Consumer Response to Marketplace Deception: Implication of the Persuasion Knowledge Model

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Consumers can actively cope with marketplace deception with specific motives, knowledge, and expectances. Building upon the Persuasion Knowledge Model (PKM), we propose that consumers’ attitude toward deceptive advertisement differs in response to both situational factors and individual differences. This study examines the effect of deception knowledge on perceived deceptiveness and consumers’ attitude toward deceptive advertisement in high and low stake situations. The results suggest that deception knowledge makes consumers more skeptical toward advertisement, but does not affect their attitude. It is perceived deceptiveness that directly influences attitude, and the effect is greater in high than in low stake situations. Further, individuals’ cognitive optimism moderates the effect of perceived deceptiveness on attitude.

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Scarcity’s Effects on Evaluation of Prices
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Abstract
This research develops a conceptual framework which incorporates both the motivational and the interference effects of scarcity on information processing. The results from two studies show that scarcity influences consumers’ perceptions of price information for a travel package with the pattern of results being dependent on price levels and consumers’ motivation to process information. Analyses of thought measures provided further support for the underlying processes.

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Extended Abstract
Deception—intentionally misleading others about the truth—is a fundamental human behavior, commonly practiced in the marketplace by both buyers and sellers. Building upon the Persuasion Knowledge Model (Friestad & Wright, 1994), we propose that consumers develop sensitivity and coping strategies in response to marketers’ deceptive attempts. In particular, consumers’ deception knowledge functions as a sensor in the formation of a valid attitude towards an advertisement or an influence agent. This process is described as associative decision making in psychology literature (e.g. Massaro, 1994). The basic notion is that consumers are able to recognize similar misleading patterns based on what they learn about marketers’ practices. Therefore, they are more likely to perceive advertisement as deceptive and are less likely to be misled.

The Persuasion Knowledge Model (PKM) is a useful framework for organizing knowledge that is relevant to marketplace deception since knowledge of deception can be viewed as a subset of knowledge about persuasion. The PKM argues that from early childhood through early adulthood and beyond, an individual develops knowledge relevant for the two persuasion-related tasks of everyday life: coping effectively with others’ persuasion attempts and effectively executing one’s own persuasion attempts. In this study, we aim to investigate the functions and limits of deception knowledge when consumers cope with deceptive ads. Both situational factors and individual differences are examined: knowledge or salience of the potentially deceptive tactics used, high and low stake situation (whether the expected consequence of being misled is serious), and cognitive optimism (the extent to which consumers wish the claims were true).

Hypotheses
First, we hypothesize that consumer deception knowledge increases the perceived deceptiveness of advertisements. Deception knowledge refers to consumers’ beliefs about a deceptive agent’s motives, strategies and tactics, and how to cope with deception episodes. Although deception knowledge does not necessarily lead to an accurate judgment, it makes consumers more skeptical toward advertisements. Second, we argue that high or low stake situation moderates the effect of perceived deception on consumers’ attitude. In high-stake situation, consumers believe that being misled may cause serious consequences to themselves or others (e.g. safety and health problems), so they will form a stronger negative attitude. Third, we argue that consumers’ attitude is also influenced by the degree to which consumers would like to believe the advertising claims are true. Advertisers often encourage consumers to believe that purchasing a product or service will make them more attractive, sexy, glamorous, popular, etc. The mechanism of cognitive optimism that leads to wishful thinking reduces consumers’ negative attitude toward deceptive advertisements. Even though consumers do not completely trust advertisers’ claims, positive thinking brings hopeful comfort and triggers an intention to try.

Method
The experiment used a 2 (instruction of deception knowledge vs. no instruction, between) X 2 (high vs. low stake situation, between) X 2 (deceptive vs. non-deceptive ads, within) mixed design and was administered to one hundred and thirty-three college students on personal computers. Deception knowledge was manipulated by instructions placed at the beginning of the questionnaire. The one-page instruction described the nature of deception knowledge, common deceptive tactics and cues to detect deception in advertising. Participants in the control condition were not given the instruction. The seriousness of expected consequences and advertisement deceptiveness were manipulated by having the participants view different types of print ads. In the high-stake situation (with serious consequences), participants rated six ads, half of which were higher in deceptiveness, and half of which were lower in deceptiveness. This was repeated in the low-stake situation (without serious consequences). A total of 12 stimuli were selected out of 248 print advertisements in major U.S. popular magazines published during the past two years. Stimuli were carefully examined along the manipulation dimensions in a pretest with 48 college students.

