Consequences of consumers’ perceptions of online and offline retailers’ deceptive practices: A moderated mediation analysis

Abstract

This study investigates the negative influence of consumer’s perceptions of retailer’s deceptive practices (perceived deception) on consumer’s relational variables (product satisfaction, company satisfaction and WOM) and the differential effects of perceived deception associated with online vis-à-vis in-store shopping. Results from two samples of real consumers in online versus offline shopping channels revealed that product satisfaction partially mediated the influence of perceived deception on company satisfaction, whereas company satisfaction totally mediated the effect of perceived deception on WOM. Interestingly, both direct and indirect effects of perceived deception were found to be moderated by the purchase channel (online vs. offline).

Key Words: perceived deception, satisfaction, WOM

Introduction

Consumers’ perceived deception is of great importance to marketers and retailers because of the growing negative perceptions of marketing based upon unethical and unfair business practices and marketing schemes (e.g. Nguyen, 2013). While incidents of unethically or irresponsible company behavior continue to occur at an alarming rate (Skarmeas and Leonidou, 2013), questionable selling tactics to attract consumers, such as high-pressure selling techniques, information handling, favoring of profitable consumers, dynamic pricing or hidden fees, raise concerns about the ethical behavior of retailers and the fairness
consumers receive from them (Nguyen, 2013; Riquelme and Román, 2014). Researchers posit that this perceived unethical behavior lead to important negative consequences for the retailer, such as consumer complaints, dissatisfaction, switching behavior, negative word of mouth, distrust, subsequently damaging the retailer’s brand (Ingram et al., 2005; Román and Cuestas, 2008; Román, 2010; Nguyen, 2013). Today, therefore, a retailer’s focus on ethical sales behavior is more than just a necessity, it is an increasingly important differentiator between companies (Nguyen, 2013).

With the rapid growth of online transactions in retail settings, deception has also been a recent topic of research in online environments. Empirical studies on this topic indicate that consumers concerns about the ethics of selling activities have also grown in recent years in the Internet retail environment (Limbu et al., 2011). Perceived deception in this online environment not only has been found to decrease consumer satisfaction, trust and loyalty intentions (Román, 2007; Román, 2010; Limbu et al., 2011), but also has been identified as one of the most important current barriers for a greater acceptance of the Internet as a shopping channel (Clarke, 2008).

The increased importance of Internet, however, as an alternative or competitive shopping channel in the retail industry (Nelson and Leon, 2012) raises important research questions about how deceptive selling techniques may be perceived differently in the online environment as compared to the offline one, and thus how the relationships between perceived deception and its consequences may differ between these two shopping channels. It has been argued by academics and practitioners that transacting through a virtual medium is different from traditional shopping environments, being widely recognized that online and offline channels present different shopping experiences even when the same products are purchased (Alba et al., 1997; Wolfinbarger and Gilly, 2001). Some key differences include the means of obtaining product information, the greater perceived risks and the different
opportunities for personal face-to-face interactions (Román, 2010; Park et al., 2015). These channel differences has been identified as an important source of different ways in which deception can be performed by retailers in the online environment vis-a`-vis the offline environment (Grazioli and Jarvenpaa, 2003; Román, 2010), suggesting that a priori, the same deceptive attempt may have a different influence on consumer's responses online as compared to offline. Previous studies that have analyzed some of these channel differences provide, in fact, additional evidence for such argument, showing that consumers’ may have different perceptions and responses when shopping online as compared to offline (Degeratu et al., 2000; Danaher et al., 2003; Shankar et al., 2003; Andrews and Currim, 2004; Harris et al., 2006; 2009; Walsh et al., 2010; Park et al., 2015).

