

Corporate Deception and Consumer Negative Emotions

Geetika Jaiswal, North Carolina A&T State University

Saheli Goswami, University of Rhode Island

Keywords: Deception, corporate hypocrisy, negative emotions

With increased awareness among consumers about fashion companies' harmful impacts on the environment, companies are placing high importance on offering enhanced environmental attributes, claims and benefits (Jong et al., 2020). Although some companies have reduced their negative environmental impacts, literature suggests that companies usually resort to deceptive, misleading information about their commitments to enhance brand image and consumer purchase intentions (Luo & Bhattacharya, 2006). Deception is defined as "a deliberate message conveyed to a sender to create a false belief or conclusion at the receiver" (Buller & Burgoon, 1996, p. 213). Deception has become a common and one of the major ethical issues (Mujtaba & Jue, 2005), making consumers question whether company claims are sincere or not? (Yoon et al., 2006). With advancement of information technology, consumers are now able to detect deceptive practices, leaving companies more vulnerable to dissatisfied consumer reactions (Verhoef et al., 2007). Hence, this research focuses on studying consumers' negative reactions towards deception to aid companies understand the negative consequences of such practices.

When consumers find a discrepancy between companies' claims and actions, consumers feel deceived and lose trust in the company (Jong et al., 2020). One particular area of interest of this research is to understand how fashion companies' deceptive practices might create hypocrisy perceptions. According to Wagner et al. (2009), perceived hypocrisy, a belief that a company has failed to deliver on its promises, can be fueled among consumers if they discover companies' deceptions (Wagner et al., 2009). Use of deception in companies' communication, if revealed by their contrasting acts, make consumers question companies' integrity. Since such theoretical argument lacks an empirical attestation, it was hypothesized that company's deceptions related to environmental responsibilities will generate hypocrisy perceptions among consumers (H1).

When consumers perceive a company as hypocritical, their response mechanism changes often leading to poor attitudes, trust, and reduced purchasing interests (Guèvremont & Grohmann, 2018; Wagner et al., 2009). However, this study argues that consumers' hypocrisy perceptions may also generate negative emotions. Prior research on hypocrisy perceptions indicated of resulting emotional exhaustion among companies' employees (Scheidler et al., 2018). As employees perceive their employers to be hypocrites, they renegotiate their own values for being associated with such a company and undergo depression and stress. A similar argument can be made for consumers, where their hypocrisy perceptions can make them reassess their own morality for being associated with a hypocritical company. In the process, consumers' hypocrisy perceptions can be expected to make them experience a host of negative emotions, such as anger, contempt due to companies' wrongdoings. As literature suggests that moral transgressions can evoke negative emotions (Xie et al., 2015), this study focuses specifically on complaints, boycotts, and negative comments (*idem*) to postulate that consumers' hypocrisy perceptions will increase their negative emotions. That is, hypocrisy perceptions will trigger *negative comments* (H2a), *complaints* (H2b) and *boycotting* (H2c) responses among consumers.

A single factor (deception: present/absent) online experiment was designed to conduct this study. To manipulate deception, stimuli were created in pairs of company webpages reporting their environmental initiatives, followed by a news article. For deception *present*, the company webpage was designed to share irrelevant and misleading information about environmental impacts, followed by a media article showing how the company did not share any verifiable information. Likewise, for deception *absent*, the company webpage was manipulated to share relevant and verifiable information about environmental impacts, followed by a media article showing how the company shared verifiable information. A total of 100 US adult participants were recruited through Qualtrics, where each participant was randomly exposed to one stimulus pair (company and media message) and answer to a survey in response. Participants' hypocrisy was measured using Wagner *et al.* (2009) 7-point Likert-type scale (1: strongly disagree to 7: strongly agree). Negative behaviors were measured using Xie *et al.*'s (2015) scale, which included negative comments, complaints, and boycotts, on a 7-point Likert-type scale (1: strongly disagree and 7: strongly agree).

PROCESS, a macro using path-analysis based technique and bootstrapping, was used for hypotheses tests (Hayes, 2018). Results indicated that first, that deception positively impacted participants' hypocrisy perceptions ($\beta = 1.38, p < .001, CI95 = 1.07, 1.68$), supporting H1. This hypocrisy directly impacted participants' intentions to share negative comments about the company ($\beta = 0.70, p = .001, CI95 = 0.28, 1.11$) and their boycott intentions ($\beta = 0.56, p = .005, CI95 = 0.18, 0.94$), supporting for H2a and H2c. However, hypocrisy did not impact participants' intentions to complaint about the company ($\beta = 0.19, p = .35, CI95 = -0.21, 0.59$), thus lacking a support for H2b. In addition, although unpredicted, deception was observed to positively impact negative comments ($\beta = 1.09, p = .01, CI95 = 0.23, 1.95$) and boycott intentions ($\beta = 1.09, p = .007, CI95 = 0.30, 1.88$). In this light, companies' deception impacted participants' negative behavioral responses directly and not just via hypocrisy perceptions.

