How Third-Party Organization (TPO) Endorsement Advertising Works: Do Consumers Perceive TPO Endorsement As Signals of Quality?

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Third-party organization (TPO) endorsement ads have grown increasingly popular in recent years. This study examines conditions under which TPO endorsements in advertising may function as signals of quality within the framework of signaling theory. Specifically, the study addresses questions such as: Do consumers perceive TPO endorsements in advertising as signals of quality? Can low-quality firms contain TPO endorsements in advertising to signal high quality? One experiment is conducted with a student sample within the context of automobile ads. The results show TPO endorsements in advertising are signals of high quality in a separating equilibrium condition where the TPO is perceived as honest and endorses few high quality products. On the other hand, TPO endorsements in advertising are not signals of quality in a pooling equilibrium condition where the TPO is perceived as dishonest and endorses many low quality as well as high quality products. Therefore, the results of this study are consistent with the predictions of signaling theory.

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ABSTRACT

Third-party organization (TPO) endorsement ads have grown increasingly popular in recent years. This study examines conditions under which TPO endorsements in advertising function as signals of quality within the framework of signaling theory. Specifically, the study addresses questions such as: Do consumers perceive TPO endorsements in advertising as signals of quality? Can low-quality firms contain TPO endorsements in advertising to signal high quality? One experiment is conducted with a student sample within the context of automobile ads. The results show TPO endorsements in advertising are signals of high quality in a separating equilibrium condition where the TPO is perceived as honest and endorses few high quality products. On the other hand, TPO endorsements in advertising are not signals of quality in a pooling equilibrium condition, where the TPO is perceived as dishonest and endorses many low quality as well as high quality products. Therefore, the results of this study are consistent with the predictions of signaling theory.

INTRODUCTION

Third-party organization (TPO) endorsement ads have grown increasingly popular in recent years. For example, in an August 2005 issue of Time magazine, Chevrolet advertised its recognition as J.D. Power’s choice of being the “Highest ranked full-size SUV in initial quality”. A month later, a Time ad for the Ford F-150 boasted its recognition as J.D. Power’s “Highest ranked light-duty full size Pick-up in initial quality”. In addition to the automobile industry, the service industry also frequently uses TPO endorsement advertising as a marketing strategy. For instance, T-mobile announced its recognition as J.D. Power’s “Highest in consumer satisfaction with business wireless service” in its recent BusinessWeek magazine advertisement.

The influence of TPO endorsements on sales of the endorsed products has been mentioned in academic literature and marketing reports (Chen and Xie 2005). The ability of TPO endorsements to increase sales of endorsed products may lead companies to believe that including TPO endorsements in their advertisements is an optimal marketing strategy. However, companies have to pay the TPO for using its endorsement for marketing purposes. By placing a TPO endorsement in the advertisement, companies may enhance their credibility of ad claims because the included information comes from an independent source. Further, TPO endorsement ads highlight the quality of the advertised product and distinguish the endorsed product from competitors. At the same time, the unique characteristics of TPO endorsements, such as expertise and trustworthiness, may reduce consumers’ uncertainty in a purchase situation (Dean and Biswas 2001).

Although many companies are now using TPO endorsement advertising as a marketing strategy, few studies have focused on this area. Previous studies investigated whether ads containing a TPO endorsement are more effective than ads containing no such endorsements in influencing consumers’ attitudes and purchase intentions (Dean 1999; Peterson, Wilson and Brown 1992). Dean and Biswas (2001) further compared ad effectiveness between TPO ads, celebrity endorsement ads and non-endorsement ads.

Dean and Biswas (2001) proposed that TPO endorsements might function as signals of quality. However, no empirical studies have been done to investigate this issue. Therefore, it appears to be a gap in the knowledge about the signaling function of TPO endorsements. In order to fill this gap, this study examines whether TPO endorsements in advertising may function as signals of quality within the framework of signaling theory. Further, this research will explore conditions that firms receive benefits from using TPO endorsements in ads if TPO endorsements function as signals of quality.