Importantly, some previous evidences suggest that not only direct relationships between deception and its consequences may differ across channels, but also indirect relationships. In this vein, several studies conducted in both online (Román and Cuestas, 2008; Román, 2010; Limbu et al., 2011; Gajendra and Wang, 2014) and traditional retail settings (Ingram et al., 2005; Román and Ruiz, 2005; Diallo and Lambey, 2015) have called for a comprehensive analysis of the relationships between deception and its consequences because these relationships may not always be simple and direct. Specifically, this previous research has confirmed a direct negative relationship between deception and consumer satisfaction, both online (Román, 2010; Limbu et al., 2011) and offline (Ingram et al., 2005; Román and Ruiz, 2005). However, findings from the majority of studies indicated that deception influences loyalty intentions only through satisfaction (Ingram et al., 2005; Román, 2010; Limbu et al., 2011), while others have also found a direct effect (Román and Cuestas, 2008; Román and Ruiz, 2005). Moreover, the complexity of the direct and indirect relationships among deception, satisfaction and loyalty intentions is increased when different types of satisfactions are included in the model, as we explained below in this paper. Whatever the case, it seems
clear from these controversial findings that deception may have, at least, a partial indirect influence on loyalty intentions once satisfaction is entered in the analysis. Despite of this, existing studies on the differences between the online and the offline channel in terms of consumer satisfaction and loyalty responses have only addressed differences in direct relationships between such responses and their potential antecedents, neglected then the possibility of more complex mediated relationships. To our knowledge, in fact, no empirical research exits that have compared both direct and indirect effects of deception on its consequences in different retail settings.

In this research, we attempt to address these gaps in prior literature by developing a moderated mediation model (e.g., Muller et al., 2005; Iacobucci et al., 2007; Preacher et al., 2007) which jointly examines two consumer satisfaction constructs (i.e., product satisfaction and company satisfaction) as mediating mechanisms in the relationships between perceived deception and its consequences (satisfaction and WOM) and the purchase channel (i.e., online vs. traditional) as the moderator. Specifically, this proposed model (1) explicitly disentangles direct versus indirect effects of consumer’s perceptions of online retailer’s deceptive practices (perceived deception) on consumer’s product satisfaction, company satisfaction and WOM communications and (2) incorporates the moderating role of the purchase channel (online vs. traditional) in both direct and indirect relationships between deception and its consequences. Thus, the overarching goal of this study is to construct an integrated framework explaining the direct versus indirect consequences of perceived deception in both the online and the traditional shopping channels. To address this goal, we develop a set of hypotheses based on both several theories (e.g., disconfirmation and attribution theory) and empirical findings in prior deception and satisfaction literature in which we provide arguments not only for the direct and indirect effects of perceived deception on consumer’s relational variables, but also for a moderated mediation analysis of
these relationships between the online and the offline channel. Based on both a strong theoretical development and powerful analytical methods, the moderated mediation model proposed in this research will thus enhance the theoretical validity and precision of the theories and frameworks in which the model’s network of constructs is rooted (Iacobucci et al., 2007; Ng et al., 2008). In doing so, this research will provide a more comprehensive understanding of the mechanisms that lead from deception to desfavorable relational outcomes, providing additional knowledge about how the complex direct and indirect interrelationships between perceived deception and its consequences may vary according to the shopping channel (e.g., online versus offline). This, in turn, could ultimately improve extant knowledge in both deception and satisfaction literature and may help to clarify some of the controversial results found in previous studies. In addition, understanding the potential different consequences of perceived deception between in different shopping channels should also benefit retailers in several ways. First, retailers will become aware of the importance of perceived deception and its influence on different consumer’s relational variables. Second, gaining knowledge about channel differences will allow retailers to amend and adapt their policies in order to develop better practices that may reduce perceived deception and its negative potential consequences in each shopping channel.

**Literature review**

It has been argued that tactics involving deception are common in the marketing field, and even when advertisers or marketers do not intentionally try to deceive consumers, their messages and tactics are likely to be ambiguous or misleading in some way (Burke et al., 1988). Deception may come in a wide array of forms other than the outright lie, and among the features that differentiate them are amount and sufficiency of information, degree of truthfulness, clarity, relevance, and intent (Román, 2010). Whatever the type of deception, in
the context of marketing practices it represents an “unethical and unfair to the deceived” (Aditya, 2001; p. 737), and raise several ethical questions and issues for companies, consumers and policy makers (Riquelme and Román, 2014).

