Fake news and corporate reputation: What strategies do companies adopt against false information in the media?

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Abstract

Purpose. Mass communications have been advancing an unprecedented flow of information in the last decades. Fact distortion has been widespread as a consequence of the multitude of actors involved, combined with an increased number of willing-to-believe consumers. False information, propaganda, distorted reality, targeted disinformation, “fake news” as the term that has been gaining grounds, pose a real threat for democracy, the right to information, corporate image and corporate reputation. This paper aims to analyze the strategies that have usually adopted by companies to react to fake news in the media.

Methodology. The study is based on an inductive approach. More specifically, it is focused on the study of a fake news case represented by palm oil used by Ferrero Group in its Nutella product. Data collection is based on secondary sources and on websites connected to the case study.

Findings. The paper especially identifies the corporate strategies through which companies protect themselves from false information in the media. The companies considered for this study fundamentally adopt defense strategies against fake news in the media.

Practical implications. Suggestions for practitioners are provided for effectively dealing with the real danger of fake news. In particular the paper will reflect on strategies and behaviors already identified by service organizations that would reduce the effects of false information.

Originality/value. While the attention about the fake news topic is increasing in the political arena, very little studies are dealing with it in management terms. Although this paper is explorative in nature, it is a first study to look at this topic in the management literature.

Keywords  
corporate communication; information quality; social media; social network; brand reputation; service organizations

* While this paper is the result of reflections made jointly by the authors, in terms of final drawing up, paragraphs 1, 2, 3, 5, 6 are to be ascribed to Paola Castellani and paragraph 4 to Marina Berton.
1. Introduction

Mass communications have been advancing an unprecedented flow of information in the last decades. Fact distortion has been widespread as a consequence of the multitude of actors involved, combined with an increased number of willing-to-believe consumers (EP, 2017).

At this regard in 2016 the term “fake news” has become increasingly common. This is due to several reasons. Barriers to entry in the media industry have dropped precipitously, in fact it is now easy to set up websites and it is easy to monetize web content through advertising platforms (Allcott and Gentzkow, 2017, p. 214). The connectivity and digital platforms make it possible to share and spread information and traditional challenges such as physical borders and the constraints of time and distance do not exist anymore (Lion, Kropotov and Yarochkin, 2017, p. 3). It has been emerged that social media are well-suited for fake news dissemination, furthermore social media use has risen sharply: in 2016, active Facebook users per month reached 1.8 billion and Twitter’s approached 400 million (Allcott and Gentzkow, 2017, p. 214).

An additional important aspect is the continuing decline of “trust and confidence” in the mass media “when it comes to reporting the news fully, accurately, and fairly” (Swift, 2016). The declining trust in ‘mainstream’ media could be both a cause and a consequence of fake news gaining more traction (Allcott and Gentzkow, 2017, p. 215).

The concept “fake news” is usually associated to various synonyms as false information, targeted disinformation, cyber propaganda, distorted reality, disinformation campaigns, cognitive hacking, information warfare.

But behind this phrase we can read also another bigger problem: “the manipulation of public opinion to affect the real world”. Thanks to the above cited reasons, unfortunately, it is easier to manipulate the public’s perception of reality and thought processes, with the result of a proliferation of fake news able to affect our real and non-digital environment and people’s daily lives (Lion, Kropotov and Yarochkin, 2017, p. 3).

The phenomenon “fake news” has been gaining grounds, pose an actual threat for democracy, the right to information, corporate image and corporate reputation.

In the political arena, the term is being used to target the credibility of opponents, while web giants, such as Google and Facebook, claim to be taking the necessary measures to counteract this phenomenon in order to escape the categorization of “the place of falsehood”. In this context there are those who profit from the spread of incorrect news, those who enforce the distinction between “fake news” and “satire”, those who defend “old-fashioned” journalism, blaming the predominance of social media, those who question the entire system of information, those whose image and reputation risk to be damaged because of fake news.

Both businesses and individuals face similar challenges, even if the specifics for them are different. A public false or unfair information targeted them can damage their reputations and cause real-world consequences. At the same time, persons or groups without scruples could use fake news as techniques to improve their reputations.

This paper aims to analyze the strategies adopted by companies to react to false information in the media.

2. Literature review

Although the topic “fake news” has been popularized only recently, this and other related topics have been covered by academic literatures in economics, psychology, political science and computer science.

