



Ethical Advertising in Pakistan's Telecom Sector: Assessing Deceptive Practices and Strategies for Sustaining Customer Loyalty

Mr. Sohail Raza

Lecturer, Department of Management Sciences, HITEC University, Taxila, Pakistan

Waqas Ahmed Elahi

BS Student, Department of Management Sciences, HITEC University, Taxila, Pakistan

Ans Awan

BS Student, Department of Management Sciences, HITEC University, Taxila, Pakistan

Safi Ul Hassan Khan

BS Student, Department of Management Sciences, HITEC University, Taxila, Pakistan

ABSTRACT

This paper examines the impact of deceptive advertising practices on customer loyalty in Pakistan's telecom sector, focusing on major providers Jazz, Telenor, and Ufone. Through a mixed-methods approach, including surveys and secondary data analysis, the research reveals that 74.6% of respondents felt deceived by misleading claims, hidden charges, and unfulfilled service promises, leading to a 69.3% churn rate. Ufone exhibited the highest levels of unethical advertising, correlating with poor customer retention, while Jazz, with more transparent practices, maintained stronger loyalty and market dominance. The findings underscore that deceptive tactics erode trust and brand equity, whereas ethical advertising fosters long-term customer relationships. Strategic recommendations include enhancing pricing transparency, improving service quality alignment, and strengthening customer service to rebuild trust. The study highlights the need for stricter regulatory oversight by the Pakistan Telecommunication Authority (PTA) and calls for industry-wide adoption of ethical marketing standards to ensure sustainable growth in this competitive sector.

Keywords: Ethical Advertising, Deceptive Practices, Customer Loyalty, Telecom Sector, Pakistan, Transparency, Regulatory Compliance.

Introduction

The telecommunications sector in Pakistan has experienced remarkable growth over the past decade, emerging as one of the most dynamic and competitive industries in South Asia. As of 2023-24, the Pakistan Telecommunication Authority (PTA) reported that telecom networks cover 91% of the country's land area, serving approximately 180 million subscribers, which accounts for 80% of the population (Economic Affairs Team, 2013). This rapid expansion has been fueled by deregulation, increased foreign and domestic investments, and the proliferation of mobile services, making Pakistan one of the fastest-growing cellular markets in the region. However, this growth has also intensified competition among major players like Jazz, Telenor, and Ufone, leading to aggressive marketing strategies, including deceptive advertising practices, to capture market share (Hasan, Subhani, & Mateen, 2011). The sector's competitiveness underscores the need for ethical marketing to sustain long-term customer relationships and brand equity.

Customer loyalty is a cornerstone of success in the telecom industry, where service differentiation is often minimal, and switching costs for consumers are low. Loyalty is not merely about repeat purchases but encompasses emotional attachment and trust in a brand (Urban, 2004). In Pakistan's telecom sector, where consumers are bombarded with promotional offers, maintaining loyalty requires transparency and consistency between advertised promises and actual service delivery. Research indicates that deceptive advertising erodes this trust, leading to customer churn

and negative word-of-mouth, which can significantly harm a company's reputation and profitability (Ranjan, 2014). For instance, 74.6% of respondents in a recent study reported feeling deceived by their telecom providers, with 69.3% switching networks due to misleading claims (Hasan et al., 2011). These findings highlight the critical role of ethical advertising in fostering customer retention and long-term profitability.

Deceptive advertising refers to marketing practices that mislead consumers through false claims, omissions, or exaggerated promises, creating disconnect between expectations and reality (Campbell, 1995). In the telecom sector, this often manifests as undisclosed hidden charges, overstated network coverage, or exaggerated service quality. Such practices not only violate ethical marketing principles but also undermine consumer trust, which is essential for building brand loyalty (Gardner, 1975). The prevalence of deceptive advertising in Pakistan's telecom industry has raised concerns among regulators and consumers alike, prompting calls for greater accountability and transparency. For example, Ufone, despite its creative advertisements, has been criticized for failing to deliver on its promises, resulting in high customer dissatisfaction and churn rates (Hussain & Aslam, 2019). Addressing these issues is crucial for sustaining growth and maintaining consumer confidence in the sector.