Earlier research in retailing and personal selling has shown that the use of deceptive techniques is a frequent selling behavior. For example, “the exaggeration of the features and benefits of a product” and “high-pressure selling techniques” have been identified as common examples of deceptive or manipulative tactics perceived by consumers in traditional shopping settings (Ingram et al., 2005; Román and Ruiz, 2005; Ramsey et al., 2007). In this vein, it has been argued that, because salespeople work in relatively unsupervised settings and are often evaluated on the basis of short-term objectives, they are usually exposed to greater ethical pressures that individuals in many other jobs (Román, 2007). In this vein, several efforts have been devoted to analyze the antecedents and consequences of salespeople’ ethical behavior in traditional retail settings (e.g., Oliver and Swan, 1989; Spreng et al., 1996; Goff et al., 1997; Ingram et al., 2005; Román and Ruiz, 2005; Ramsey et al., 2007; Román, 2007). Findings from these studies show that the salesperson’s unethical behaviors not only have a negative direct influence on consumer satisfaction, but also have an indirect negative effect on consumer loyalty intentions through satisfaction.

With the increasingly penetration of new information and communication technologies in commerce-related activities, a more recent stream of research have begun to pay attention to the topic of deception in online retailing. Similarly to prior research on deception in traditional settings, studies in this online context have also focused on the identification and measurement of the specific types of deception tactics that may arise over the Internet (Grazioli and Jarvenpaa, 2003; Mavlanova et al., 2008), and the consequences of online deception on consumers’ beliefs and relational variables (Pavlou and Gefen, 2005; Román, 2007; Román and Cuestas, 2008; Román, 2010; Limbu et al., 2011). Importantly, researchers
in this field have also highlighted that although many deceptive practices identified in online settings (e.g., the exaggeration of product benefits and characteristics) are variations of well-known deception types already used in the traditional shopping context, the intrinsic nature of the Internet medium not only allows for new forms of deception that were previously virtually impossible to execute in traditional retail settings, but also makes the perpetration of online deception easier (Grazioli and Jarvenpaa, 2003; Román, 2010). In sum, although results from this stream of research parallels those obtained by researchers in traditional retail settings in that online deception has been found to decrease customer satisfaction and loyalty (Román, 2010; Limbu et al., 2011), literature also suggest that intrinsic differences between shopping channels may influence consumer’s perceptions about deception differently in the online environment as compared to the traditional one (Grazioli and Jarveenpaa, 2003; Román, 2010). In this vein, there are a significant number of studies that have provided solid evidences about the differences between the online and the traditional channels in terms of consumer’s attitudes and behaviors (Degeratu et al., 2000; Lynch and Ariely, 2000; Shankar et al., 2001; Danaher et al., 2003; Andrews and Currim, 2004; Chu et al., 2008; Pozzi, 2008; Chu et al., 2010). However, this prior research has only focused on comparing certain attitudes and behaviors, such as price sensitivity (Degeratu et al., 2000; Lynch and Ariely, 2000; Shankar et al., 2001; Chu et al., 2008; Pozzi, 2008; Chu et al., 2010), brand names (brand equity) (Degeratu et al., 2000; Andrews and Currim, 2004) or brand loyalty (Danaher et al., 2003; Chu et al., 2010) between online and offline shoppers, without providing any comparative analysis of the potential interrelationships among these constructs. Regarding to this, only a few earlier studies have actually addressed some of these more complex comparisons, providing empirical evidences about the differences between the online and the offline channel in terms of satisfaction and loyalty (Shankar et al., 2003; Walsh et al., 2010;), consumer’s responses to service failures (Harris et al., 2006; 2009), feelings after making a
wrong purchase decision (Park et al., 2015), or consumers’ cognitive and psychographic traits (Riquelme and Román, 2014). Although findings from these studies provide some preliminarily evidence about the potential differences in the strength of the relationships among satisfaction, loyalty and some of their antecedents across the online and the traditional shopping channel, only one of them specifically examined perceived deception but analyzing differences in their antecedents rather than in their consequences (Riquelme and Román, 2014).