Flynn, Nyhan and Reifler (2017) have realized an overview of political misperceptions and many Scholars have studied how new information affects political beliefs (Berinsky, 2017;
Nyhan, Reifler, Richey and Freed, 2014; Taber and Lodge, 2006), how rumors propagate (Friggeri, Adamic, Eckles and Cheng, 2014), the effects of media exposure (Della Vigna and Kaplan, 2007) and ideological segregation in news consumption (Gentzkow and Shapiro, 2011).

The term fake news has been defined by Allcott and Gentzkow (2017, p. 213) as “news articles that are intentionally and verifiably false, and could mislead readers”. Their definition rules out several close cousins of fake news (2017, p. 214): “1) unintentional reporting mistakes, such as a recent incorrect report that Donald Trump had removed a bust of Martin Luther King Jr. from the Oval Office in the White House; 2) rumors that do not originate from a particular news article; 3) conspiracy theories (these are, by definition, difficult to verify as true or false, and they are typically originated by people who believe them to be true); 4) satire that is unlikely to be misconstrued as factual; 5) false statements by politicians; and 6) reports that are slanted or misleading but not outright false (in the language of Gentzkow, Shapiro and Stone 2016, fake news is “distortion,” not “filtering”).

As regards rumors, Sunstein (2007) defines them as “claims of fact – about people, groups, events, and institutions – that have not been shown to be true, but that move from one person to another, and hence have credibility not because direct evidence is available to support them, but because other people seem to believe them”.

Lion, Kropotov and Yarochkin (2017, p. 5) delineate fake news as “the promotion and propaganda of news article via social media in such a way that these articles appear to be spread by other users, as opposed to being paid-for advertising. The news stories distributed are designed to influence or manipulated users’ opinions on a certain topic towards certain objectives”.

About the producers of fake news, some Scholars underline that for example “some sites are established entirely to print intentionally fabricated and misleading articles” (Allcott and Gentzkow, 2017, p. 217) and that there are numerous underground sites that offer fake news services, including the guarantee of anonymity and the organization of seeking to influence public opinion (Biagio, 2017).

“Anecdotal reports that have emerged following the USA President 2016 election provide a partial picture of the providers behind these sites. Separate investigations by BuzzFeed and the Guardian revealed that more than 100 sites posting fake news were run by teenagers in the small town of Veles, Macedonia (Subramanian 2017)” (Allcott and Gentzkow, 2017, p. 217).

About the main motivations for providing fake news, some Scholars highlight the pecuniary motivation because news articles that go viral on social media can draw significant advertising revenue when users click to the original site (Subramanian, 2017; Dewey, 2016).

Fake news could be used also to influence stock prices, in particular stocks with low prices and those that are infrequently traded, because their price is easier to manipulate. Instead for more established companies, a fake news campaign could lower the image and reputation of targeted firms, affecting their earnings and stock price (Lion, Kropotov and Yarochkin, 2017, p. 54). Another important motivation underlined by Scholars is ideological. For example in the political arena some fake news providers seek to advance candidates they favor (Townsend, 2016; Dewey, 2016).

As regards consumers, some Scholars highlight that they choose the firms from which they will consume news in order to maximize their own expected utility (Allcott and Gentzkow, 2017, p. 218).

So, some firms tend to misrepresent their reports toward consumers’ priors. When feedback about the true state is limited, rational consumers will judge a firm to be higher quality if its reports are closer to their priors (Gentzkow and Shapiro, 2006). Then, consumers may prefer reports that confirm their priors due to psychological utility (Mullainathan and Shleifer, 2005).
Consequently “producers of fake news make no investment in accurate reporting and do not attempt to build a long-term reputation for quality, but rather maximize the short-run profits from attracting clicks in an initial period” (Allcott and Gentzkow, 2017, p. 219).

Some Scholars underline also that “adding fake news producers to a market has several potential social costs. Consumers who mistake a fake outlet for a legitimate one have less-accurate beliefs and are worse off for that reason. Consumers may also become more skeptical of legitimate news producers, to the extent that they become hard to distinguish from fake news producers. These effects may be reinforced in equilibrium by supply-side responses: a reduced demand for high-precision, low-bias reporting will reduce the incentives to invest in accurate reporting and truthfully report signals” (Allcott and Gentzkow, 2017, p. 219).

While the attention about the fake news topic is increasing in the political field, very little studies are dealing with it in management terms. Although this paper is explorative in nature, it is a first study to look at this topic in the management literature.

