

## THE EFFECT OF ADVERTISEMENT AND PROMOTION ON BRAND SWITCHING BEHAVIOR OF MOBILE PHONE PROVIDERS IN MANADO

by:

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### ABSTRACT

Companies should pay attention to advertisement and promotion of its brand in order to attract consumers, so, it will influence the brand switching behavior of consumers in choosing mobile phone provider. The aim of this research is to analyze the effect of advertisement and promotion on brand switching behavior. To achieve the objectives, the research method used is associative with multiple regression analysis. The population observed is people who are users of mobile phone providers in Manado with sample as many as 100 respondents. Results and conclusion show that advertisement and promotion have significant impact on brand switching behavior. Advertisement does not have positive and significant impact on brand switching behavior of mobile phone providers. Promotion has positive and significant impact on brand switching behavior of mobile phone providers. The findings of this research is strongly recommended that for mobile phone provider to simultaneously incorporate both Advertisement and Promotion in order to acquire new users or even for users of other brands to have a change of choice.

**Keywords:** *advertisement, promotion, brand switching, consumer behavior*

### INTRODUCTION

#### Research Background

The technology of information and communication has grown so fast in this globalization era. Development of the communication business has become more interesting, because it is a kind of business that promises high profit. One of the important goals of this business is user acquisition because without consumers how can the business run?

There are many changes in consumers' behaviors due to the economy growth and the dynamic lifestyle. In order to retain customers, companies consider that the improvement of consumer satisfaction is an important strategy. Although, acquiring new customers are important, companies should not neglect the existing customers. Instead, customer retention is just as important as attracting new customers. This goal of this so-called customer retention is to achieve customer loyalty that is done by implementing various loyalty programs. Customer loyalty becomes a major concern for marketers as the emerging trend of brand switching still remains ambiguous. Marketers are trying to understand and find the answers as to why customers switch from one brand to another, how marketing tools (promotional tools) and different kind of advertisements affect consumers' brand choice behaviors, and how consumers will respond to those marketing tools.

Recently, cellular phones have started to bolt from secondary and complementary needs in Indonesia. Cellular phones have to make significant changes in their ability to function as more than communication devices. In fact, not only the domain of the cellular phone in Indonesia is increasing rapidly, but also the strategy of advertisement and promotion of cellular phone providers is becoming increasingly competitive as well. Because the business growth of cellular phones in Indonesia is very high with the opening of markets of cellular phones in Indonesia, many operators have entered the market in Indonesia. Those operators are: Kartu

HALO, Simpati, Kartu As, IM3, XL, and 3. Those are a few of GSM operators that already dominated the Indonesian market.

Naturally, one of the main concerns of any cellular service provider is to get people to use its product. It is more important than ever for cellular service providers to retain existing customers rather than to merely add new ones. It means that the cellular provider wants their customers to be loyal. Due to the ever increasing wants and needs of consumers, they often get bored with one brand, and change their mind to use or buy some brand which more popular and have a better quality. So that, the companies needs to develop their promotion and advertisement to attract the consumers.

### **Research Objectives**

This research aims to examine to analyze the simultaneous and the partial effect of advertisement and promotion on brand switching behavior of mobile phone providers.

## **THEORETICAL FRAMEWORK**

### **Theories**

#### **Advertisement**

Kotler and Armstrong (2012:460) defined that advertising is any paid form of non-personal and promotion of ideas, goods, or services by an identified sponsor. Kotler (1988), cited by Kazemi and Esmaili (2010) found that advertising as one of the four major tools companies use to direct persuasive communication to target buyers and public noting that "it consists of non-personal forms of communication conducted through paid media under clear sponsorship".

#### **Promotion**

Cravens and Piercy (2006:339) stated that promotion strategy consist of planning, implementing, and controlling an organization's communications to its customer and other target audiences.