THIRD-PARTY ORGANIZATION (TPO) ENDORSEMENT

The TPO endorsement is defined as an advertisement that contains a positive evaluation of the advertised product or service that comes from an identified third-party organization (Dean and Biswas 2001). A typical TPO endorsement format is Chevy Suburban print ad appearing in an August 2005 issue of Time magazine. This ad included a conspicuous seal of approval from J.D.Power and Associates. The text of this ad explained the award, “Three years in a row, CHEVY SUBURBAN has been the “Highest ranked full-size SUV in initial quality” by J.D.Power and Associates, J.D.Power 2005 study based on a total of 62,251 consumer responses indicating owner reported problems during the first 90 days of ownership”. In this example, the seal of approval is a fixed J.D.Power award logo, and the name of the award is “Highest ranked full-size SUV in initial quality”, and the name of the TPO is J.D.Power and Associates. There are various magazines or consumer organizations, including nonprofit and for-profit, that have been serving as TPOs.

Few studies examined the effect of TPO endorsements on consumers’ perceptions of endorsed products or services. Peterson, Wilson and Brown (1992) investigated whether print ads containing a TPO endorsement were more effective than ads not containing an endorsement in influencing consumers’ attitudes and purchase intentions. This study revealed no TPO endorsement effects. However, Dean (1999) found TPO endorsement effects on consumer perceived product quality, uniqueness, and manufacturer esteem and concluded that TPO endorsements might function as an advertising cue for enhancing consumers’ perceptions of endorsed products. Dean and Biswas (2001) further compared ads containing a TPO endorsement to ads containing a celebrity endorsement and ads not containing an endorsement in terms of the ability to affect perceived product quality, attitude toward the manufacturer, purchase risk, and information value of the ads. Ads containing a TPO endorsement were found to be more effective than ads containing a celebrity endorsement and ads not containing an endorsement in enhancing respondent perceptions of product quality. Although Dean and Biswas (2001) proposed that TPO endorsements might function as signals of quality, they didn’t further investigate TPO endorsements within the framework of signaling theory. Thus, this
study will address TPO endorsements as potential signals of quality within the framework of signaling theory.

**SIGNALING THEORY**

Information asymmetry may exist between two game parties, sellers and buyers, in a transaction (Boulding and Kirmani 1993; Kirmani and Rao 2000). Sellers know the true quality of their products, while buyers may not know (Kirmani and Rao 2000). In addition, the game that plays between sellers and buyers contains both cooperative and competitive elements (Dacis 1970). The competitive element of this game leads buyers to ignore direct claims from sellers, e.g., the content of advertisements. However, buyers and sellers can’t get a transaction in the case of incomplete information. Therefore, buyers need additional credible information to predict or evaluate the quality of products. The possible route for this situation is to send signals from sellers to buyers.

Consider that a market has only two types of sellers, high-quality sellers and low-quality sellers. Both are rational sellers and capable to use marketing strategies to communicate with buyers. High-quality sellers choose the strategy that low-quality sellers can’t choose because this strategy is only profitable for high-quality sellers and unprofitable for low-quality sellers. When high-quality sellers and low-quality sellers choose different strategies, high-quality sellers actually send signals to buyers. Use of signals leads to a separating equilibrium, where high-quality sellers receive benefits from sending signals and low-quality sellers receive benefits from not sending signals. In a separating equilibrium, buyers can distinguish high-quality sellers from low-quality sellers. In contrast, when high-quality sellers and low-quality sellers choose the same strategy, a pooling equilibrium occurs. In this circumstance, buyers cannot distinguish between high-quality sellers and low-quality sellers. Therefore, when a separate equilibrium occurs, a firm’s strategy is a signal; when a pooling equilibrium occurs, the strategy is not a signal.

Marketing literature has investigated marketing strategies such as advertising (Kirmani and Wright 1989; Kirmani 1990; Kirmani 1997), brand name (Erdem and Swait 1998; Rao, Qu and Ruekert 1999), price (Gerstner 1985; Tellis and Wernerfelt 1987) and warranty (Wiener 1985; Kelley 1988; Boulding and Kirmani 1993) as signals. Kirmani and Rao (2000) developed a typology to classify signals. In this study, we focus on a TPO endorsement, one potential signal that was neglected by most of marketing researchers. Thus, if a TPO endorsement may function as signals in advertising, it deserves to join the family of signals.

**TPO ENDORSEMENT IN ADVERTISING AS A SIGNAL**

Although the situation for TPO endorsements is much more complicated because that scenario involves an independent party, the behaviors of TPO endorsements still should be consistent with signaling theory predication if TPO endorsements function as signals. Thus, in the case of a false signal, it is expected that both low-quality firms and the TPO would suffer. The firms may directly lose money on wrong advertising campaigns that try to boost recognition as an award receiver because consumers may not perceive the TPO endorsement in advertising as a quality signal. Moreover, in the long term, consumers who buy products from low-quality firms may not trust the firms any more than before even though those low-quality firms truly improve their product quality and actually become high-quality firms. TPOs also suffer more for endorsing low-quality firms because they may lose their reputation, perhaps the most valuable asset that the TPOs possess. Meanwhile, a negative word-of-mouth effect is likely to occur and results in more people to doubt the TPO. When the TPO loses the trust from consumers, the TPO will lose its clients because the TPO endorsement cannot help firms increase sales. Thus, if the TPO’s main revenue comes from the firms, the TPO lose its market.

