

Does Consumer Believe on Advertisers? The Evaluation of Advertising Skepticism in India and China

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Abstract

Population of India and China consist of 37 percent of the world. The rise in their economic growth creates more potential consumers through excessive advertising – making a person buy things (products) they don't desire – which to some extent creates skepticism about its credibility. It even makes the consumer skeptic about the valuable information in the message advertised (Calfee & Ringold, 1994). In this article we will investigate the element of skepticism of consumer in advertising in the light of the economics of information (EOI). Based upon the results obtained, through the survey of Chinese and Indian consumers, it can be interpreted that the economical, social, moral as well as personal usefulness and the regulatory aspects of advertising are taken into account. The results of this study would shoulder to determine the scope of advertising in China and India, and will draw the attention of policy makers on consumers' skeptic behavior in advertising.

Keywords: Advertising skepticism, Economics of information, Consumerism, India and China

1. Introduction

Skepticism in relation to advertising is not a recent phenomenon; the great Depression of 1930s advertising came under the public, political and scholarly scrutiny and coined a term "Consumer Movement"(Calfee & Ringold, 1994). It was the era when the emphasis on the 'truth in advertising' caused to form the major regulatory bodies in the United States for instance Federal Trade Commission (FTC) and Better Business Bureau (BBB) and others, with having the core objectives to promote the truth in advertising through several existing models then borrowed from 'Printers' ink' versions (Tedlow, 1981, Cite Roland Cole, 1921). Historically, in the same era, J. Walter Thompson (JWT) an advertising agency subsidiary in Bombay and the head office at New York was engaged with British India government during the WWII and afforded their practices of propaganda within the domain of advertising (Mazzarella, 2003, p.303). It argues that truth in advertising practices during colonial times in India would be considerably on recess due to inadequate rationale of education and awareness. However, Chinese established their Post and Telecommunication Ministry in 1906 not for regulatory objectives but in the quest of greater social reforms, which resulted in by nationalist movement during the late Qing dynasty,

substantial resistance observed as an aspect of Chinese policy by later warlords, Kuomintang, Mao and Deng periods to foreign operational or financial control of transport and telecommunication for the skepticism on capitalist methods (Comor, 1994).

In 1950, during the second wave of criticism on advertising (Galbraith, 1958) and counter criticism (Backman, 1968; Warne, 1962), considering advertising worsened or 'wasteful'. Even during 50s, such criticism was observed as the movement of consumer voice and state policy in India and China. Kaptan (2003, p.69):) argues that Mahatma Gandhi attached considerable importance to the consumer movement by taking into account "poor consumer" as ultimate beneficiary. However, Nehru considered that advertising persuades unnecessary (Mazzarella, 2003, p.303). Tanzer (1993) argues that under Mao Zedong the advertising was taken as "Capitalistic evil" and was almost banned in China. After the appearance of the article "Economics of Information (EOI)" by Stigler (1961) in United States, advertising as EOI came under intensive debate by the scholars of consumer research and marketing that advertising is considerably beneficial to consumers and it is important in competition process (Nelson, 1970; Bloom & Krips, 1982; Sheffet, 1983). FTC largely adopts the opinion from the EOI point of view regarding 'untruthful advertising' and stated that markets offer deceptive advertising in the form of rejection (Ford & Calfee, 1986). Retrospectively, public beliefs, credibility, and attitudes towards advertising remained pivotal to research during the entire period instead of specific product advertisement or advertising content (Pollay & Mittal, 1993). Presented article attempts to evaluate the advertising beliefs in the light of skepticism in relation to advertising in the emerging global economies India and China. The study used the survey method for the evaluation of advertising beliefs of Indian and Chinese consumers on the basis of their economical, social, moral as well as personal usefulness and regulations aspects considering the literature of EOI.