The objectives of this article are twofold: first, to critically assess the involvement of telecom companies in deceptive promotional practices, and second, to provide strategic recommendations for improving ethical advertising and sustaining customer loyalty. By analyzing primary data from surveys and secondary sources, this study identifies key areas where telecom providers fall short, such as hidden charges and poor service quality, and proposes actionable solutions. These include enhancing transparency in pricing, improving network infrastructure, and investing in customer service training (Becker & Huselid, 2006). The findings underscore the importance of aligning marketing strategies with ethical standards to build trust and loyalty in a highly competitive market. Ultimately, this article aims to contribute to the ongoing discourse on responsible advertising and its impact on consumer behavior in Pakistan's telecom sector.

Literature Review

Deceptive advertising is a well-documented phenomenon in marketing literature, defined as any form of advertisement that contains false or misleading claims intended to create a mistaken belief among consumers (Campbell, 1995). Theoretical frameworks classify deceptive advertising into three categories: completely false promotions, misleading assertions with omitted information, and advertisements that present inadequate or inaccurate details (Boush, 1994). These practices distort consumer perceptions and lead to decisions based on misinformation, ultimately harming long-term trust and brand loyalty (Gardner, 1975). In Pakistan's telecom sector, deceptive advertising often takes the form of undisclosed hidden charges, exaggerated network coverage, or unrealistic service promises, which erode consumer confidence (Hasan, Subhani, & Mateen, 2011). The theoretical underpinnings of this behavior suggest that while deceptive tactics may yield short-term gains, they inevitably damage customer relationships and brand equity (Aaker, 1974). This aligns with the findings of the current study, where 74.6% of respondents reported feeling deceived by their telecom providers, leading to increased customer churn (Hussain & Aslam, 2019).

Customer loyalty, a critical metric in the telecom industry, is influenced significantly by ethical marketing practices. Loyalty is

conceptualized as both an emotional attachment and a behavioral tendency to repurchase (Urban, 2004). Research indicates that ethical advertising, characterized by transparency, truthful pricing, and accurate service descriptions, fosters long-term loyalty (Ranjan, 2014). For instance, studies show that consumers are more likely to remain loyal to brands that deliver on their promises, even in the face of occasional service failures (Sirdeshmukh et al., 2002). In contrast, deceptive advertising undermines loyalty by creating a gap between consumer expectations and actual service delivery, as evidenced by the 69.3% of respondents in this study who switched providers due to misleading claims (Hasan et al., 2011). The role of perceived value is also pivotal; when consumers perceive a brand as honest and reliable, they are more likely to advocate for it through positive word-of-mouth, which is a key driver of loyalty (Reichheld & Schefer, 2000). This underscores the importance of ethical marketing in sustaining competitive advantage in Pakistan's telecom sector, where customer retention is increasingly challenging due to market saturation.

Previous research on deceptive practices in Pakistan's telecom sector highlights systemic issues that compromise consumer trust. A study by Hasan et al. (2011) found that telecom companies frequently employ misleading advertisements to attract customers, particularly through hidden charges and inflated service promises. Comparative analyses reveal that Jazz, the market leader, exhibits the lowest levels of deceptive practices, correlating with higher customer satisfaction and loyalty, while Ufone, with the highest incidence of misleading ads, suffers from poor retention rates (PTA, 2025). These findings are corroborated by Hussain and Aslam (2019), who emphasize that deceptive advertising not only drives customer churn but also invites regulatory scrutiny and reputational damage. The current study builds on this literature by quantifying the impact of deceptive practices on loyalty, demonstrating that 57.6% of respondents felt their providers failed to deliver advertised services, reinforcing the need for stricter ethical standards in the industry. Collectively, these studies highlight the urgent need for telecom companies to align their marketing strategies with ethical principles to foster sustainable customer relationships.

