



## **Online shopping and issues of misleading advertisements**

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### **ABSTRACT:**

The aim of the research reported is to investigate consumers' reactions to advertisements containing misleading information on price. The underlying thesis is that such advertising generates negative consumer reactions in terms of attitude and intention and that these are heightened in the presence of suspicion. This study investigates the negative influence of consumer's perceptions of online retailer's deceptive practices (perceived deception) on consumer's relational variables (satisfaction and loyalty intentions to the online retailer). Also, the moderating role of product type (goods versus services), consumer's attitude toward the Internet, and consumer's demographics in the deception-relational outcomes link is considered. Data from 398 online consumers revealed that satisfaction totally mediated the influence of deception on loyalty. Furthermore, the deception-satisfaction link was moderated by all the hypothesized variables. Interestingly, a direct effect of deception on loyalty was found among more educated consumers, consumers who had a more positive attitude toward the Internet and consumers who had purchased a physical product. Implications for theory and management are discussed.

### **LINTRODUCTION:**

Over the past few decades advertising has been an important marketing strategy. Advertising is always subjected to change because people taste, demographic, cultural and socio economic factors change always. Consumers' changing response to advertising is essential to develop more effective and efficient marketing

strategies. Chanjin (2000) developed a varying-parameter advertising model specifying advertising parameters as a function of advertising strategies and the market environments to explain the varying nature of the advertising responses. The model is applied to New York City fluid milk market and he concludes his findings that advertising strategies and market environment play important role in determining advertising effectiveness and he further concludes that demographic factors are more important than economic factors(Chanjin, 2000). Companies change their advertising strategies time to time to attract customers as well as keep the existing customers with their products. But in some developed countries they have their own self regulatory system in order to stave off the government intervention. Harker(2003) states in his published article that "despite claims of social and economic benefits, advertising has always had its critics. However, when dealing with unacceptable advertising, advertisers in developed countries usually choose a self-regulatory approach in order to stave off government intervention. The recent breakdown of one of the world's longest established advertising self-regulatory programmes in Australia has reopened the 20 years old debate concern with enhancing understanding of such regulatory system"(Harker, 2003).Though he states like that , even in some developed countries the advertising misleading consumers significantly sometimes very badly.

To face to the race of businesses, companies use various marketing strategies to attract and retain consumers with their products. Advertising is one of the most efficient marketing tools that most widely used in the world. The issue is it has become a main tool or a media where consumers are misled for products or services. Expressing the finding of the result of his research paper, Howard (2005) says "over half of the sample viewed "most" or "all" mail and telephone advertising as misleading, and that 38 percent of the respondents regarded "most" or "all" television advertising as misleading. Also, findings for the Age groups indicate that two out of three respondents regarded "most" or "all" advertising directed at children as seriously misleading" (Howard, 2005). Advertising has become a powerful emotional promotion method and now there is a trend of sending advertisements via mobile phones even without prior permission. But Melody(2004) points out those consumers generally have negative attitudes toward mobile advertising unless they have specifically consented to it(Melody, 2004). Generally in most countries attitudes toward the quality and information containing in advertisements are not in a good scale. Richard (1993) explains in his paper that a comprehensive model of attitudes toward advertising includes three personal utility factors (product information, social image information, and hedonic amusement) and four socioeconomic factors (good for economy, fostering materialism, corrupting values and falsity/no-sense). He tested these seven factor model on two independent samples and found most respondents exhibited conflict between an appreciation of the personal uses and economic value of advertising and an apprehension of cultural degradation(Richard, 1993). False information in advertisements significantly decreases the credibility of the product. That is why some standard organizations validate their advertisements before broadcast or expose to general public. Stephen (1998) conducted a study to "investigate whether consumers who are exposed to an advertisement containing a deceptive environmental claim have

significantly different attitudes about the advertisements than those consumers exposed to a similar non-deceptive advertisement. He conclude the study mentioning that higher levels of perceived deception were associated with lower level of perceived corporate credibility, less favorable attitudes towards the advertisement, less favorable attitudes toward the advertised brand, and decreased purchase intention toward the product in the advertisement"(Stephen, 1998).

