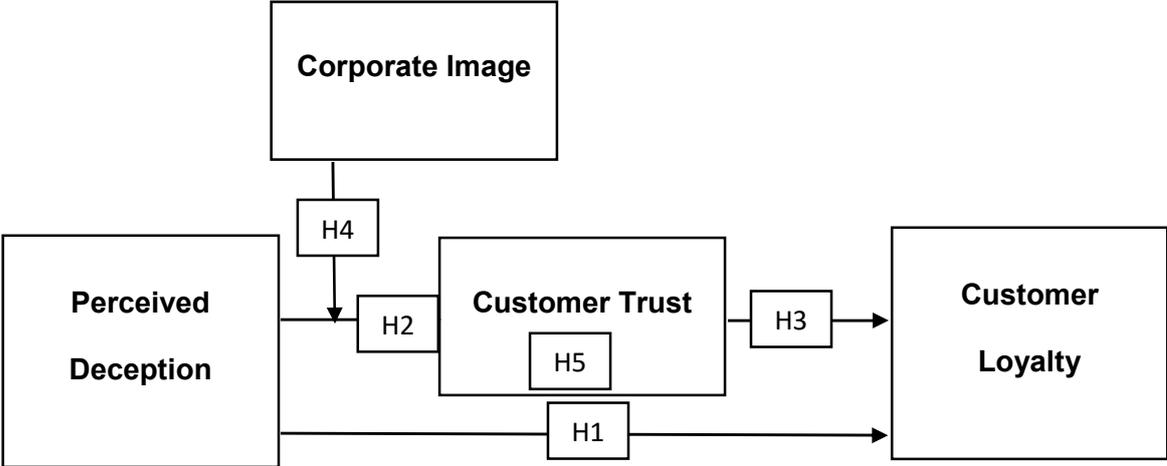


Figure 5: Proposed model of study

## 2.9 Hypotheses Development

H1: Perceived deception has a significant negative effect on customer loyalty.

H2: Perceived deception has a significant negative effect on customer trust

H3: Customer trust has a significant positive effect on customer loyalty.

H4: Corporate image moderates the relationship between perceived deception and customer loyalty.

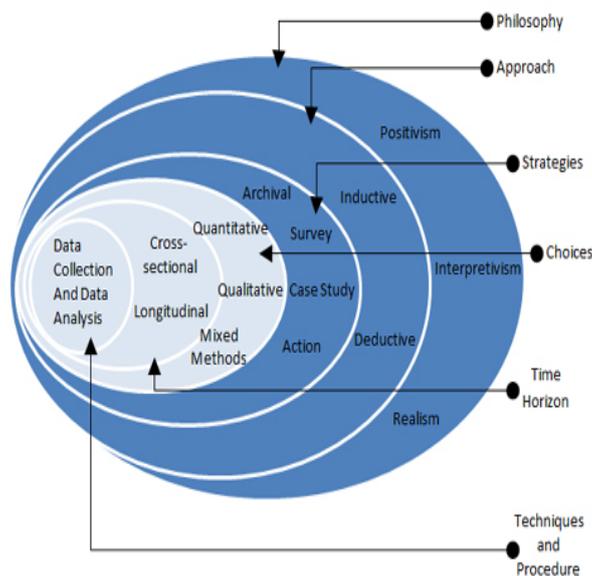
H5: Customer trust mediates the relationship between perceived deception and customer loyalty.

### 3- RESEARCH METHODOLOGY

*This chapter develops understanding about research structure of the study. We are going to answer the questions that how we are going to approach our research, why we are using specific research methods and what exactly we are going to do to collect and analyze the data.*

Research methodology plan is a cluster of believes which plays a leading role to design a research project since methodology followed describes the outline of whole research. Creswell, (2009 p. 3) describes the importance of choosing a suitable research methodology plan in his book. He says that research design is a collection of plans and procedures which are applied in a research in combination of decisions goes from problem background to data collection and ultimate data analysis.

The planning of an appropriate research design is a crucial step because it is determined by all critical factors regarding the research for example research objective, availability of data sources, measurement techniques, time and budget allotted (Mohapatra et al., 2014, p. 16). We can explain it further in the light of Figure 6 called Research Onion given by Lewis et al. (2007, p. 102) in his book where he describes the different stages of research methodology hidden under the layers of given research onion. Which is going to help us to design a combination of different techniques to investigate different situations.



*Figure 6: The Research Onion*

(Lewis et al. 2007, P, 102)

We will go from outside to each of these layers to justify our position and to explain all the important concepts included in the research onion regarding our study about consumer behavior toward deceptive advertising. First of all we are going to explain the research philosophy which is lying under the outermost layer because it is the most influential concept in any research design.

### 3.1 Research Philosophy

The idea of research philosophy in a broader sense has been simplified as a term by Lewis et al. (2007) which describes the development of knowledge and furthermore the nature of that knowledge. Easterby-Smith et al. (2002, p. 27) mentions three reasons regarding the significance of knowledge of philosophies in reference to research methodology.

Firstly: knowledge of research philosophy will help us to refine and clarify the research method to be used which we can use more effectively to find evidences in order to answer our problem question.

Secondly: This will enable and assist us in the evaluation of different research methods in order to save time by avoiding unrelated work from the very beginning.

Thirdly: knowing already about advantages and benefits of research philosophies can run our research more effectively and smoothly.

In this respect Lewis et al. (2007, p. 101) have illustrated three main philosophies namely ontology, epistemology and axiology. We are going to limit us to first two in order to have significantly more effective results.

### 3.2 Ontology Orientation

Lewis et al. (2007, p. 108) describes ontology as it raises a broader sense of question as compared to epistemology about investigating how the world operates. Its agreed by Crotty (1998, p.8) who explains that ontology deals with the concept of existence and reality. In this respect, Heidegger (1999, p. 1)describes ontology as a doctrine of objects which is connected according to phenomenological understanding in a narrow sense. Ontology orientation has two different aspects, *Objectivism* and *subjectivism* (Lewis et al., 2007, p. 108). The ontological orientation under objectivism deals with a given reality to be investigated by the researcher from a distance while under subjectivism, social actors affects the given reality by their actions and perceptions in order to lead it towards constant changing and reconstruction and that's why it is also called constructivism.

