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## **“MISLEADING ADVERTISING AND CONSUMER DECEPTION: THE INTERSECTION OF CONSUMER RIGHTS AND MARKET COMPETITION”**

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### **ABSTRACT**

Publicizing is generally reprimanded not just for the job it plays in selling the item yet additionally for the way it influences our general public. In the time of merciless contest, the publicists resort to specific practices like puffery, misdirection, and so on and this prompts deceiving publicizing. The current review analyzes the moral issues engaged with misdirecting publicizing as seen by the respondents. This study endeavors to investigate the different qualities that comprise misdirecting promotion. The focal issue of the moral conversation is to decide the different elements uncovering the view of the respondents towards the issue of deceiving publicizing overall. The example of 460 respondents was drawn from the significant regions of Punjab, one of the prosperous provinces of India, and the Association Domain of Chandigarh. A self-controlled survey was utilized to gather the information. The scale unwavering quality was tried and factor examination was utilized. The review uncovers that the greater part of the respondents are very much aware of the different exploitative acts of misdirecting promotions and see these as untruthful business. There are likewise a couple of respondents who feel that the embellishment in publicizing might be permitted as a reasonable untruth. The review gives a moral ramification to the promoters, who are occupied with making products, and passing on a fair warning for them to reconsider their correspondence systems to emerge with another situation of publicizing keeping up with the equilibrium between incredible skill and morals.

### **INTRODUCTION**

Publicizing, as one of the instruments of promoting correspondence, illuminates individuals about the accessibility regarding various items and administrations. It assists them with being better educated as for the various highlights of item, its value, any alteration in the item and so on and thus empowers individuals to take an objective buy choice in regards to their buys. The entirety of publicizing and showcasing correspondence messages and the emblematic implications they utilize assume a huge part in outlining and building buyer cognizance (Pollay, 1986). In this way, in this day and age promoting significantly affects the general public of

which purchaser is a section. A strong power shapes the mentality and conduct of individuals. It likewise leaves an effect upon how individuals figure out life, the world and themselves as for their qualities and conduct. Publicizing is broadly reprimanded not just for the job it plays in selling the items yet additionally for the manner in which it impacts our general public. Generally, these reactions have included claims from a different gathering of pundits that promoting is in an unfortunate taste, publicizing controls individuals to purchase superfluous items, promoting is dishonest and that it gives too minimal considerable item data (Bauer and Greyser, 1968; Feldman, 1980; Greyser and Reese, 1971; Preston, 1975; Harsh and Resnik, 1977). All the more as of late pundits of publicizing have gone after it for generalizing, for its influence on youngsters and its treatment of disputable items like liquor and tobacco (Wells and Burnet, 1998). Pollay (1986) states that publicizing is building up realism, criticism, mindlessness, selfishness, uneasiness, social intensity, sexual distraction and loss of sense of pride. These basic examinations of publicizing by various analysts are further developing the comprehension with respect to the different negative and unscrupulous parts of promoting. One such exploitative practice which should be featured is the peculiarity of deluding advertising. A deceiving commercial is the one, which doesn't present genuine data of the item being promoted. It might contain at least one credits which deceive the watchers like wrong data, misleading cost, misrepresentation, and so forth. This kind of promoting misdirect the shopper in various ways, that might incorporate utilizing vague expressions which 2011 can be confounded by a peruse; recommending that a little contrast in an item is significant when it isn't, artificial item demos in an ad, which is plainly false; suggesting an item benefit is special to a brand when it is free in others; mistakenly inferring that an endorser uses and promoters the brand in the event of tributes or VIP support; and considerably more. Aside from certain times reveling into a lot of embellishment, this likewise on occasion might prompt material injury to the purchaser. This kind of deceiving ads are independently arranged as puffery and trickiness. Puffery is an assertion made by sponsors or sales reps about the items that expresses no realities, yet which might suggest benefits of an item that are false (Preston, 1975). Pundits battle that puffery is misdirecting and ought to be controlled while protectors counter that sensible individuals know puffery similarly as an approach to showing excitement for the item and buyers grasp this part of selling (Wells and Burnet, 1998). For eg. Trademark's motto 'When you need to send the absolute best' is one such case. Trickiness exists when a notice is brought into the perceptual course of a few crowd and the result of that perceptual cycle contrasts from truth of circumstance and influences purchasing conduct to the inconvenience of the client

