Undercover Agency
The Ethics of Stealth Marketing

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“Excuse me sir,” the young man asks politely as you pass by him. “But would you mind taking a picture for us?” He smiles that same awkward little smile that everyone does when making that particular request and holds out a shiny new Sony-Ericsson camera phone. “Just one quick pic? We’re on our honeymoon.” You have a million things to do, and you are late already, but they seem like nice kids, so reluctantly, you agree. “Thanks man, I really appreciate this,” he says as he shoves the phone into your hands. “Have you ever used one of these before?” he asks, but before you get a chance to answer, he launches into a lengthy description of the device’s various impressive features. “Wow, ” you think as the device snaps a clean, crisp little picture of the newlyweds. “This thing is pretty cool.” He thanks you again as you hand him back the phone and it’s not until you are halfway home that you realize that neither of them was wearing a ring.

Introduction

In late July of 2002, the Sony-Ericsson Corporation hired 60 actors to travel to various cities across the country posing as tourists and ask people passing by to take their picture with the company’s latest and greatest creation: the camera phone. Sony-Ericsson did not set up any promotional materials at the sites, and the actors were instructed not to introduce themselves as representatives of the company. Instead, the company wanted the entire situation to feel “natural” as the stunt was designed to make consumers feel like they had “stumbled” onto a hot new product. It is unclear how successful the campaign was, but the “fake tourists” did reach a large number of people, and the stunt received national media attention.

In a world where everything from bowl games to satellite launches are corporately sponsored, we are literally inundated with advertising on a daily basis. As a result, consumers are becoming desensitized to the entire phenomenon of marketing. Additionally, new technology is giving us unprecedented control over our media. The growing prevalence of DVRs (digital video recording devices), caller ID systems, and Pop-Up and SPAM blocking programs is increasingly granting us opportunities to simply ignore advertisements altogether. Recent shifts in advertising trends have forced many companies to seek new, creative methods to reach their perspective customers. One such tactic, as the above example demonstrates, has been to disguise the fact that marketing is occurring altogether. The idea is that consumers can not ignore what they are not aware of in the first place. Marketers are calling the new phenomenon “stealth marketing,” and it may just become the future of advertising. However, such techniques are ethically questionable because they use deception to get their message across. Specifically, because it does not identify itself as advertising, stealth marketing robs individuals of the choice of whether or not to participate in the promotion. Thus, the question then becomes: Should consumers be allowed to control when, where and how they are marketed to?
The goal of any marketing campaign is to induce a change in behavior in the people that it reaches. Whether it is a change in buying behavior, voting preferences, or personal values, advertising attempts to convince us to alter how we are currently acting. The party sponsoring the ad is the one directly benefiting from the message conveyed. However, people are becoming increasingly skeptical of advertisements due to recent tactics that lack both sincerity and credibility. Whether the persuasion is coming from a company wanting you to buy their product, or from a candidate seeking your vote, there is a tendency for a bias to derive from the one who is funding the marketing campaign.

What people truly value when making purchasing decisions is the advice of a knowledgeable, unrelated third-party whom they trust. For example, hearing your mother tell you that she always buys JIF brand peanut butter will most likely have a far greater affect on your buying habits than a TV commercial promoting the same product. Marketers call this sort of personal interaction “Word of Mouth Marketing” or WOMM, and it is widely valued as the most effective method of inducing the purchasing changes desired by advertising agents. The obvious challenge posed by WOMM is getting the public to talk favorably about your product.

Stealth marketing is one tactic that marketers have invented to solve this problem. According to Andrew Kaikati and Jack Kaikati, “The main objective of stealth marketing is to get the right people talking about the product or service without it appearing to be company-sponsored.” In other words, stealth marketing attempts to get influential people excited enough about a product that they will use and discuss that product with others. However, as Kaikati and Kaikati also mentioned, stealth marketers specifically attempt to achieve this goal without letting people know that they are being marketed to. And this is what makes stealth marketing ethically controversial; it is designed to deceive people into paying attention to advertising. The overt nature of traditional advertising allows the public the choice to either become engaged or not. With stealth marketing techniques, consumers are often not aware that they are being advertised to until the end of the exercise, if they are alerted at all.

Subsets of Stealth Marketing

There are three main subsets within stealth marketing that are becoming both increasingly popular among advertising firms and increasingly controversial among consumer advocacy groups: product placement, video news releases, and Guerilla Marketing.