When we talk about difference between objectivism and subjectivism, it comes to knowledge that an objectivist takes the organizational culture as it exists already which can easily be

learned and understood through studies of social actors. On the other hand, subjectivist considers the organizational culture as something to be an outcome as result of social interaction process, which is hard to learn and understand because of continuous revision and recreation (Lewis et al., 2007, p. 109). We have been able to acknowledge the importance of adopting a specific theoretical stance in the very beginning of research design process through developing our understanding about ontology and epistemology concepts. In our current study, we are going to adopt objectivism for ontology orientation and for epistemology orientation, as described before, we are going to adopt positivism.

According to that, we are going to conduct a study which is based on the already existing primary data with a purpose to investigate consumer's loyalty in relation with deceptive advertisement by testing the effects of mediator and moderator. Where we believe that deceptive marketing acts as the given reality which need to learn and understand that how does it effects on customer loyalty. Additionally we are going to act under value free method which means that we will keep ourselves impartial to make our investigations possible to be generalized and independent.

### 3.3 Epistemology Orientation

Crotty, (1998, p. 8) defines the concept of epistemology as “epistemology deals with the nature of knowledge, its possibility, scope and general basis”.

This orientation consists of quite a range of compartments, though two broad epistemological stances are *positivist epistemology* and *interpretive epistemology* which are illustratively explained by Lewis et al. (2007, p. 103), according to them a positivist behaves like a natural scientists where he feels comfortable to work with an observable social reality and the final results given by him are considered to be taken as law like generalizations.

In addition a positivist goes through the research process with “value free methods” where he tries to be impartial in order to generate unbiased results (Lewis et al., 2007, p. 103). In this respect, Pachauri (2001, p. 335) describes that a positivist is considered as a rational, stable and knowledgeable entity who believes on the existence of single reality to be measured objectively. Which is crucial to predict and control behaviors based on generalizable established laws.

In contrast Carson et al. (2001, p. 5) describes that an interpretivist deals with more personal and flexible research structures instead of rigid structural framework. Which can be reinforced by Pachauri (2001, p. 339) that the autonomous nature of interpretive epistemology which deals with free thinking of individuals who prefer their own experiences instead of acting passively to their environment which deals with the subjective

understanding of consumer’s actions. In short, Hudson & Ozanne (1988, p. 509) believe that the researcher are mutually interactive to understand and interpret the meanings in human behavior instead of generalizing causes and effects as in case of positivist orientation.

According to the need of our current research, we are going to follow positivist approach where hypothesis have been tested to make generalized findings regarding the relationship between deceptive advertisement and customers loyalty by using mediator and moderator. Validity of generalized findings under this research cannot be challenged until some new contribution arrives in the research field. Additionally we are going to act under value free method which means that we will keep ourselves impartial to make our investigations possible to be generalized and independent.

The literature used in previous paragraphs about ontology and epistemology helped us to formulate Figure 7 for better understanding.

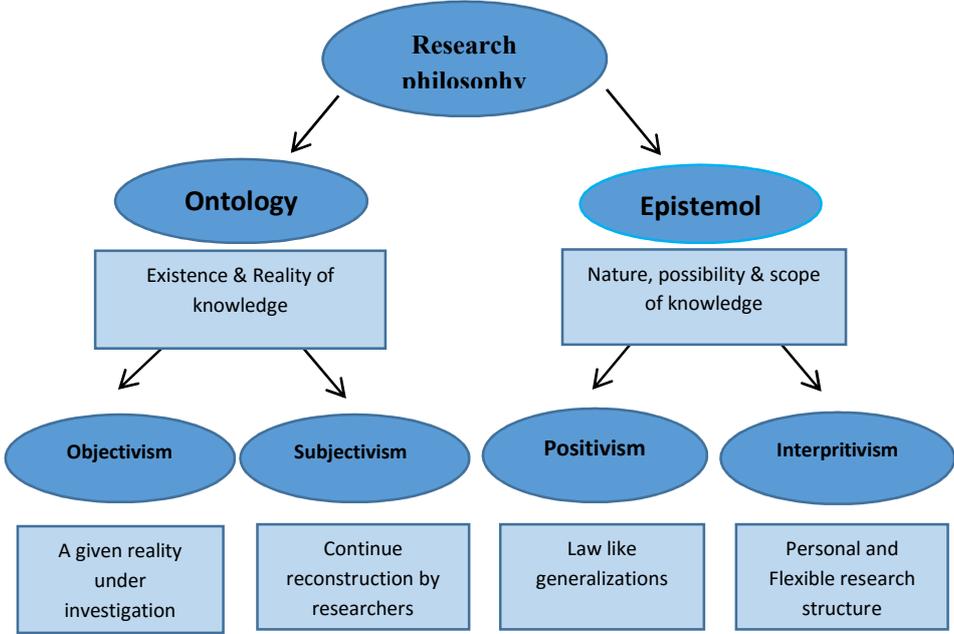


Figure 7: Epistemology vs Ontology

3.4 Research Approach

The researchers need to develop a conceptual framework which leads them to choose the right approach for data collection and data analysis. According to Saunders et al. (2009, p.

489), that approach can be *inductive* or *deductive*. Under the deductive approach, the researchers use an existing theory to shape their research process. On the hand, inductive approach deals with the construction of a new theory that is adequately based on their gained data.

As the use of scientific literature has helped us to develop our understanding about the choice of research approach, we have decided to use deductive approach. Where we have used existing theory about the deceptive advertising customer trust, loyalty and corporate image to identify research gap. Moreover we are going to test our hypothesis, using variables of moderation of corporate image and mediation of customer trust, with the help of empirical findings.

We have preferred deductive approach because of short time span to complete our thesis project as the inductive research approach tends to take longer time span and is resource intensive too according to Saunders et al. (2009, p. 490), where they argue that this kind of research can be difficult and unsuccessful for inexperienced researchers. In brief, this approach has been very helpful to give us an initial analytical framework, consequently leading us to connect our research to existing theory.

### 3.5 Research Strategy

Research strategy can be divided into two main research method, *Quantitative* and *Qualitative*.

According to Creswell (2009, p. 145) quantitative research method deals with the numbers in order to derive meanings where diagrams and statistical standards are used to conduct analysis of data collected. Quantitative method is supported by a data collection method in order to test hypothesis which are used to narrow down a broad problem area where the hypothesis ultimately is proved to be accepted or rejected (Creswell 2009, p. 16).