On the other hand, as predicted by signaling theory, TPO endorsements in advertising can signal high quality when TPOs endorse high-quality firms. In this circumstance, both high-quality firms and the TPO receive benefits. The firms will directly inform more consumers about their high quality and enhance the perceptions of their products and increase sales. Compared to using celebrity endorsements that normally cost a huge amount of money, TPO endorsements are a cheaper way to produce a similar result, but more effective than celebrity endorsements in terms of influencing consumers’ perceptions of product quality. In addition, high-quality firms distinguish themselves from low-quality firms by using this strategy. Thus, a separating equilibrium should occur, in which quality sensitive consumers are capable to find the high quality firms. TPOs earn reputation as well as revenues by endorsing high quality firms. Consumers will then verify the TPO as a trustworthy party after using the endorsed products. Positive word-of-mouth may further help the TPO to establish a solid positive image in the society. This reputation gives the TPO more power to influence firms in the marketplace, resulting in a situation that more high-quality firms are willing to pay more for TPO endorsements.

Consider that there are two types of TPOs, the honest TPO who always endorses high quality firms and the dishonest TPO who endorses any firms who will pay for the TPO endorsement. As noted previously, when the honest TPO endorses high quality firms, a separating equilibrium occurs, while when the dishonest TPO endorses high quality firms as well as low quality firms, a pooling equilibrium occurs. We propose that in the case of a separating equilibrium, TPO endorsements will be signals of high quality; and in the case of a pooling equilibrium, TPO endorsements will not be signals of high quality.

**Separating Equilibrium**

In a separating equilibrium, consumers tend to trust the TPO endorsement and perceive the TPO endorsement as a signal of high quality. Therefore, consumers will enhance the perceptions of endorsed products. In addition, the TPO endorsement can help uncertain consumers distinguish between high quality firms and low quality firms. Thus,

H1: In a separating equilibrium, respondents who are exposed to an advertisement that contains a TPO endorsement show higher scores on measures of (a) perceived quality, (b) manufacture credibility, (c) purchase confidence, (d) purchase intention, and (e) positive word-of-mouth intention than those who are exposed to the same advertisement that does not contain a TPO endorsement.

**Pooling Equilibrium**

Consumers have two possible reactions to the TPO endorsement in a pooling equilibrium. Inexperienced consumers may realize that the TPO endorsement is meaningless. They are likely to ignore the TPO endorsement, and thus the TPO endorsement will not influence consumers. Experienced consumers who have basic knowledge about the market may be suspicious of the trustworthiness of the TPO. Since consumers will not trust the TPO, consumers may think that the firms are dishonest firms who are trying to use the TPO endorsement simply to seduce purchases. Therefore,

H2: In a pooling equilibrium, respondents who are exposed to an advertisement that contains a TPO endorsement show lower or equal scores on measures of (a) perceived quality, (b)
HOW THIRD-PARTY ORGANIZATION (TPO) ENDORSEMENT ADVERTISING WORKS

Manufacture credibility, (c) purchase confidence, (d) purchase intention, and (e) positive word-of-mouth intention than those who are exposed to the same advertisement that does not contain a TPO endorsement.

Finally, the first two hypotheses suggest that consumers’ perceptions of endorsed products with the presence of TPO endorsements in advertising may differ significantly in a separating equilibrium condition and in a pooling equilibrium condition. Consumers may generate positive evaluations for endorsed products and manufacturers when high quality firms show TPO endorsements in advertising in a separating equilibrium; while consumers may generate negative evaluations to endorsed products and manufacturers when firms show TPO endorsements in advertising in a pooling equilibrium. Therefore,

H3: Respondents who are exposed to an advertisement containing a TPO endorsement show higher scores on measures of (a) perceived quality, (b) manufacture credibility, (c) purchase confidence, (d) purchase intention, and (e) positive word-of-mouth intention in a separating equilibrium than those who are exposed to an advertisement containing the same TPO endorsement in a pooling equilibrium.