Product Placement

In the field of marketing, agencies must continuously invent new ways to capture an ever changing audience. Product placement is a technique marketers began to experiment with decades ago after discovering how effective the technique can be. The term product placement is used to describe a promotional tactic in which a real commercial product is used in fictional or non-fictional media, and the presence of the product results in an economic exchange. Products first started appearing on quiz shows in the 1950s when companies realized the shows themselves were an untapped venue for increasing product exposure. In its infancy, product placement, when it did appear, was much more obvious to viewers and they voiced little complaint. However, companies have been perfecting their placing tactics ever since to the point that it has made some consumers question its use.

Despite the questionable ethical nature of product placement, production studios are starting to recognize that standard commercial spots are no longer their only option for generating revenue. For example, according to The Handbook of Product Placement in the Mass Media, the reality show Survivor made $1 million its first season just by featuring a few products throughout the airing of the popular show. The second season, The Australian Outback, took
product placement to a whole new level. Despite not fitting with the show’s wilderness setting, Bud Light, Doritos, and Mountain Dew were all given heavy exposure throughout the season, increasing revenues to $12 million from product placement alone.²

Product placement is not unique to television; the movie industry has also jumped on board, seeing the practice as a good way to fund big budget films. The movie E.T. is a classic example of product placement at work. Reese’s Pieces candy was heavily featured throughout the movie, and was even woven into the story line, which in turn helped Hershey’s increase its sales revenues the following year by 65%.⁴

While product placement was once an innovative idea, it is now common place for companies to utilize this tactic. Movie producers have given companies the power to influence what type of car a movie star will drive or what brand of cell phone they will use in their film. Everything from the brand of latté an actress drinks to the watch she checks on screen is ad space available for purchase. The latest James Bond movie, Casino Royale, has been widely criticized for its heavy use of product placement. Besides heavily promoting Aston Martin automobiles and Omega watches, this film alters the classic Bond image by swapping his traditional martini (shaken not stirred), for a more modern (and marketable) Heineken beer.⁵ On television, the actors make sure their Coca-Cola can faces the camera as they take a sip and insure the cereal box on the breakfast table is always placed with the front cover for all to see. Apple Computers is a major advocate of product placement and relies heavily on the technique for product exposure. By utilizing this technique, Apple wants you to believe the average college student types their term papers on an iBook or religiously uses their iPod on their morning jog. In reality, Apple only owns about 3% of the market share for personal computers, but according to what is shown on TV you might expect this number to be significantly higher.⁶

Product placement, for the most part, takes place without much intrusion into our daily lives. Most of the time, a typical viewer would not be able to recall what brand of soft drink the main character of “Grey’s Anatomy” drank during the last episode. Usually, we are able to retain only what we want from TV shows and movies. But what if the product is moved further into the foreground? Furthermore, what if the product featured is controversial in and of itself? For example, cigarette companies have reaped the benefits of product placement for decades. The James Bond films have been criticized for their advertising of Lark cigarettes which Bond smokes throughout the films.⁷ Though both of these products, soft drinks and cigarettes, may be evasive to viewers, the subliminal push of tobacco products is more concerning to the general public.⁸

As product placement becomes more prevalent, various groups have become increasingly concerned over whether or not product placement is a legitimate way to advertise. Consumers have begun to speak up and express their opinions about product placement and the negative effect it has on them. Groups have even been formed to raise money in efforts to spread awareness of deceptive marketing, like product placement, and fight its growing prevalence in media outlets. Once such group named Commercial Alert, was formed to prevent direct advertising to children and the “commercialization of culture.”⁹

A few movie producers have started to voice concerns regarding their projects, which they believe are being compromised in order to create a platform for advertising dollars. Producers have begun to illustrate their opposition towards the advertising industry within their bodies of work. Kevin Smith, who has both directed and produced a number of recent films, created his own brand “Mooby Corporations” and “Discreto Burrito” as a way to prevent his films from becoming a vessel for advertisers. Pixar Studios has also taken a stance by inventing
the restaurant “Pizza Planet” in one of their films instead of using an actual company. The use of faux companies has had an interesting unplanned outcome which is labeled “reverse product placement.”7 Fake companies like Bubba Gump Shrimp from the movie *Forest Gump* and Willie Wonka Candy from the movie *Willie Wonka and the Chocolate Factory* gained so much exposure from their on-screen appearance that they became real businesses. The public’s great interest in these fictitious products instantly created a business opportunity.

Due to the increasingly competitive consumer market, companies have turned to product placement. By blending their advertisements with popular media, companies are robbing the public of their ability to control when and where they are advertised to.