**Research model and objectives**

Our framework, depicted in Figure 1, contends that perceived deception has a direct influence on product satisfaction (H1) and company satisfaction (H2). Hypotheses H3 and H4 will explain the inter-connections among product satisfaction, company satisfaction and WOM, further leading to hypotheses H5 and H6 in which moderated mediation effects are presented, including the indirect effects of perceived deception on both company satisfaction through product satisfaction (H5) and WOM through company satisfaction (H6). The model’s network of constructs is rooted in the cognitive-affective-conative loyalty framework of Oliver (1999). The causal ordering reflects Oliver’s (1999) proposal that the “analysis needed to detect true brand loyalty requires researchers to assess consumer beliefs, affect, and intention within the traditional consumer attitude structure” (p. 35). The traditional attitude structure’s order of cognitive-affective-conative responses is suitable for high-involvement decision making, such as that characteristic of technological products, which are the focus of this study. Thus, perceived deception and product satisfaction precede company satisfaction, which in turn precedes loyalty responses (WOM communication). In addition, we are drawing from main theories (e.g., disconfirmation and attribution theory) used in prior literature on deception in traditional and online settings to propose differential effects of
perceived deception in these relational consumer outcomes between the online and the traditional shopping channels.

**Figure 1 – Conceptual Model**

(→) Represents a moderating influence.

**Research hypotheses¹**

H1: Perceived deception will have a negative influence on product satisfaction, and this negative effect will be stronger for consumers who shop online than for those who shop at traditional stores.

H2: Perceived deception will have a negative influence on company satisfaction, and this negative effect will be stronger for consumers who shop at traditional stores than for those who shop online.

H3: Product satisfaction will have a positive influence on company satisfaction in both the online and the traditional channel.

¹ Please, be aware that space constraints do not allow us to justify individually each hypothesis.
H4: Company satisfaction will have a positive influence on WOM communication, and this positive effect will be stronger for consumers who shop online than for those who shop at traditional stores.

H5: The purchase channel will moderate the negative indirect effect of perceived deception on company satisfaction (through product satisfaction), such that this mediation effect will be more pronounced (stronger negative indirect effects) in the online channel than in the traditional one.

H6: The purchase channel will moderate the negative indirect effect of perceived deception on WOM communications (through company satisfaction), such that this mediation effect will be more pronounced (stronger negative indirect effects) in the traditional channel than in the online one.

**Method**

To test our hypotheses, we collected data on online and offline real consumers in the retail context of technology products. A marketing research firm was hired to assist with the data collection. Final sample consisted in data from 409 consumers, 208 for online context and 201 for store context. Existing multi-item scales, adapted to suit the context of the study, were used for the measurement of the constructs. All scales consisted of 7-point Likert questions, ranging from “1=strongly disagree” to “7=strongly agree”. Online and offline perceived deception were measured with four items respectively from Román (2010). Product satisfaction was measured via a subset of Westbrook and Oliver (1981) and Oliver (1999) product satisfaction scale. Three items from Anderson and Srinivasan (2003) were used to measure company satisfaction. Finally, consumers’ positive WOM was measured using a three item scale adapted from Wolfinbarger and Gilly (2003). Importantly, these items refer
to any positive information about the company transferred either in person or via some communication medium.

Preliminary results

The constructs were assessed for convergent and discriminant validity via confirmatory factor analysis (CFA) using linear structural relations (LISREL 8.80). We first checked the unidimensionality of each construct. Both online ($\chi^2(59) = 123.74 \ p < .01$; GFI = .92; AGFI = .87; NNFI = .96; CFI = .97; RMSEA = .06; RMSR = .05) and offline ($\chi^2(59) = 90.14 \ p < .01$; GFI = .94; AGFI = .90; NNFI = .98; CFI = .99; RMSEA = .05; RMSR = .05) measurement model had a reasonable good fit. Convergent and discriminant validity of the scales were successfully tested using standard procedures (Fornell and Larcker, 1981; Bagozzi and Yi, 1988).