Results and Discussion
The repeated-measure ANOVA results show that deception knowledge significantly increased perceived deception but did not change attitude toward advertisements. Participants in the instruction condition (Mean=5.19, SD=1.51) rated the ads as more deceptive than those in the no instruction condition (Mean=4.63, SD=1.38), F (1, 130)=6.007, p<.05. Also, perceived deceptiveness had a significant negative impact on attitude toward ads, F (1, 128)=31.581, p<.001, when deceptive ads led to stronger negative attitude (Mean=4.96,
SD=1.33) than non-deceptive ads (Mean=5.63, SD =.99). There was no significant interaction between deception knowledge and high vs. low-stake situation, F (1,128)=2.51, p>.05. There was a significant interaction between perceived deceptiveness and high vs. low-stake situation, F (1,128)=41.63, p<.001. Consumers’ attitude toward deceptive ads (Mean=4.23, SD=1.24) was more negative than that toward the non-deceptive ads (Mean=5.63, SD=1.03) in high-stake situation. In low-stake situation, however, participants’ attitude toward deceptive ads was not significantly different from that toward non-deceptives. Further, when individuals’ cognitive optimism was controlled for, the interaction between perceived deceptiveness and high vs. low-stake situation remained significant; however, the main effect of perceived deceptiveness was no longer significant, which suggests that participants who wish the claims were true tended to hold less negative attitude toward advertisements despite perceived deceptiveness.

This study extends the Persuasion Knowledge Model to marketplace deception. Deception knowledge appears to make consumers more skeptical toward advertisements. However, whether it involves with a high or low stake situation moderates the effect of perceived deception on attitude. When consumers foresee more serious consequences, they tend to hold stronger negative attitude toward deceptive advertisements. Also, individuals’ desire to trust advertised claims appears to moderate the negative effect of perceived deceptiveness on attitude. As consumers want to believe ads, they tend to hold less negative attitude.

Key References

Consumer Consideration Sets: Altering Memory, Brand Evaluations, and Choice
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Brands that have increased memory accessibility have an advantage to less accessible brands (Nedungadi, 1990). The present work focuses on the effects of prior experiences on consumer memory for brands in choice situations. Previous research suggests that only minor (i.e., relatively low share) brands within a product category will benefit from advertising effects of competitors (Nedungadi, 1990). For example, advertising for Sprite would be more beneficial to a minor brand such as 7-Up than to a major brand within that category, such as Coke.

The DRM Effect
The pattern of priming effects found on only the minor brand is surprising in light of the DRM effect (Deese; 1959; Roediger & McDermott, 1995). The DRM paradigm consists of showing participants lists of related words such as thread, pin, sewing, sharp, point, and so on; participants falsely report having seen the non-presented critical lure, needle (in the context of either an explicit or implicit memory task; e.g.,; McDermott 1997; McKone and Murphy 2000; Hancock, Hicks, Marsh and Ritschel 2003), and are even more likely to do so if longer lists are used (e.g.,; Robinson & Roediger, 1997). Warning participants about the illusion right before the memory task does not eliminate the effect (Gallo, Roediger and McDermott 2001); however, if the warning occurs before the exposure session, the instruction serves to attenuate the effect (Galio, Roberts and Seamon 1997; Gallo et al. 2001), suggesting that the illusion is created by the encoding process.

