



INTUIT'S SETTLEMENT OVER MISLEADING TURBOTAX ADS REFLECTS A GROWING CONSUMER DISTRUST IN BRANDS—AND AN OPENING FOR WORD-OF-MOUTH MARKETING

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The news: Intuit, the creator of TurboTax software, has agreed to a \$141 million settlement to address charges that it deceived taxpayers and directed them away from free tax-filing services toward its premium products.

More on this: TurboTax sold one program that enabled taxpayers to submit “basic” returns but heavily promoted “freemium” services as an upsell.

- Intuit also hid its IRS Free File program landing page from search engines for approximately five months during the height of tax season, state attorneys general alleged.
- According to preliminary estimates, Texas had the greatest number of tax filers who were misled by Intuit and charged unfairly, with 460,000.

Zoom out: Misleading advertising has been in the news quite a bit as of late:

- Amazon's search results don't distinguish well between paid ads and search results and may be 'unlawfully deceiving' consumers, according to a December FTC complaint.
- A class-action lawsuit filed in Florida last month said fast-fashion retailer Fashion Nova intentionally suppressed thousands of negative customer reviews to inflate prices and encourage purchases.
- The District of Columbia recently sued Grubhub for fraudulent marketing during the pandemic in order to raise revenues.

Trust deficit: 37% of consumers trust social media influencers over brands, with Gen Z and millennials twice as likely to trust influencers as boomers, per newly released Oracle data.

- Consumers don't trust brands—but they want to: 70% say trusting a brand is more important today than in the past, per Edelman 2020 data.

- Another Edelman study found 88% of worldwide adults rate trust in a brand as critical or important when deciding which brands to purchase. That outstrips every other consideration besides value and quality (90% apiece).

An opening for word of mouth: The lack of trust is making product recommendations and word of mouth more impactful.

- TV/radio advertising influenced 37% of UK and US consumers to purchase a product, per Takumi; the same study found recommendations from trusted contacts (52%) and even social media influencers (46%) to be far more influential.
- 23% of consumers find out about new brands/products via social media recommendations, per GWI data from Q3 2021; 16% rely on posts/reviews from expert bloggers for discovery.
- Internet users in Canada are most likely to discover new TV and video content from friends (57%), per Media Technology Monitor—far above the 41% who rely on personalized suggestions or the 23% who get recommendations from commercials.
- Word of mouth (47%) was used far more often by US holiday shoppers last year to make purchase decisions, more than online ads (43%) and traditional ads (42%), per Coresight/January Digital.

The big takeaway: Deceptive advertising has been a part of marketing forever, but besides being unethical, the lawsuits and bad PR that can result mean it's almost always not worth it.

- That said, the erosion of trust between brands and modern consumers make word-of-mouth strategies more critical than ever. Brands would be wise to take note and invest accordingly.