## **II.MARKETING PHARMACEUTICALS:**

Marketing pharmaceuticals are very dynamic and innovative subject especially in this current business arena. Pharmaceutical industry is one of the most profitable businesses in all over the world. Kesic(2008) states that the world pharmaceutical industry has been changing profoundly in the last decade. Intensive globalization, increased competitiveness and the fight for global market shares create new challengers for pharmaceutical companies. Not only in pharmaceutical industry, but also in most of the business entities, profit maximization is a core objective. However, Chandra(1999) points out that pharmaceutical product companies are not like most other companies because most other companies do not deal with a product which directly affect human health. Reinhardt(2004) highlights that it is not clear that the current allocation of the pharmaceutical industry's revenue dollars to marketing and research & development is efficient for society's point of view(Reinhardt, 2004).Kesic (2008) concludes that basic research and development(R&D), together with marketing and sales activities two of the most important operative and even more strategic priorities of the world pharmaceutical industry. Having analyzed these figures he has found that the biggest, inventive world pharmaceutical companies invest, on average, approximately 16% of their sales into R&D and even more, about 26% or more into marketing and sales activities(Kesic, 2009). Drug companies really spend ample amount of money for marketing especially for

direct-to-consumer advertising. Lisa(2008) says according to the IMS health report in 2006 in America, drug companies has spent nearly 5 billion on direct advertisements to consumers, and 80 percent increase over what they were spending in 2002(Lisa, 2008).Likewise Chiu(2005) explains that according to the National Institute for Health Care Management, U.S consumers spent \$154.5 billion on prescription drugs in 2001.This amount to 10% of total health spending, which account for 14.9 % of the U.S GDP as of 2002.In a publication Parker(2003) states that there is a little doubt that the pharmaceutical industry is a major force in today's economy as measured by both over-the-counter(OCT) and prescription drug sales and further more he says that it seems clear that there have been rather dramatic increases in advertising expenditures by pharmaceutical companies in the past few years. It also seems clear that these expenditures have coincided with significant increases in sales of both OTC drugs and prescription drugs(Parker, 2003).

Promoting drugs to consumers directly has become a new trend in all over the world and many pharmaceutical companies have experienced it as a very effective way to market their products. Wilkes et al(2000) points out that direct to consumer drug(DTC) advertising of prescription drugs is affecting patients, doctors, and health care organizations in profound but not always predictable ways. Not only have the numbers of drugs advertised increased, but so have the drug companies' advertising budgets directed at consumers. Wilkes et al (2000) further state that several news sources had suggested that drug manufactures' earnings have directly benefited from this new promotional strategy(Michael, 2000). According to Moynihan et al(2002)there's a lot of money to be made from healthy people they are sick. Some forms of medicalising ordinary life may now be better described as disease mongering: widening the boundaries of treatable illness in order to expand markets for those who sell and deliver treatments(Moynihan, 2002). Director of research and policy at the National Institute for Health Care

Management, Findlay(2000) concludes that Advertising works and pharmaceutical companies have successfully promoted their product to doctors for decades. They are now bringing that marketing survey to the consumer market place. The question is whether -over time-the benefits of raising consumers' awareness of specific drugs and the conditions the medicines treat will outweigh the danger that consumers will bring to demand and use some medicines inappropriately(Findlay, 2000).

### **III.MISLEADING ADVERTISING:**

Examples of misleading advertising include:

- A motor vehicle dealer selling a car as new when in fact it has a second-hand transmission.
- A travel agent selling inexpensive holiday packages to Hawaii. The advertising failed to disclose there was a minimum stay, which had to be in specified hotels. These hotels were in fact more expensive than those available from other travel agents
- A business not telling you about hidden costs like booking fees for entertainment or travel, or postage and packaging for online goods.