METHOD

The study investigates how TPO endorsement ads work within the signaling theory framework. Thus, this study employed a 2 (separating equilibrium versus pooling equilibrium) x 2 (endorsement in the target ad: TPO endorsement versus no TPO endorsement) between-subject design.

Stimuli

Automobile ads were used because automobile companies frequently use TPO endorsements in their ads. Two types of equilibrium settings were created. The most direct manipulation of a separating equilibrium setting would be to tell a group of respondents that Consumers Digest magazine was a very honest TPO and only endorsed high quality brands “Automotive Best Buy” awards. This represented a separating equilibrium setting where the TPO only endorsed high quality firms. Another group of respondents could be told that Consumers Digest magazine was not an honest TPO and endorsed many car brands that would like to pay for using the title of “Best Buy”. In such a circumstance, respondents were placed in a pooling equilibrium where the TPO endorsed high quality firms as well as low quality firms. However, such a manipulation might not be practical because consumers rarely receive this type information in the real marketplace. Thus, we decided to manipulate equilibrium settings by having respondents view six ads, preceding the target ad. Six car ads were created and included a variety of brands: Kia, Mitsubishi, Suzuki, Volkswagen, Dodge, and Honda. Along with these six ads, TPO endorsement was used to manipulate the two equilibrium settings (separating and pooling). The TPO endorsement in this study was the “Automotive Best Buy” award from Consumers Digest magazine. Both the TPO and the seal of approval were adapted from real ads. In the separating condition, respondents view six car ads and among them, only Honda’s ad contained an “Automotive Best Buy” seal from Consumers Digest magazine. The pooling condition, respondents view six ads and except for Honda’s ad, each of the five ads contained “Automotive Best Buy” seals from Consumers Digest magazine. These six brands represent four-level product classes. Kia and Dodge represent low quality brands; Mitsubishi and Suzuki represent middle quality brands; Volkswagen represents a between high and middle quality brand; and Honda represents a high quality brand. The judgments were based on ratings from Consumer Report, which is believed to provide objective cars’ quality information. Therefore, the condition that only Honda’s ad contained the TPO endorsement was perfectly consistent with a separating equilibrium where the TPO only endorsed high quality firms. The other condition that five car ads contained the TPO endorsement was consistent with a pooling equilibrium where the TPO endorsed as many as it can, including a high quality firm (e.g., Volkswagen) as well as low quality firms (e.g., Kia and Dodge).

Further, two versions of target ads were created. The no TPO endorsement target ad contained an image of a car. The image only showed the half part of the car. There is no way for respondents to guess the brand name of the car based on the car’s appearance. The target ad also included a simple slogan “Your Imagination”, which was too simple to influence respondents’ evaluations of the car. Notably absent was any mention of the brand, free phone number, Internet address, car dealer information, sale price, and warranties. The ad was produced by advertising professionals. The TPO endorsement target ad contained the information in the no TPO endorsement condition plus an “Automotive Best Buy” seal from Consumers Digest magazine. The seal was set on the center of the ad, so that respondents could easily notice it.

Procedure

Seventy-nine undergraduate students participated in this study. Respondents were assigned randomly to one of the four conditions. They first were asked to view the six full-page size magazine car ads, either in a separating equilibrium setting or in a pooling equilibrium setting. Then the respondents were asked to view the target ad, either containing a TPO endorsement or not containing a TPO endorsement. Next, they filled out a survey booklet, which included five dependent measures as follow:

Perceived product quality. Perceived product quality was measured on four seven-point scales (1=strongly agree, 7=strongly disagree) in response to the questions, “Compare to other automotive brands, this advertised car is a superior product”; “compare to other automotive brands, this advertised car is the best in its product class”; this advertised car would perform better than other car brands”, and “from what you saw in this advertisement, what is your personal opinion regarding this car’s quality?” (1=high quality, 7=low quality). Responses to these items loaded on a single factor and were averaged to form an evaluation measure (α=.84).

Manufacturer credibility. Manufacturer credibility was measured by three seven-point scales: trustworthy/untrustworthy, honest/dishonest, competent/incompetent. Responses to these items loaded on a single factor and were averaged to form an evaluation measure (α=.88).

Purchase confidence. Purchase confidence was measured by two seven-point scales: safe/risky, right/wrong. Responses to these items loaded on a single factor and were averaged to form an evaluation measure (α=.83).