**Video News Releases**

In November 2005, KWGN-Channel 2, a Denver news station, aired a story about potentially unsafe toys.9 At first glance the segment appeared to be a typical pre-holiday consumer alert. However, the station is currently under investigation because it failed to acknowledge that the entire piece was funded by Panasonic, Namco and Techno Source, and all the toys deemed “unsafe” were manufactured by their rivals.10 The reason that most Americans watch the news is to learn the events of the day quickly and to remain current on important issues. It has always been implied that each story is delivered by an impartial reporter who has done thorough research, visited the point of interest themselves, written a script, and edited their footage into a final product, before broadcasting it to the general public. However, public trust in the news is beginning to fade as the phenomenon of “corporately sponsored news” has started to permeate news broadcasts nationwide.11

According to the Public Relations Society of America, a video news release is the video equivalent to a corporate press release. It is designed to present a client's case in an attractive, informative format.12 Recently, VNRs have evolved into prepackaged fake news stories used to commercialize products or to shape public opinion and are played without acknowledging their origin or producer.13 A typical VNR features a paid actor posing as a journalist. The “reporters” conduct interviews, which are often rehearsed, and all parties are careful not to state who they work for.14 The producer of the VNRs can then select the sound bite which best fits the particular agenda or aim of the client,15 creating a persuasive commercial in the guise of a news story.16 As more and more stations across the country use VNRs, they are becoming increasingly indistinguishable from traditional news stories, making it difficult for the public to discern what is covert propaganda and what is “purely informational” and independent journalism.17

Television stations receive the “ready-to-air” VNRs via satellite and are able to quickly fill their news hour quota without any added production costs. In addition, news stations are using the suggested “lead-ins” (which are written by the VNR producer) so they seamlessly fit into their local broadcast. VNRs not only allow local stations to quickly fill the necessary time slots, VNRs also provide them with footage to inexpensively create their own news segment. With the current editing capabilities, news stations have begun to take the VNRs into their own editing studios, giving them an even more “home town” feel. They are able to change sign-offs, tag lines, cut what they do not want, or they can just stow them in their footage archives for use at a later date. Public relation firms, such as Medialink Inc., have made their niche in the VNRs business. Medialink Inc. has offices in New York and London, employs over 200 people, and produces about 1,000 VNRs a year. They have created and distributed many influential VNRs, which are distributed to news stations who are then free to do what they want with the “news stories.”18
It is hard to tell how many VNRs are actually broadcasted each year because local news stations do not keep comprehensive archives of news reports, as their counterparts in print journalism often do. Therefore, there is no way to determine what stories have been aired in using this questionable method. Additional evidence that VNRs are becoming increasingly prevalent is the Bronze Anvil award, which is given each year by the Public Relations Society of America for the best VNR. This award signifies the acknowledgement of fake news stories but ultimately creates acceptance within the news community of VNRs as a legitimate way to inform the public.

Not only are VNRs used as a marketing tool, they are government propaganda tactics which can be dated back to the Clinton administration. State agencies, lobbyists, and federal agencies (including the Defense Department and the Census Bureau) have all made use of the technique to promote political agendas. One of the most famous examples of a government produced VNR is a news story about the new Medicare program created by the Bush Administration. The President’s new plan received criticism from many people, so the administration created a VNR to shed positive light on the issue.

Karen Ryan was the “reporter” on the Medicare story and began her career at ABC and PBS. After she became a successful journalist, she went to work as a public relations consultant, and was then hired by the federal government. The story included video clips of Bush signing the legislation while she described the details of the benefits. Ryan’s “report” stated, “All people with Medicare will be able to get coverage that will lower their prescription drug spending.” But, the Medicare segment made no mention of the critics of the plan who call it “an expensive gift to the pharmaceutical industry.” When the VNR was delivered, it suggested that local anchors lead into the report with, “In December, President Bush signed into law the first-ever prescription drug benefit for people with Medicare.” The segment was released in January 2004, right before Bush went on his reelection campaign tour. Throughout his campaign, Bush cited the drug benefit as one of his major accomplishments.

It was estimated that the Medicare and other stories narrated by Ryan (in 2003 and 2004 she worked on reports for seven federal agencies) have reached 22 million homes and have been played by over 300 stations. These numbers, however, do not fully encompass the effect that Ryan’s segments may have had. For example, in Syracuse, the News 10 Now station did not air the segment as narrated by Ryan, rather they edited her out and had one of their own local reporters repeat the script almost word for word. This local edit made the story even more convincing to those who saw the segment.