#### **Brand Switching**

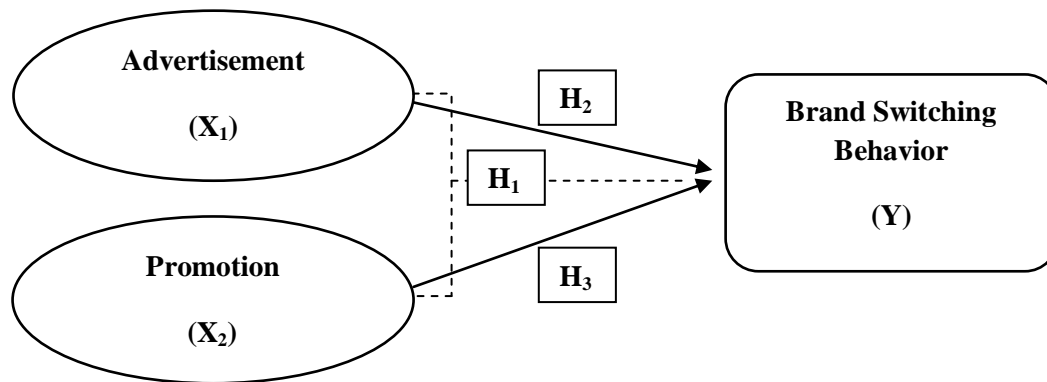
Kotler and Keller (2009:184) stated that a person's buying decision is the result of a process that consists of five stages, namely the introduction of needs, information search, alternative evaluation, purchase decision, and the behavior after the purchase itself

#### **Consumer Behavior**

Schiffman and Kanuk (2007:3) defined the consumer behavior as the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Peter and Olson (2005:5) defined consumer behavior as the dynamic interaction of affect and cognition, behavior, and the environment by which human beings conduct the exchange aspects of their lives. Hawkins et al (2004:7) defined consumer behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

#### **Previous Research**

Luo (2006) found that promotion and advertising are positively related to brand switching, and their effects on brand-switching may vary across different age groups and product categories. Advertising may have stronger impact on increasing brand awareness, and promotions tend to have stronger effect on repeat purchase. Sun et al., (2003) found that Consumers with intrinsically higher preference are more likely to take advantage of promotion for their preferred brand. Consumers appear to have accurate perceptions of promotion frequency, in that our estimated parameters for promotion expectations corresponded well to actual promotion frequency.



**Figure 1. Conceptual Framework**

*Source: Theoretical Review*

### Research Hypotheses

Based on the theories above, the hypotheses of this research are:

H<sub>1</sub>: Advertisement and Promotion Simultaneously Affects Brand Switching Behavior

H<sub>2</sub>: Advertisement Partially Affects Brand Switching Behavior

H<sub>3</sub>: Promotion Partially Affects Brand Switching Behavior

## RESEARCH METHOD

### Types of Research

This research is causal because its purpose is to determine if one variable causes another variable to occur or change. This research is a quantitative method since using questionnaire as a tool to gather data and analysis.

### Place and Time of Research

The study was conducted in Manado from October 2013 – January 2014 (4 months).

### Population and Sample

Population of this research are user of Cellular phone provider in Manado. This research using 100 respondents who are using mobile phone provider in Manado.

### Data Collection Method

The source of data can be from primary and secondary sources. Primary data is data originated by the researcher specifically to address the research problem. The researcher also gets primary data from the result of questionnaires. Secondary data is data collected for some purpose other than the problem at hand. The secondary data is taken from books, journals, and relevant literature from library and internet.

### Operational Definition and Measurement of Variables

1. Advertisement (X<sub>1</sub>): is any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor.
2. Promotion (X<sub>2</sub>): is concerned with telling the target market or others in the channel of distribution about the “right” product (Armstrong et al, 2004).
3. Brand Switching (Y): is the process in which consumer switches from the usage of one product to another product but of same category.

## Data Analysis Method

### Validity and Reliability test

Validity is a test of how well an instrument that is developed measures the particular concept it is intended to measure. Validity is the level to the extent by which precision and accuracy of a measuring instrument to perform the functions of measuring in this study is the questionnaire.

The reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instruments (Sekaran and Bougie, 2009:161). Reliability was measured by using Cronbach's Alpha coefficient, when the value of Cronbach's alpha increase the consistency also increases. If the coefficient value of Alpha less than 0.60 then the reliability is bad. Research instrument is acceptable if the test shows the alpha in the range of 0.7 and the reliability is good if above 0.80..