3. Methodology

The study is based on an inductive approach. More specifically, it is focused on one case study that was chosen as an important example of fake news, given its popularity in the web. The case deals with Palm Oil used in Nutella product, produced and distributed in the world by Ferrero Group. Data collection is based on secondary sources and on websites connected to the case study. Ferrero Group has over 33,000 employees, 78 consolidated worldwide companies, 22 production facilities. Its products are available directly or through authorized distributors in more than 170 countries (http://www.ferrero.it). At a global level, the company has received many awards for its commitment to quality and social responsibility, not only for its products but also as an employer. One of the most prestigious international award received by Ferrero on May 29, 2009 in Amsterdam, was “Reputational Award”.

About the fake news on palm oil, on April 4, 2017 European Parliament voted the new Report on Palm Oil and Deforestation (www.europarl.europa.eu/) and approved the resolution (2016/2222(INI)) that recognizes sustainable palm oil: “…strong standards for responsible palm oil production including those developed by the Palm Oil Innovation Group (POIG) (see http://www.poig.org are available”. Ferrero is POIG member since 2015.

4. The case “Palm Oil, Nutella, Ferrero”

The Palma oil struggle seems to have started in the second half of the 1980s in the United States as a trade war between soybean oil promoters against low-cost palm and coconut oil to protect local economies.

In Italy we start to talk with alarmist emphasis of the problem “palm oil” on December 13, 2014, when the European Union makes it mandatory to indicate on product labels (https://www.wired.it/scienza/medicina/ 2016/01/12 / why-hate-the-palm-oil/).

A battle by trade associations and political movements centered on two counts: risk to human health and environmental damage (with the famous “You have to stop eating Nutella, for example, why is the palm oil to have replaced the trees. And so there are considerable damage” of the former French Minister for Ecology, Ségolène Royal, in June 2015) (http://www.ansa.it/sito/notizie/mondo/2015/06/16/segolene-royal-not-eat-more-nutella_2262b61f-d619-474b-9c7d-64fd196b53f3.html).

But alarmingness was not supported by scientific evidence: generic information on possible cardiovascular damage or carcinogenic aspects of health and the risks of deforestation for the
environment.

Disputes and problems also emerged after the report of the European Food Safety Authority (EFSA), May 2016 (https://www.efsa.europa.eu/it/press/news/160503a), which highlighted the danger of oil Palm tree when industrial transformation uses high temperatures. That is, an excessive daily dose of products containing palm oil processed at high temperatures can release toxic food contaminants that can give rise to kidney or other problems.

But, as pointed out by Marco Binaglia, EFSA expert: “ [...] the levels of GE in oils and fat of palm were halved between 2010 and 2015: this leaves infer that the industry is working to increase the quality and safety of food that end up on our tables” (http://www.lastampa.it/2016/12/27/italia/cronache/allarmismo-esagerato-eliminare-lolio-di-palma-non-la-solution-o029KtDMoVaJ3UTB0XLYAJ/page.html).

And as pointed out by Michael Till, professor of food law, “palm oil is not bad in itself, but part of the wider problem of the consumption of saturated fats in our diet. These, in fact, are the only fats with respect to which there are maximum recommended thresholds for avoiding cardiovascular problems and tumor development. It would be better if the food companies came back to reduce the fatty acids in general, especially the myristic and the lauric, which are considered the worst for our health. The interesting thing is that in these palm oil these two fatty acids are contained modestly. Worse instead the coconut oil and the cocoa butter that are saturated” (http://www.ilsole24ore.com/art/food/2016/10-28/olio-palma-querelle-infinita-ecco-ragioni-pro-and-against-133603.shtml?uuid = ADLXeDIB).

As well as increasing deforestation was not supported by hard data, “compared with a total of 14 million new hectares planted with soybeans in the last 10 years in the regional areas of Brazil and Argentina, 17 million are those planted in palm oil over 150 years around the World” (https://www.wired.it/scienza/medicina/2016/01/12/perche-odio-olio-di-palma/ and https://www.wired.it/economia/business/2016/09/22/zena-olio-palma/).