Methodology

Research Design

The study employed a mixed-methods approach, utilizing both primary and secondary data to investigate the effects of deceptive advertising on customer loyalty in Pakistan's telecom sector.

- **Primary Data:** Collected through self-administered questionnaires distributed via educational institutions and social media platforms. The survey targeted youth (students and young professionals), who are the most active users of telecom services.
- **Secondary Data:** Gathered from scholarly articles, research publications, industry reports (e.g., Pakistan Telecommunication Authority reports), and media sources to contextualize findings and support theoretical frameworks.

Sample Description

The research focused on three major telecom companies in Pakistan:

1. Jazz
2. Telenor
3. Ufone

These companies were selected due to their market dominance and prevalence of advertising practices. A judgmental sampling

technique was used, with 300 respondents participating in the survey. The sample aimed to reflect diverse demographics, including gender, age, education level, and employment status.

Variables Studied

The study examined the following independent variables and their impact on the dependent variable (customer loyalty):

1. **Hidden Charges (HC):** Undisclosed costs affecting consumer trust.
2. **Network Coverage (NC):** Service availability across regions.
3. **Network Quality (NQ):** Call clarity, data speed, and reliability.
4. **Customer Service (CS):** Support quality and responsiveness.

The relationship was modeled as:

$$\text{Customer Loyalty (CL)} = f(\text{HC, NC, NQ, CS})$$

Tools for Data Analysis

- **Smart PLS:** Used for Partial Least Squares Structural Equation Modeling (PLS-SEM) to analyze path coefficients, validate constructs, and test hypotheses.
- **Statistical Tests:**
 - **Content Validity:** Assessed via factor loadings (threshold > 0.5).
 - **Discriminant Validity:** Evaluated using the Fornell-Larcker criterion.
 - **Path Analysis:** Examined relationships between variables (p-values and coefficients).
 - **Reliability Checks:** Composite Reliability (CR) and Average Variance Extracted (AVE) for construct consistency.

Key Steps:

1. **Questionnaire Design:** Included Likert-scale items measuring perceptions of deceptive advertising and loyalty.
2. **Demographic Analysis:** Profiled respondents (e.g., 51% female, 87% aged 21–25).
3. **Model Testing:** Confirmed that customer service and hidden charges significantly influenced loyalty, while network coverage/quality showed weaker effects.

Limitations

- Non-probability sampling may limit generalizability.
- Some AVE values were slightly below the ideal threshold (0.5), though CR values met reliability standards.

Findings:

Deceptive Promotional Practices in Telecom Companies

The comparative analysis of deceptive practices among Pakistan's leading telecom companies Jazz, Telenor, and Ufone revealed significant disparities in ethical advertising and customer trust. Jazz emerged as the least deceptive, with only 26% of respondents reporting dissatisfaction, corroborated by its market dominance (39.2% share) and high customer loyalty (PTA, 2025). Telenor ranked second, with 34% of customers citing misleading promises, while Ufone scored the worst, with 74.6% of respondents alleging deception, particularly in hidden charges and unmet service guarantees (see Table 1). These findings align with Hussain and

Aslam’s (2019) study, which linked deceptive advertising to brand switching in Pakistan’s telecom sector.

Table 1 Deceptive Practices and Customer Perception Across Telecom Companies

Company	% Respondents Reporting Deception	Key Issues	Market Share (PTA, 2025)
Jazz	26%	Minimal hidden charges, reliable network	39.2% (71.4M subscribers)
Telenor	34%	Inconsistent network coverage	27.5% (50.1M subscribers)
Ufone	74.6%	Frequent hidden charges, poor service	16.1% (29.3M subscribers)

The study identified three key issues driving customer dissatisfaction: hidden charges, misleading service promises, and network quality gaps. Hidden charges were the most prevalent, with 57.6% of respondents noting undisclosed fees (e.g., taxes, subscription costs) as a primary concern. For instance, Ufone’s promotional campaigns often omitted critical pricing details, leading to bill shocks (Ganiyu et al., 2012). Network quality gaps reported by 52% of Telenor users further eroded trust, as advertised high-speed internet frequently underdelivered (Hasan et al., 2011). These findings echo Bozkurt and Gligor’s (2019) assertion that deceptive pricing directly impacts perceived value and loyalty.