In contrast, qualitative method deals with the words in order to express meanings where the conceptualization is used to analyze none standardized data which requires further research in future (Saunders et al., 2009, p.482). Moreover qualitative knowledge can be a summary of what is investigated in the larger world, understanding of its relative context and the ultimate consequences and outcomes of the research work (Wertz, 2011, p. 2).

Inspiration from the quantitative strategy by Creswell (2009, p. 12, 15) which is summarized in Figure 8, led us to further define our research design.

## Quantitative Strategy

- Statistical Analysis
- Statistical interpretations
- Experimental design
- non experimental (Survey)
- Pre-determined
- Instrument based questions
- Performance , attitude, observational and census data

*Figure 8: Quantitative Strategy of inquiries*

(Summarized from Creswell, 2009, p.12, 15)

According to the need of our current study, we are going to adopt non-experimental design in the form of survey which is going to help us narrow down the scope of our study. According to Creswell (2009, p. 12), quantitative strategy helps to examine market trends, consumer's attitudes or opinion of one population with respect to a sample which is mutually existed in that population where the help is gained by quantified or numeric data collected.

After having conceptual understanding about the choice of research strategy, we have planned to adopt quantitative research method which is suitable for epistemological orientation of positivism, ontological orientation of objectivism, and deductive scientific approach of our research project.

In brief, according to our theoretical framework which is based on existing theories as discussed in the earlier parts, we are going to identify relationship among deceptive advertisement and consumer trust and loyalty under the effects of two variables, corporate image (moderator) and customer trust (mediator). Moreover, because of the time limitations and research scope, we have avoided to go for the qualitative and mixed strategies.

### 3.6 Data Collection Method

Data collection process is very crucial in all types of research methods but especially in quantitative research method where the research is based on numbers and figures. That is why, by keeping in view our quantitative research methodology, we have planned to use

non-probability sampling with combination of self-administered questionnaire for Primary data collection and also an intensive literature research to collect data for achieving the very high degree of satisfaction.

### 3.7 Primary Data Collection

According to the need of our study, we are going to adopt self-administered survey method, where the customer are self-responsible for filling in the survey through links available on Pakistani Facebook groups and pages. We targeted Pakistanis on Facebook pages and groups of different Pakistani cities and universities, which was a way to get a modestly representative sample of population. While the concept of self-administered survey according to Bryman & bell (2007. P. 240) is that the respondents have been allowed to fill the survey which is called Self-completed questionnaire.

In our research project, mobile subscribers both male and females have been targeted to respond. Regarding that we had a target of 200 online web-based surveys from Pakistani mobile service users. Convenient sampling relate to the non-probability sampling which is preferred to be used because of its easy accessibility and time and financial limitations (Bryman & Bell, 2007, p.197).

However, the one big drawback of this kind of sampling can be that targeted mobile service users may not represent the whole population (Saunders et al., 2009, p.147).

### 3.8 Literature Search

We used an intensive literature search right after choosing our thesis topic in order to collect secondary data from the previous researchers which is readily available for further research. "The analysis of data by researchers who will probably not have been involved in the collection of those data, for purposes that in all likelihood were not envisaged by those responsible for the data" (Dale, Arber, & Procter, 1988, p. 15).

We collected academic articles for this study from databases such as EBSCO, EMERALD Group Publishing, Google Scholar as well as the database of Umeå University. Using different databases allowed for better findings from a broader array of articles. We mostly used primary sources for the secondary data used in this study.

### 3.9 Development of Measurement Scale

Due to time constraints and limited scope of the study, we took items for measuring key constructs from available literature that related to our study for developing the measurement scale. We took measurement items (see Table 1) for perceived deception from a study done by Chaouachi & Rached (2012, p. 6). The items from the study had a Cronbach's Alpha of

0.830 indicating the higher level of reliability. We needed to adjust the language of some items to make them more appropriate and comprehensible for the respondents.

For remaining constructs i.e. corporate image, customer trust and customer loyalty we found relevant items from study done by Aydin & Özer (2005, p. 917). All the items had a Cronbach's Alpha at 0.95, we adjusted the language of some items a little bit to make them more relevant for the respondents.

**Table 1: Measurement scale**

Factors	Items	Sources
Perceived Deception	The ads of this operator are morally right	(Chaouachi & Rached, 2012)
	This operator's ads mislead less educated people	
	The coverage and service of this operator match the claims made in the ads	
	This network exaggerates the benefits and characteristics of its products and services	
	This operator's ads are not entirely truthful about its prices	
	This operator uses misleading tactics to convince customers to buy its products and services	
Corporate Image	This operator is widely known	(Aydin & Özer, 2005)
	This operator is always contributing to the good of society	
	People love to be associated with this operator	
	This operator is innovative and forward looking	
Customer Trust	I trust on this operator	(Aydin & Özer, 2005)
	This operator is competent in mobile services	
	This operator does not over charge	
	This operator meets my expectations	
	This operator cares about its customers	
Customer Loyalty	I will continue using mobile services from this operator	(Aydin & Özer, 2005)
	If I need additional packages/services, I would prefer this operator	
	Even if another operator is cheaper; I prefer using this operator	
	I would say positive things about this operator to other people	
	I will encourage friends and relatives to use the services offered by this operator	
	Even if my family and friends recommend me another operator, I will continue using this one	

### 3.10 Questionnaire Design

The questionnaire consists of two parts (see Appendix-1), the first part includes personal questions about gender, age, education, current mobile operator, type of subscription, usage period and occupation. These questions are intended to get background information about the respondents which would help in descriptive statistics in the analysis section.

The other part of the questionnaire has 21 items to measure main constructs for the study. These 21 statements would get responses on a five point Likert scale. The motivation for choice of 5 point Likert scale was because of previous studies by Alam & Salim (2012), Aydin & Özer (2005) and Chaouachi & Rached (2012). According to Churchill & Iacobucci (2010, p. 283) the reliability of questionnaire is dependent upon the number of scale point used for measurement. The points ranged from “1” meaning “strongly disagree” to “5” meaning “strongly agree”.

First we thought to make the survey in “Urdu” the official language of Pakistan, but as the survey was web based and most of the respondents were expected to be educated and well versed with English, so we made the survey in English.

