



EFFECT OF DECEPTIVE ADVERTISING ON CONSUMER LOYALTY IN GENERAL SERVICE SECTORS

Management

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ABSTRACT

The greed for money making has crossed all limits of ethical boundaries and in business it has nourished an unhealthy competition. Right from the CEO to the lowest level of employee hierarchy, individual plan short term goal to satisfy their bosses to achieve targets which has dent the credibility of the business across the spectrum. Advertising is one area where the customers are in a confused situation to choose the correct one at looking their promises that offered. This paper looks the different aspects of deceptive advertising consumer loyalty and retaining challenges. It also discusses the ethical impact on deceptive advertisement and the effect on long term performance of the company. Paper highlights the best business practices in society for sustained growth.

KEYWORDS

Deceptive Advertising, Customer Loyalty, Customer Retention, Industry-specific Problems, Bait And Switch And Law Of Honesty

INTRODUCTION

Business sincerity is one of the strong pillars on which it stands in the modern ethical advertising to all concerned stakeholders. The need of advertising should be that it should be truthful and not misleading. There are legislations and self-regulatory codes of practice to have a control over unethical advertising practices. The real meaning of sincerity is crucial for the promotion of advertising. But unfortunately the implications of the truth are being violated and is more visible in other ethical behavioral standards. Advertising stands always between truth and a lie, or sometimes it exceeds the boundary. It is taken very seriously by the customers and in many cases regarded as a very provocative by the recipient. By disregarding the business open

Absence of truthful data ultimately ends up in wrong side of the business. Advertising is a creative activity and it is a profession. People who are in this profession are briefed about the matter and they go on creating mind blowing advertisements that the businessmen are supposed to deliver it to their customers. Its purpose is to sell a product, a service, image or an idea. But if the advertisement lies or is dishonest, it loses its strength. Moreover, it loses its meaning or the fundamental substance of a truthful advertising. The rule of truthful advertising crosses borders of nations. This applies everywhere and to all. A good ad creator, as well as an advertiser, should bear in mind the unwritten rule of the truthful advertising. Advertising is very closely linked with psychology as psychology affects customer behavior. There are many emotional appeals which can be smartly incorporated into television commercials so as to be both consistent with the product and influencing the customer in a desirable way.

This paper tries to analyze the impact associated with its various stake holders.

OBJECTIVES OF THE STUDY

1. Effect of deceptive advertising in consumer loyalty and retaining challenges
2. Ethical impact on deceptive advertisement
3. Effect of deceptive advertising on long term performance of the company
4. Effect on best business practices in society Effect of deceptive advertising in consumer loyalty and retaining challenges

Every supplier wants to create and retain a loyal customer who engages in continued profitable business with him. Customer Loyalty is the measure of success of the supplier in retaining a long term relationship with the customer. Thus customer loyalty is when a supplier receives the ultimate reward of his efforts in interacting with its customer. Customer loyalty tends the customer to voluntarily choose a particular product against another for his need. The loyalty may be product specific or it may be company specific. When a loyal customer has repetitive requirement of the same product, such customers may be described as being 'brand loyal'. On the other hand he may also require different products of the same manufacturer. That is to say he makes significant purchases direct from the same supplier and that counts as the company specific loyalty. Loyalty also means that customer is sticking to the supplier on certain grounds though he may be having other options also. It may be possible that the supplier may not have the

best product or the customer may be having some problems with the supplier in respect of his supply of the product but the customer likes to ignore other options and prefers to continue with the same supplier as the customer thinks the supplier provides him more value and benefit than others. Such loyal customers tend to spend more money buy more, buy longer and tell more people about the product or supplier. This type of long-term customer loyalty can only be created by making the customers feel that they are number one priority with the supplier.

Retaining Customer Loyalty:

Customer retention is on the minds of small and medium-sized businesses across the world. With rising customer acquisition costs, businesses need to innovate and assume a proactive role in retaining customers.

Set customer expectations

The first step to building better customer retention is to set client expectations early. By setting expectations early and a tad lower than you can provide, we can eliminate uncertainty as to the level of service you need to offer to ensure your clients are happy. Clients tend to remember negative experiences. So if we have over delivered on the past 20 occasions, but, once, you undelivered – client will no doubt quote that negative experience as a reason to cancel his or her contract with you.