(Aaker, Myres and Batra, 2002). The Government Exchange Commission defines tricky promoting as any notice which there is a distortion, oversight, or other practice that can delude a significant number of mindful buyers to their disservice. The discerning of the 'sensible shopper' is utilized to pass judgment on duplicity. The trickiness should prompt material injury. As such, it must influence purchasers' dynamic about items and administrations (Preston, 1983). Claims made by decency cream and cleanser commercial, similar to Fair and Exquisite go under this category. Various analysts have taken up the issue of trickery occasionally. Dillon (1973) and Brandt and Preston (1977) broke down the different protests made to FTC (Government Exchange Commission) with respect to shoppers and proposed a requirement for customer examination to find out the issues of purchasers with the trickiness rather than lawful dependence of FTC. The legitimate idea of tricky promoting was modified in the investigation of Attas (1999) where the specialist has researched an ethical record of lawful thought of trickiness. Miniard (1999) investigated further into this field of buyer research with respect to tricky promoting by centering upon the data contained in the commercials which might delude the customers by causing misleading beliefs. As far as the issue of puffery is concerned, scientists have attempted to gauge the impacts of the puffery in notice on the shoppers. Haller (1973) concentrated on the understudies' perspectives about misrepresentation in promoting and uncovered the way that the greater part of time the publicizing which overstates turns into the place of dissatisfaction for the crowd. Then again, Cunningham and Cunningham (1977) concentrated fair and square of understanding and information on generally utilized publicizing and puffery terms. The concentrate plainly showed that it was not just the most un-sensible man (less instructed) who was being bamboozled yet even the sensible man (taught) was likewise enduring trickiness brought about by the utilization of various kinds of publicizing or puffery terms. Perry and Berkey (2002) found that both commonality and involvement in item significantly influence the trustworthiness of the cases. Though, Cowley and Janus (2006) saw that as despite the fact that Delhi in such a way that they might recollect consuming an alternate and a superior item (Cowley and Janus, 2006). With respect to estimation of customer view of the predominance of deceiving publicizing, Schutz and Casey (2005) found that most of the buyers see all promoting for items and administrations on mail and phone as deluding, then, at that point, trailed by TV promoting. The paper promoting is viewed as the most trustworthy. Then again, the issue of cost deluding promoting and its impact on the trust value towards the wellspring of data and eagerness to purchase was taken up by Romani (2006). The specialist has given proof that the customer respond ominously to deceiving content in regards to cost

data. To the extent that the examinations with respect to the issue of misdirecting commercial in India are concerned, the shortage of exploration in this field has been felt. A few examinations in regards to the guideline of deluding publicizing in India have been directed (For subtleties see Verma, 2001; Mehta, 2003; Arora, 2005). These examinations managed the administrative structure with respect to the anticipation of different sorts of exploitative and unlawful