Hypothesis Development
The DRM findings suggest that advertising effects of competitors would be of more benefit to major rather than minor brands in the same category. That is because the major brands have many more schema-based associations in memory than do the minor brands. For example, Hilton (major) could be linked to, or expected from lobby, lounge, front desk, swimming pool, comfort, and so on, whereas Days Inn (minor) may not be linked to all of those associates. Following this logic, the schema-based associations created by advertising of competitors are more likely to overlap with already existing associations of the major versus the minor brands. This would cause more facilitation of the major than the minor brands.

We speculated that Nedungadi’s (1990) results may have been restricted by the limited set of brand categories he used. Moreover, his hypotheses were derived from assumptions of the separate systems account of memory, assuming principles of activation and inhibition. Recent evidence for the DRM effect has been inconsistent with simple activation accounts (Watson, Balota and Roediger 2003) and has favored attributional accounts (Gallo and Roediger 2003; Whittlesea 2002). Thus we performed a re-inquiry into the work of Nedungadi (1990) to investigate the extent to which his findings may or may not be consistent with the DRM effect; we used more categories and drew our predictions from the current DRM literature.

Current Work
We conducted extensive pilot testing to develop 28 stimulus sets, each comprising a product category (e.g., vehicles), major brands (e.g., Toyota), minor brands (e.g., Nissan), and associates to those brands (e.g., car, drive). In our preliminary studies, we observed that
participants reported having been exposed to “major brand lures” such as Coke, when in fact they had only been exposed to associates (e.g., caffeine) and direct competitors of those lures (e.g., Pepsi). This effect was attenuated when participants were warned about the illusion before the memory test.

We also examined preference ratings of major brand lures. Participants had higher preference ratings for major versus minor brands, and for brands seen earlier versus those not seen. Thus, preliminary testing demonstrated that brand accessibility does influence brand evaluation. It thereby provided the basis for using the present stimulus set to investigate the effects on brand choice and to assess the relationships among consideration set inclusion, brand evaluation, and choice.

In an initial study conducted in a mixed-choice (a combination of memory-based and stimulus-based) setting, prior exposure to associates and competitors had minimal influence on the choice of major brand lures; and more importantly, such prior exposure had no influence on the choice of minor brand lures. Further, prior exposure to associates and competitors had no effect on brand evaluations (of either major or minor brands), although in the absence of prior exposure, evaluations were consistently higher for the major versus minor brands. These results appear to contradict those of Nedungadi (1990). We are currently investigating the reasons for the divergence in the results we obtained compared to those of Nedungadi (1990).

We suggest that stimulus-based and memory-based, as well as mixed choices may be influenced by (a) one’s evaluation of the match between the current fluency of processing and the expectations developed “on the fly” (Kahneman and Miller 1986) that are acquired through the exposure situation that increases accessibility (cf. Whittlesea 2002; 2004), and (b) people’s intuitive theories of cause and effect (Marcel 1983; Ross 1977).

In contrast to Nedungadi’s (1990) assertion that priming can affect accessibility without having any influence of brand evaluation, we hypothesize that accessibility and choice are both based on the same mechanisms, and that the processing style and outcome involved in brand memory are the same as those in brand evaluation (for a similar perspective, see Kronlund and Bernstein 2006). In addition, we assume that stimulus- and memory-based choices are influenced by the same factors (cf. Whittlesea and Leboe 2000), even though the decision-making for each type of choice has been found to differ (e.g., Lynch et al 1988).

References
Adaptive Selling Behavior among Retail Salespeople: The Use of Overt Cues and Consumer Stereotypes
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Extended Abstract
In traditional bricks and mortar retailing, salespeople play a key role in helping to grow and sustain a loyal customer base. Yet as consumers continue to be presented with more ways to make purchases, building consumer loyalty is becoming increasingly difficult; thus even more emphasis is placed on the role of salespeople in terms of ensuring that consumers’ needs are met and that lasting relationships are formed. In theory, in order to best meet the needs of consumers, salespeople must be able to quickly identify consumers’ needs and respond to them with selling behaviors that are most appropriate. The preceding statement is based on the widely accepted notion that a salesperson who adapts his or her behavior to different types of consumers is going to be more successful than a salesperson who uses the same pre-determined approach; thus we might assume that effective retail salespeople practice the concept of adaptive selling (Weitz, Sujan and Sujan 1986). Is this really the case however, that retail salespeople practice adaptive selling and if so how do they go about it?