Table 1 - Model comparison and parameter estimates

<table>
<thead>
<tr>
<th>Model</th>
<th>$\chi^2$</th>
<th>df</th>
<th>P-value</th>
<th>GFI</th>
<th>NNFI</th>
<th>CFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>M3: Unrestricted</td>
<td>277.64</td>
<td>148</td>
<td>0.00</td>
<td>0.92</td>
<td>0.97</td>
<td>0.98</td>
<td>0.06</td>
</tr>
<tr>
<td>M4: Restricted</td>
<td>289.67</td>
<td>152</td>
<td>0.00</td>
<td>0.91</td>
<td>0.96</td>
<td>0.95</td>
<td>0.06</td>
</tr>
<tr>
<td>M3-M4 change</td>
<td>12.02</td>
<td>4</td>
<td>0.02</td>
<td>Conclusion: Not all structural paths are invariant</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ONE DEGREE-OF-FREEDOM TEST: Paths 1-4 compared with restricted model (M3)

<table>
<thead>
<tr>
<th>Free path</th>
<th>CHI-SQUARE DIFFERENCE ($\Delta \chi^2 = 1$)</th>
<th>SD PATH LOADINGS PARAMETER</th>
<th>HYPOTHESIS SUPPORTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Perceived deception $\Rightarrow$ Satisfaction</td>
<td>$\Delta \chi^2 = 9.10^*$</td>
<td>$\beta = -0.17$ ($t = -2.52$)</td>
<td>H1 partially supported</td>
</tr>
<tr>
<td>with the product</td>
<td></td>
<td>$\beta = -0.08$ ($t = -1.19$)</td>
<td></td>
</tr>
<tr>
<td>H2: Perceived deception $\Rightarrow$ Satisfaction</td>
<td>$\Delta \chi^2 = 8.12^*$</td>
<td>$\beta = -0.10$ ($t = -2.58$)</td>
<td>H2 partially supported</td>
</tr>
<tr>
<td>with the retailer</td>
<td></td>
<td>$\beta = -0.20$ ($t = -2.58$)</td>
<td></td>
</tr>
<tr>
<td>H3: Satisfaction with the product $\Rightarrow$</td>
<td>$\Delta \chi^2 = 2.00$ (ns)</td>
<td>$\gamma = 0.59$ ($t = 7.94$)</td>
<td>H3 partially supported</td>
</tr>
<tr>
<td>Satisfaction with the retailer</td>
<td></td>
<td>$\gamma = 0.51$ ($t = 6.93$)</td>
<td></td>
</tr>
<tr>
<td>H4: Satisfaction with the retailer $\Rightarrow$</td>
<td>$\Delta \chi^2 = 4.01^*$</td>
<td>$\beta = 0.67$ ($t = 8.84$)</td>
<td>H4 supported</td>
</tr>
<tr>
<td>Consumer’s positive WOM</td>
<td></td>
<td>$\beta = 0.56$ ($t = 7.95$)</td>
<td></td>
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</tbody>
</table>

$\Delta$ Not significant. $^* p < .05$, $^** p < .01$.

Collectively, Hypotheses 1 through 4 suggest a model of moderated effects, whereby the relationships between perceived deception and its consequences are expected to differ according to the shopping channel (online versus offline). To establish whether these
hypothesized differences were statistically different, various multi-group analyses were performed using LISREL 8.80. Table 1 reported results from this analysis. Except for H3, the rest of paths related to the direct effects on perceived deception (H1 and H2) and company satisfaction (H4) proved different between online and offline context and all of them in the direction expected (Table 1). As H3 did not predict a significant difference between channels, these results partially supported H1 through 4 (partially because some of the relationships are only significant in one shopping channel, whereas in our hypotheses we expected significant effects in both channels).