### LITERATURE REVIEW

Juridical outlook expressed that a business is supposed to misdirect assuming that the organization has continued deliberately and intentionally (Corson, 2010). The European Commission (2005) communicates deluding promoting like a beneficial practice that covers unscrupulous data and is consequently lying or in any capacity, including entire execution, misleads or is plausible to swindle the typical shopper to take a conditional choice that he could not have possibly taken in any case (Official Diary of European Association, 2005). The Purchaser Security from Unjustifiable Exchanging Guideline (2008) characterizes a commercial as misleading in the event that in any capacity misdirects or is supposed to sell out the individual to whom it is addressed and if, by reason of its dishonest climate, it is probably going to influence its monetary way of behaving or hurts or is probably going to cut a contender of the individual whose interest the notice advances. In this part we will talk about under what conditions purchasers are pretty much powerless against tricky promoting and what their reactions are. Customer's weakness to publicizing alludes to "the level to which people join to and worth business messages as wellsprings of data for directing their wasteful ways of behaving" (Barr and Kellaris, 2000, p. 230). Lack of protection incorporates the circumstances, under which buyers can or can't perceive tricky privileges (Armstrong, Gurol and Russ, 1979). Publicizing claims are the verbal messages that pass on material data about item or administration credits. Kotler and Armstrong (2010), About tricky promoting, the cases are deliberately made in a method for deceiving purchasers to peruse outside the strict message and to pursue wrong decision about the item or administration publicized (Hastak and Mazis, 2011). The enormous number of tricky cases, a significant issue is whether purchasers can see wrong cases (Vladeck, 2000). Normally when buyers trust on commercials for data and conviction values, they are bound to be cheated (Oslo and Dover, 1978). At the point when customers are aware of misleading publicizing and of its systems, they might underachieve, contingent on the close to home position, that influence how they notice material, and the prompt environmental elements where the case is introduced. These variables are gathered as

"situational settings" (Unimportant and Cacioppo, 1981) Xie and Boush (2011). With regards to misleading promoting, finding and mind can be troublesome errands that require a few sorts and level of inspiration and capacity (Barone and Miniard, 1999). Purchasers are not generally exceptionally intrigued and ready to lessen beguiling cases. In the event that they are unfocussed right now of the notice contact, they can be more helpless (Xie and Boush, 2011). Our investigation has recognized a quantity of individual changes about how consumers tend to respond to advertising and deceiving claims. But it can be defined by two types of individuals characteristics; dispositional and developmental (Xie and Boush, 2011). Dispositional differences refer to programmed features such as gender, age, family, and lifestyle. (Barone et al, 2004). John and Cole (1986) claimed that age indicates the strength of recall and knowledge-based factor when consumer processes advertising information. Gaeth and Heath (1987) found that young adults are less vulnerable to some misleading techniques than older adults, because they are more engaged in the process of examining advertisement. Moreover Barone et al. (2004) exposed that gender can be a factor. Developmental differences are knowledge and expertise that can change with time (Xie and Boush, 2011). According to John (1999), consumers knowledge structure grows from the perceptual stage (3-7 years), through the logical stage (7-11 years), and to the reflective stage (11-16 years). In accordance with Barry (1980), consumers vulnerability to deceive claims varies depending upon the different life stages from early childhood to adulthood. Also, when consumers are aware of scheming strategies, they can sometimes be unfocussed by factors such as momentary cognitive business (Campbell & Kirmani, 2000), previous agent-consumer relationships (Kirmani & Campbell, 2004), and low persuasion of knowledge and confidence (Ahluwalia & Burnkrant, 2004). It depends consumers have the ability and incentive to evaluate deceiving claims carefully, they may or may not recognize deceptive claims in advertisement. Furthermore, when customers fail to notice deceptive claims, they are more vulnerable (Campbell & Kirmani, 2000). Situational context and individuals' characteristics may affect the salience of the advertisement (Xie and Boush, 2011). When customer searches for a telecommunication service, the features they search are communication quality, price rates, other facilities, call service, customer care factor and service contributor characteristics. Through a research on broad range by different customers, the results are customer focus more on communication range and signals as well as price and look for these features more other than different attributes. It is also analyzed that quality and accessibility have also influenced customers mind when they use or buy particular service provider telecom network. (Rajkumar Paulrajan and Harish Rajkumar, 2011) Customer

