

When retailers and brands tell the biggest lies

By [Bandile Ndzishe](#)

10 May 2016

The most powerful currency that cuts through all of the world's most lucrative business deals and transactions is the value of trust, not money. Money is a *by-product* of creating trust. Once we trust you then we can buy from you, then we can do business with you, then we can give you our money in exchange for goods and services we trust, and then a relationship based on trust can ensue.



Coca-Cola

Drink Up
Hydration is Healthy

In 1999 Coca-Cola invested £7m in promoting Dasani, its own brand bottled water. There was just one snag. In spite of claims about its purity, Dasani was actually simple tap water that was drawn from the mains supply in Coca Cola's factory in Kent! Unsurprisingly, Dasani slipped from public view quite quickly when this was found out.

COST: \$ UNKNOWN
BUT THEY HAD TO RECALL 500,000 BOTTLES!

Infographic credit © [Wholesale Clearance UK](#)

In the wake of the recent VW emissions scandal where software was fitted to deliberately fool tests, we look at 10 other times big businesses have lied to their customers.

A business and all of its brands achieves the status of trustworthiness by creating and selling unflinching products that deliver on their stated brand promise. Once trust is lost, it is really almost impossible to regain.

*I am saying 'almost impossible' because redemption is a very powerful act if it is delivered with great authenticity and offered with powerful sincerity after a company has behaved very badly. **Lying companies do survive the lies!** I mean Coca-Cola, Nestle and many more bottled water companies made billions while lying about the source and purity of their product compared to tap water in the developed world. These companies are still in business today, making billions.*



Nestle has a habit of buying up water, bottling it, and selling it back to locals at a huge profit. One example is Sacramento, California. In the midst of a 4 year drought, Nestle continues to buy water in bulk from Sacramento, 50 million gallons in 2014, and sell it back to residents at up to 1,000% profit. The Nestle Chairman even asserted that water was not a basic right!

Nestlé

COST: \$\$\$\$\$\$\$\$\$\$
\$32BN - THIS IS HOW MUCH NESTLE MAKE EACH YEAR FROM BOTTLED WATER SALES!

Infographic credit © [Wholesale Clearance UK](#)



VW drives right into a scandal. © Carthrottle.com

First it was Volkswagen. Now Mitsubishi has been forced to apologise after confessing it had exaggerated the fuel economy of more than 600,000 cars. Japanese government officials have raided one of its offices and research facilities, forcing the company's share price to drop to an all-time low.

On the same day, Volkswagen reached an agreement in the United States to compensate half a million American owners of its diesel-powered cars. In what some are starting to call an international pattern of cheating in the car industry, the German car-maker was found to be falsifying its emission data last year.

In 2005 it was found that the News of the World, among other newspapers, was hacking the phones of celebrities, politicians, sports stars, and others. After a story about Prince William's injured knee appeared in the paper, the Royal Family instigated investigations. They found that private investigators had obtained back-door codes used by network operators and used them to listen to several hundred voice messages.

COST: \$\$\$\$\$\$\$\$\$\$
\$2M IN LAWSUITS SETTLED OUT OF COURT




Infographic credit © Wholesale Clearance UK

But exactly how did Volkswagen get caught? It is interesting to know!

The International Council On Clean Transportation is an independent non-profit organisation founded to provide unbiased research to environmental regulators. One day, the council, working with West Virginia University, began a routine emissions test of three vehicles – a VW Passat, a VW Jetta and a BMW X5. The BMW passed the test, but both VW models not only failed but failed spectacularly – emitting 7-to-25 times the acceptable emission limits of nitrogen oxides. Later, those results were reported at a conference, which got the attention of the US Environmental Protection Agency. The agency then tested more VW vehicles, and the results were consistently over the limit. When the EPA threatened to block sales of VW's 2016 models, it forced Volkswagen to admit it had installed the deception device.

Mitsubishi and Volkswagen are not the first and only companies to be caught with their pants down, entangled in their web of lies.

History is littered and fraught with companies who lied to consumers to gain greater profits. Year after year, companies use the biggest lies to dupe unsuspecting consumers. Everyone would like to believe that the majority of companies have the consumers' best interests at heart when developing and marketing their products, but that's often *not* the case.