Table 2 – Moderated mediated results of perceived deception on company satisfaction and WOM between the two groups of the moderator variable

<table>
<thead>
<tr>
<th>Moderator (Purchase channel)</th>
<th>CIE of PD on CS through PS</th>
<th>CIE of PD on WOM through CS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CIE</td>
<td>SE</td>
</tr>
<tr>
<td>Online</td>
<td>-0.10</td>
<td>0.04</td>
</tr>
<tr>
<td>Offline</td>
<td>-0.04</td>
<td>0.03</td>
</tr>
</tbody>
</table>

CIE Conditional Indirect Effect.
Pd Perceived deception; CS Company satisfaction; PS Product satisfaction; WOM Word-of-mouth

The moderated mediation underlying Hypotheses 5 and 6 was tested following similar analytical procedures. Specifically, although most previous studies have addressed moderated mediation through the classical series of hierarchical regressions based on the three steps recommended by Preacher et al. (2007) and Muller et al. (2005), it has been theoretical and empirically proved that structural modeling is a more powerful, precise and elegant analytical approach (Iacobucci et al., 2007). Following the steps recommended by Iacobucci et al. (2007), we tested moderated mediation by multigroup analysis in Lisrel, comparing the pattern of both the direct and indirect relationships between the two shopping channels. Results from these model comparisons are also showed in Figure 1, where differences in chi-quadrado indicated that both direct and indirect relationships varied.
between groups. To further test the strength of proposed moderated mediation effects, a Sobel z-test was conducted (Iacobucci et al., 2007). As showed in Table 2, results from such test supported both H5 and H6.

**Discussion and conclusions**

In this study, we developed a research model that addressed the complex relationships that exit between perceived deception and several of its potential consequences, that is, product satisfaction, company satisfaction and WOM. In doing so, this study attends recent calls for a more comprehensive and empirical research concerning the effects of retailers’ deceptive practices on consumer’s relational variables in different contexts (e.g., Román, 2010; Riquelme and Román, 2014). Although there are a few earlier studies that have already analyzed some of these relationships between deception and its consequences, this previous research has primarily been conducted in one shopping channel (online or offline) in isolation, making impossible to compare the effects of the medium (online versus offline) on the consequences of perceived deception, and the relationships between these consequences. Moreover, none of these early studies have distinguished among different “objects” about which a consumer can make satisfaction judgments, which may constrain the understanding of the mechanisms that lead from deception to desfavorable relational outcomes. Results from this research not only show that the relationships between perceived deception and its consequences are far from being simple and direct, confirming previous contentions about this topic made in earlier studies (Ingram et al., 2005; Román and Ruiz, 2005; Román, 2010), but that these complex relationships may also differ depending on the shopping channel chosen by the consumer. Overall, the research model proposed in this study, along with the findings derived from it, provide important theoretical and managerial contributions, as it addressed numerous controversial topics highlighted in prior literature.
Altogether, our findings showed that perceived deception has a negative impact in all of the relational outcomes analyzed in this study. However, such negative influence is not always simple and direct, and the pattern of these relationships differs between the online and the traditional channel. In the online channel, although perceived deception was not found to have a direct influence on company satisfaction, results from moderated mediation analysis revealed that this reasonable negative effect was in fact indirectly conducted by direct negative effects of perceived deception on product satisfaction. In the traditional channel, however, the negative effect of perceived deception on company satisfaction was significant and stronger, as well as less indirectly influenced by product satisfaction, given that in this context perceived deception did not have a significant direct influence on this latter variable. In both channels, the negative effect of perceived deception on WOM was fully mediated by company satisfaction and, given that the positive relationship between company satisfaction and WOM was weaker in the traditional channel, is in this channel where perceived deception had the stronger negative indirect effects on WOM. But, although less significant, perceived deception also has an indirect negative influence on WOM in the online channel.

References


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2 Because of space constraints, we only include most important references. For a more detailed list, please contact with authors.