2. Consumerism in India and China

Consumerism is associated with West refers to the mass consumption resultant to the advertising stimuli. Western corporations trigger psychological and cultural phenomena which cause the mass consumption of their goods and services. But Packard (1960) point outs that consumerism coupled with the excessive materialism. Whereas Stearns (2001) argues that consumerism stemmed from West and spread all over the World. As India and China are the two top most populous consumer markets but right from beginning the governments of both countries took effective initiatives against the capitalistic pursuits. However, Mahatma Gandhi urged the Indians to boycott the Western products; Gandhi himself spun native cotton and persuades others to follow the model (Scott, 2008). Which Mozarella (2003) argues that the Gandhi's concept called "Swadis" remained socio-political agenda of ruling predecessors of Gandhi. However after 1949 in China, advertising was heavily criticized specifically during the Cultural Revolution (1966 - 76) – considered as "Capitalistic consumption and a token of advanced capitalistic culture" (Hong, 1994), whereas Tanzer (1993) expresses that advertising was recognized as "Capitalistic evil". After 1979, China opened its doors for the world through major economic reforms, thus advertising business flourished into Chinese society. However, India lost its tight control over economy almost after a decade to China. O'Barr *et al.* (2008) points out that after liberalization of Indian economy in 1991, consumerism raised after multinational corporations (MNCs) entered in the socio-cultural fabric of India. Hence, the rising consumerism in India and China in great many aspects of economical, social, moral as well as personal usefulness emerged, and at this point both the countries needed to review the advertising strategies. Historically, however both countries have the socialist background, so political system reacts skeptically against advertising, and in this study we'll investigate this skepticism at the consumer level. We expect that:

H1: Consumers in India will respond to advertising skeptically than that of Chinese Consumers.

2.1 Indian and Chinese Socio - Cultural characteristics and Advertising

As Indian and Chinese socio-cultural characteristics are significantly different from the Europe. Besides, India and China own socialist economic structure of governance and both countries follow the Asian norms where they put great value to the joint family system. India is the land of diverse cultures, sects and languages which is second after China in the population, whereas, officially China also owns some fifty six minorities: representing diverse cultures and languages under single ruling Communist party. However effects of advertising on social, cultural, economic and moral characteristics have long been subject to research in communication discipline. Socio-culturally, advertising categorizes into "controversial advertising, socially sensitive products, decent products, acceptable advertising and advertising ethics" (Fahy, *et al.*, 1995; Wilson & West, 1995). Though, Pollay & Mittal (1993) measures the "value corruption" in advertising and points out that advertising change the values of youth, promote materialism and undesirable products in society, persuade people to buying things to

merely show-off, whereas undesirable refers to the sexual imagery in advertising. "Controversial advertising" denotes to the promotion of those goods, ideas and services which create anger, disgust and raise the question of ethics among society for instance ;goods could be categorized as personal hygiene, birth control, warfare and terminal illness, ideas as unconventional sexual practices, political ideas, analgesic care, terrorism and racial prejudice, whereas services could be mentioned as abortion, sterilization, mental disease, funeral services and artificial insemination (Wilson & West, 1995; Jensen & Collins, 2008). In addition, India is the land where cows are considered very sacred entity but McDonald, a multinational beef burger chain successfully inculcated their brands through power of advertising in India. Robbins (1999) argues on rising global market concept that diminishes the local meaning and significantly proliferate cultural commodity politics, referring the Indian meat economy which enters through economic system and it generally affects non economic systems. McDonald's restaurants in New Delhi and Mumbai were attacked by the Hindu activists upon flavoring french fries with beef fat. KamaSutra Commercials (Condom ads) and beauty Bar ads brought to much sexual imagery in India against local norms as a product of consumerism (O'Barr *et al.*, 2008). Pollay *et al.* (1990) argues that Chinese consumer are skeptic about the advertising and consider it deceptive and false. Hong (1994) points out that smoking causes death of 75, 000 Chinese consumers every year, whereas the tobacco companies are busy in targeting Chinese markets through promotional tactics to increase its smoking rate. Besides, advertisers are targeting children for their potential future consumers which introduced many behavioral problems in various quarters of the societies. Martinez *et al.* (2006) studied the children's violent behavior and advertising, he explains that children adopt the violent behavior from television advertisement and stresses the urgent initiatives should be taken against such advertisements. Describing the economic harm of the advertising, Foley (1999) discussed misleading advertising that motivates consumer life style, it increases the uncontrolled consumption influenced by advertising content. He lists the benefits and harms caused by advertising from economic, political, cultural and religious perspective, identifies moral principle for advertising and emphasizes on truthfulness, dignity of human beings and social responsibility. Considering the economical, social, moral as well as personal useful aspects in advertising viewing the Chinese and Indian characteristics, however we anticipate the following:

H2: Consumers in India will respond to advertising skeptically considering economic aspects compare to Chinese Consumers.