Cost: \$17,000,000
 (Estimated as the costs of a production fix to all similarly designed cars and trucks with the gas tank aft of the axle (12,500,000 vehicles x \$14/vehicle))

Benefit: \$49,100,000
 (Estimated as the savings from preventing (180 projected deaths x \$200,000/ death) + (180 projected burn injuries x \$27,000/injury) + (2,100 burned cars x \$700/car))

The 1968 Ford Pinto was badly designed and dangerous. A memo sent to senior managers suggested that the total bill of \$49.5 million for ad hoc repairs was far more acceptable than the \$137 million Ford would need to find in order to fit an essential \$11 replacement part to 12.5 million vehicles. The memo was then leaked...

COST: \$\$\$\$\$\$
 \$50M+ AND A WHOLE LOT OF REPUTATIONAL DAMAGE

Infographic credit @ Wholesale Clearance UK

In an attempt to increase profits, some of the most [well-known companies](#) have used shameful lies and marketing ploys never proven to be [true](#) to rack up more profit and dupe unsuspecting consumers.



Vibram claimed that their 'fivefingers' running shoes would help to strengthen muscles in the feet and lower legs, improve posture, stimulate neural function related to balance and agility, and 'allow the foot and body to move naturally.' As it turns out, this was complete rubbish and simply made up by the marketing folks!

COST: \$\$\$\$\$\$
 \$3.75M TO SETTLE A CLASS ACTION LAWSUIT

Despite their claims, Skechers toning shoes did not burn calories and firm thighs with every step. One ad featured an endorsement for the shoes based on an 'independent' clinical study conducted by a chiropractor. Unfortunately the chiropractor in question was married to a Skechers marketing executive, and Skechers had paid for the 'study.'

COST: \$\$\$\$\$\$
 \$40M SETTLEMENT WITH THE FCC



Infographic credit @ Wholesale Clearance UK

In [Phishing for Phools: The Economics of Manipulation and Deception](#), Nobel Prize-winning economists **George Akerlof** and **Robert Shiller** deliver a fundamental challenge to these unethical phenomena of marketing and selling of lies to consumers, arguing that markets harm as well as help us. As long as there is profit to be made, sellers will systematically exploit our psychological weaknesses and our ignorance through manipulation and deception. Rather than being essentially benign and always creating the greater good, markets are inherently filled with tricks and traps and will "phish" us as "phools."

Phishing for Phools therefore strikes a radically new direction in economics, based on the intuitive idea that markets both give and take away. Akerlof and Shiller bring this idea to life through dozens of stories that show how phishing affects everyone, in almost every walk of life. We spend our money up to the limit, and then worry about how to pay the next month's bills. The financial system soars, then crashes. We are attracted, more than we know, by advertising. Our political system is distorted by money. We pay too much for gym memberships, cars, houses, and credit cards. Drug companies ingeniously market pharmaceuticals that do us little good, and sometimes are downright dangerous.

Phishing for Phools explores the central role of manipulation and deception in fascinating detail in each of these areas and many more. It thereby explains a paradox: why, at a time when we are better off than ever before in history, are all too many of us leading lives of quiet desperation? At the same time, the book tells stories of individuals who have stood against economic trickery — and how it can be reduced through greater knowledge, reform, and regulation.

Why do businesses “phish” for “phools”?

Robert Shiller: “A fundamental concept of psychology is that people often make decisions they’re not happy about. That’s why people go see therapists! If businesses have a chance to profit by tempting us into making decisions that are good for them but bad for us, they will take it. They have just as powerful an incentive to provide us with what we don’t want as to provide us with what we do want.”

Skechers and Vibram made unfounded claims regarding their shoes

In 2009 British lawmakers pushed for a ban for adverts for Olay Definity eye cream, which featured the impossibly smooth face of beloved British model Twiggy. At 59, she was shown devoid of crow's feet. Olay came clean, admitting that they had retouched Twiggy's photos, and the U.K.'s Advertising Standards Authority swiftly banned the ads.