### Multiple Regression Analysis Models

Multiple Regressions is a statistical technique that simultaneously develops a mathematical relationship between two or more independent variables and an interval-scaled dependent variable.

Once gathered the data from the field, the next step to analysis the data and solving the problem using Multiple Regression Method, it also to test the hypotheses that have been stated. The data then inserted into the statistical tools SPSS version 15.0. This method has been chosen to measure the effect of Brand Image ( $X_1$ ), Perceived Quality ( $X_2$ ), and Purchase Decision (Y):  $Y = a + b_1X_1 + b_2X_2 + e$

## RESULT AND DISCUSSION

### Result

#### Multiple Regression Analysis

**Table 2. Multiple Regression Result**

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	3.348	.438		7.648	.000
Advertising	.161	.082	.190	1.962	.053
Promotion	.190	.076	.244	2.520	.015

a. Dependent Variable : Brand Switching Behavior

Source: SPSS

From the results of the regression equation the Regression Equation is as follows:

$$Y = 3.348 + 0.161X_1 + 0.190X_2 + e$$

The explanations of the equation are:

- 1) Constant value of 3.348 shows the influence of Advertisement ( $X_1$ ), Promotion ( $X_2$ ), to Brand Switching Behavior (Y). Based on that constant value, in a condition where all independent variables are constant (zero), brand switching behavior (Y) as dependent variable is predicted to be 3.348.
- 2) 0.053 is the slope of Advertisement ( $X_1$ ) meaning if advertisement is increased by one unit while other variables are constant then brand switching behavior is predicted to increase by 0.053.
- 3) 0.013 is the slope Promotion ( $X_2$ ) meaning if promotion is increased by one unit while other variables are constant then brand switching behavior is predicted to decrease by 0.013.



**Table 3. Table R and R<sup>2</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.333 <sup>a</sup>	.111	.093	.342

a. Predictors : (Constant), Promotion, Advertising

Source: SPSS

The value of R is 0.333 indicating a substantial positive relationship between independent and dependent variable. The value of R<sup>2</sup> is 0.111 meaning Promotion and Advertising as independent variables are moderate positive and influence Brand Switching Behavior as much as 11.10% while the rest 88.90% other factor is not included in this research.

### Hypothesis Testing

**Table 4. F-test Result**

Model		Sum of squares	Df	Mean Square	F	Sig.
1	Regression	1.414	2	.707	6.050	.003 <sup>a</sup>
	Residual	11.336	97	.177		
	Total	12.750	99			

a. Predictors: (Constant), Promotion, Advertising

b. Dependent Variable: Brand Switching Behavior

Source: SPSS

The ANOVA F-test results in Table 4.18 Test Fcount value is 6.050 with a significance level of 0,003. In this study if Fcount>Ftable (Fcountis greater thanFtable). So, since6.050>3.09 then H<sub>0</sub> is rejected.It means that theIndependent variable of X<sub>1</sub>(Advertisement) and X<sub>2</sub> (Promotion) have simultaneously effect on dependent variable of Y(Brand Switching Behavior).

**Table 5. T-test Result**

Model		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig
		B		beta		
1	(constant)	3.348	.438		7.648	.000
	Advertising	.161	.082	.190	1.962	.053
	Promotion	.190	.076	.244	2.520	.013

a. Dependent Variable : Brand Switching Behavior

Source: SPSS

T-test analysis results are as follows :

- 1)  $t_{\text{count}}$  value of Advertisement variable (X<sub>1</sub>) is equal to 1.962 with a significance level of 0.000 while the  $t_{\text{table}}$  is 1.98. The result shows that  $t_{\text{count}} < t_{\text{table}}$  or  $1.962 < 1.98$ , so H<sub>0</sub> is rejected. It means, Advertisement (X<sub>1</sub>) has the partial effect on Brand Switching Behavior(Y).
- 2)  $t_{\text{count}}$  value of Promotion(X<sub>2</sub>) is equal to 2.520 with a significance level of 0.053 while the  $t_{\text{table}}$  is 1.98. The result shows that  $t_{\text{count}} > t_{\text{table}}$  or  $2.520 > 1.98$ , so H<sub>0</sub> is accepted. It means, Promotion (X<sub>2</sub>) has no partial effect on Brand Switching Behavior (Y).