H3: Consumers in India will respond to advertising skeptically considering social aspect to their Chinese counterparts.

H4: Consumers in India will respond to advertising for skeptically considering essential for personal usefulness than that of Chinese Consumers.

2.2 Advertising Regulation and Economics of Information

The literature of EOI (Calfee & Ford, 1988; Darby & Karni, 1973; Ford, et al., 1990; Nelson, 1970, 1974; Stigler, 1961) advertising is considered as information. In the market economy, advertising strategies are planned for the potential benefit of the entrepreneurs rather than consumers (Wright, 1986). Considering the view of advertising as economics of information, Ford & Calfee (1986) argues that Federal Trade Commission in United States established advertising regulations policy which focus that markets penalize against deceitful advertising, whereas FTC claims that their "Bureau of Consumer Protection works for the consumer to prevent fraud" and affords a healthy market competition (FTC, 2010). However, Calfee & Ringold (1994) observed advertising skepticism in the U.S. market considering the survey data of six decades, find 70% of the respondents consider that advertising is not information, it persuades them for potential purchase against their desire and advertising advantages are concealing its harmful aspects, however he argues that advertising should strictly regulate. On tcontrary, in socialist economies like India and China, markets are monitored and governed by the governments, consumer rights are superior over entrepreneur. However, corporations sustain their domination over consumer markets through marketing and advertising tactics.

Consumer Protection act in India implemented in the year 1986, has regulations which are disciplinary in nature, whereas any person, entrepreneur who deceives or causes damage through unfair practices of advertising is penalized but such penalty is so meager and minimal as "peanuts" for big corporate firms ,whereas in delayed justice system , consumer couldn't get compensation within time (CAI, 2010). On the other hand, China Consumer Association is a subsidiary of government with having strong penetration at grass root level through 156,000 points with 100,000 compulsory supervisors who work for the consumer rights, Chinese People's Congress implemented the "The Law of Protection of Consumers' Rights" in 1994. However, by the end of 2001 CCA claim that it accepted 6,126,791 cases worth 36.7 billion Yuan (6.1 billion \$) and 96% retrieved through the strong regulations (CCA, 2008). Nevertheless, the question of advertising social responsibility arises but when

the deceitful advertising practices, false claims, sexual imagery and persuasion through consumer cognition dominate over the society then government interference through regulation and control over such advertising practices could relieve the consumer from the spider-net of powerful and financially strong corporations. However we expect the following:

H5: Consumers in India will respond to advertising skeptically for moral aspects to Chinese Consumers.

H6: Consumers in India will respond to advertising skeptically considering strict control through regulation than that of Chinese Consumers.

3. Methodology

Before the commencement of survey with Indian and Chinese consumers, a questionnaire was designed into two languages; English and Chinese. Chinese language questionnaire was first translated from English by a bilingual expert into Chinese language for a pilot study. A pilot study was conducted with the random sample of 50 with equal division among Indian and Chinese consumers. Subsequently, English language questionnaire was served to Indian consumers whereas Chinese language questionnaire for Chinese consumers and made it sure that the language readability and vocabulary in essence were the same in both language questionnaires.

3.1 Population and Sample

The respondents having age at least 18 years were included in the sample because of their ability for making their own decision. The stratified random sample of Indian and Chinese university students in Wuhan, China were selected because of their homogeneity and sample convenience, as in many other studies which were carried out based on university student samples (Liu, 2002; Fam & Waller, 2003; Calder, *et al.*, 1981; Ramaprasad, 2001). The total of 800 respondents were directly approached, including 300 Indian respondents and 500 Chinese respondents. Where 220 Indians and 435 Chinese respectively responded. The education level of 90 percent of the population selected sample was bachelors students or above. However the response rate from the Indian respondents was 73.3% whereas from Chinese respondents it was 87%. Inappropriately filled responses were excluded from the study (Table1).