When it was discovered that the story had been created by the Bush Administration, an investigation was launched to determine whether actions such these were inappropriate. On May 19, 2005, the Government Accountability Office, the investigative arm of the U.S. Congress, declared that federal laws had been violated because federal money cannot be used for “publicity or propaganda purposes” unless authorized by Congress. They stated that the VNR was “not entirely factual” and contained “notable omissions” thus creating an overly flattering report. Due to GAO’s lack of enforcement powers, no parties involved received penalties. As a result of this situation, and others similar to it, in February 2005, the "Stop Government Propaganda Act" was introduced in the U.S. Senate. It was then referred to the Judiciary Committee, and no further action occurred.

Typically, news stations such as News 10 Now or KWGN-Channel 2 in Denver, defend themselves by claiming they had no idea of the VNR’s origin when it was received. In the case of the Medicare VNR, Sean McNamara, director of News 10, stated that he believed the segment
he had was from a major network and was unaware it had originally come from the government. When the VNRs are initially released, the origin and creator is clearly marked. Robert A. Tappan, the State Department’s deputy assistant secretary for public affairs, said, “We do our utmost to identify them as State Department-produced products. Once these products leave our hands, we have no control.” However, as VNRs transfer from one news station to the next and bounce from satellite to satellite, their true origin is quickly lost.

There are many incentives for TV stations to use VNRs. As the number of news stations increases and as big conglomerates form, competition only increases. Stations are finding it harder and harder to afford the amount of labor, time and funds necessary to cover every newsworthy story. As a result, VNRs have become essential in order to stay in business.

It truly does seem that all parties involved, besides the viewer, benefit from VNRs. Public relations firms, who produce the VNRs, secure government contracts worth millions of dollars. Major networks are able to collect rewards from government agencies if they distribute VNRs and their local affiliates air them. Lastly, local affiliates enjoy the convenience of VNRs because they are spared the large expense of producing original material. But perhaps the greatest benefit is to the client, who gets out an unfiltered message, by way of stealth marketing, delivered in the guise of traditional news reporting.

Guerilla Marketing

As marketers increase their search for innovative and exciting new advertising methods, many have begun to abandon conventional media outlets altogether in favor of the “real world.” Instead of placing traditional ads on TV, in newspapers or magazines, many companies are literally taking to the streets and setting up elaborate marketing performances in public areas. Such campaigns are designed to engage people on a far more personal level than traditional marketing methods, and therefore create a more meaningful connection between the company and its consumers.

The goal of Guerilla campaigns is to increase customer awareness and interest in both the product and its associated brand. However, they attempt to do so in ways that do not appear to be corporately sponsored. The intention is for the entire experience to seem completely spontaneous and thus, for the consumers involved to feel as if they randomly stumbled upon an exciting new product.

The Sony-Ericsson “fake tourist” campaign described earlier is credited as being one of the most well-known examples of a large-scale Guerilla Marketing campaign employed by a major American corporation. However, companies ranging from Vespa Scooters and Lee Dungarees to Ford Motors and Procter & Gamble have also implemented such promotional campaigns here in the US for decades with a great deal of success. In 2001, Vespa employed groups of attractive young female models to ride around to trendy LA hotspots on their scooters. The girls would then engage people in conversation and gradually “steer” their conversation towards their brand new shiny Vespa scooter and the fantastic deal they just received for it.

The most notorious example of Guerilla Marketing occurred in early February of 2007, when two advertising representatives from the Turner Broadcasting Company set up a publicity stunt in Boston, Massachusetts. The stunt was designed to promote Aqua Teen Hunger Force (ATHF), Turner’s TV program that airs on Cartoon Network. The stunt involved small lighted signs depicting a character from the show performing an obscene gesture. Thirty to forty such signs were placed in various public areas throughout the city, such as bridges, subway stations, and public parks. These signs did not contain the name of the show, nor did they in anyway indicate that they were promotional materials. Furthermore, the advertising representatives who
put up the signs did not petition the city for the proper permits required for public advertising. When the signs went up, no one outside of the show’s limited audience had any idea what they were or what they depicted. Fearing that the dubious little electronic devices could be explosives, concerned citizens all over the city alerted the police. State, local and federal officials responded with anti-terrorism units, and quickly began confiscating the signs. As a result of the operation, authorities were forced to close Boston University, several public streets and highways, and the Longfellow Bridge which blocked boat traffic from the Charles River to Boston Harbor. In addition, the Pentagon announced that U.S. Northern Command was monitoring the situation from its headquarters in Colorado Springs, Colorado, but added that none of its units were dispatched to assist. The two PR reps responsible for the stunt were arrested by city police and charged with several counts of placing a hoax device in a way that results in panic, as well as one count of disorderly conduct. City officials are also currently considering a civil lawsuit against Turner in an attempt to recover the reported $500,000 spent responding to the situation. The national news media was also soon alerted to what has since been dubbed “The Boston Bomb Scare,” and the story has received wide coverage across the country.