## Discussion

The previous research (Luo, 2006) found that promotion and advertisement are positively related to brand switching, and their effects on brand-switching may vary across different age groups and product categories. Advertisement may have stronger impact on increasing brand awareness, and promotions tend to have stronger effect on repeat purchase. Moreover, customer's price consciousness could impact on the effectiveness of advertising contents and promotional tools. Higher price consciousness customers are more likely to be influenced by the content of good value for money in advertising, and they tend to prefer price-oriented promotional tools better. Compared with the result of this research it is found that promotion has significant effect to brand switching behavior while advertisement has no significant effect but both have simultaneous and partial effect. For further studies it is recommended to use promotion as a variable than advertisement.

The result of the multiple regression analysis shows that advertisement has no significant effect on Brand Switching Behavior. From the respondents' characteristics, it is shown that most of them are college students with the age ranging from 21-25. Usually, these people are more attracted to switch to another brand when there is a concrete reason as to why they should use another brand. In the case of mobile phone providers in Manado, young people in particular are more eager to switch to another brand when that brand offers something more (for example, Tri is cheaper in terms of internet cost than Telkomsel, thus it is more pocket-friendly to college students whose budget is generally limited and it is more preferable). Thus, people are not attracted by the visual or audio appeal (the advertisement package and message). This can be seen from the instruments that are used to measure the advertisement variable that are TV commercial, banner, and celebrity in advertisement. Instead of focusing on which artist to endorse the brand, important though it is, companies should focus more on the actual demands and wants from the customers and try to deliver them effectively.

The result of the multiple regression analysis shows that Promotion has significant effect on Brand Switching Behavior. T-test and F-test result shows that promotion has no partially effect but it has simultaneously effect on Brand Switching Behavior. In this case the instrument that is used to measure promotion variable is bonuses, service charge, and exhibition. This significant influence of Promotion on Brand Switching Behavior does exist as what has been proven by the value obtained in this research. The fact is, in this case of mobile phone providers, advertisement and Promotion run simultaneously. Promotion is inserted or injected into advertisement. While the advertisement is more visually appealing, Promotion on the other hand has its own task that is to carry out or disseminate messages from the mobile phone provider. It can be seen from this result that the promotional messages of mobile phone providers can really influence users to switch brands when it is run with advertising altogether. However, in this context, when promotion is the only instrument used to influence brand switching behavior, it does not have the influence.

## FAKULTAS EKONOMI CONCLUSION AND RECOMMENDATION

### Conclusion

The conclusions may be drawn as follows:

1. Advertisement and promotion simultaneously effects on brand switching behavior, while advertising and promotion has simultaneously effect.
2. Advertisement has no significant influence on Brand Switching Behavior, but Promotion is proven to have a significant influence on Brand Switching Behavior of Mobile Phone Provider. Advertising and Promotion as independent variables have a positively strong influence on Brand Switching Behavior.
3. Advertisement is proved to have simultaneous influences and on brand switching behavior but have no significant influences on brand switching behavior. Promotion is proved to have significant partially and simultaneously influence on brand switching behavior.
4. Advertisement has no significant effect on brand switching behavior but promotion has partially effect on brand switching behavior.

## Recommendation

The findings of this research is strongly recommended that for mobile phone provider to simultaneously incorporate both Advertisement and Promotion in order to acquire new users or even for users of other brands to have a change of choice. It is also recommended for further studied that will be conducted under the same subject to widen the scope of population, as this research only specifically covered Manado, it is better to also find out whether Advertisement and Promotion also have a significant effect on Brand Switching Behavior in other areas as consumer behaviors and characteristics are varied from one place to another. It is also important to find out other potential variables and factors which can contribute positively on Brand Switching Behavior other than just Advertisement and Promotion in order to get an even better understanding. For further studies, it is recommended when conducting research under the same subject with the context of mobile phone providers to use promotion as the variable to measure the brand switching behavior.

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