Statistical evidence robustly supported the prevalence of deceptive advertising. A striking 74.6% of respondents felt misled by their providers, while 69.3% switched networks due to false promises. Notably, 88.6% preferred providers with transparent advertising, underscoring the demand for ethical marketing (see Table 2). Path analysis in Smart PLS confirmed that deceptive practices negatively impacted loyalty ($\beta = -0.61$, $*p < 0.05$), with customer service and hidden charges being the strongest predictors (Hair et al., 2014). These results align with Campbell’s (1995) theory that deceptive tactics trigger long-term distrust, validating the study’s hypothesis.

Table 2 Customer Responses to Deceptive Advertising

Statistic	Value	Implication
% Felt deceived	74.6%	High prevalence of unethical practices
% Switched providers due to deception	69.3%	Direct impact on churn rates
% Prefer transparent advertisers	88.6%	Market advantage for honest providers

Impact on Customer Loyalty

Deceptive advertising practices significantly erode customer trust, leading to increased churn rates in Pakistan’s telecom sector. The study revealed that 74.6% of respondents felt misled by their service providers, with 69.3% switching networks due to unmet promises (Hasan et al., 2011). For instance, Ufone’s failure to disclose hidden charges and deliver advertised network quality resulted in the highest dissatisfaction rates (57.6%), directly correlating with its lowest market share (16.1%) among the studied companies (PTA, 2025). This aligns with Campbell’s (1995) theory that deceptive claims create cognitive dissonance, prompting customers to seek alternatives. The path analysis further confirmed that hidden charges ($\beta = -0.61$) and poor customer service ($\beta = -0.54$) were primary drivers of disloyalty, as they violated expectations of transparency and reliability (Hair et al., 2014).

Table 1 Deceptive Practices and Customer Churn

Company	Dissatisfaction Rate	Primary Complaints	Churn Rate
Ufone	74.6%	Hidden charges, poor network quality	69.3%
Telenor	34%	Inconsistent service delivery	42.1%
Jazz	26%	Minimal deception	18.5%

Perceived value plays a pivotal role in moderating loyalty. The study found that 88.6% of customers prioritized transparent advertising over promotional gimmicks, emphasizing the importance of aligning perceived and actual service value (Ranjan, 2014). For example, Jazz’s adherence to ethical advertising bolstered its perceived value, translating to higher retention (82% loyalty) despite competitive pricing by rivals (PTA, 2025). Conversely, Ufone’s exaggerated claims about network coverage later debunked by 63% of users demonstrated how perceived deception diminishes brand equity (Bozkurt & Gligor, 2019). The R^2 value of 0.610 indicated that 61% of loyalty variations stemmed from these perceptual gaps, underscoring the need for authenticity in marketing (Cohen, 1988).

Word-of-mouth (WOM) further amplifies the impact of deceptive practices. A staggering 52.6% of respondents reported sharing negative experiences, influencing peers to avoid certain providers (Hussain & Aslam, 2019). Ufone’s case exemplified this: its deceptive ads triggered a ripple effect, with 48% of churned customers citing peer warnings as a deciding factor (see Table 2). Positive WOM, however, benefited Jazz, as 68% of its subscribers attributed their loyalty to recommendations (Sirdeshmukh et al., 2002). The study’s discriminant validity tests ($AVE > 0.5$) confirmed that WOM and perceived value were distinct yet interrelated constructs driving loyalty (Hair et al., 2014).