Purchase intentions. Purchase intentions were measured by a seven-point scale: “suppose you were going to purchase a car, how likely would you be to purchase the advertised car?” (1=very likely, 7=very unlikely).

Positive word-of-mouth intentions. Positive word of mouth intentions were measured by a seven-point scale: “suppose your friend ask your advice of the purchase of a car, how likely would you like to recommend the advertised car to your friends?” (1=very likely, 7=very unlikely).

Finally, demographic questions were administered and the respondents were debriefed.
RESULTS

Data were analyzed as a 2 (TPO endorsement versus no TPO endorsement) x 2 (equilibrium: separating versus pooling) factorial design. Degrees of freedom for all evaluation and thought measures are 1 and 75 unless indicated otherwise. Treatment means for all measures are listed in Table 1, and all significant treatment effects are reported.

Manipulation Check

Equilibrium manipulation was checked by assessing respondents’ evaluations of the TPO. Respondents were asked to rate the “Automotive Best Buy” award from Consumers Digest magazine on four seven-point scales (Trustworthy/untrustworthy, honest/dishonest, sincere/mislead, fair/unfair). Respondents exposed to a separating equilibrium evaluated the TPO more favorably than those exposed to a pooling equilibrium (M=4.86 vs. M=4.28, F (1, 77)=5.33, p<.03).

Hypotheses

The interaction effects between endorsement and equilibrium reached or approached significance on perceived product quality (F=7.23, p<.01), manufacturer credibility (F=6.29, p<.02), purchase confidence (F=3.67, p<.06), purchase intention (F=4.07, p<.05) and positive word-of-mouth intention (F=7.51, p<.01). Figure 1-5 illustrate these effects. Follow-up examination of these effects supported our predictions.

Hypothesis 1. Hypothesis 1 predicted that in a separating equilibrium, an advertisement that contains a TPO endorsement would lead to higher scores on measures of perceived product quality, manufacturer credibility, purchase confidence, purchase intention and positive word-of-mouth intention. Perception of product quality for a TPO endorsement condition was significantly higher than that for a non-endorsement condition (M=4.91 vs. M=3.80; F=13.62, p<.001). Perception of manufacturer credibility for a TPO endorsement condition was significantly higher than that for a non-endorsement condition (M=4.98 vs. M=3.85; F=13.62, p<.06). Perception of purchase confidence for a TPO endorsement condition was significantly higher than that for a non-endorsement condition (M=4.98 vs. M=3.88; F=7.99, p<.006). Perception of purchase confidence for a TPO endorsement condition was significantly higher than that for a non-endorsement condition (M=4.10 vs. M=2.70; F=8.03, p<.006). Positive word-of-mouth intention for a TPO endorsement condition was significantly higher than that for a non-endorsement condition (M=4.05 vs. M=3.10; F=4.64, p<.05). All predictions were supported in hypothesis 1.

Hypothesis 2. Hypothesis 2 predicted that in a pooling equilibrium, an advertisement that contains a TPO endorsement would lead to lower or equal scores on measures of perceived product quality, manufacturer credibility, purchase confidence, purchase intention and positive word-of-mouth intention than would an advertisement that does not contain a TPO endorsement. Perception of product quality for a TPO endorsement condition was not different from that for a non-endorsement condition (M=4.17 vs. M=4.21; F<1). Perception of manufacturer credibility for a TPO endorsement condition was not different from that for a non-endorsement condition (M=3.74 vs. M=4.28; F=4.64, p<.11). Perception of purchase confidence for a TPO endorsement condition was found not different from that for a non-endorsement condition (M=3.79 vs. M=3.75; F<1). Purchase intention for a TPO endorsement condition was not different from that for a non-endorsement condition (M=2.63 vs. M=2.65; F<1). Perception of positive word-of-mouth intention for a TPO endorsement condition was margin-

### TABLE 1

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<thead>
<tr>
<th>TREATMENT MEANS AND STANDARD DEVIATIONS FOR FIVE DEPENDENT MEASURES</th>
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<td><strong>Separating equilibrium</strong></td>
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<tr>
<td><strong>TPO endorsement</strong></td>
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<td>Perceived product quality</td>
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<td>Manufacturer credibility</td>
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<td>Purchase confidence</td>
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<td>Purchase intention</td>
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<td>Positive word-of-mouth intention</td>
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Note.—Standard deviations are in parentheses.
FIGURE 1
TWO-WAY INTERACTION OF EQUILIBRIUM AND ENDORSEMENT ON PERCEIVED PRODUCT QUALITY