### 3.11 Reliability and Validity

According to the need of research method chosen in our study, we have measured the quality criteria on basis of reliability and validity. According to Walting “Reliability and validity are tools of an essentially positivist epistemology.” (Watling, cited in Winter, 2000, p. 7)

**Reliability** has been measured by Cronbach’s alpha, the most widely known statistical tool which is used to gauge the reliability of a survey instrument Cronbach’s alpha can be used as an index of reliability in order to measure the variation accounted for by the true score of hypothetical variables included in a survey construct (Bryman & Bell, 2003, p. 77).

**Validity** has been measured by using pre-test which is an essential and the most commonly used tool to check validity. Aaker et al. (2004, p. 327) describes that pretest is used to identify whether the designed questionnaire can fulfill the researchers expectations about data collection and an indicator specifically devised to gauge a concept is able to measure that concept or not.

In this context, we sent survey link to a Facebook group of our family and friends to check their ease with questionnaire in order to conduct pre-test. The purpose was to check the time spent, comfort and ambiguity level while answering the questionnaire and getting their feedback. The people who took part in conducting pretest reported that they had no difficulty with questionnaire and it did not take long time too.

### 3.12 Ethical Considerations

Distances over the borders have been shortened for conducting surveys in the research field which have caused generating more ethical problems. Therefor an increasing attention towards ethical problems have been noticed under the recent years (Saunders et. al., 2009, p.168). The use of unethical practices in survey design affects the most subject of research which are the key component of data collection. In this context, Saunders et. al. (2009, p.168) suggests the researchers to keep their behaviors appropriate in relation to the subject of research.

Additionally, ethics means that all the research contents must be handled with a sense of responsibility (Saunders et.al. 2009, p.184). Which can be taken as an advice to be fair while designing research process as a whole as well as analyzing the information collected.

While designing our questionnaire, we tried to take the responsibility of stressing down respondents to get fair results. In this regard, we tried to ask very general questions about the service by limiting us not to ask very personal questions which can cause to provoke anxiety or stress in respondents. Saunders et.al. (2009, p.185), argues that privacy of participants and maintenance of data confidentiality is important while conducting research surveys.

Validity and reliability are other forms of ethical considerations which we have taken by the use of pretest and Cronbach's alpha in validity and reliability measurements.

#### 4- EMPIRICAL FINDINGS

*This chapter describes the empirical findings discovered from the data and provides information on profiles of the respondents and descriptive statistics for items used in the study. Motivation for summated measurement scale is also given.*

##### 4.1 Profile of Respondents

In Table 2, we have provided demographic information of the respondents which is distributed after frequency of each group and their percentage share in total. The focus of our study was not on a certain group rather we put the survey link on different Pakistani Facebook groups to get responses. The nature of survey instrument and choice of data collection method had certain limitations and might not have attracted responses from uneducated or under privileged parts of the population.

**Table 2: Demographic information of respondents**

Characteristic	Measuring group	Frequency	Percentage
Gender	Male	154	66.4
	Female	78	33.6
	<i>Total</i>	232	100.0
Age	Up to 18 years	54	23.3
	19-28 years	79	34.1
	29-38 years	60	25.9
	39-48 years	34	14.7
	Above 49	5	2.2
	<i>Total</i>	232	100.0
Education	Matirc	9	3.9
	Intermediate	49	21.1
	Graduation	97	41.8
	Master's	77	33.2
	<i>Total</i>	232	100.0
Occupation	Student	80	34.5
	Employed	72	31.0
	Unemployed	39	16.8
	Business	41	17.7
	<i>Total</i>	232	100.0
Respondent's Mobile Operator	Mobilink	51	22.0
	Telenor	45	19.4
	Ufone	71	30.6
	Warid	26	11.2
	Zong	39	16.8
	<i>Total</i>	232	100.0
	Prepaid	198	85.3

<b>Respondent's subscription</b>	Postpaid	34	14.7
	<i>Total</i>	<i>232</i>	<i>100.0</i>
<b>Respondent's usage period for recent mobile operator</b>	Less than 1 year	58	25.0
	1-5 years	116	50.0
	6-10 Years	25	10.8
	More than 10 Years	33	14.2
	<i>Total</i>	<i>232</i>	<i>100.0</i>

Of the total respondents 66% were male and 34% females. Majority of the respondents i.e. 34% are between 19-28 years, respondents between 29-38 years are second largest at 26%. Even younger respondents up to 18 years had a modest share of responses at 23% while responses from people between 39-48 years stays at 15%. We can say that the 56% of the respondents are less than 28 years old. While looking at education stats, it is revealed that 42% of respondents are university graduate and another 33% are at a post graduate level, making a substantial total of 75% of respondents holding a university degree. (see Table 2)

Of all the respondents 35% are students, 31% are employed, 17% are unemployed and 18% run their own business. Majority of the respondents in this category are students and employed person making 65% of the total. Half of the respondents have been using their network provider between 1-5 years, 25% for less than 1 years and another 25% in total have been using the service from 6 to more than 10 years see. (see Table 2)

#### 4.2 Descriptive Statistics

Descriptive statistics have been provided in Table 3 to give an overview about the number of observation for each item, mean, standard deviation and variance. For 21 items the mean ranges from 3.06 to 3.63, standard deviation from 0.958 to 1.329 and variance from 0.918 to 1.464, which could be seen as a sign of modest dispersion of the data. The mean of all the items is higher than 2.5 which shows non neutral stance from respondents on all the items. The higher mean values represent that the respondents strong values for all the items.