Table 2 Word-of-Mouth Influence on Customer Decisions

Behavior	Ufone	Jazz	Telenor
Negative WOM shared	52.6%	12.3%	28.4%
Switched due to peer advice	48%	5%	22%

Strategic Recommendations for Ethical Advertising

To foster long-term customer loyalty and trust, telecom companies in Pakistan must adopt ethical advertising practices that prioritize transparency and honesty. A critical step is ensuring transparency in pricing, where all charges, including hidden fees and taxes, are clearly disclosed in advertisements. This approach not only aligns with regulatory expectations but also builds consumer confidence, as customers feel informed rather than deceived. When pricing is straightforward, it reduces the likelihood of customer frustration and churn, which often results from unexpected deductions. Additionally, companies should focus on service quality alignment, ensuring that the promises made in advertisements are consistently met in reality. This means rigorously testing network coverage, speed, and reliability before making claims, thereby closing the gap between marketing messages and actual service performance. By delivering on their promises, telecom providers

can cultivate a reputation for reliability, which is essential for sustaining customer loyalty in a competitive market.

Another vital area for improvement is the implementation of customer-centric policies, particularly in customer service. Training programs for service representatives should emphasize skills like active listening, empathy, and effective problem-solving to handle complaints professionally and efficiently. Reducing wait times and streamlining complaint resolution processes can significantly enhance customer satisfaction. Furthermore, telecom companies should advocate for stricter regulatory compliance by collaborating with the Pakistan Telecommunication Authority (PTA) to enforce advertising standards and penalize deceptive practices. This not only levels the playing field but also reinforces industry-wide accountability. Lastly, brand trust building should be a cornerstone of marketing strategies. Instead of relying on exaggerated claims, companies should focus on honest communication and consistent service delivery. For instance, Jazz's leadership in customer loyalty, as highlighted in the study, stems from its relatively lower levels of deceptive practices. By emulating such transparency and prioritizing ethical marketing, telecom providers can secure a loyal customer base, drive positive word-of-mouth, and achieve sustainable growth in Pakistan's dynamic telecom sector.

Managerial and Policy Implications

The findings of this study underscore the need for telecom managers to recognize the detrimental effects of deceptive advertising on customer trust and loyalty. Strategic shifts in marketing approaches are necessary, moving away from short-term gains through misleading claims toward long-term relationships built on honesty. For instance, Ufone, which scored poorly in customer satisfaction due to high levels of perceived deception, must urgently revamp its advertising strategies to focus on truthful messaging and improved service delivery. Managers should also invest in continuous employee training to enhance customer service quality, as skilled and empathetic staff can mitigate dissatisfaction and foster loyalty even when service issues arise. Moreover, companies should leverage customer feedback to identify pain points and align their services more closely with advertised promises.

From a policy perspective, the PTA must play a more proactive role in monitoring and regulating advertising practices within the telecom sector. Stricter enforcement of existing guidelines, coupled with penalties for violations, can deter deceptive advertising and promote fair competition. The PTA could also introduce a certification system for advertisements, ensuring they meet transparency and accuracy standards before dissemination. Additionally, telecom companies should collaborate with regulatory bodies to develop industry-wide ethical advertising benchmarks. By aligning corporate practices with regulatory expectations, the sector can rebuild consumer trust and enhance its reputation. Ultimately, the transition to ethical advertising is not just a moral imperative but a strategic one, as it directly influences customer retention, brand equity, and long-term profitability in Pakistan's rapidly evolving telecom landscape.

Conclusion

The study reveals that deceptive advertising practices in Pakistan's telecom sector have a significant negative impact on customer loyalty. Key findings indicate that misleading claims, hidden charges, and unfulfilled promises erode consumer trust, leading to dissatisfaction and higher churn rates. For instance, 74.6% of respondents reported feeling deceived by their service providers, while 69.3% switched networks due to misleading advertisements. The research highlights that telecom companies like Jazz, Telenor, and Ufone engage in varying degrees of deceptive practices, with Ufone exhibiting the highest levels of dishonesty in its marketing campaigns. This disparity in ethical advertising

directly correlates with market share and customer retention, as Jazz, the least deceptive provider, enjoys the highest loyalty and market dominance. The study underscores that deceptive tactics may yield short-term gains but ultimately damage brand reputation and long-term profitability. Customers increasingly prioritize transparency, with 88.6% favoring providers that avoid misleading claims. These findings emphasize the urgent need for telecom companies to align their advertising with actual service quality to foster trust and sustain loyalty in a competitive market.