Turner and its marketing department officially apologized to the city of Boston, and announced that they deeply regretted conducting the campaign. However, the company also commented that they believe that the city’s response to the situation was not appropriate. With all of the controversy, the stunt did generate an immense amount of publicity for both Turner and Aqua Teen Hunger Force. In fact, news outlets from NPR to FOX aired special programs dedicated entirely to the incident.

The Boston situation is an extreme example, but it highlights several issues surrounding the Guerilla Marketing phenomenon. Turner’s methods are certainly debatable, as is the city’s response, but they do demonstrate the wide range of interpretations that can result from misleading or deceptive measures of marketing. It is also important to remember that interpretation breeds action, and actions have consequences. As this situation demonstrates, such consequences can range from very positive to extraordinarily negative, and even unintended interpretations can have very serious ramifications.

Ethical Arguments

By their very nature, stealth campaigns are designed to be deceptive. In fact, according to Roskilde University professor Roy Langer, stealth marketing specifically “attempts to catch people at their most vulnerable by identifying the weak spot in their defensive shields” (p. 5). Marketers who implement such tactics claim that the effectiveness of the entire campaign hinges on their ability to make the entire situation seem unscripted. In particular, a stealth campaign needs to reach a consumer below that person’s “threshold potential and defensive shields” (p.3) in order to induce any sort of meaningful result. However, as previously mentioned, it is the intentionally deceptive nature of stealth marketing that brings the ethicality of the entire practice into question. Should companies be required to identify their promotional materials? And how much control should consumers have with regards to the types of advertising methods directed at them? In order to objectively answer these questions, the authors of this paper will look at the phenomenon of stealth marketing using several different ethical frameworks.

Utilitarian Framework

The utilitarian framework of ethical behavior states that the ethical or unethical nature of an action is determined by the consequences that result from that action. In other words, an act is only as ethical as its outcome. Thus, from this perspective, the only aspect of stealth marketing
that is relevant in deciding its ethical character is the ultimate action taken by the consumers it reaches.

As discussed earlier, the ultimate goal of stealth marketing, like any form of marketing, is to induce a change in behavior in the public. However, many people have questioned the effectiveness of a stealth technique in inducing this sort of change. The first question we must ask ourselves when measuring the ethics behind stealth marketing is: “How does the effectiveness or ineffectiveness of a campaign make a difference, ethically speaking?”

If the ethicality of an action is measured by its consequences, then, theoretically, an action that produces no noticeable or relevant consequences is neither ethical nor unethical. According to the very definition of marketing, a promotional campaign is ineffective if consumers either fail to notice the campaign or disregard it altogether. None of us run straight out and purchase every item advertised during the Super Bowl, nor did every person who was approached by Sony-Ericsson’s fake tourists buy a new camera phone. Other than a general nuisance and loss of time, there is no noticeable consequence resulting from these advertisements, and therefore they can not be judged from a consequence oriented standpoint. According to the utilitarian ethical framework, only those promotions that create some sort of reaction from consumers can be classified as either ethical or unethical.

The morality of stealth marketing is hotly disputed across both the business and academic communities. However, the utilitarian perspective on stealth marketing provides a profound simplicity to the issue. According to utilitarianism, many stealth marketing methods may not be effective enough for consumers to be concerned about. Advertising may be invading previously private aspects of our lives when masqueraded as news stories, or intertwined in entertainment, but if it fails to affect us in any sort of meaningful way, then is it not doing any harm. The Coca-Cola Corporation may spend millions to ensure that Brad Pitt enjoys a “Coke and a Smile” in his next movie role, but if it fails to alter the public’s purchasing decisions, then is it not really an issue at all.

The only stealth marketing tactics to be concerned with are those that do illicit reactions from the public. In such cases where a consequence occurs, utilitarianism indicates that the nature of the outcome dictates the ethicality of the trigger. More simply, utilitarianism evaluates the acceptability of an action by its ends, rather than its means. It’s not the way that an advertisement is presented, but rather how that ad affects the public at large that determines its ethical status. The Boston Bomb Scare provides a perfect example for exploring this idea. There is no question that the public noticed Turner’s marketing tactics, and that those tactics certainly elicited a response from many of the people who encountered them.