COST: \$ UNKNOWN
BUT MUCH DAMAGE TO THE BRAND

OLAY®

OLAY Definity Eye Regenerates

REAL VS FAKE!

The infographic features a central image of an Olay Definity eye cream bottle and two side-by-side photographs of the model Twiggy. The left photo shows her with natural-looking skin, while the right photo shows her with a significantly smoother and more youthful appearance, illustrating the 'real vs fake' comparison mentioned in the text.

Infographic credit © [Wholesale Clearance UK](#)

Let's be candid, there are industries and businesses we actually expect to lie to us, whose revenue is enhanced when they don't tell their customers the truth.

One good example is the cosmetics industry. If you don't understand how the cosmetics industry works — the good, the bad, and the ugly — you will be a victim of its advertising manipulations, exaggerations, and deceptions, and that isn't good for your skin or your budget. What most women don't realise is how everyone in the cosmetics industry knows that the marketing and advertising for cosmetics is either meaningless, hypocritical, or dishonest.

Why do most cosmetics companies mislead and often out and out lie to consumers, and how do they manage to get away with it?

The simple answer is that those who constantly seek everlasting beauty, eternal youth and want to be aesthetically pleasing to the eyes of the world like to be lied to. We want to believe that the products we buy can get us what we want. We prefer the promise of eternal youth (or some approximation), clear, silky hair and flawless skin to reality. No matter how many thousands of products there are, often dozens of them from the same companies, and all guaranteeing some degree of a

miracle, it still happens — we just don't seem to have a learning curve. We want the next one we buy to be the answer. Using either scientific mumbo jumbo or concoctions said to come straight from the earth, or a mix of both, they tell us exactly what we want to hear. Most cosmetics companies need to lie just to gain a consumer's attention because the truth is never as enticing as the deception.

In 2013 foods that were advertised or labelled as containing beef were found to contain undeclared horse meat, up to 100% in some cases! Horse DNA was discovered in frozen beef burgers sold in several Irish and British supermarkets. One study found that 23 out of 27 samples of beef burgers also contained pig DNA!

COST: \$\$\$\$\$\$\$\$\$\$
100M+ ACROSS DIFFERENT SUPERMARKET BRANDS



Findus

bp



Thanks to BP's failure to follow safety regulations, managerial incompetence, and the company's determined efforts to hide what they had done, Deepwater Horizon was an environmental disaster of epic proportions. Internal documents and emails regarding how much oil was spilled contradicted what was released to the US government and the public. In reality it was twenty times what they had claimed.

COST: \$\$\$\$\$\$\$\$\$\$
\$20BN - WITH POTENTIALLY MILLIONS MORE IN FUTURE CLAIMS!

Infographic credit © Wholesale Clearance UK

*The death of **caveat emptor** leads us to rely in a general way upon the truth of claims asserted in marketing and advertising. (Even when we shouldn't.)*

When companies lie, marketers lie as well: Let us throw the lasso of truth around the marketers of lying companies

Whether marketers lie knowingly when they do their job or are just innocent participants when a company they work for plots lies and deceptions, the fact remains that their myriads of pervasive marketing communications market lies and deception. It is therefore a no-brainer that marketers in such companies lie as well.

Marketers are trained extremely well on how to spin, how to write elegantly, how to stay in the brand voice, etc. We're also trained brilliantly on how to lie and how to lie well. In all honesty, we lie so well that sometimes we don't even realise we are doing it. All of the half-truths, omissions, and spin we put on all of our marketing pieces could be what is holding us back from an authentic connection with the exact audience we're trying so desperately to attract. It could be argued that we've become such good liars that we can't even tell the difference between lies and truth anymore.

When a person tells a lie, they have to deal with the consequences in their own life. But when a marketer lies, it discredits the entire marketing and advertising industry. Throwing shade on hard working and honest companies and marketers who value their customers' trust. Lying about the performance of your products and the excellence of your services doesn't pay off any more. That's because when you fabricate a story that just doesn't hold up to scrutiny, you get caught. Fast. It doesn't take long for the reality to catch up with the story. It's tempting to spin a tall tale about a piece of technology or a customer service policy, but once we see it in the wild, we talk about it and you wither away or you survive with tainted reputation.