loyalty is a key to retain old customer and for that telecommunication service provider are working hard. They are working on multiple variables to make their customer happy and loyal to boost the revenue. Companies are working on customer relationship management to increase customer satisfaction. (American essay writer, 2009) Preston researched on how customer perceives an advertisement and how they identify the deception in it. Most of the advertisements deceive customers by showing different features of their services and this is how they commit fallacies. Preston highlights some of the deceptive factors mostly complained by the customers are, ambiguity and dullness in instructions, unclear statements etc. We can say when customer demand does not meet the expectations as there is biasness in advertisement and reality, there are term communication issues by manufacturers. A bad image of that brand is created in customers mind. Although, some claims are not explicitly made but customer want manufacturers would be claimed for advertising with deceptive strategy. (Janet Hock, Philip Gendall, Michael F Fox, Natalie Erceg, 1998) A second aspect of deceptive marketing has also been noticed here, that says, if any of advertise is actually trying to deceive its customer by showing unclear or fake service or customer is wrongly perceiving the message of that advertise. Most of the customers simply fail to interpret the exact message of any advertise so it is difficult for them to make any claim against the brand which is trying to deceive its customers. This paper points out that customer should also have a good sense of interpretation so that they can easily differentiate between the deceptive advertisements and clear one. (Rotfeld& Preston, 1981) Marketers research has done number of approaches to find deception and other concerned subject. This literature is particularly revised here, highlights the finding Experiment involving advertising bargaining and selling. Headings covered are: A: Deception-detection implication while ignoring literal falsity. Ways of deceiving related to the study of nonverbal behavior.

Advertising professionals for advertising companies and agencies work cooperatively to build successful campaigns that position brands in the minds of consumers. However, these professionals may have different views on the same issues due to the different perspectives from which they work. It is interesting to find out what these opinions are and to know the perception of responsibilities in the process of preparing a campaign depending on the side from which it is viewed.

The questions were divided around two main issues: their experience and professional practice in customer relations and their opinion on the practice of advertising related to health and the media.

In the first section, regarding the level of demand of advertisers, 72.1% have described their clients as very demanding. On the other hand, 23.5% consider that only some of the clients are, but not the majority. Finally, 4.4% do not consider the clients they work for demanding. When coding the variables on a scale from zero to two in terms of level of demand, the mean is set at 1.68 with a median and mode of 2.

The most common demands of clients are enquired through an open answer. We observe that almost half of the respondents refer to budget-related requirements (41.17%). Secondly, the fulfilment of the briefing requirements (20.58%) and the time to carry out the campaigns (17.64%) stand out. Lastly, highlighting the logo of the advertised brand.

Only 8.8% of those surveyed have assured that these types of demands are not a determining factor in the creative process. Almost 60% have indicated that it is more difficult to work on a creative campaign that has many conditions, while 32.4% indicate that it is complicated, but they do not consider that it conditions their creativity excessively. Coding from zero to three in terms of the level of demand and its conditioning of creativity allows us to establish a mean of 2.29 with a mode of 2 and a median of 3. 38.2% of those surveyed state that, when it comes to an advertiser that is complicated in the legal sense, due to the brand or the product category, less than half of the briefings collect the necessary indications to develop a campaign. On the other hand, 31% declare that these guides are indicated in all or most of these briefings. When cleansing the variables and coding them on a scale from zero to three, the mean is 1.92 with a mode and median of 2.

## **METHODOLOGY**

The collection of information in this study used a survey method. This is because it facilitates face-to-face contact between the researcher and the respondents in Hence, the cross-sectional survey method was adopted for the study. The survey was in the form of a questionnaire which was created to collect data from the users of Delta Soap regarding their usage pattern and influence of advertising on the patronage, repeat purchase and loyalty, perception of deception in ads, and the effects of lying on their preference of the products. Convenience based non-



probability sampling was used to collect data from 155 participants using a personal survey method. The study was carried out in Yaba, Oshodi, and Alaba International market areas in Lagos State. Two factors informed the selection of these areas. The first factor is the heterogeneous nature of these localities and their extensive commercial activities. Besides, they are composed of a multi-ethnic settlement harboring a significant number of diverse interest commercial groups. These locations also house the most modern broader markets called Tejuosho, Oshodi, and Alaba International market, respectively, where a variety of goods and commercial activities take place. As such, they afford the researcher the opportunity of examining the subject matters among the different commercial and international markets. The second factor is that these areas are an urban settlement. They, therefore, serve as a good representation of urban centers in the country for investigating the subject matter, Deceptive Advertising.