To address these challenges, telecom companies must prioritize ethical advertising and transparency as core pillars of their marketing strategies. Clear disclosure of all charges, including hidden fees, and accurate representation of services can bridge the gap between customer expectations and reality. Companies should invest in robust network infrastructure to ensure advertised coverage and quality are consistently delivered, thereby reducing customer frustration. Additionally, enhancing customer service through training programs focused on empathy and problem-solving can mitigate dissatisfaction and strengthen loyalty. A proactive approach, such as rewarding employees for excellent service and streamlining complaint resolution processes, can further reinforce a customer-centric culture. The study serves as a call to action for the telecom industry to abandon deceptive practices and adopt honest communication, as this shift is critical for long-term success. By aligning marketing promises with service delivery, companies can rebuild trust, reduce churn, and secure a loyal customer base, ultimately driving sustainable growth in Pakistan's dynamic telecom landscape.

References

- Aaker, D. A. (1974). *Deceptive advertising, consumerism: Search for the consumer interest*. Free Press.
- Becker, B. E., & Huselid, M. A. (2006). Strategic human resources management: Where do we go from here? *Journal of Management*, 32(6), 898–925. <https://doi.org/10.1177/0149206306293668>
- Boush, D. M. (1994). Adolescent skepticism toward TV advertising and knowledge of advertiser tactics. *Journal of Consumer Research*, 21(1), 165–175. <https://doi.org/10.1086/209390>
- Bozkurt, S., & Gligor, D. J. (2019). Customers' behavioral responses to unfavorable pricing errors: The role of perceived deception, dissatisfaction, and price consciousness. *Journal of Consumer Marketing*, 36(6), 760–771. <https://doi.org/10.1108/JCM-10-2018-2908>
- Campbell, M. C. (1995). When attention-getting advertising tactics elicit consumer inferences of manipulative intent: The importance of balancing benefits and investments. *Journal of Consumer Psychology*, 4(3), 225–254. https://doi.org/10.1207/s15327663jcp0403_02
- Cohen, J. (1988). *Statistical power analysis for the behavioral sciences* (2nd ed.). Routledge.
- Economic Affairs Team. (2013). *Annual report*. Pakistan Telecommunication Authority.
- Ganiyu, R. A., Uche, I. I., & Elizabeth, A. O. (2012, October). Is customer satisfaction an indicator of customer loyalty? *International Journal of Business and Social Science*, 3(19), 207–215.
- Gardner, D. M. (1975). Deceptive advertising and consumer behavior: A case for legislative and judicial reform. *Journal of Marketing*, 39(1), 40–46. <https://doi.org/10.1177/002224297503900107>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2014). *A primer on partial least squares structural equation modeling (PLS-SEM)*. SAGE Publications.

Hasan, S. A., Subhani, M. I., & Mateen, A. (2011). Effects of deceptive advertising on consumer loyalty in the telecommunication industry of Pakistan. *Information Management and Business Review*, 3(5), 261–264.

Hussain, A., & Aslam, A. (2019). The influence of deceptive advertising and consumer loyalty in the telecommunication industry. *Pakistan Business Review*, 11(3), 45–62.

Pakistan Telecommunication Authority (PTA). (2025). *Annual report 2025*.

Ranjan, N. (2014). Impact of ethical advertisement on customer loyalty. *Journal of Marketing and Consumer Research*, 3(1), 12–20.

Reichheld, F. F., & Scheffer, P. (2000). E-loyalty: Your secret weapon on the web. *Harvard Business Review*, 78(4), 105–113.

Sirdeshmukh, D., Singh, J., & Sabol, B. (2002). Consumer trust, value, and loyalty in relational exchanges. *Journal of Marketing*, 66(1), 15–37. <https://doi.org/10.1509/jmkg.66.1.15.18449>

Urban, G. L. (2004). The emerging era of customer advocacy. *MIT Sloan Management Review*, 45(2), 77–82.

SCRR