LISTERINE®



In 2005, Listerine was ordered to pull adverts that claimed their mouthwash was clinically proven to be as effective as floss in fighting tooth and gum decay. There was plenty of evidence, it transpired, that demonstrated that rinsing with a mouthwash is not as effective as flossing.

COST: \$ UNKNOWN
BUT MUCH DAMAGE TO THE BRAND

Infographic credit © Wholesale Clearance UK

Duplicitous marketers telling the biggest terrible lies: How does it all happen? Where does it begin?

- It starts with SPIN. Wrong kinds of spin.
- Then there are omissions. We highlight all the good stuff and leave out all the bad stuff. We don't even care how the bad stuff will affect customers and consumers adversely.
- Then we start downright lying. This is when we make false product claims and conclusions that are not based on facts and scientific proof.

Being a great marketer does not have to mean being a great liar!

It all starts with having a really sensitive radar for spin, omissions, and lies. Start scrutinising every piece of information you communicate to your target markets. Ask yourself, "Will this hold up to scrutiny?"



All infographics © Wholesale Clearance UK

The irony that underpins every story about marketers who lie is that the company they work and lie for has to be trusted before it can deceive. Or else no one will believe the lie. This is called 'reputation mining'. Once trust is earned, consumers lower their guard when they should be careful and alert at all times during the pre-purchase period, often with unpleasant consequences.

What exactly is 'reputation mining' and how can it lead to deception?

Authors of *Phishing for Phools* and Nobel laureates Robert J. Shiller and George Akerlof explain:

George Akerlof: “Let’s say you have this reputation for selling wonderful avocados. Then you have the opportunity to start selling people awful avocados if that’s more profitable. We think that’s how things [happened] in financial markets [before] the 2008 financial crisis.”

Robert Shiller: “Financial markets are a special case because they present, for most people, a very difficult judgment about the future: What is this market going to do? It invites a kind of exploitation of them by storytellers, people who will play tricks on them to get their money to manage. In many cases, they’re more sales and marketing people than market researchers.”

In conclusion, it is true that companies and marketers might try to take advantage of consumers and investors, perhaps with outright lies, perhaps with subtler forms of deception, perhaps by manipulating their emotions. But from the standpoint of standard marketing and economic thinking, that’s nothing to panic about. The first line of defence is competition itself — and the market’s invisible hand. Companies and marketers that lie, deceive, and manipulate people are not going to last long if they continue lying, deceiving and manipulating consumers. The second line of defence is the law. If a company is really engaging in fraud or deception, government regulators might well get involved, and customers are likely to have a right to compensation.

But for economists and marketers, competitive markets are generally trustworthy, and so the old Latin phrase retains its relevance: caveat emptor.

The companies and brands mentioned on this article, and many more not mentioned, all had long-standing good reputations. All had so much to lose. *Whether they lose so much is debatable.*

Note that Bizcommunity staff and management do not necessarily share the views of its contributors - the opinions and statements expressed herein are solely those of the author.

ABOUT BANDILE NDZISHE

CEO, Founder & Global Consulting CMO at Bandzische Group | CMO-Level Marketing Mastermind Bandile is a Prolific Growth Driver, a seasoned CMO-level global growth master marketer with 25+ years’ practical marketing strategy experience, a multi-faceted EXCO-level Chief Marketing Officer, a board-level marketing mastermind and a consumer psychologist who delivers a broad range of strategic marketing planning, marketing management initiatives and digital marketing efforts that guarantee measurable sale results for businesses. Bandile generates an upsurge in new leads, sales and repeat business.

- How to deliver the only exceptional value shoppers want these December holidays - 8 Dec 2016
- Deals predictions, stores to watch and business case for SA retailers who adopt US Black Friday - 9 Nov 2016
- #ABSA-&-Coca-Cola-GET-IT: But can they convert the lives they changed into active brand communities? - 3 Nov 2016
- Is it wise for brands to insult black township consumers who are worth R100bn? - 12 Oct 2016
- #InnovationMonth: Mastering innovation and marketing at retail - 28 Sep 2016

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>