3.2 Questionnaire Design and Validity

The questionnaire took about 5 to 7 minutes to be filled. The questionnaire consisted of two parts, first part about demographic profile of respondents and second part contained the statements about the advertising which were borrowed and modified from the previous studies (Calfee & Ringold, 1994; Marinov & Lee, 2007; Liu, 2002; Ho & Sin, 1986). Considering the advertising as an instrument leading respondents to be potentially skeptical; economical, social, personal usefulness, moral and regulatory aspects of advertising 15 statements were investigated from the respondents. Against each statement, a multivariate Likert scale employed (varying from '5' strongly agree to '1' strongly disagree). The validity of the statements evaluated on the scale of alpha against 645 cases ($\alpha = 0.78$).

4. Data Analysis

The data were analyzed by mean, standard deviation, correlation and paired sample t-test which was used for the investigation of the above hypotheses. However, non parametric rank test was used for further elaboration of the regulation aspects in advertising.

4.1 Findings

Results illustrate that there is no significant difference between Indian and Chinese consumers' on basic beliefs about advertising. For overall similarities found on the advertising beliefs among both countries' consumers except economic (necessary for economy and increases the prices), moral (harmful and dangerous product shouldn't be advertised and socially responsible) and regulatory aspects (strictly control and harmful to society) see Table 2.

However, response of Indian consumers emphasized more towards social belief as compared with their Chinese counterparts. The generalization about hypotheses testing can not be created on the basis of macro analysis. However, for micro view and hypotheses testing, researchers considered an average relationship between Indian and Chinese consumers on overall advertising as an instrument of economic, social, moral, and personal usefulness and regulation beliefs about advertising through correlation and significant two tailed-tests (see Table 3).

The difference can be observed between Indian and Chinese consumers in average advertising behavior within economic, social, moral and personal usefulness of advertizing beliefs. However, all the results are significant at $p < 0.05$. The results reflect high significance which represents that Indian and Chinese consumers are skeptic

about advertising but level of skepticism is more obvious in Indian consumers (0.257) as compared with Chinese consumers (Appendix I). The hypothesis H1 can not be proved from our results. The significance observed at average economic beliefs (Corr. = 0.021) toward Indian consumers. However it is not significant toward Chinese consumers (sig: 0.17) so the hypothesis H2 is also confirmed. However, no significant correlation (0.769) was found among Indian and Chinese consumers in average social beliefs about advertising, significance of test (.094) reflects weak relationship among both and it maintains on personal usefulness (corr. = 0.545) whereas it reflects highest significance (0.000) among Indian and Chinese consumers so H3 and H4 are disconfirmed. However, no significance was found on average moral beliefs about advertising among Indian and Chinese consumers (correlation = 0.382) whereas both reflect strong relationship (sig. = 0.494) on their beliefs about advertising social responsibility. Hence, H5 is disconfirmed. Contrarily, beliefs about government regulations over advertising are highly significant (correlation = 0.000) where it also reflects weak relationship (sig. = 0.073) which means that Indian and Chinese consumers are not deviating (Chinese = 0.048 & Indian = 0.052) on strict regulation over advertising (Appendix II). However H6 is disconfirmed because consumers of both countries are consistent on the strict government control through regulations on advertising (Table. 4).

4.2 Discussion

Stross (1990) argues that China advanced due to their mindset of Cultural Revolution, government and professionals create space for advertising in socialist embargo whereas publicly the scenario of advertising is in between “avoidance and concerns”. However, cultural and religious aspects in society also affect the basic beliefs of consumers about advertising (Fam, *et al.*, 2004). In the case of India both factors affect the consumer beliefs about advertising. The findings of the study reflect the Indian consumers’ skepticism is significant as compared with the Chinese, although Chinese consumers are slightly less skeptical than Indians. The reason of such response is that, India is the land of various cultures and religions (Kosambi & Dharmanand, 1965) whereas Chinese officially do not claim or own any particular religion or culture. The findings of the presented study are inline with the findings of Petrovici *et al.*, (2007). It discussed perceived social and economic effects of advertising in Bulgaria and Romania where both countries historically remained under communist system and now Bulgaria practice mixed economical structure of the economy whereas Romania follow the market economy. However, Chinese consumers are significantly concerned about their economic beliefs about advertising as compared with Indian consumers. The reason of significant response about economic beliefs is that both countries put reasonably tighter control over economic system where supply and demands of the market are centrally administered by the government. Historically, advertising was alien in India and China, now both countries have loosen their tighter hegemony over markets but still consumers of both countries on micro level are skeptical about advertising and think that advertising increases the prices. On the other hand, significant difference was found on the part of Chinese respondents about harmful products. The rationale of such skepticism is because China observed several kind of product harm crises for instance *Sanlu Milk* crisis that caused the death and severe kidney disease of several infants (Yusheng, 2002).