**Table 3: Descriptives of scale items**

Factors	Items	N	Mean	Std. Deviation	Variance
	The ads of this operator are morally right	232	3.36	1.084	1.176
	This operator's ads mislead less educated people	232	3.51	1.065	1.134
	The coverage and service of this operator match the claims made in the ads	232	3.48	1.124	1.264

Perceived Deception	This network exaggerates the benefits and characteristics of its products and services	232	3.47	1.052	1.107
	This operator's ads are not entirely truthful about its prices	232	3.47	1.158	1.341
	This operator uses misleading tactics to convince customers to buy its products and services	232	3.63	1.086	1.179
Corporate Image	This operator is widely known	232	3.06	1.274	1.624
	This operator is always contributing to the good of society	232	3.32	1.016	1.032
	People love to be associated with this operator	232	3.40	1.305	1.704
	This operator is innovative and forward looking	232	3.35	1.260	1.588
Customer Trust	I trust on this operator	232	3.36	1.198	1.434
	This operator is competent in mobile services	232	3.39	1.175	1.381
	This operator does not over charge	232	3.49	.958	.918
	This operator meets my expectations	232	3.52	1.213	1.472
	This operator cares about its customers	232	3.41	1.224	1.497
Customer Loyalty	I will continue using mobile services from this operator	232	3.35	1.142	1.303
	If I need additional packages/services, I would prefer this operator	232	3.59	1.329	1.767
	Even if another operator is cheaper; I prefer using this operator	232	3.46	1.006	1.011
	I would say positive things about this operator to other people	232	3.37	1.210	1.464
	I will encourage friends and relatives to use the services offered by this operator	232	3.41	1.117	1.248
	Even if my family and friends recommend me another operator, I will continue using this one	232	3.40	1.227	1.505

### 4.3 Summated Measurement Scale

Formation of summated scales is done by bringing individual items into a combined measure. According to Spector (1992, p. 2) summated scales serve the purpose of representing various aspects of a variable in a single measure and they are cheap, easy and straightforward to develop.

For our study, we used the items for each of the factor to create composite scores, this was done through SPSS to calculate the mean of all the items under a factor. The values of new factors were used in the further analysis to run correlation, regression and to test moderation and mediation models.

## 5- ANALYSIS AND DISCUSSION

*In this chapter missing values and reliability test will be discussed to shed light on the validity of items used in the study. Afterwards, correlation and regression analysis will be done to test mediation – moderation models that ends with discussion of the results.*

### 5.1 Missing Values

We had a target of 200 responses on the survey whereas we received 258 responses out of them 232 were complete. These 26 missing responses had various item where the respondents missed something. The overall response rate was exceptionally good and we were not affected by missing values in the survey data.

### 5.2 Internal Reliability

According to Bryman & Bell (2011, p. 158) “reliability refers to the consistency of a measure of a concept”. The said reliability also refer to the validity of the study to repeat the results. It is crucial for a quantitative research to maintain high level of reliability. To some extant the reliability of the data could be seen as the ability of methodological procedures and methods to regenerate or replicate the same if the same study is undertaken by someone else (Saunders et al., 2012, p. 192).

Cronbach’s Alpha coefficient is popular technique for ascertaining internal reliability, the coefficient ranges from 0 to 1 with 1 being perfectly reliable, a coefficient higher than 0.7 is acceptable (Bryman & Bell, 2003, p. 77). George & Mallery (2003, p. 231) also authenticate that a Cronbach’s Alpha coefficient higher than 0.7 is acceptable and validates the internal reliability of the data, items, variables or constructs.

We ran Cronbach’s alpha test to check the reliability of the items. Cronbach alpha (see Table 4) for all the variables is above 0.7. For perceived deception, corporate image and brand trust the coefficient is above 0.8 that indicates greater reliability. While customer trust scores 0.798, being the only variable below 0.8 but still satisfies the acceptability criteria.

***Table 4: Cronbach's Alpha of summated items***

Factors	Cronbach’s Alpha
Perceived deception	0.816
Corporate image	0.804
Customer trust	0.798
Customer loyalty	0.840

### 5.3 Variable Coding

The names of the variables used in this study were long and when we ran statistical tests in SPSS these were shortened to nonsensical words. Therefore we have coded the variables in the following tables, these codes would be used in the tables imported from the SPSS.

Variables	Codes
Perceived deception	PD
Customer trust	CT
Customer loyalty	CL
Corporate image	CI
Perceived deception x Corporate image (interaction variable)	Mod

### 5.4 Correlation Analysis

Correlation analysis is a statistical measure used to ascertain the strength and direction of change between two variables. SPSS is a beneficial tool to run the correlation between variables for finding insights about the relation and strength. For our study we used correlation analysis to test relationship and strength between different variable. The variable which were crucial for testing relationship were mainly perceived deception, customer trust and customer loyalty. A correlation coefficient between 0.81 to 1.00, 0.61 to 0.80, 0.41 to 0.60, 0.21 to 0.40 and 0.00 to 0.20 indicates respectively very strong, strong, moderate, weak and no relationship between the variables (Shiu, 2009, p. 550).

According to results in Table 2 it could be noticed that all the three variables PD, CT and CL has a significant positive correlation with each other under Pearson's correlation. While CT and CL are almost perfectly correlated at a Pearson's coefficient of 0.926. PD and CT are significantly correlated at a coefficient of 0.611 though the significance is not as high as between CT and CL. PD is also significantly correlated to CL at a coefficient of 0.629.

**Table 5: Results of correlation**

Correlation		PD	CT	CL
PD	Pearson Correlation	1	,611**	,629**
	Sig. (2-tailed)		,000	,000
CT	Pearson Correlation	,611**	1	,926**
	Sig. (2-tailed)	,000		,000
CL	Pearson Correlation	,629**	,926**	1
	Sig. (2-tailed)	,000	,000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

We also ran partial correlation between PD and CL while taking the CT and CI as control variable to check if the significance between the variables remains. The results of partial

correlation shows (see Table 6) that the significant relationship between PD and CL in zero order correlation is no longer significant at a coefficient of 0.143. This is partly explained by the fact that CI and CT in the study are used as moderator and mediator and might affect the relationship between the basic variables. Though the partial correlation is also not the true depiction of the relation and there might be some other underlying factors that explain it, we will reflect upon it further in the analysis section.

**Table 6: Results of partial correlation**

Partial Correlation				
Control Variables			PD	CL
CT & CI	PD	Correlation	1,000	,143
		Significance (2-tailed)	.	,030
	CL	Correlation	,143	1,000
		Significance (2-tailed)	,030	.

**5.6 Regression Analysis**

There is disagreement if regression analysis comes under descriptive or inferential statistics, it has both the qualities, because of its descriptive power to explain the relationship between variables and predictive ability for prognosis of scores from predictor to scores from dependent variable. (Wetcher-Hendricks, 2011, p. 231) Regression could be used as a bivariate to predict two variables or as a multiple regression for checking multiple variables at the same time. For our study we had mediation and moderation in the same model, to test the model we need to run simple regression and multiple regression for ascertaining the mediation of customer trust between perceived deception and customer loyalty.