### **IV.PYRAMID SELLING:**

Janet sees an online advertisement about a new cosmetics sales opportunity selling from home. After finding the products don't sell that well, Janet is advised by the business not to worry about sales, but to just recruit new salespeople, so she can earn more money on commission from their sales.

### **V.HARASSMENT:**

A debt collector comes to an elderly person's door and threatens to beat them up if they don't pay the outstanding rent owed to the landlord. This is coercion and is illegal. Report the debt collector to the Commerce Commission.

### **VI. MISLEADING DESCRIPTIONS:**

Hannah decides to buy a car from a private seller on Trade Me. The car is described as in sound condition for \$2,500 on with a current WOF. Hannah buys it without doing a mechanical inspection and three months later the car breaks down. She finds out from the local mechanic that the engine needs extensive repairs costing \$1,500. Hannah is unhappy with the sale and contacts the seller. He refuses to negotiate, so she makes a claim to the Disputes Tribunal for misleading advertising under the Fair Trading Act and breach of the implied warranty as to matching its description under the Sale of Goods Act.

### **VII. FALSE OR MISLEADING CLAIMS:**

There are laws in place to protect you from being misled about the products and services you buy.

- Creating a false or misleading impression
- Examples of false or misleading claims
- False or misleading advertising
- If you think you have been misled
- More information

### **VIII. CREATING A FALSE OR MISLEADING IMPRESSION:**

Businesses are not allowed to make statements that are incorrect or likely to create a false impression.

This rule applies to their advertising, their product packaging, and any information provided to you by their staff or online shopping services. It also applies to any statements made by businesses in the media or online, such as testimonials on their websites or social media pages.

For example, businesses cannot make false claims about:

- the quality, style, model or history of a product or service
- whether the goods are new

- the sponsorship, performance characteristics, accessories, benefits or use of products and services
- the availability of repair facilities or spare parts
- the need for the goods or services
- any exclusions on the goods and services.

It makes no difference whether the business intended to mislead you or not. If the overall impression left by a business's advertisement, promotion, quotation, statement or other representation creates a misleading impression in your mind—such as to the price, value or the quality of any goods and services—then the behaviour is likely to breach the law. There is one exception to this rule. Sometimes businesses may use wildly exaggerated or vague claims about a product or service that no one could possibly treat seriously or find misleading. For example, a restaurant claims they have the 'best steaks on earth'. These types of claims are known as 'puffery' and are not considered misleading.

### **IX. EXAMPLES OF FALSE OR MISLEADING CLAIMS:**

Some examples of business behavior that might be misleading are:

- a mobile phone provider signs you up to a contract without telling you that there is no coverage in your region
- a real estate agent misinforms you about the characteristics of a property by advertising 'beachfront lots' that are not on the beach
- a jewellery store advertises that a watch 'was' \$200 and is 'now' \$100 when the store never sold the watch for \$200
- a business predicts the health benefits of a therapeutic device or health product but has no evidence that such benefits can be attained

- a transport company uses a picture of aeroplanes to give you the impression that it takes freight by air, when it actually sends it by road
- a company misrepresents the possible profits of a work-at-home scheme, or other business opportunity.

#### **X.FALSE OR MISLEADING ADVERTISING**

These are some of the most common types of false or misleading advertising reported to the ACCC.

#### **XI.FINE PRINT AND QUALIFICATIONS:**

It is common practice for advertisements to include some information in fine print. This information must not contradict the overall message of the advertisement. For example, if an advertisement states that a product is 'free' but the fine print indicates some payment must be made, the advertisement is likely to be misleading.

#### **XII.COMPARATIVE ADVERTISING:**

Some advertisements or sales material may compare products or services to others on the market. These comparisons may relate to factors such as price, quality, range or volume.

Comparative advertising can be misleading if the comparison is inaccurate or does not appropriately compare products.

#### **XIII.BAIT ADVERTISING:**

Bait advertising takes place when an advertisement promotes certain (usually 'sale' prices) on products that are not available or available only in very limited quantities. It is not misleading if the business is upfront in a highly visible, clear and specific manner about the particular product 'on sale' being in short supply or on sale for a limited time.