In order to begin to shed some light on these issues it is necessary to have a detailed understanding of retail salespeople’s actual behaviors with consumers and an understanding of their thoughts and beliefs about how a salesperson should behave with a consumer and what makes a good salesperson. Our first step was to examine their thoughts and beliefs by conducting depth interviews with retail salespeople working for a large consumer electronics/home computer retailer.

Sample Characteristics
The sample consisted of 20 retail salespeople. All informants were male with a median age of 27. The oldest informant was 45; the youngest was 22, and the average length of employment with the company was 3.5 years with the shortest length of employment 3.5 months and the longest 8 years. All informants were employed as full-time retail salespeople associated with a specific department–either computers or home electronics/home theater.

Interview Format
A semi-structured depth interview format was used and one researcher conducted all 20 interviews. All interviews were audio-taped with the permission of the informants and were later transcribed verbatim for analysis. Interviews lasted anywhere from 32 to 76 minutes.

Data Coding and Interpretation
The informants’ transcripts were coded using NVivo qualitative software which allows the researcher to customize searches, create nodes within the data of related topics, and search for themes within the data based on key words and phrases.

Excerpts from the interviews illustrate some of the key findings.

Behavior with Customers.
We were interested to see if informants altered their selling behavior with customers, and if so, what caused them to do this. The majority of responses indicated that age, appearance and gender were often used as cues for altering selling behavior.

I had this young guy who kind of knew what was cool now and what he wanted and he wanted to take me in a certain direction, so I just treated him like he was my friend and we went from there, but when I had an older gentleman I treated him with a lot more respect and in a more polite manner. Like I didn’t use slang or anything like that (Jeff age 24).

I look at age and gender but not dress style. I look at old people and feel that they are different because they value their money more so they might take a bit more time than say a young person would because they always think they know exactly what they want. Young people tend to spend their money more freely. Sometimes I help the young person first so I can get them out of the way and then I help the older person because they’ll probably take more time and they’ll tell me how their grandson is or whatever and take up about 20 minutes of my time. I don’t look at somebody and say they look rich or they look poor and treat them differently that way (Tim age 26).

When you get somebody like a grandma that comes in, she is going to want extra attention because you know she is an old lady and you have to adapt to that. If you have a guy coming in and he is from the country and he is looking for the latest NASCAR electronic game he won’t want to know about a TV that has progressive scanning and high definition. He’s going to be like what the hell is that and he will get frustrated if you bring that stuff in. You just have to be simple (Pete age 28).

It seems there are clearly preconceived stereotypes about consumers based on very overt characteristics. Informants use these characteristics as indicators of consumer knowledge and/or spending power and spending habits. Using this type of classification system is questionable at best and clearly these observable characteristics do not provide any indication of what the customer’s needs are for the specific interaction with the salesperson.

After hearing these kinds of statements from all 20 salespeople we wondered how the salespeople in the sample would define or describe a successful salesperson. Do they feel that in order to be successful, a salesperson simply needs to observe overt characteristics and then select behaviors based on a stereotype or are there other beliefs about successful salespeople? What we found was a belief that successful salespeople do not behave in the same manner with every customer. Successful salespeople quickly ‘read’ a customer and then select the appropriate selling style. Theoretically, we found that our informants were articulating the concept of adaptive selling, which we would argue is what salespeople should practice in order to best meet consumers’ needs, but what is the troubling aspect are the cues.

Stereotypes
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the salespeople use when attempting to adapt. They use overt cues and associated stereotypes as opposed to really attempting to understand consumers’ needs. By adapting in this manner, the dangers are many including missed opportunities for initial sales and missed opportunities for really connecting with a consumer on a deeper level, which helps to create loyal consumers.

The next step in the research is to conduct additional depth interviews with retail salespeople in different sectors of retailing, e.g., clothing and home furnishings in order to ascertain how wide spread some of the issues we have initially uncovered are among retail salespeople. Following that we plan to gather observational data of retail salespeople in actual selling situations to see if it corresponds with what the salespeople tell us they do.