Hayes (2013 p. 86) describes mediation as a statistical method to explain the causal effect of X on Y, the effect could be some time explained by a third variable which is called mediator that redefines the already existent relationship through a different route. Another way of looking is that a dependent variable could be affected by two predictors while one of them has significant impact. For our study, we first ran simple regression for PD and CL and found that the R square is at 0.396 (see Table 7) which is significant and even ANOVA for regression is significant (see Table 8), the last parameter i.e. beta at 0.629 is also significant (see Table 9) making the simple regression significant between the main predictor and dependent variable i.e. PD and CL.

**Table 7: Model summary of simple regression**

Model Summary (b)										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.629a	.396	.393	.80333	.396	150.607	1	230	.000	2.192

a. Predictors: (Constant), PD    b. Dependent Variable: CL

**Table 8: ANOVA of simple regression**

ANOVA (a)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	97.192	1	97.192	150.607	.000b
	Residual	148.427	230	.645		
	Total	245.619	231			

a. Dependent Variable: CL    b. Predictors: (Constant), PD

**Table 9: Coefficients simple regression**

Coefficients (a)						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.571	.239		2.391	.018
	PD	.820	.067	.629	12.272	.000

a. Dependent Variable: CL

In the second phase, we ran multiple regression for PD, CT and CL to observe the mediation effect. While testing the mediation of customer trust we noticed that the beta value for PD was at 0.629 (see Table 9) in simple regression between PD and CL which has changed to an insignificant beta value of 0.101 (see Table 11) and the significance in simple regression is now insignificant at 0.006 (see Table 11) that is higher than the threshold of 0.005. While the beta value for CT is at 0.864 (see Table 11) which is significant. From the statistical finding we could say that the mediation of CT is working in the multiple regression model.

**Table 10: Model summary of multiple regression**

Model Summary (c)										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.629a	.396	.393	.80333	.396	150.607	1	230	.000	
2	.929b	.864	.862	.38254	.468	785.277	1	229	.000	1.864

a. Predictors: (Constant), PD, CT    c. Dependent Variable: CL

**Table 11: Coefficients of multiple regression**

Coefficients (a)						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.571	.239		2.391	.018
	PD	.820	.067	.629	12.272	.000
2	(Constant)	-.085	.116		-.731	.465
	PD	.132	.040	.101	3.274	.006
	CT	.891	.032	.864	28.023	.000

Dependent Variable: CL\_AVG

According to Hayes (2013, p. 244) moderation analysis is reasonable tool for answering on questions like under what circumstances X exerts an effect on Y. Moderating variable could explain the moderation of one variable on the other. In our model we assumed that corporate image is moderating the direction and strength of the relationship between perceived deception and customer trust. And to test the moderation we generated an interaction variable for interaction between the PD and CI. This variable is denoted as Mod in Table 12. By looking at the p values of Mod and CI (see Table 12) we observe that they are significant. While the R square for the model is high at 0.79 (see Table 12) meaning that 79% of the model is explained by the given variables.

**Table 12: Results of moderation model**

Outcome: CT						
Model Summary						
R	R-sq	MSE	F	df1	df2	p
.89	.79	.21	338.84	3.00	228.00	.00
	coeff	se	t	p	LLCI	ULCI
constant	3.33	.05	70.04	.00	3.23	3.42
CI	.83	.05	17.88	.00	.74	.92
PD	.02	.08	.20	.84	-.14	.17
Mod	.17	.05	3.42	.00	.07	.27
Product terms key: Mod = PD X CI						

In Table 13 the conditional effect of variable x on y are given at different values of moderator. The interaction is observed at below, at and under the mean. P values for the interactions are significant at below and over the mean levels of moderation while it is insignificant at mean level. The effect of PD on CT ranges from -0.17 to 0.21 (see Table 13). Based on the values from regression for moderation effect we can say that corporate image moderates the relationship between perceived deception and customer trust. We will elaborate it further in discussion part.

**Table 13: Conditional effect of "Perceived deception" on "Customer trust" at values of the "Corporate image"**

Conditional effect of X on Y at values of the moderator(s)						
CI	Effect	se	t	p	LLCI	ULCI
-1.10	-.17	.08	-2.21	.03	-.33	-.02
.00	.02	.08	.20	.84	-.14	.17

1.10	.21	.11	1.87	.04	-.01	.42
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### 5.7 Discussion of Results

The proposed model for the study (see Figure 5) and literature review would be kept in consideration for discussion of results. The model is based on previous literature that shows the interrelationship of variables and hypotheses.

Correlation results (see Table 2) show that perceived deception is positively associated to customer trust and customer loyalty with a significant correlation coefficient of 0.611 and 0.629 respectively. Negative association was assumed between the above variables for H1 and H2 but the findings are contrary to it. Although previous research does not reflect directly on the relationship between perceived deception, trust and loyalty but associations could be inferred from the literature. The positive association is against Hasan & Subhani's (2011, p.264) findings that service providers who are engaged in lower levels of deception enjoy higher market share and customers are more loyal to the telecom companies that are not involved in higher levels of deceptive advertising. Further to it, Fayyaz & Lodhi (2015, p. 473) see deceptive advertisement as an impediment to customer loyalty and state that deceptive advertisement affect customer trust and customer loyalty, though they did not mention the strength of affect and possible relationship between the variables.

The result for perceived deception's positive association with customer trust and loyalty can be explained through the model (see Figure 2) presented by Moore & Hutchinson, (1983, p. 527). The model shows that beliefs about product/service attributes and affective response to ads mediate between ad exposure and brand attitudes. According to the authors non-neutral ads or ads with emotions, arousal, humor and fear can get more affective response. Deceptive ads are non-neutral, exposure to these can elicit more affective response than neutral ads that affects brand attitude. Misleading ads are more appealing to the consumers as compared to non-deceptive, have higher emotional quotient and consumers often do not consciously exercise their legal rights against such ads (Kamlot et al., 2014, p.25). For instance, humorous ads significantly reduce negative effects of deception, provide higher ad recall and considered reasonable by consumers (Hsieh et al., 2004, p.21). While exposure to deceptive ads also affects beliefs about product/service attributes that influence brand attitude. Moreover, deceptive ads can embed false beliefs about the attributes of a product / service at cognitive level, which can influence customer's purchase decisions (Gardener 1975, p.43; Olson & Dover, 1978, p.30). Brand attitudes developed through ad exposure and corporate image significantly affect customer loyalty (Suh and Youjjae, 2006, p.147). From the preceding arguments it could be inferred that a customer who perceives the ads of a service provider deceptive can still remain loyal. Because cognitive manipulation of beliefs in favor of a service provider can result in an increase in trust and loyalty even when the

perceived deception about an advertisement is increasing. The positive association shows the success of advertising pursuit by the service providers in Pakistan.