### CONCLUSION AND RECOMMENDATIONS

The findings revealed that the most suggestible type of advertising was on television. The nowadays society is always in direct contact with television. Television brings information about news, entertainment but also advertisements. It is impossible to watch television without experiencing an advertisement. This type of communication allows touching a maximum number of people using mass marketing techniques. Also, a few persons do not find it easy to identify whether an advertisement is deceptive. Moreover, criteria such as age and gender were not relevant to our research. Concerning the primary consumers's reactions, the majority of people care about deceptive advertising. The interesting point was that people who stated they do not care about deceiving advertising do not buy the brand products anymore. Thus, it proves that, in one sense, they care about the advertising technique. The results of this study can be beneficial for companies that would like to deceive their customers, thanks to advertisements. The study concluded that deceptive advertising affects a business demand and customer loyalty negatively in the long term. In many markets, buyers are uninformed about product quality attributes such as performance, satisfaction, durability, safety, reliability, etc. Sellers take advantage of advertising and other methods of direct communication to inform buyers about the quality attributes of their products. However, sellers have an incentive to deceive buyers by communicating false or misleading information to boost sales. While sophisticated buyers can judge the veracity of the information on the basis of market signals and their understanding of the incentives of the firms, naive buyers may be unable to make such decisions. In this paper,

I examine the incentives for firms to engage in deceptive communication in the presence of naive buyers. I argue that it is the presence of sophisticated buyers that strengthens the case for the regulation of deception by firms.

Firms often engage in communications that falsely misrepresent their product's attributes. Such cases are prominent in several industries, not limited to the US. For example, in separate instances in 2009, Sketchers, New Balance and Reebok falsely advertised that their toning shoes helped in weight loss and strengthening muscles which led to a peak in sales at \$1 billion in 2010. Later, scientific tests found that toning shoes provided no additional benefit and may lead to injury. In the food industry, Dannon exaggerated the health benefits of its Activia yogurt and DanActive dairy drink; Kellogg's made deceptive claims in 2008 that its Frosted Mini-Wheats increase a child's attentiveness and in 2009 that its Rice Krispies could improve a child's immunity; clinical studies could not prove such claims. In the automobile industry, Volkswagen falsely claimed that their diesel cars were low-emission and environment-friendly by cheating on performance tests; Kia and Hyundai misled consumers by inflating the expected gas mileage of their cars.<sup>2</sup>

Several countries have designed regulations to impose standards on advertising content and to monitor and prevent deceptive advertising. In the US, the Federal Trade Commission (FTC) declares all unfair or deceptive acts or practices in or affecting commerce as unlawful; in Canada, the Competition Bureau states person engages in reviewable conduct who, for the purpose of promoting, directly or indirectly, the supply or use of a product or for the purpose of promoting, directly or indirectly, any business interest, by any means whatever, makes a representation to the public that is false or misleading in a material respect. A They enforce these laws by imposing penalties on firms engaging in deceptive advertising. Both the FTC and the Competition Bureau require offenders to pay a civil penalty as well as consumer damages. We refer to this broadly as information regulation.

One objective of information regulation is to protect buyers. In fact, the FTC defines consumer protection as its mission. In particular, prevention of deception of buyers is an important part of this mission of consumer protection. Of course, deception would be impossible if buyers were fully informed. Therefore, the need for regulation is in markets with incomplete information. If buyers are rational and sophisticated, they can extract product information from

market signals or other actions of the seller and judge whether the messages sent by the firms are credible. In such a scenario, the effect of regulation will not be to prevent deception but rather influence the market outcome in other ways. In some cases, this can have a perverse effect on welfare and market outcomes (Janssen and Roy, 2020). This paper argues that in the real world, not all buyers can interpret the market signals or have the sophistication to correctly understand the credibility of information sent by the firms.