A simple and explanatory summary is also provided by Jacopo Giliberto’s article (2016) “All the secrets of palm oil. It is true that it hurts, and that has a serious impact on the environment?”. In recent years several chains of supermarkets and food manufacturers (Colussi, Misura, Loacker, Galbraith, Coop) (http://emanuelescarci.blog.ilsole24ore.com/2016/10/29/ferrero-difende-lolio-di-palma-also-against-the-opinion-branch-office-European-2/) in the wake of “doubts” healthful on palm oil and calls by environmental groups that indicated risks of excessive deforestation for plantations in the countries of southeast Asia (Malaysia and Indonesia), have decided not to accept on the shelves of their stores products with the label that brought “palm oil” and, several food manufacturers, Barilla (http://www.ilsole24ore.com/art/impresa-e-territor/09.06.2017/il-mega-polo-pasta-142121.shtml?uuid = AEKvmObB) to name one, have decided to convert the productions, replacing palm oil with sunflower oil or other edible oils.

Ferrero, on the other hand, directly affected and quoted in several contexts for palm oil used in Nutella, reacted differently. He decided to continue to use palm oil for the neutrality of flavor, due to the presence of antioxidants, for softness (http://www.ilsole24ore.com/art/impresa-e-territor/2016-10-27/ferrero-you-host-defense-of-oil-palm-165802.shtml?uuid = ADEC4akB) and to maintain the characteristics of the Nutella and the economic and production benefits (http://www.huffingtonpost.it/2015/05/23/verita-olio-palma_n_7427146.html and http://tg24.sky.it/salute-e-benessere/2017/01/13/nutella-olio-di-palma-costi.html).

So, to inform, to be transparent, to fight fake news related to palm oil, to overcome the competitors who have started to indicate on the label “no palm oil”, to address the decline in sales, the loss of image and the loss of credibility (http://www.huffingtonpost.it/2017/01/12/laferrero-risponde-alle-accuse-cancro-nutella_n_14126650.html) due to the disinformation campaigns of recent years, starting from October 2016 Ferrero began to organize meetings with experts also reported in a summary of the Sole 24 Ore (http://www.ilsole24ore.com/art/impresa-
It is not true that palm oil produces health damages different from other oils and fats (Elena Fattore, Institute for Pharmacological Research Mario Negri). It is not true that the environment is damaged if the palm oil is certified according to the strictest standards (Chiara Campione, Greenpeace).

Instead, it is true that palm oil avoids food being ineligible for failure (John Lercker, University of Bologna). Food fashion “without” an ingredient indicates the ingredient as negative and indicates the best food that does not contain it (Claudio Bosio, Catholic University of Milan).

Then in November 2016, Ferrero launches a broad campaign of communication aimed at telling palm oil, why its use, food safety, its characteristics, processing at controlled temperatures to not release toxicity items out of the ordinary: a campaign which involved the opening of the factory to the public, video advertising, convention, an internet portal dedicated only to Nutella (https://www.nutella.com/it/it/faq).

A campaign bonus which has led the company in a short to recall the decline in sales last year, due to alarmism on Nutella containing palm oil and, to increase sales by several percentage points (https://www.wired.en/economics/business/2016/12/20/nutella-ferrero-oil-palm/).

And on June 2017 Ferrero has won against the Belgian supermarket chain Delhaize selling a chocolate cream like Nutella using offensive slogans that reported the words “no palm oil” (http://www.ilfoglio.it/salute/2017/06/02/news/la-nutella-vince-la-battaglia-dell-olio-di-palma-137878/ and http://www.terraevita.it/corte-appello-ue-sdogana-olio-palma-nutella/):

“The Brussels Court of Appeal has condemned a judgment could be called historic advertising campaign of a chain of Belgian supermarket, Delhaize, who sold chocolate cream manufactured without the use of palm oil using slogans deemed to violate for competitors like the Ferrero who use that fat.

The ruling issued by the Belgian courts, apart from explicitly declaring that Delhaize's campaign on "palm oil" certified chocolate was denigrating, deceitful and deceitful against Nutella, forced to remove the campaign for the product of its brand, if Delhaize do not want to incur a fine of 25 thousand euro for infringement, whether it's an image on paper or via the web, up to a maximum of 1 million euro”.

And again:

“Ferrero sued Delhaize, the Belgian accusing the group of spreading environmental and nutrition lying on palm oil in its campaign for the chocolate of its brand, putting a stamp on the cans “no palm oil”. According to the famous Italian brand this fact had negative consequences, until the product was denigrated in the eyes of consumers, for Nutella, which instead contains the oil. In particular, according to the Court of Appeal, Delhaize makes an illegal reference to doctors, by passing the message that palm oil is somewhat harmful to health, the Belgian group has therefore altered the behavior of consumers. Here is a form of unfair competition against Ferrero’s direct competitor.