#### **XIV.ENVIRONMENTAL ('GREEN') CLAIMS:**

Environmental claims may appear on small household products such as nappies, toilet paper, cleaners and detergents through to major white goods and appliances. They may include statements about environmental sustainability, recycling, energy and water efficiency or impact on animals and the natural environment, for example 'green', 'environmentally safe' or 'fully recycled'.

Businesses making these claims must be able to substantiate them.

The following list illustrates the type of information that advertisement to the general public should contain

The name of the active ingredient, using either international non-proprietary names or the approved generic name of the drug

The brand name

- ✓ Major indication(s) for use
- ✓ Major precautions, contraindications for warning
- ✓ Name and the address of the manufacturer or the distributor
- ✓ Information to the consumer on price should be accurately and honestly portrayed(Committee(SLMAEC), 2003).

Though the guidelines are clear, there is a doubt of implementing and practicing the guidelines in many countries including Sri Lanka. There is a big challenge and responsibility for the government authorities and regulatory bodies in terms of providing correct information to the consumers.

#### **XV.TECHNIQUES, METHODS AND EFFECTIVE ADVERTISING:**

Pharmaceutical industry is in a pressure and Kesic(2008) states that fast globalization definitively reinforces the consolidation of the world pharmaceutical industry. There are so many challengers in pharmaceutical

industry and drug companies running after many strategic moves to have sustainable competitive advantage. Direct marketing products to consumer have become one of the innovative methods to win the market comparatively. Buckley states that "in United States all drugs may be promoted to consumer, but in practice direct to consumer advertising focuses on OTC and common ailment targeted prescription drugs"(Buckley, n.d.). But some authors support to this argument and they mention direct to consumer advertising makes consumer better understanding and make more informative for drugs available to them(Leonard, 1999, Weismann, 2003). On the other hand some researchers like Maguire(1999) points out that "American physicians are being asked to 'rubber stamp' self diagnoses and self-prescriptions by patients". That is how some advertisements have been influenced on consumers.

Kesic(2009) reveals in his paper that "it is no surprise that the biggest world multinational pharmaceutical companies invest more than 25% of their sales into marketing activities in a goal to get considerable global market shares". Supporting to the argument of Kesic, Michael adds that not only have the number of drugs advertised increased, but so have the drug companies' advertising budgets directed at consumers; the advertisements have also become far more sophisticated(Michael, 2000). A paper published in Thailand in 2005 on 'Radio drug advertisement situation and regulation in Thailand' says "advertising has a strong influence on the sale volume of any goods. Drug advertising covers media such as television, radio, newspaper, magazines, internet and printed materials." It further says that radio advertisements can easily mislead people in rural areas because of socioeconomic and educational status (Kittisopee, 2005). Allotey(2004) mentions that "OTC medications promoted through television, radio and print advertising directly targeted at women, housewives or working mothers, encourage them not only to self medication but also to dispense OTC medications to their children, because it is important to

establish a 'lifelong pattern of sensible (drug)use'"(Allotey, 2004), Ashish(1999) explains that all pharmaceutical advertising is not bad but advertisements should be considered what they are promotions. Drug marketers should always try to follow the unwritten rules of marketing ethics and consider what is best for their consumers before developing a particular advertising strategy.

Nowadays the issue is consumer can purchase any kind of drug online. Buckley(2004) highlights in his paper that consumers can purchase all kind of prescription drugs online often without need for a proper prescription and he further points out that most internet pharmacies provide poor quality information(Buckley, 2004). Moynihan(2002) expresses that inappropriate medication carries the dangers of unnecessary labeling, poor treatment decisions, iatrogenic illness, and economic waste, as well as the opportunity cost that result when resources are diverted away from treating or preventing more serious disease(Moynihan, 2002).