This paper models consumers who deviate from sophisticated behavior in two important ways: (i) an inability to make rational inferences from market signals and (ii) an inability to understand the incentives of the firm to send out incorrect product information in carefully designed advertisements, that is, they believe all advertising messages at face value irrespective of prices and hence, are gullible. Real-world markets are populated by naive as well as sophisticated consumers. Thus, what is the role of information regulation in markets with naive and sophisticated consumers? What is the effect of such regulation on the market outcome and social welfare?

The basic framework used to develop this economic argument is borrowed from the classic paper by Bagwell and Riordan (1991). I consider a monopoly where the seller has private information about the quality (high or low) of its product. The monopolist can signal its quality to potential consumers by a combination of a price and an advertising message. The advertising message can be false, in which case the firm incurs a fixed penalty that captures the expected future cost imposed by the regulator on the firm. My paper augments the Bagwell and Riordan (1991) model by: (i) allowing for naive buyers, (ii) allowing firms to send an advertising message, which can be false and (iii) imposing a fixed penalty in the case of false advertisement. The focus is on how the penalty affects the market outcome.

In this model, there is no pooling equilibrium as in the original Bagwell and Riordan (1991) framework. This implies that only naive consumers are deceived in equilibrium. Depending on the level of penalty and the proportion of sophisticated consumers, I characterize the unique separating perfect Bayesian equilibrium. For a low level of penalty, the low-type monopolist falsely advertises its product as high-quality to deceive naive consumers and, at the same time, the high-type monopolist signals its true quality. For intermediate and high levels of penalty, there is no deception. However, the penalty continues to influence the signaling distortion, which is directly related to the fraction of sophisticated consumers in the market: as the penalty increases, the signaling distortion becomes smaller. The signaling distortion is eliminated when

the penalty is sufficiently high, in which case the equilibrium yields the full-information outcome.

The pricing strategies of the low and high types depend on the composition of the consumer base. As naive consumers do not incorporate price signals in their decision-making, there is no need for the monopolist to signal quality through prices. In the presence of a high proportion of naive consumers, the high-type monopolist charges the full-information price and to that extent, eliminates the signaling distortion. Therefore, consumer naivety creates a positive externality in the high-quality state thereby improving social welfare. On the other hand, the low-type monopolist has an incentive to increase its price above the reservation price. The sophisticated consumers do not purchase the product leading to a social welfare loss. Therefore, the presence of naive consumers forms a negative externality in the low-quality state thereby reducing social welfare.

Consider a one-period product market with one firm and many potential buyers of the product. The product can be of either high or low quality Nature determines the product quality, which is only observable to the firm and is not revealed to the consumers. However, it is common knowledge that the prior belief of the product being high-quality is. The product is supplied at a constant marginal cost, which depends on the true quality of the product. The marginal cost of a Market outcome

This section solves the model and presents the market outcome in terms of the pricing and advertising strategies of both types of firm. In the following subsections, I solve for pooling as well as separating perfect Bayesian equilibria in pure strategies. Social welfare analysis and policy implications

An optimal policy can have two types of goals: either to prevent false advertising/deception or to maximize overall social welfare. Under the separating equilibrium, each goal results in a different minimal required penalty.

### **Optimal penalty and expected consumer surplus**

The goal of regulatory authorities is to protect consumers. Therefore, it would be interesting to find the minimum level of penalty that maximizes the expected consumer surplus. This section argues that such minimum penalty is the same as the optimal penalty derived in Assume that the goal is to maximize the expected consumer surplus. For low values of, false advertising under a low-quality state is the only equilibrium feature that negatively impacts the expected consumer