Reference

Luxury Good Expenditures of Husband and Wife Dyads Incorporating User Attitudes
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Extended Abstract
Luxury is defined as, “something adding to pleasure or comfort but not absolutely necessary; an indulgence in something that provides pleasure, satisfaction, or ease.” (Merriam-Webster Dictionary, 2004). In the broadest definition of luxury, the U.S. luxury goods retailing market, which includes product categories such as perfume, jewelry, watches, cars, champagne and crystal, to name a few, surpassed the $500 billion mark in 2004 (SmartMoney, 2004). Despite its size, the luxury industry as a whole is relatively under researched in the marketing literature. Those that have studied luxury goods have focused on the consumer psychology of consumption, such as materialism, symbolism, and social identity (Prendergast and Wong 2003; Vickers and Renand 2003), to name a few. However, no study in the academic literature has investigated the unique buying behavior of husbands and wives in luxury goods categories, or the impact of user attitudes, spousal purchasing behavior, and individual and household characteristics on either of these.

This paper investigates luxury good expenditures of husband and wife dyads within a household, where all purchases are made for the wife. This allows us to compare the purchasing behavior of user and non-user within a household as well as that of husband and wife dyads. Our main interest is to understand how the purchasing behavior, attitudes, and personal characteristics of one member of the dyad affect the purchasing behavior of the other.

We begin by developing a conceptual model of the dyadic purchasing behavior of husbands (non-users) and wives (users) for luxury goods. To explain the purchasing behavior of each of the two members of the dyad, we include as explanatory variables in our model, 1) the wife’s (user’s) attitudes towards the product and product category, 2) the purchasing behavior of the other member of the dyad, and 3) individual and household characteristics. Figure 1 provides a pictorial view that captures this logic.

As Figure 1 shows, our dyadic model of husband and wife expenditures for luxury goods is influenced by exogenous and endogenous factors. The three rectangles represent the exogenous variables of the wife’s attitudes towards jewelry, individual characteristics about the husband and the wife, and household characteristics. The two circles represent the endogenous variables of the expenditure of each spouse, and are determined by the model.

To test our dyadic conceptual model we conduct an empirical study that utilizes 2003 diary panel data provided by Ipsos, a global market research company which ranks 3rd among all global survey-based research companies with 2004 revenues of 605.6 million euros. The data tracks husband and wife expenditures on jewelry for the wife only, for up to a four month period. The jewelry category is a large and important sector of the luxury goods category. U.S. jewelry sales were estimated at $45B in 2004 and in the same year jewelry represented the fastest growing advertising category for many luxury magazines including Vogue and Town & Country (Advertising Age, 2004).

We first use factor analysis to reduce a set of thirteen original variables capturing wives’ attitudes towards jewelry. The thirteen original variables are reduced to five main user attitudes, which we label, “Guilty Consumer”, “Romantic Consumer”, “Enthusiastic Purchaser”, “Involved Recipient”, and “Infrequent User”. We then use the method of instrumental variables to estimate the parameters of our dyadic model of luxury good expenditures where the dependent variables are the husband’s expenditures on jewelry for his wife and the wife’s expenditures on jewelry for herself during the window of observation. The explanatory variables in our model include the five user attitudes mentioned above, the spending behavior of both members of the dyad, and personal and household characteristics of the husband and wife.

Our findings reveal that while household income is a useful predictor of luxury good spending, income has a different impact on the expenditure of husbands (“non-users”) than wives (“users”). We also find that “user” attitudes of the wife affect her self-purchases differently than the purchases made for her by her husband, and that spousal purchasing behavior and individual and household characteristics affect a wife’s purchases of luxury goods for herself differently than they affect the purchases made for her by her husband.

Our results are useful for marketers of luxury goods where both wives (users) and husbands (non-users) within a household are purchasers of the product, but they behave differently and therefore developing a differentiated approach to market to both is advantageous.

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