#### **XVI.HOW CONSUMERS ARE MISLED - RELIABILITY, RELEVANCE AND ADEQUACY OF ADVERTISEMENTS:**

Many research papers point out that drug advertisements mislead consumers in many ways directly or indirectly (Sidney, 2002, Michael, 2000, Ashish, 1999, Findlay, 2000). Though it is a common phenomena in all over the world, a practical guide on 'understanding and responding to pharmaceutical promotion' published by the world health organization recently explains clearly how information is given to consumers in advertisements in developed and developing countries. It says "while advertisements from developed countries typically contain nearly all of the information listed in the box, this is not always the case in developing countries". The table below published by Hawkins(1993)in his research paper support to the above argument strongly and in the discussion he states that indications were mentioned more often than the negative effects of medicines. Important warnings and

precautions were missing in half of the advertisements while side effects and contraindications in about forty percent. Price tended to be given only in countries where a social security system pays for the medicines (Herxheimer, 1993).

Nowadays there is a trend of promoting drugs through internet. Buckley mentions on his research paper that most of the internet advertisements provide less information or poor quality information. Many pharmaceutical companies mislead consumers in many ways. A United States Food and Drug Administration(FDA) has issued 88 letters accusing drug companies of advertising violations from August 1997 to Aug 2002(Buckley.). Most of the time drug companies overstated the effectiveness of the promoting drug and they always keep attention not to highlight its risk. Some companies disseminate advertisements misleading advertisements even after they were warned or cited for violations(Gottlieb, 2002). Some drug companies stimulate consumers to buy expensive or new drugs which has high profit margin and it raises the health care cost of consumers as well as of the country ultimately. Some drugs promoted by pharmaceutical companies have limited Medical beneficiaries but those are heavily advertised because of the high profit margin.

A research done in Thailand, sharing the findings says that 22% radio advertisements have misled consumers and only 7% of the advertisements have recommended an appropriate dose among studied advertisements. Further more a warning message was found in only 3% of the advertisements and name of the manufacturers were present only 20% of the advertisements collected(Kittisopee, 2005).Weil(2009) is really against the trend of this drug advertisements. He says "many advised drugs are not only ineffective, but have serious side effects that are frequently played down (and occasionally cancelled) by manufactures. Because advertised drugs have such vast profit potentials, political and financial interests collude to speed them to market

before they have received sufficient scientific scrutiny"(Weil, 2009).

Now there is a trend of using popular characters for marketing advertisements of drugs and sometimes they are neither reliable nor relevance. In a paper published by Michael(2000) says that " Now advertisements enlist well-known personalities to endorse pharmaceutical products (Michael, 2000). Lot of people imitate and follow famous personalities and it help pharmaceuticals to reach consumer quickly and in a familiar manner. Criticizing this promotional tactics Weil(2009) says in his report that "Sally Field is a talented actor, But what qualifies her to promote Boniva, an osteoporosis drug that is of limited benefit, has worrisome side effects, and for which there are natural alternatives that merit careful consideration?.(Weil, 2009)"

Drug companies are in the process of promoting their product to consumers in many ways. Sometimes they may use health care professionals to reach consumers because they know that consumer believe professionals who have background knowledge about treatments. Wazaify(2005) points out in his recent published paper that "The main factor found to influence the public's choice of OTC medicines was pharmacist recommendation. This is reassuring especially with increasing availability of potent medications without prescription and the increased potential for interactions" (Wazaify, 2005). It is one of the indirect marketing methods that the pharmaceutical industry uses.

On the other hand people have a belief that over the counter drugs like paracetamol do not have serious side effects. Some over the counter drugs have serious side effects when consumer uses it with some other medications. A very good example is Viagra used for erectile dysfunction. If consumer use it while using nitrate as a treatment of blood pressure, it cause severe drop of blood pressure which is difficult to treat. Buckley says it has mentioned on advertisements but in a much smaller font, it is "You must not take Viagra if you are using any

nitrate medication including amyl(poppers). It may lead to a severe drop of your blood pressure that may be difficult to treat. As sexual activity may be a strain on your heart your doctor will need to check whether you are fit enough to use Viagra"(Buckley). Buckley points out the ordinary people do not know what is nitrate medications and they cannot recognize from this statement that the combination of these two drugs will be enough to kill them more often. Supporting to this argument Wazaify(2005) mentions that consumers generally believe that only safe medicines are permitted to be sold without prescription and OTC medicines do not usually have serious side-effects(Wazaify, 2005).

