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The Policy, Consumer, and Ethical Dimensions of Covert Marketing: An Introduction to the Special Section

David E. Sprott, Special Section Editor

Consumers are barraged on a daily basis with marketing communications in many different forms. While this situation is not new, circumstances in today's market are unique in that consumers are more difficult to access and have the ability to exert more control over the flow of communication through technology (Kaikati and Kaikati 2004). In response to this challenging environment, some firms are employing covert marketing activities to weave marketing actions seamlessly and stealthily into the lives of consumers. For the purpose of this special section of *Journal of Public Policy & Marketing (JPP&M)*, "covert marketing" is defined as a firm's marketing actions whereby consumers believe that the activities are not those of the firm (see Kaikati and Kaikati 2004).

Covert marketing techniques exist in myriad forms and are sometimes referred to in the media as stealth marketing, viral marketing, buzz marketing, masked marketing, or word-of-mouth marketing (to name a few). Although firms using these tactics do not always deliberately deceive consumers, concerns over these practices arise when consumers do not realize that the marketing activity is indeed that of a marketer. Some have suggested a declining use of these techniques (*Marketing News* 2007), but it is clear that these activities are still being employed to promote goods and services to consumers in today's marketplace. Indeed, many leading firms have used and/or continue to use these promotional forms, including Dr Pepper (Werde 2003), NBC (Barnes 2004), Procter & Gamble (Walker 2004), Sony (Vranica 2002), and Wal-Mart (Rowan 2006).

Unfortunately for consumers, firms are becoming more skilled at obscuring the lines associated with traditional marketing activities by melding marketing into nonmarketing situations. A recent example of covert marketing is a "flog"—when firms develop a fake consumer blog about the consumption of some product or service without stating the company's role in the communication; firms such as

Wal-Mart, Coca-Cola, and McDonald's have all been noted to use such marketing techniques (Rowan 2006). Although most people find these and similar covert marketing activities to be of poor taste, the question remains, What are the public policy, ethical, and consumer welfare issues that emerge from such covert marketing activities? The aim of this special section in *JPP&M* is to engage academic thought on this matter and to promote a dialogue regarding these potentially seditious marketing techniques.

The Articles and the Essays

Scholars from various theoretical backgrounds have produced three peer-reviewed articles and three essays for the special section that explore the policy, ethical, and consumer dimensions of covert marketing. Although some prior work has been conducted on covert marketing and related issues (e.g., Ahuja et al. 2007; Balasubramanian, Karrh, and Patwardhan 2006; Kaikati and Kaikati 2004), the research reported in this special section provides a unique contribution to the understanding of this under-researched area.

The Public Policy and Ethics of Covert Marketing

Given that covert marketing conceals the commercial sponsorship of marketing activities, there are likely legal and ethical dimensions associated with the use of such techniques. To date, however, no rigorous analysis of these issues has been undertaken. In their article "Covert Marketing Unmasked: A Legal and Regulatory Guide for Practices That Mask Marketing Messages," Petty and Andrews (2008) provide the first detailed examination of covert (or "masked") marketing activities by applying the current Federal Trade Commission deception policy (based on the likelihood to mislead a reasonable consumer and materiality; Ford and Calfee 1986). Petty and Andrews also examine how specific regulations may apply to covert marketing practices. They conclude that covert marketing may often violate the deception policy of the Federal Trade Commission, and they make a series of recommendations for public policy officials. In their essay "Commercializing Social Interaction: The Ethics of Stealth Marketing," Martin and Smith (2008) offer an ethical analysis that complements Petty and Andrews's legal analysis. Martin and Smith examine three cases of covert marketing from Sony, Procter & Gamble, and Wal-Mart regarding the ethical dimensions of deception, intrusion, and exploitation. They conclude that covert marketing is unethical along multiple dimen-

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sions and detail possible consequences of these techniques to firms and consumers. They also make recommendations to marketers considering the use of techniques. Together, Petty and Andrews's article and Martin and Smith's essay provide a much needed analysis of the regulations and ethics surrounding covert marketing activities and suggest some directions for further research.

On the Covert Use of Cookies and Other Technology

Although consumer technology has likely increased the prevalence of covert marketing activities in the marketplace (Kaikati and Kaikati 2004), technology also has been directly employed by marketers as a covert marketing tool to gather consumer information. In their essay "Toward a Framework for Assessing Covert Marketing Practices," Milne, Bahl, and Rohm (2008) broadly consider covert marketing to include information gathering, as well as the more traditional approach of marketing communications. They develop an exchange-based framework of covert marketing and analyze the harms and benefits associated with such marketing tactics. Their analysis suggests distinct concerns for these marketing activities in pre- and postexchange stages, and they raise explicit concerns regarding covert information gathering. Miyazaki's (2008) article, "Online Privacy and the Disclosure of Cookie Use: Effects on Consumer Trust and Anticipated Patronage," builds on Milne, Bahl, and Rohm's work by empirically examining covert information gathering through Internet cookies. Miyazaki reports the results of three studies that document the prevalence of cookie use and disclosure, the negative effects of cookie disclosure on consumers' reactions to a firm, and the moderators of observed effects. Both Milne, Bahl, and Rohm's essay and Miyazaki's article suggest that covert information gathering is an important dimension of covert marketing and that further research is required.

Consumers, Firms, and Covert Marketing

An underlying concern that multiple authors in this special section expressed is that consumers who are unaware of the commercial nature of covert marketing activities cannot defend themselves with persuasion knowledge (e.g., Friestad and Wright 1994) or other cognitive defense mechanisms (e.g., Obermiller and Spangenberg 1998). Unfortunately, researchers have devoted limited attention to this issue within the domain of covert marketing. In their article "An Examination of the Effects of Activating Persuasion Knowledge on Consumer Response to Brands Engaging in Covert Marketing," Wei, Fischer, and Main (2008) examine this issue by exploring the effects of activating persuasion knowledge on consumers' reactions to a firm that has employed covert marketing. The results of three experiments indicate that activation of persuasion knowledge results in more negative evaluations of the firm and that moderation of these effects exists regarding the perceived appropriateness of the technique and brand familiarity. In his essay "The Stealth Influence of Covert Marketing and Much Ado About What May Be Nothing," Rotfeld (2008) provides a broader commentary on consumers and the practice of covert marketing. He argues that, in general, most

consumers are skeptical and that to escape the cluttered market, firms consider adopting covert marketing practices. However, Rotfeld raises concerns that these practices are not necessarily proven effective, though many firms believe that they work.

Conclusion

The articles and essays in this special section of *JPP&M* suggest that there are ethical dilemmas and potential public policy concerns with marketers who fail to disclose their company as being responsible for the marketing of their goods and services. The studies also indicate that covert marketing activities are not isolated to marketing communications; they extend to information gathering and other pre-exchange activities as well. The market importance of these issues is established by the research findings that consumers who are made aware of the covert activity respond in a decidedly negative way toward the firm using the technique. Although certain conditions moderate these negative effects, a portion of consumers still react negatively to covert marketing activities. Given the competitive landscape, covert marketing tactics are unlikely to disappear any time soon and therefore will require additional attention of marketing scholars, consumers, and public policy makers alike. It is the goal of this special section to provide a starting point for such work and to promote further scholarly attention to this emerging issue in the field.

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