Another explanation for perceived deception's positive association with customer trust and loyalty could be the presence of other variables that might have affected the relationship, especially corporate image as a moderator could influence the relationship between other variables. The distortion can be eliminated with partial correlation by taking image and trust as control variables that result in a 2 tailed coefficient at 0.030 insignificant for perceived deception-loyalty relationship. There is partial effect of mediator, moderator on the relationship but partial correlation does not provide the whole answer. Moore & Hutchinson, (1983, p. 527) model explains the relationship better and satisfies 1<sup>st</sup> and 2<sup>nd</sup> research question.

The study hypothesized positive association (H3) between customer trust and loyalty to see how much of customer trust can be translated into customer loyalty. It is observed from the results that trust and loyalty are strongly related with a correlation coefficient at 0.926. Which means that customer loyalty increases with an increase in customer trust, the correlation coefficient indicates a very strongly significant relationship between the variables. Descriptive results (see Table 3) for trust items show that operational measure for reliability "This operator meets my expectations" scored highest mean of 3.52 on 5 point scales. The mean scores on items for repurchase intention, resistance to switch to other service providers and recommendation of current service provider to family and peers range from 3.35 to 3.59 on a 5 points scale. Operational measure for repurchase intention "If I need additional packages/services, I would prefer this operator" has highest mean score. Which shows that telecom customers in Pakistan entrust more in reliability dimension of trust and repurchase dimension of customer loyalty. It could be said that 93% of customer trust capitalized by the service providers translates into customer loyalty. The result for significant relation and transformation of customer trust into customer loyalty is in line with earlier research (Alhabeeb, 2007; Anwer et al., (2011); Aydin & Özer, (2005); Damtew, 2013; Ebert, 2010; Geçti & Zengin, 2013; Idrees et al., 2015).

Mediation of customer trust between perceived deception and customer loyalty is tested in the study based on research question # 3 and H5 (see Figure 5). Inferential statistical tests were performed to know the outcome that addresses relevant hypothesis and research question. Simple regression between perceived deception and customer loyalty resulted in R square of 0.392 (see Table 7), ANOVA 0.000 (see Table 8) and beta for PD at 0.629 (see Table 9); all of the values are significant. Multiple regression was performed for all three variables to check the mediation and it turned out that beta for perceived deception became insignificant at 0.006 (see Table 11) which was significant in simple regression. The significance of customer trust proves that the variable mediates between perceived deception and customer loyalty. According to Geçti & Zengin, (2013) customer trust has a positive association with attitudinal as well as behavioral loyalty. The result of the study is in line with the findings of Nguyen & Leblanc, (2001) that customer trust mediates between corporate reputations and customer loyalty. The service providers should focus more on trust

building measure because it materializes into customer loyalty. The finding about mediation implies that deception perceived by customer influences customer trust before it affects customer loyalty so the direct relationship between the perceived deception and loyalty can be explained even better with the indirect route through customer trust. Whereas customer trust building is not an easy process that depends upon dynamic nature of brand and consumer characteristics (Lau & Lee 1999, p. 345). There was a gap in the literature about mediation of customer trust between perceived deception and customer loyalty, mediation result fills the gap and satisfies research question # 3 and relevant research objective.

The last research question, objective and hypothesis H4 (see Figure 5) related to moderating effect of corporate image between perceived deception and customer trust which was also a gap in the literature was tested with multiple regression model. The results of multiple regression produce significant p values (see Table 12) for corporate image and moderator variable (PD x CI= Moderator variable) with customer trust as dependent variable. Conditional effect of perceived deception on customer trust at varying levels of corporate image was also checked which shows that moderation effect varies between -0.17 to 0.21 (see Table 13). The values of -0.17 to 0.21 imply that corporate image as a moderator can change the strength and direction of relationship between perceived deception and customer trust. The effect of moderation on customer trust would be reflected on customer loyalty as well because trust mediates perceived deception and loyalty. The indirect effect of corporate image on customer loyalty is in line with the finding of Andreassen & Lindestad (1998b, p. 18) and Nguyen & Leblanc, (2001). It could be implied, a customer who perceive deception at a high level can be influenced by the overall image of the company that can keep her trust in the brand. The finding satisfies last research question of this study.

To conclude the discussion, it could be said that customer trust and loyalty are positively associated to perceived deception due to positive brand attitudes of customers despite deceptive advertising. Customer trust is significantly associated with customer loyalty that signifies the trust of customer translating into loyalty. Mediation of customer trust is evidenced, which indicates that customer loyalty is indirectly affected by perceived deception and indirect route explains the relationship better. Corporate image is found to moderate between perceived deception and customer trust, and has the power to change the strength and direction of the relationship. Conceptually, corporate image moderates between all the variables in proposed model.

## 7- CONCLUSIONS

*This chapter draws conclusions on whether the goals of this study were achieved considering the research question and aim of this study. Finally, we reflected upon findings, theoretical as well as practical implications, limitations and direction of future research.*

### 6.1 General Conclusions

The objectives of our study were to determine the effect of perceived deception on customer trust and loyalty, while observing the mediation effect of customer trust on perceived deception and moderation of corporate image on the trust variable. The underlying objective was to observe the effect of perceived deception on consumer behavior because loyalty and trust are important antecedents of consumer behavior. Corporate image due to its impact on trust and loyalty evidenced by earlier studies became a choice for us to observe its moderating effect on key variables (Andreassen & Lindestad, 1998b; Flavián et al., 2005; Richard & Zhang, 2012).