Some giant pharmaceutical companies have their own physicians, independent monitoring committees and analytical groups etc. They make aware public some new drugs which are effective treatment for some diseases which are common among current generation and they suggest through advertisements, that it may be effective to use their drugs or supplementary product to prevent from those diseases. This is another current trend in the world and basically what they do is label healthy people that they are sick. Supporting to this arguments Moynihan(2002) express his view in this paper stating that "Within any disease categories informal alliances have emerged, comprising drug company staff, doctors and consumer groups. Ostensibly engaged in raising public awareness about undiagnosed and under treated problem, these alliances tend to promote a view of their particular condition as widespread, serious, and treatable. Because these 'disease awareness' campaigns are commonly linked to companies' marketing strategies , they operate to expand market for new pharmaceutical products"(Moynihan, 2002).

Extensive advertising and promotion has put on higher price on pharmaceuticals. Consumer has become the victim of those expensive pharmaceuticals. Dave(2010)says " Promotion may affect price through two difference processes. First, promotion may increase

demand and/or reduce the absolute magnitude of the demand price elasticity (that is, reduce the price responsiveness of purchasers), which may raise price. Second, the increasing operation cost due to high promotional spending may be shifted to purchasers in the form of higher price. Concluding his findings he states that " in addition to potential misuse, the cost of direct to consumer advertising result from increased drug price and increased use of expensive drugs in place of equally effective lower-price drugs"(Dave, 2010).

#### **XVII.EFFECT OF MISLEADING:**

Many researchers have pointed out that misleading consumer due to unprofessional advertisement of the pharmaceutical industry has created considerable issue to the society in many countries(Herxheimer, 1993, Dave, 2010, Leonard, 1999, Ashish, 1999). There is a reasonable doubt whether consumers spend money for their real requirements of treatments. Moynihan(2002) says drug companies earn lot of money form healthy people and it is better to describe as disease mongering. He further says "whereas some aspects of medicalisation are the subject of ongoing debate, the mechanics of corporate backed disease mongering, and its impact on public consciousness, medical practice, human health, and national budgets, have attracted limited critical scrutiny"(Moynihan, 2002). There are people who count this criticism and say "Direct To Consumer Advertisements (DTCA) fosters rapid detection of disease and promote grater compliance with treatment regimes. Further more they suggest that DTCA is simply part of a wider social trend whereby consumers take greater responsibility for their health care"(Hoek, 2002).'

Pharmaceutical industry may grab ample amount of money from consumers through unprofessional promotions and advertising drugs. Most of the time heavily promoted drugs may has less clinically importance considering the price as the generic drug provide almost similar clinical effect at a cheap price. Parker(2003),supporting to this argument says "

Prescription drugs such as Celebrex and Vioxx are heavily promoted and cost the consumer just over \$2 per pill, while generic ibuprofen, which cost the consumer pennies per pill, often work just as well" (Parker, 2003). Effective and attractive advertisement can attract consumer towards the product some times without considering the quality or the value of the product. Ashish (1999) states in his publication that "Advertising is thought to contribute to the economy as well. By effective promoting increase in promotion of goods and services may occur, which in turn can result in increase in sales and the flow of money within society" (Ashish, 1999). But some researchers express a different idea about the relationship between drug price and drug advertisements. They point out when drugs are advertised, the market is more competitive and due to that the price of the particular drug reduces. "Research has generally found that advertising tend to reduce price, rather than increase them, primarily because advertising makes markets more competitive" (Calfee, 2002).