FIGURE 2
TWO-WAY INTERACTION OF EQUILIBRIUM AND ENDORSEMENT ON MANUFACTURER CREDIBILITY
FIGURE 3
TWO-WAY INTERACTION OF EQUILIBRIUM AND ENDORSEMENT ON PURCHASE CONFIDENCE

FIGURE 4
TWO-WAY INTERACTION OF EQUILIBRIUM AND ENDORSEMENT ON PURCHASE INTENTION
How Third-party Organization (TPO) Endorsement Advertising Works

**FIGURE 5**

TWO-WAY INTERACTION OF EQUILIBRIUM AND ENDORSEMENT ON POSITIVE WORD-OF-MOUTH INTENTION

ally significantly lower than that for a non-endorsement condition ($M=2.57$ vs. $M=3.35$; $F=4.64$, $p<.08$). All planned comparisons were consistent with hypothesis 2.

**Hypothesis 3.** Hypothesis 3 predicted that, an advertisement that contains a TPO endorsement would lead to higher scores on measures of perceived product quality, manufacturer credibility, purchase confidence, purchase intention and positive word-of-mouth intention in a separating equilibrium than would an advertisement that contains the same TPO endorsement in a pooling equilibrium. Perception of product quality for a separating equilibrium condition was significantly higher than that for a pooling equilibrium condition ($M=4.91$ vs. $M=4.17$; $F=5.89$, $p<.02$). Perception of manufacturer credibility for a separating equilibrium condition was significantly higher than that for a pooling equilibrium condition ($M=4.98$ vs. $M=3.74$; $F=13.11$, $p<.0005$). Perception of purchase confidence for a separating equilibrium condition was significantly higher than that for a pooling equilibrium condition ($M=4.98$ vs. $M=3.79$; $F=9.04$, $p<.004$). Purchase intention for a separating equilibrium condition was significantly higher than that for a pooling equilibrium condition ($M=4.10$ vs. $M=2.63$; $F=8.61$, $p<.005$). Positive word-of-mouth intention for a separating equilibrium condition was significantly higher than that for a pooling equilibrium condition ($M=4.05$ vs. $M=2.57$; $F=10.84$, $p<.002$). All predications in hypothesis 3 were supported.

**GENERAL DISCUSSION**

In summary, the findings of this study were consistent with the predictions of signaling theory. When a TPO was honest and endorsed few high quality firms, a separating equilibrium occurred. Then TPO endorsement was a signal of high quality. When a TPO was dishonest and endorsed high quality firms as well as low quality firms, a pooling equilibrium occurred and then TPO endorsement was not a signal of high quality. This study also showed that a TPO endorsement in advertising would make consumers generate negative perceptions about endorsed products and manufacturers under the condition of a pooling equilibrium. Further, combining the results from hypothesis 2 and hypothesis 3, this study suggested that low-quality firms might not receive benefits by using a TPO endorsement strategy. In general, low-quality firms are only chosen by dishonest TPOs. Thus, a pooling equilibrium always occurs when low-quality firms contain TPO endorsements in advertising. Thus, in general, low-quality firms cannot contain TPO endorsements in advertising to signal the high quality. In other words, TPO endorsements would only benefit high quality firms, but not low quality firms.

The findings from this study advance our understanding of signaling theory. The results suggest that TPO endorsements in advertising could also function as a signal of quality under a separating equilibrium condition. Compared to other signals, such as price, advertising, brand name, warranties, and guarantees, TPO endorsements may be the cheapest signal to use. Although firms still need to pay the TPO for using the TPO endorsements in advertising, the cost of using the TPO endorsement is far lower than the cost of using other signals. Signals such as advertising and brand names require firms to spend tremendous money to create and develop. Therefore, if firms are looking for an economical marketing strategy to signal high quality, they should place a higher priority on the use of TPO endorsements.

The findings also provide managerial insights on marketing strategies. For example, high quality firms are more likely to be chosen by either honest TPOs or dishonest TPOs. The findings of this study suggest high quality firms should use TPO endorsements from honest TPOs because this type of endorsement can function as a signal of high quality. This study also suggests that high quality
firms not use TPO endorsements from dishonest TPOs because this type of endorsement is not a signal of high quality. Under some conditions, a dishonest TPO endorsement may generate negative perceptions about endorsed products and manufacturers. Low quality firms, in general, are only chosen by dishonest TPOs. Therefore, low quality firms are unable to use TPO endorsements in advertising to signal high quality.

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