Considering the societal, cultural and personal usefulness of advertising from the perspective of EOI, it could be argued that advertising could not be viewed only as information. But, advertising having its cognitive effects on the behaviors of Indian and Chinese consumers, the more cultural inclination, the more skepticism is observed in the case of average social beliefs of Indian consumers which are significant than that of Chinese consumers. However, Calfee & Ringold (1994) found that advertising tactics and “public media consumption habit altered consumers’ fundamental beliefs about advertising” and such beliefs only dominate on the societal level. Whereas on the level of personal usefulness, it couldn’t get significance between both countries. Moral beliefs, arguably social responsibility about advertising is significant among Chinese consumers in contrast to their Indian counterparts whereas significant beliefs about government regulation on advertising observed among both sides of consumers in the study. It shoulders Wells’ (1994) findings in the case of former Soviet Union where consumer beliefs linger on economic and social aspects ,whereas significant skepticism observed on Western type of advertising. Findings of this study contrast to the Andrews *et al.*, (1994) findings which reflect U.S consumer more skeptic than Russian consumers, the reason he discovered for such favor that advertising for Russians is more influenced from their culture and an interaction between society and culture. The Indian and Chinese case is different from U.S. and Russian markets. In India and China skepticism about advertising is in between the economic beliefs and economic doubts. However, Hirshleifer (1973) label EOI as microeconomics of information, concisely the consequence of the economic theory of doubt. Doubt refers the diffusion of individuals’ personal beliefs influenced by the persuasion from all around the world. However, Hirshleifer (1973) points out that the term “Information” refers to the negative determination of doubt and “EOI is active when uncertainty is passive”. In the market economy law making powers take the advantage of such doubts and

possibly ignores the persuasive role of advertising. LaBarbera (1982) and Calfee & Ringold (1994) observed that skepticism about advertising could be reduced through strong advertising regulations. To facilitate the economy of developing countries governments introduced a two fold path regulation in order to justify serving both the advertisers' interest: centralized and self regulated system, having substantial knowledge at hand, the operators of self regulatory system and the advertisers enjoy a vital edge and upper hand in dealing with their consumers, in addition empowering the self regulatory rights have concerns for regulatory agreements which are usually not sufficient to ensure consumer rights (Grajzl & Murrell, 2007). Hence, the power shifts to only advertisers by overlooking the element of potential social welfare. However, certain significant laws must be practiced after by central bodies not only within India and China but also within the domain of international bodies specially when advertising taken into account in both economies. However, both countries having significant consumer market which covers 37% of the world population (CIA, 2010) so arguably the policy and law makers can't ignore 37% of all humanity.

5. Conclusions

The rising skepticism about advertising in India and China (the world's largest markets) is very significant for the academicians, practitioners, and policymakers to ponder over, for should the market loses the consumer trust, it will take time to sustain the economic cycle of development especially in the case of India and China. Only stringent set of regulations against deceitful advertising practices could reinstate the consumer trust but in fact it is also not sustainable. For, it could be argued that policymakers should determine the societal role of corporations and should facilitate them in social development instead of making heavy spending on media buying which from the perspective of EOI is not information but merely persuasion that makes consumer offended and skeptical about advertising. In addition, having had stronghold of various cultures and religions on Indians must not be overlooked including the social structure of Chinese, the findings stresses. Hence the corporations' societal role and consumer beliefs in the markets of India and China demand further research exploration.