Sometimes drug advertisement give wrong information due to many reasons for consumers and it is affected for less dose or overdose usage of drugs. "A general problem associated with drug advertisements is that it is a powerful influence which may motivate consumers to select overly expensive, overrated, or less than optimum medications for their particular needs. More specifically, it is possible to identify numerous individual problems associated with the promotional practice" (Ashish, 1999). Our culture very much believes in the "More is Better" principle and consumers sometimes even hospitalized or suffer from serious long term complications due to this misleading information. Galapatti says "it is important that media try and make people aware of the side effects and danger of excessive usage of these drugs" (Galapatti, 2011). A general survey conducted by Wazaif (2005) reveals that "almost 85% were aware of the abuse potential of OTC medicines with painkillers, sleeping aids, cough mixtures and laxatives being the main categories reported" (Wazaify, 2005).

Many drugs are promoted in internet, email and other electronic media and consumer can easily buy what they need from internet. Mainly, due to lack of regulations for promoting drugs in an internet and purchase through it, it has been a very popular media of promoting pharmaceuticals. Even consumer can purchase prescription drugs from internet. Silverman, R.D (2000) says that "As the administrative bodies responsible for overseeing the practice of medicine, United States medical boards are struggling to find ways to ensure that unscrupulous and unsafe practitioners operating online do not harm those living within their jurisdictions" (Silverman, 2000). One of a big issue is generally the harmful drugs are advertised online and there is no particular bodies to take all responsibilities if something goes wrong. Liang (2009) supports to this argument and he says "unfortunately high risk online drug sources domain the internet, and virtually no accountability exists to ensure safety of purchased products. Importantly search engines such as Google, Yahoo, and MSN, although purportedly requiring verification of internet drug sales using Pharmacychecker.com requirements, actually allow and profit from illicit drug sales from unverified websites" (Liang, 2009). Supporting to this statement Buttner (2006) says that with the development of electronic commerce, traditional way of distributing pharmaceuticals has been supplemented by online pharmacy. Due to that replacement, the danger related to purchase has also gone up as it has created to a better environment for fraudulent suppliers. He further suggest that "a better understanding of how consumers handle these risks when interacting in online pharmacies would be valuable to both retailer and public policy makers" (Buttner, 2006).

The flood of false advertisement has become a social burden in all over the world. Almost all the countries have identified that it is a considerable health problem and requirement of the firm regulation procedure which is favourable for consumers as well as pharmaceutical industry. But many researchers have pointed out still countries have not been unable to find a proper and long lasting solution for this issue(Gottlieb, 2002, Parker, 2003, Buckley, 2004, Calfee, 2002). The issue is the gravity of misleading consumers is in an increasing trend. However Moynihan (2002) says "the public is entitled to know about the controversy surrounding disease definitions and about the self limiting and relatively benign natural course of many conditions. A publicly funded and independently run programme of 'de-medicalisation' based on respect for human dignity, rather than shareholder value or professional hubris is overdue"(Moynihan, 2002). Testimonials

Testimonials - also known as reviews - are statements from customers about their experience with a product or service. Businesses often use them as promotional marketing tools.

It is unlawful to make, rely on or use false or misleading testimonials.

#### **XVIII. TESTIMONIALS CAN APPEAR:**

- on a business' website
- on independent review websites or forums
- in marketing emails
- in newspapers.

#### **XIX. BUSINESSES WHICH COMMONLY RELY ON TESTIMONIALS INCLUDE:**

- alternative health care businesses
- restaurants
- weight loss service providers

- estate agents.

Genuine customer reviews and testimonials increase consumer confidence and can provide valuable independent information about a product or service.

False testimonials may persuade consumers to make the wrong choices.

#### **XX. EXAMPLES OF FALSE AND MISLEADING REPRESENTATIONS ABOUT TESTIMONIALS INCLUDE:**

A business published a newspaper advertisement about a 'nasal delivery system' to treat impotence or erectile dysfunction. The advertisement quoted an interview with a celebrity that falsely claimed he had suffered from impotence and the nasal delivery system had assisted in dealing with this condition.

