The Good, the Bad, and the Ugly: Firm Reputation, Advertising Correction, and Consumer Defensiveness

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Past research shows corrective advertising can undermine other claims about the same product and damage the reputation of the firm. We find corrective advertising is even more problematic, in that it can undermine responses to different products from the same advertiser, as well as products advertised by second-party firms. This occurred regardless of whether the correction came from the company or an industry regulator. A positive reputation insulated firms against these negative effects, but only when that reputation was based on an endorsement from an independent regulator. The findings are consistent with past research showing that false advertising induces defensive processing.

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**EXTENDED ABSTRACT**

Corrective advertising is a means by which regulators address problems that arise from misleading ads. However, research has found it to be a double-edged sword: Corrective advertising is somewhat effective in correcting false beliefs (Wilkie et al. 1984), but it can also have undesirable effects by undermining valid beliefs about other product benefits (Mazis and Adkinson 1976) and by damaging the firm's reputation (Armstrong et al. 1982; Johar 1996).

This paper reports the findings of three studies that suggest the undesirable punitive consequences of corrective advertising are much broader than previously thought: Correction of a misleading ad diminished the persuasiveness of subsequent ads from not only the offending firm (specific effects), but also from unrelated second-party firms (generalized effects). This occurred regardless of whether the correction was attributed to an independent regulator or the firm itself, in response to both subtle and blatant instances of advertising deception, across both similar and very different product categories, and regardless of the strength of the arguments in the second ad. Correction also undermined the reputation of both the offending firm and other firms, even when these firms had a positive prior reputation. Together, these findings imply that correction may be a less appealing remedy to deceptive advertising than previously thought, in that it has the potential to seriously compromise the effectiveness of future advertising concerning other products from the same firm, and also undermines the ability of other, unrelated firms to promote their products.

Our studies also identify the mechanism responsible for these effects. Specifically, they demonstrate that corrective advertising can cause consumers to feel tricked or fooled, leading to a defensive bias in the way that they process subsequent ad claims. Exp 1 finds that correction of an advertisement undermined the perceived trustworthiness of subsequent advertisers, which in turn had a negative effect on the resulting product attitudes. Exp 2 builds on these initial findings by offering more direct evidence of a defensive bias: Under objective processing, strong arguments should be less vulnerable to distrust than weak ones (Petty and Cacioppo 1986), yet the distrust induced by the ad correction had a negative impact on attitudes regardless of the strength of the arguments in the second ad. Further, these effects were not cognitively mediated, suggesting that the underlying process is heuristic/automatic rather than systematic/effortful. These findings are consistent with the predicted defensive stereotyping mechanism (Darke and Ritchie 2006), where negative stereotypes are evoked to undermine the credibility of the subsequent advertiser, leading to more negative attitudes, and thereby reducing the threat of being fooled.

Exps 1 and 3 also examined the role played by the source of the correction, and found there were negative effects on subsequent attitudes regardless of whether the correction originated from an independent regulator or the company itself. Exp 3 also found that correction by a regulator prompted more negative perceptions of the offending firm than corrections from the firm itself. Together, these findings suggest that the source of correction is relatively unimportant when it comes to product evaluations, but that there may be more subtle effects of the corrective source on the reputation of the offending firm.

Firm reputation proved to be a complex moderator of the effects of corrective advertising. Exp 1 considered the reputation of the offending firm–specifically whether it was well-liked–and found that it made little difference in terms of whether the distrust caused by ad correction generalized to second-parties. Exp 2 manipulated the reputation of the subsequent second-party advertiser, comparing an unknown firm to one that was previously trusted by subjects, and again found that firm reputation was ineffective in stemming the negative effects of correction. Exp 3 further examined firm reputation and discovered that a positive reputation can offer some protection against correction-induced distrust, but only when the second firm’s ethics are endorsed by an independent regulator. This is consistent with the notion of subtyping in the stereotyping literature (Taylor 1981), whereby stereotypes are deemed not to fit certain members of the category (i.e., this is not the typical kind of advertiser).

From a theory-building perspective, our findings build on existing work concerning deceptive advertising and defensive stereotyping (e.g., Darke and Ritchie 2006) by better specifying important boundary conditions. Specifically, we find that the distrust arising from deceptive advertising is less likely to generalize to ads from firms that are endorsed by an independent regulator, as well as to product information provided by an independent, trusted source (i.e., Consumer Reports). This is consistent with predictions made by Rotter (1967), who suggested that specific sources of trust should be preferred to more general sources. Interestingly, however, it appears that the specific information must come from an independent source in order to be effective.

For managers, our work once again sounds a cautionary note about the consequences of misleading advertising, and the need to avoid it. Revelations of deceptive advertising have the power to adversely affect advertising as a whole, not just the specific firm involved in the deception. For regulators, our findings suggest that careful consideration must be given to the punitive effects that such practices can have in reinforcing negative stereotypes about advertising in general. Further, the evidence suggests that regulators also have some role to play in protecting firms against the unintended consequences of correction; namely by publicly endorsing ethical firms. Our findings also imply that the broad distrust that is induced by corrective advertising may actually harm—not aid—consumer welfare, by decreasing the likelihood the consumer will recognize valid information. Corrective advertising is thus a tool that must be used judiciously, so as to strike a balance between the cost of erroneous product beliefs in the marketplace and the potential damage that correction can do to advertising as a whole, to honest advertisers in particular, and to consumers themselves.

**REFERENCES**


