Consumers' Perceptions of Online and Offline Retailer Deception: A Moderated Mediation Analysis

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Abstract

This research examines the effects of consumers' perceptions of retailers' deceptive practices on their evaluations of online and offline retailers. Results from two samples of consumers (shopping in online versus offline channels) show the direct and indirect influence of consumers' perceptions of retailers' deceptive practices on consumers' evaluations, including product satisfaction, retailer satisfaction and word-of-mouth. Perceptions of deception influence retailer satisfaction through product satisfaction, and word-of-mouth through retailer satisfaction. These mediated effects are further moderated by the online vs. offline purchase channel. Implications for theory and management are discussed.
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Introduction

Many marketing scholars have contributed to the literatures on deception in marketing (Darke and Ritchie 2007), and on differences between consumer experiences when making purchases online or offline (Wolfinbarger and Gilly 2003), yet there is little work combining the two research streams, examining how a particular retail format might modify the effects of consumers' perceptions of a company's deceptive practices. Our research involves a fairly large-scale, non-student sample field study in which we examine the effects of consumers' perceptions of marketing deception on customer satisfaction and word-of-mouth, and compare them for purchases made in physical retail outlets versus comparable purchases made online.

Research has consistently shown that consumers' perceptions of deceptive practices lead to important negative consequences for the retailer, such as consumer complaints, dissatisfaction, switching behavior, negative word-of-mouth, and distrust, all of which subsequently damage the company's reputation (e.g., Román 2010). Consumers' concerns about deception in online transactions seem to be growing: whereas in 2001, the Consumer Sentinel Network (www.ftc.gov) received just over 100,000 Internet fraud complaints, last year, it received over 2,500,000 complaints.

Note that consumers' perceptions matter as much as the veracity of the company's deception. Obviously if an advertisement conveys a lie or an exaggeration, it is inherently deceptive. However, even if neither is true, but consumers believe the ad to be misleading, their perceptions will have similar consequences in diminished satisfaction and the generation of more negative word-of-mouth.

Furthermore, the growth and prevalence of the Internet raise important research questions about how deceptive retailer actions, such as overly exaggerated claims of the features and benefits of a product, may be perceived differently online compared to the offline environment, and how the consequences of perceived deception for the consumer may differ between these two shopping channels (cf., Harris, Mohr, and Bernhardt 2009). The differences may be complex, bearing on direct and indirect effects

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of deception on various consumer consequences differing across channels (Diallo and Lambey-Checchin 2015).

In this research, we attempt to address these gaps by proposing and testing a moderated mediation model. Specifically, our model (1) explicitly disentangles direct versus indirect effects of consumer's perceptions of online retailer's deceptive practices on consumer's product satisfaction, retailer satisfaction and word-of-mouth communications, and (2) incorporates the moderating role of the purchase channel (online vs. traditional) in both the direct and indirect relationships between perceptions of deception and its consequences. In doing so, this research will provide a more comprehensive understanding of the mechanisms that lead from perceptions of deception to unfavorable outcomes.

Understanding these differences should benefit retailers in several ways. First, retailers will become aware of the importance of perceived deception and its influence on multiple consumers' outcomes. Second, knowledge about channel differences will allow retailers to amend their policies in order to develop better practices that may reduce perceived deception and its negative potential consequences in each channel.

The remainder of this article is organized as follows. First, we provide a brief overview of the literature, deriving our conceptual framework and hypotheses. Then, we describe our study's methodology. Using structural equation modeling, we test our hypotheses with data from online and offline consumers in the context of technological products. Finally, we discuss the results and their implications for theory and practice.

Literature, Conceptual Framework, and Hypotheses

In this section, we define the focal constructs of this research. They include: customers' perceptions of deception, customers' satisfaction with the product and with the retailer store, and word-of-mouth (WOM).

Perceived Deception

Deception is defined as one party (in our research, the retailer) taking action to intentionally cause another party (in this case, the customer) to believe something that is not necessarily true (Bok 1989). Such marketing practices are considered "unethical and unfair to the deceived" (Aditya 2001, p. 737), and raise ethical questions for companies, consumers, and policy makers.

Our study focuses on consumers' *perceptions* of deceptive practices, specifically retailer actions that cause consumers to have incorrect beliefs about its offerings, including product characteristics, price, warranty coverage, etc., that make the product seem overly attractive so as to induce greater likelihood of purchase (Román 2010). For example, a customer may be enticed to purchase a sophisticated, expensive smartphone because it is currently "20% off," but "only for a limited time," when a simple, cheaper smartphone would suffice for the customer's needs.

Our study is not focused on whether the retailer is being deceptive, but rather on the extent to which the customer perceives the retailers' behavior as deceptive, and how consumers respond differently to this *perceived* deception. For example, consider an illustration from Román (2007, p. 137) in which one

study participant argued that she had perceived an online retailer to be unfair and deceptive because "it shows photographs of a woman, before and after having taken a weight loss product for 10 months, making her lose a total of 59 k (130 lb)." Even though this might have been true, the participant perceived that "the images were manipulated," and that "the claim was an exaggeration."

Note also that the reverse may be true—not only might there not be intended deception but the customer perceives it anyway (incorrectly), it can also be the case that deception is so smoothly executed that it is not noticed or perceived by the customer. In such as situation, with real but unsensed deception, downstream effects such as a dampening of satisfaction presumably would not occur. In our research, we focus on the consumers' perceptions, whether they experience practices they believe to be deceptive.

Numerous marketing scholars have studied the antecedents and consequences of a marketer's unethical behavior in traditional retail settings (e.g., Diallo and Lambey-Checchin 2015; Ingram, Skinner, and Taylor 2005; Román and Ruiz 2005). In this research, we are investigating whether it might be the case that, given various characteristics of online commerce, it might make the perpetration of online deception even easier or the perception of online deception more pervasive (Román 2010). For example, the Internet is inherently an environment in which the consumer cannot physically experience the product, but nevertheless consumers must make decisions about products relying upon online representations, thus it may be easier for an unethical retailer to provide deceptive information about the product online as compared to offline (Aditya 2001).

Customer Satisfaction with the Product and Retailer

Satisfaction is a purchase outcome in which consumers compare rewards and costs with anticipated consequences. Many marketing research studies focus on a single omnibus indicator of customer satisfaction, defined as an individual's subjectively derived favorable evaluation of an outcome or experience associated with consuming a product (Cronin, Brady, and Hult 2000; Westbrook 1981). Other researchers find it useful to distinguish elements of customer satisfaction (Oliver and Swan 1989), such as satisfaction with the product and satisfaction with the retailer.

In our research we examine the influence of perceived deception on both customers' satisfaction with the product as well as their satisfaction with the retailer company. We distinguish these related constructs shortly, regarding their respective roles as mediators, moderated by the online or offline channel distinction. The incorporation in this research of these two distinct objects of consumer satisfaction (i.e., product and retailer satisfaction) into the analysis of deception consequences allows us to examine the fuller and richer theoretical context of these mediated and moderated conceptual relationships.

Word-of-mouth

Harrison-Walker (2001, p. 63) defined WOM as "informal, person-to-person communication between a perceived