An advertisement where an actor is portrayed as a real person and falsely claims to have reaped financial benefits from distributing health care products.

#### **TIPS FOR BUSINESSES:**

- make sure any testimonials you use are true and correct
- don't post or publish misleading reviews
- omitting negative reviews can be as misleading as posting false positive reviews
- be transparent about commercial relationships with anyone providing a testimonial
- keep records of all customer reviews and testimonials. Courts may consider testimonials to be misleading unless you can prove otherwise.

#### **ONLINE TESTIMONIALS**

##### **WHEN SHOPPING ONLINE, BE WARY OF:**

- review websites that appear to be associated with a product or business
- reviews that criticise a specific product while promoting a competitor's product
- the same review appearing multiple times or under different names
- reviews with discount codes or information about where consumers can purchase goods or services
- email addresses with three or more numbers at the end - this may mean an automated program has created the review
- testimonials that sound like press releases or advertisements, or have industry specific words that consumers are unlikely to use
- websites that only display a few reviews that are all positive, or a large amount of reviews that are either very

positive or negative (for example, rating one or five stars out of five).

- Sale or grant of an interest in land:
  - A business must not make false or misleading representations about the sale or grant of an interest in land.

A business must not:

- represent it has a sponsorship, approval or affiliation when it does not
- make false or misleading representations about the:
  - nature of the interest in the land
  - price, location, characteristics or use that can be made of the land
  - availability of facilities associated with the land.

Example only:

A real estate agent would be misrepresenting the characteristics of a property if advertising 'beachfront lots' that do not front the beach.

Employment and business activities:

It is unlawful to make false or misleading representations about the:

- availability, nature or terms and conditions of employment (or any other matter relating to the employment)
- profitability, risk or other material aspect of any business activity that requires work or investment by a person.

Example only:

A second-hand truck dealer falsely told buyers they could get employment from certain places if they bought the dealer's trucks. The truck dealer was found to have misled the buyers.

Misleading conduct as to the nature of goods and services:

A business must not engage in conduct likely to mislead the public about the:

- nature
- manufacturing process
- characteristics
- suitability for purpose, or
- quantity

of any goods or services.

Example only:

An importer sells bicycle helmets with labels indicating the helmets meet a mandatory safety standard, even though the helmets have not been laboratory tested to check whether they meet the standard.

When stocks of organic eggs ran out, a supplier packed eggs in a carton labelled as 'organic' even though the eggs were not.

Exceptions for information providers:

'Information providers' include media organisations such as:

- radio stations
- television stations
- publishers of newspapers or magazines (including online).

Information providers are exempt from liability for false or misleading representations.

However, this exemption does not apply to:

- conduct or representations about employment matters
- supply of goods or services by the information provider
- publication of advertisements.

Publishing an Advertisement:

Information providers and other businesses may not be responsible for publishing a false or misleading advertisement if they can prove that they:

- are in the business of publishing or arranging for the publication of advertisements
- received the advertisement for publication in the ordinary course of this business, and
- did not know, and had no reason to suspect, that the advertisement was false or misleading.

**Penalties:**

Making false or misleading representations is an offence.

The maximum criminal penalty is \$220,000 for an individual and \$1.1 million for a body corporate. Civil penalties for the same amount apply. Other civil remedies include:

- injunctions
- damages
- compensatory orders
- orders for non-party consumers
- non-punitive orders
- adverse publicity
- disqualification orders.

Before taking enforcement action, consumer protection agencies can:

- require a business to provide information that will support claims or representations made about goods or services
- accept court-enforceable undertakings
- issue public warning notices.

**XXI.CONCLUSION:**

I would like to emphasize the important status of advertising in our society. Advertising helps us to orient among the wide range of products. On the other hand they use unethical practices, such as telemarketing companies who call random people and try to sell their products by using any methods. Nowadays people have to be extremely prudent when they sign anything and read everything carefully. Advertisement is everywhere.

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**WEBSITE:**

[www.google.com](http://www.google.com)

<http://misleading advertisement.com>

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