Service provider must be the expert

Small and medium-sized businesses are becoming more and more dependent on services to run their operation. No matter what industry occupy, if we can be the expert in your particular field, will likely retain more customers. Becoming customers' trusted advisor will build customer loyalty and reduce customer churn. Becoming a trusted source on all technology, you build a relationship that leads to a dependency. Your customers will trust you, rely on you to give the best advice, and recognize you as an integral part of their business success. If we want to build trust with clients, identify industry-specific problems currently facing those clients.

Compliance and regulations are popular buzz words among small businesses. Give the clients a quick courtesy call – inform them of upcoming changes and provide some insightful recommendations as to their best plan of attack. This proactive, personalized approach will bolster customer loyalty and render other customer retention strategies more effective.

Build trust through relationships

As the age old saying goes, do business with people whom we trust. Trust is essential in business, and building relationships with clients will garner that trust.

Cultivating shared values means taking an interest in the clients and their business. Does some research on their business, understand how it plays a role in their day-to-day activities, and use this information to strengthen the relationship. Simply providing a service is no longer sufficient – as competitors enter the market, we need to start building shared values with clients and showing to take an interest in them and their success.

Implement anticipatory service

Anticipatory service is a proactive approach to customer service. Instead of waiting for problems to occur, a company that implements anticipatory service can eliminate problems before they happen.

Make use of automation

Automation tools allow for time-consuming tasks requiring manual intervention to be standardized into repeatable processes. Companies that leverage automation are able to minimise downtime and keep clients' networks performing at their best.

Companies are typically bound by contracts that guarantee their services and make them accountable to clients. By leveraging automation tools and streamlining repeatable processes, companies can better meet their commitments. By standardizing the processes and setting expectations for service levels, can increase customer loyalty, which will lead to improved customer retention rates.

Build relationships online

When the clients are online, we can start building relationships with them while they are glued to their computer screens. With the rise of social media, connecting with the clients through these mediums makes sense. I would focus my efforts on building social profiles on LinkedIn, Twitter, and Facebook. The majority of the clients will have active profiles on at least one of these Web sites. Use these channels to aggressively communicate with your customers. Start linking out to valuable and relevant content, share the thoughts on topics, and engage with clients who leave comments and feedback.

Go above and beyond

Often times, companies overlook how important this is. Going the extra mile for your customers is an easy way to build strong relationships. As a service business, you have countless opportunities to woo the clients and transcend the minimum. By doing this, it can build some serious long-term loyalty. If the clients know that we are prepared to go above and beyond, they will stick with, when competitors start knocking on their door.

Implement customer feedback surveys

Customer churn can be avoided by simply listening to your customers. Customer feedback surveys are invaluable for learning how your service is performing in relation to your clients' expectations.

Effect of deceptive advertising on long term performance of the company

Deceptive advertising, also known as false advertising, refers to a manufacturer's use of confusing, misleading, or blatantly untrue statements when promoting a product. Advertising law will protect consumers from deceptive advertising through the enforcement of specific legislation. There are several different methods for attempting to deceive consumers that are not permitted under advertising law.

One way is through hidden fees or the use of surcharges. This means that a company will charge extra fees beyond the advertised price for a certain product or service. This is very common in mobile phone contracts and air travel.

Another method of deceptive advertising occurs when "going out of business sales" actually charge customers more for products that had already been marked down. According to consumer law, this is an unfair practice because it takes advantage of and misleads the customer. By advertising that the company is going out of business and "everything must go" this tells the customer that the prices will be marked down. However, this is not always the case. A customer may actually pay a higher price than normal during a going out of business sale.

EFFECT ON COMPANIES

1. FINANCIAL LOSS

False advertising ends up costing the company a significant amount of money if caught. If the ads are pulled, the company loses out on the money it spent to develop those ads. The company is sometimes charged a fine for both current false advertising and any future incidents of deceptive advertising. If the company is sued, additional expenses come in the form of legal fees and money that must be paid to consumers who filed the suit.

2. BROKEN TRUST

Company that engages in false advertising gives the impression that isn't a trustworthy business. Both existing and new customers may feel

betrayed and are more likely to go somewhere else for the same products or services. The lost loyalty from existing customers cuts into business. The company may also get a bad reputation as a deceptive organization, which means decreased business in the future.