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Table 1. Demographic characteristics of sample of respondents 18-35 years old

	Indian	Chinese	Total	Percent
Case	216	429	645	
Gender				
Male	114	237	348	54
Female	102	192	294	46

Table 2. The attitude of Indian and Chinese consumer toward advertising

Statements	Indian		Chinese	
	M	SD	M	SD
Economic beliefs about advertising				
Advertising is necessary for our economy.	4.22	0.82	3.97	0.68
Advertising increases the expenses of goods and services.	4.04	0.95	4.18	0.83
Advertising is waste of money.	3.01	1.23	2.53	0.94
There is no need to advertise a product which is good.	2.93	1.28	2.5	1.13
Social beliefs about advertising				
Mostly, advertising insult the consumer intelligence.	3.40	1.13	3.38	1.05
Advertising convinces people to buy things they don't need.	3.66	1.05	3.34	2.18
Mostly, advertising is silly and ridiculous.	3.44	1.18	3.07	1.14
Advertising is misleading my culture and making people materialistic.	3.37	1.15	3.25	1.1
Advertising belief about personal usefulness				
I am usually misled by advertising.	2.78	1.24	2.22	0.88
Moral beliefs about advertising				
Repeated advertising is disturbing.	3.50	1.19	2.89	1.04
Harmful and dangerous products shouldn't be advertised.	3.98	1.12	4.53	0.68
Advertising should be socially responsible besides government Regulations.	4.06	1.01	4.6	0.68
Advertising for children should be controlled	4.16	1.20	4.12	1.11
Belief about government regulations over advertising				
There should be strict regulation upon advertising.	4.02	0.99	3.07	1.17
I think advertising is harmful for Indian/Chinese society.	3.98	1.03	4.67	0.62
Note: M – Mean, SD – Standard Deviation. 5- strongly agree, 1 - strongly disagree and 3- Neutral				

Table 3. Advertising skepticism on average advertising beliefs

	M	SD	Correlation	Sig. test	
Cumulative advertising skepticism among Indian and Chinese consumers.			.000*	.257 *	
AEBA ^a	Chinese	3.29	.903	}.021*	.174*
	Indian	3.54	.673		
ASBA ^b	Chinese	3.26	.138	}.769*	.094*
	Indian	3.46	.130		
ABPUA ^c	Chinese	2.21	.975	}.545*	.000*
	Indian	2.78	1.24		
AMBA ^d	Chinese	3.65	.798	}.382*	.494*
	Indian	3.91	.287		
ABGRA ^e	Chinese	4.63	.048	}.000*	.073*
	Indian	4.01	.052		

*p<.0.5 level of significance

a. Average economic beliefs about advertising

b. Average Social beliefs about advertising

c. Average Advertising belief about personal usefulness

d. Average Moral beliefs about advertising

e. Average government regulations over advertising

Table 4. Results of hypotheses

Hypothesis	
H1	Confirmed
H2	Confirmed
H3	Disconfirmed
H4	Disconfirmed
H5	Disconfirmed
H6	Disconfirmed

Appendix I. Cumulative advertising skepticism in Wilcoxon Rank Test (a)

	N	Mean Rank	Sum of Ranks
Cumulative Advertising behavior (Indian) - Cumulative Advertising behavior (Chinese)	4(a)	10.00	40.00
	11(b)	7.27	80.00
	0(c)		
Total	15		

- a. Cumulative Advertising behavior among Indian consumers < Cumulative Advertising behavior among Chinese consumers.
- b. Cumulative Advertising behavior among Indian consumers > Cumulative Advertising behavior among Chinese consumers.
- c. Cumulative Advertising behavior among Indian consumers = Cumulative Advertising behavior among Chinese consumers.

Test Statistics (b)

Cumulative Advertising behavior among Indian – Chinese consumers	
Z	-1.136(a)
Asymp. Sig. (2-tailed)	.256

- a. Based on negative ranks.
- b. Wilcoxon Signed Ranks Test

Appendix II. Wilcoxon Signed Ranks Test on Average Beliefs about Government Regulations Over Advertising

		N	Mean Rank	Sum of Ranks
Average Regulations beliefs (Indian) - Average Regulations beliefs(Chinese)	Negative Ranks	2(a)	1.50	3.00
	Positive Ranks	0(b)	.00	.00
	Ties	0(c)		
	Total	2		

- a. Average regulations beliefs among Indian consumers < Average regulations beliefs among Chinese consumers.
 b. Average regulations beliefs among Indian consumers > Average regulations beliefs among Chinese consumers.
 c. Average regulations beliefs among Indian consumers = Average regulations beliefs among Chinese consumers.

Test Statistics (b)

Average beliefs about government regulations among Indian- Chinese consumers	
Z	-1.342(a)
Asymp. Sig. (2-tailed)	.180

- a. Based on positive ranks.
 b. Wilcoxon Signed Ranks Test