This research investigated the behavioral realm of consumer responses to companies' deceptive behaviors through the model of hypocrisy perceptions, with a specific focus on consumers' interests to spread negative comments, complaints about the company, and boycott intentions. These results have several implications. First, our study provides an in-depth understanding of the psychological mechanism of consumers' perceptions of hypocrisy. Articles in the literature have investigated hypocrisy mostly based on behavioral inconsistencies (Goswami & Bhaduri, 2020). Our study is the first to empirically investigate and indicate how companies' deceptive practices, intended to mislead consumers, lead to perceptions of hypocrisy, as theoretically argued by Wagner *et al.* (2020). Second, the study largely complements the research on corporate hypocrisy and adds new behavioral intention responses to the literature. While hypocrisy related to behavioral inconsistencies influenced consumer attitudes (Wagner *et al.*, 2009), negative word of mouth (Wagner *et al.*, 2020) and purchase intentions (Jiang & Zhao, 2016), hypocrisy due to company deceptions elevated consumers' intentions to spread negative comments and boycott the company. Finally, the study indicates that although consumers perceive hypocrisy due to company deceptions and intend to act negatively, their behaviors are also directly determined by these deceptive acts. Thus, as companies continue to aim for reputed impressions among their consumers by controlling deceptive practices.

References

- Buller, D. B. & Burgoonm, J. K. (1996). Interpersonal Deception Theory. *Communication Theory*, 6 (3), p. 203–242.
- Goswami, S. & Bhaduri, G. (2020, November 18-20). *It's All About Stakeholders: Corporate Moral Responsibilities, Stakeholder Capitalism, and Hypocrisy Perceptions* [Paper presentation]. International Textile and Apparel Association 2020 Annual Conference, Virtual.
- Guèvremont, A., & Grohmann, B. (2018). Does brand authenticity alleviate the effect of brand scandals?. *Journal of Brand Management*, 25(4), 322-336.
- Hayes, A. F. (2018). *Introduction to mediation, moderation, and conditional process analysis second edition: A regression-based approach*. The Guilford Press.
- Jiang, L., & Zhao, Y. (2016). The impact of corporate hypocrisy on consumers' intention on purchase—based on the study of planned behavior theory. *Business Research*, 62(9), 174–180.
- Jong, M.D., Huluba, G., & Beldad, A.D. (2020). Different Shades of Greenwashing: Consumers' Reactions to Environmental Lies, Half-Lies, and Organizations Taking Credit for Following Legal Obligations. *Journal of Business and Technical Communications*, 34 (1), 38-76.
- Luo, X., & Bhattacharya, C. B. (2006). Corporate social responsibility, customer satisfaction, and market value. *Journal of Marketing*, 70(4), 1-18.
- Scheidler, S., Edinger-Schons, L. M., Spanjol, J., & Wieseke, J. (2019). Scrooge posing as Mother Teresa: How hypocritical social responsibility strategies hurt employees and firms. *Journal of Business Ethics*, 157(2), 339-358.
- Tian, Z., Wang, R., Fan, J., & Ma, Y. (2011). Product Category differences and group characteristics of consumer CSR response. *Nankai Business Review*, 14, 107–118.
- Trudel, R., & Cotte, J. (2009). Does it pay to be good? Proceedings of the Aristotelian Society, 65, 45–60.
- Verhoef, P. C., Neslin, S. A., & Vroomen, B. (2007). Multichannel customer management: Understanding the research-shopper phenomenon. *International Journal of Research in Marketing*, 24(2), 129-148.
- Wagner, T., Korschun, D., & Troebels, C. C. (2020). Deconstructing corporate hypocrisy: A delineation of its behavioral, moral, and attributional facets. *Journal of Business Research*, 114, 385-394.
- Wagner, T., Lutz, R. J., & Weitz, B. A. (2009). Corporate hypocrisy: Overcoming the threat of inconsistent corporate social responsibility perceptions. *Journal of Marketing*, 73(6), 77-91.
- Xie, C., Bagozzi, R. P., & Grønhaug, K. (2015). The role of moral emotions and individual differences in consumer responses to corporate green and non-green actions. *Journal of the Academy of Marketing Science*, 43(3), 333-356.
- Xie, C., Bagozzi, R. P., & Grønhaug, K. (2019). The impact of corporate social responsibility on consumer brand advocacy: The role of moral emotions, attitudes, and individual differences. *Journal of Business Research*, 95, 514-530.
- Yoon, Y., Gürhan-Canli, Z., & Schwarz, N. (2006). The effect of corporate social responsibility (CSR) activities on companies with bad reputations. *Journal of Consumer Psychology*, 16(4), 377-390.