3. CEASE-AND-DESIST ORDERS

In some cases, the company may receive a cease-and-desist order to stop the falsified advertisement from running. The advertisements must be brought up to FTC standards before they are allowed to run again. This may include correcting any false information and adding in the information omitted from the advertisements. In addition, the company may have to include additional disclaimers in future advertisements or let anyone who purchased the item that the company used deceptive practices.

Ethical impact on deceptive advertisement

Deceptive or false advertising is prohibited under Section 43(a) of the Lanham Act, which is enforced by the Federal Trade Commission. Rooted in the principle that customers have a legal right to know precisely what they are buying, the Lanham Act establishes clear rules for false or deceptive advertising. Most states also regulate advertising through state consumer fraud and deceptive practice laws. Thus, there is no shortage of information on false or deceptive advertising as forbidden by federal and state statutes. Moreover, there is no excuse for small-business owners not to keep their advertising lawful. Advertising has the mandate to persuade. Ethics describe the rules that govern peoples' behavior toward other people. Your challenge as a small-business advertiser is to reconcile the mandate to persuade within the rules of ethics. According to Albert Einstein, "I do not believe in the immortality of the individual, and I consider ethics to be an exclusively human concern without any superhuman authority behind it." (Shermer 2005: 368).

The popular quote by Mahatma Gandhi is closely related to the ethical decision making "The greatness of a nation and its moral progress can be judged by the way its animals are treated." (www.pinterest.com) According to the Joseph and Edna Josephson ethics is defined as "Standards of conduct that indicate how one should behave based on moral duties and virtues." (www.josephsoninstitute.org) Ethics can be generally defined as "the advisory tool which guides what is the proper course of action for man". It always prompts the questions like, "What do I do?", "What I am doing is right?", "Which is the right way of doing?" and so on. It is the continuous analysis of right and wrong in all the endeavours of an individual.

Deceptive advertising continues to plague consumers, despite laws and enforcement by the enforcing agencies. The business can quickly lose a good reputation by using deceptive advertising techniques. The Internet offers consumers many opportunities to spread negative comments about companies, and deceptive advertising practices can become notorious in minutes. The ethics of advertising should guide the choice of marketing messages.

Bait and switch is a means of advertising a low-priced product, then switching it for a higher-priced product so that when customers arrive, they must pay more than they expected. This deception applies to some service companies as well.

Ethical concerns arise when companies claim their products are good for the environment. False claims that a product is environmentally friendly are called green washing. Calling a product "green" can boost sales, but it must make sure that product actually offers some environmental advantage in order to make the claim. Similar concerns apply to "organic" products. If the products contain chemicals, the claim that they are organic can be considered deceptive.

Placing limitations and restrictions in the fine print at the bottom of a contract or agreement can be considered deceptive advertising. If we advertise a deal and then raise the price due to fine print, we will find ours self answering ethical questions from the customers.

Effect on best business practices in society

Businesses that prioritise ethics over profits will see the benefits, according to Roy Jakobs, CEO of Philips, Middle East. He says, it is not just individuals who should strive towards high morals and ethics, but businesses too. In the corporate world, this is not easy. Businesses need to display good ethics if they are to be accepted by the society, yet sometimes that means persuading their internal society that the

organisation is under moral obligation to do what is right. Being an ethical corporation is a serious business. It entails maintaining their morals in all their activities. But being ethical is not equivalent to losses when it comes to profit. On the contrary, ethical business can bring great bottom line results.

A company that operates by the laws of honesty and consideration will be preferred over a competitor who lacks such admirable qualities. If we can earn the trust of customers and make them believe they can rely on your integrity, we would not need to rely on discounts to encourage them to do business with the company. Business decisions influence employees, customers, suppliers and competitors, while company operations affect communities, governments and the environment. Society expects business and commerce to be conducted responsibly and not to do serious damage. If the evaluation finds that the business has a negative impact in a particular category, it may want to change the activity in question.

CONCLUSION

The new generation customers have multiple alternatives to choose from the complex market. Just to attract the attention of them using deceptive advertisement tactics is suicidal in the long run for the business. They should follow basic ethical standards in designing and airing advertisement. The gap between promise and actual delivery should be minimized to a level of zero. Over promise and under delivery has always spoiled the basic business sincerity. Modern business should focus on best advertising and ethical practices to sustain for a longer life cycle in the same business.

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