In his defense, Ferrero had said that palm oil causes less environmental damage in terms of deforestation, thanks to its high yield. On the contrary, other types of oils require cultivation of far larger spaces to produce the same quantities. In addition, according to the Italian group, there would be no evidence that palm oil is in itself harmful to health: what makes the difference is the content of saturated fatty acids, which can also be elevated in other types of oil".
5. Practical implications

Various service organizations have identified specific strategies and behaviors aimed to mitigate the proliferation of the deliberately false and misleading fake news that has come to litter the digital landscape and to reduce the effects and the damages of false information like the decline in sales, the loss of value shares, the loss of image, the loss of credibility, the loss of trust, and so the decline of reputation.

The companies considered for this study fundamentally adopt defense strategies against fake news in the media.

Companies affected by heavy disinformation campaigns have reacted by promoting communication campaigns aimed at informing their stakeholders on their investment choices and underlying motivations in a timely and transparent manner. They tend to promote an integrated information communication through the creation of spots, the organization of conferences with experts, the management of specific portals, the opening of their factories to the public, as Ferrero did. It is a commitment to recovering the decline in stakeholder trust and to defending company’s integrity.

If the fake news constitutes an illicit, the enterprise may file a civil or criminal complaint as appropriate.

Several social actors are supporting the importance to enact a law to prevent the manipulation of online information, to ensure transparency on the web, to encourage media literacy, and to provide specific financial and penal sanctions (https://limpresaonline.net/articolo/21404/fake-news-the-network-and-the-solution/).

In Italy the president of Confindustria (the main association representing manufacturing and service companies, with a membership of more than 150,000 company) has called on member companies not to advertise on websites that publish fake news, arguing that it is important to safeguard the value of credibility and hoping for clear rules and concrete commitments (http://www.ilsole24ore.com/art/notizie/2017-05-02/internet-boccia-imprese-no-pubblicita-siti-che-pubblicano-fake-news--145654.shtml?uuid=AEDOotEB&refresh_ce=1).

By taking the path already opened by some important giants of Silicon Valley, engaged in developing algorithms to filter out fake news and hate speech, Vodafone has announced an anti-fake news campaign by blocking advertising on digital media that promote hate instigation and false information (http://www.ilsole24ore.com/art/notizie/2017-06-06/vodafone-contro-fake-news-pubblicita-siti-che-diffondono-bufale-162917.shtml?uuid=AE573iZB).

Facebook in the United States, in collaboration with some associations, has introduced a red dot to accompany the news considered false. It then has launched a set of guidelines to help users distinguish reliable information from false ones (Salvioli, 2017).

Google rolled out a feature where fact check can be tagged on the blurbs or snippets of new articles posted on its news search page (Biondi, 2017a; BBC, 2017).


According to a rumor by the Washington Post, not officially confirmed by the company, Twitter would be developing a service that would allow the platformer to report a post as false or inaccurate (Rijtano, 2017).

Another important iniziative is by the Permanent Observatory Giovani Editori (http://www.osservatorionline.it/) that has defined a project aimed at developing the person’s critical thinking and teaching young people to distinguish credible and quality contents from
those who are not. The project stems from interactions with the leaders of Silicon Valley and of the digital world (Biondi, 2017b).

As underlined by Lion, Kropotov and Yarochkin (2017, p. 66) a reader could better discern if he/she is reading a fake news learning to look out for some signs, for example headlines that are hyperbolic and clickbait, website domains that are suspicious and spoof legitimate news media, photos and images that are doctored, news without author, source and data, publishing timestamps that are absent, many misspellings in content.

6. Conclusions

Fake news producers and consumers who mistake a fake outlet for a legitimate one increase less-accurate beliefs. These may reduce positive social externalities, undermining the ability of individuals, communities, firms to be aware of and responsive to their decisions and their consequences and to stimulate civilizing processes that can improve people wellbeing and quality of life.

“With so much user-generated content, isolating and finding fake news is bound to be difficult. The norms of what is and isn’t permissible on social media have yet to be decided on. Eventually, however, society will come to some form of agreement on what is possible and perhaps the power of fake news will be lessened by then – at least until the next standard-changing technology or communications platforms arrives” (Lion, Kropotov and Yarochkin, 2017, p. 69).

Understanding the techniques used in opinion manipulation can help firms and institutions such as governments and reliable media outlets establish how to best neutralize these techniques.

It is necessary to apply critical thinking to find the truth and above all to keep our civil society intact for future generations. It is important to value a journalism that is accurate, fair and that always tries to deepen. And transparency is vital for business and for individuals.

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