Based on our finding that perceived deception is positively related to customer trust and loyalty we reject H1 and H2. As mentioned earlier in discussion that the positive relation is explained by changes in beliefs of service attributes and affective reaction that affect brand attitudes and customer loyalty. Customer trust and loyalty are found to be positively related based on statistical findings, so H3 is accepted. We found corporate image to significantly moderate perceived deception and customer trust that leads us to accepting H4. We accept H5 based on our findings for significant mediation of customer trust between perceived deception and customer loyalty.

In our study, we found that customer trust is significantly translated into customer loyalty, the relationship between perceived deception and loyalty is equally explained by customer trust. Customers who perceive deception significantly are found to trust the brand and plan to stay loyal as well. We conclude that perceived deception is not an impediment or impact loyalty negatively if the advertisement pursuit is managed effectively that could manipulate the beliefs and affective response of customers. The moderating effect of corporate image is another explanation for the positive relationship. At low scores of corporate image the relationship can change its direction. There can be other factors as well which could explain the relationship further.

### 6.2 Theoretical and Managerial Implications

Purpose of this study was to investigate the relationship between perceived deception-customer loyalty under the moderating effect of corporate image and also to check moderation of customer trust between perceived deception and customer loyalty in telecom sector of Pakistan. This study contributes to the existing literature of deceptive advertising and customer buying behavior. The knowledge gap identified by us in research gap section evidences that there was insufficient literature in the area of deceptive advertising to establish its influence on customer trust and loyalty under moderation of corporate image. There were only two studies (Hasan & Subhani, 2011; Khan et al., 2015) conducted in the

context of deceptive advertisement and customer loyalty while none of them directly pointed out the relationship and affect between the variables. We found that customer trust mediates the relationship between perceived deception and customer loyalty. Our finding regarding positive association between perceived deception and customer trust and loyalty reveals that brand attitudes and corporate image can impact trust and loyalty. Under high values of corporate image the positive association exists and low values reverses the relationship. These findings have not been brought to available literature before which is our contribution.

This study also have some practical implications for the companies. Successful intervention with the formation of brand attitudes through ad exposure can produce desirable results for companies even when they are involved in deceptive advertising. Further to our findings, companies with high corporate image can get away with deceptive advertising practices without damaging customer trust and loyalty in the short run. In the case of low corporate image, deceptive advertising can damage customer trust and loyalty. Telecom companies in Pakistan can use these findings to know the importance of corporate image which can help them capitalize more on their image.

### 6.3 Limitations and Future research

Due to time constraints and limited scope of the study we chose to get our responses through different Pakistani Facebook groups and pages. The survey attracted responses from people younger than 38 years. The use of another survey technique might have given a highly representative sample of the overall population. But due to our constraints we adopted the way which we thought best for this study. This study is specific to telecom sector in Pakistan due to cultural, and customer specific dynamics, conducting same study in another culture/country and sector might produce different results.

In our study, we have investigated the area which has not been researched with rigor in previous literature before. We could find only two studies (Hasan & Subhani, 2011, Khan et al., 2015) that studied the effect of deceptive advertising on customer loyalty in an indirect way. The importance of customer loyalty and recurring nature of deceptive ads in our daily life make this topic important and interesting. There is a need for further research to explore the underlying factors that could further explain the relationship between perceived deception and customer loyalty. A comparative study with qualitative focus on different products could be revealing to further understand the nature of relationship.

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## APPENDIX – 1 (Survey Questionnaire)

Dear Respondent!

We are students at Umea University, Sweden and conducting a study on deceptive advertising in Pakistan. This survey would not take much of your time and your responses are highly valuable for us. Please respond to the questionnaire section keeping in mind the mobile network operator you are currently using. We humbly appreciate your cooperation and ensure that information provided in this study is strictly confidential and will be used for research purpose only. Thank you for your participation.

Regards,

Mirza & Mehnaz

Please answer all the questions by clicking the appropriate circle:

Personal Information		
51	Gender	M <input type="checkbox"/> F <input type="checkbox"/>
53	Age	Up to 18 <input type="checkbox"/> 19-28 <input type="checkbox"/> 29-38 <input type="checkbox"/> 39-48 <input type="checkbox"/> 49 years and above <input type="checkbox"/>
53	Education	Matriculation <input type="checkbox"/> Intermediate <input type="checkbox"/> Graduation <input type="checkbox"/> Masters and above <input type="checkbox"/>
53	Which mobile operator do you use?	Mobilink <input type="checkbox"/> Telenor <input type="checkbox"/> Ufone <input type="checkbox"/> Warid <input type="checkbox"/> Zong <input type="checkbox"/>
	Type of subscription / simcard	Prepaid <input type="checkbox"/> Postpaid <input type="checkbox"/>
	For how long you have been using this operator?	Less than 1 year <input type="checkbox"/> 1-5 years <input type="checkbox"/> 6-10 years <input type="checkbox"/> More than 10 years <input type="checkbox"/>
53	Occupation	Student <input type="checkbox"/> Employed <input type="checkbox"/> Unemployed <input type="checkbox"/> Business <input type="checkbox"/> Retired <input type="checkbox"/>

**Scale for questions:** 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

	1	2	3	4	5
The ads of this operator are morally right	<input type="checkbox"/>				
This operator's ads mislead less educated people	<input type="checkbox"/>				
The coverage and service of this operator match the claims made in the ads	<input type="checkbox"/>				
This network exaggerates the benefits and characteristics of its products and services	<input type="checkbox"/>				
This operator's ads are not entirely truthful about its prices	<input type="checkbox"/>				
This operator uses misleading tactics to convince customers to buy its products and services	<input type="checkbox"/>				
This operator is widely known	<input type="checkbox"/>				
This operator is always contributing to the good of society	<input type="checkbox"/>				
People love to be associated with this operator	<input type="checkbox"/>				
This operator is innovative and forward looking	<input type="checkbox"/>				
I trust on this operator	<input type="checkbox"/>				

This operator is competent in mobile services	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
This operator does not over charge	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
This operator meets my expectations	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
This operator cares about its customers	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
I will continue using mobile services from this operator	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
If I need additional packages/services, I would prefer this operator	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Even if another operator is cheaper; I prefer using this operator	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
I would say positive things about this operator to other people	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
I will encourage friends and relatives to use the services offered by this operator	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Even if my family and friends recommend me another operator, I will continue using this one	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>