The most obvious outcome of the Boston incident is that many people mistook the ads for explosive devices which was without question, a negative result for everyone involved. Turner was not intending to create a public panic, nor did they intend for federal anti-terrorism forces to be dispatched to remove the devices. Rather, the company was just looking for a creative way to raise awareness for Aqua Teen Hunger Force. Despite what may have been good intentions, Turner’s publicity stunt created some very serious consequences. As a direct result of the campaign, businesses were closed, public roads and waterways were cordoned off, and many people became generally concerned for their safety. Since these consequences are substantially negative in nature, the utilitarian framework would classify the entire stunt as unethical.

Not all public reaction to the stunt was negative. Some of the more devoted fans of Aqua Teen Hunger Force view the situation as an extension of the counter-culture message advanced by the show itself. In fact, Peter Berdovsky and Sean Stevens, the two Turner PR reps who were
arrested for placing the devices, have acquired a sort of cult following following the Boston incident. So the company’s campaign actually caused a small contingent of the public to become more devoted to Turner’s TV program. Additionally, the substantial amount of media coverage on the incident dramatically increased public awareness of Aqua Teen Hunger Force. Without question, most of the attention generated nationally was negative, but if you believe the old marketing adage, “any press is good press,” then it is not necessarily a bad thing from the company’s standpoint.

When examining this case from a utilitarian ethical framework, it becomes obvious that the greatest good was not carried out for the greatest amount of people. While the company may have benefited from a rise in the show’s ratings, the general public suffered. Any time an action results in a negative consequence for the majority of people involved, that action should be deemed unethical. The ATHF campaign produced more negative consequences than positive ones, therefore it is unethical.

Virtue-Based Ethics

The final ethical framework we will focus on is that of the virtue-based framework; which centers on encouraging people to act according to the highest potential of their characters. This framework challenges us to act with honesty, compassion and integrity in each situation we encounter. In fact, virtue ethics states that each action we take, or do not take, should assist in the full development of our humanity.

Based upon this explanation, it is plain to see that stealth marketing clearly violates these ideals. Often, during the course of a stealth marketing campaign those involved are intentionally deceitful. In neither the case of the Boston Bomb Scare nor the “safe toy” VNR, did either one of the companies involved disclose the true intent of their actions. In these and other examples mentioned previously, stealth marketers specifically tried to use deception in an “attempt to catch people at their most vulnerable by identifying the weak spot in their defensive shields.” Such deception is an example of dishonesty by way of omission. Dishonesty, in any form, is a violation of the virtue-based ethical framework, and therefore, because of its use of deception and deceitfulness, stealth marketing would be considered unethical from this standpoint.

Deontological Framework

Another method of determining the ethicality of an action is to consider the concept of “duty,” as addressed by the deontological framework of ethics. A duty is any action (or course of action) which is regarded as morally incumbent. In other words, there are moral laws in every society that dictate certain action(s) in certain situations. Such actions are known as duties, and they are expected to be respected and followed before one’s own self-interests. However, different circumstances and different participants dictate different sets of moral duties. At times, these separate situational duties can even contradict one another. With regards to marketing, a company’s duties can be broken down into the following categories:

I. Duty of the company:
   A. Duty to the shareholders – Maximize share value
   B. Duty to the customer – Produce safe, functional, fairly-priced products

II. Duty of the advertising department/agency:

   A. Duty to company/client - Favorably promote the company’s/client’s products
   B. Duty to (potential) customer – To be truthful and tasteful in their promotion
According to financial theory, the ultimate goal of any business is to turn a profit (p. 1 1). While a company and the product/service that it provides may impact society, ultimately that particular company need to provide to those who hold ownership. This concept holds true for everything from a corner hot dog stand to a multi-national corporation, with the major difference being only the manner in which ownership is distributed. In a publicly traded company, it is the shareholders that are technically the company’s owners. Therefore, financial theory also dictates that a corporation has a duty to its shareholders to maximize the company’s share price, thereby maximizing each shareholder’s investment.

A corporation’s duty does not end with their shareholders. Attracting and retaining customers is the cornerstone to the financial success of any business. Therefore, since no company can survive without customers, there are certain ethical imperatives that naturally exist between the two groups. To begin with, if a person is injured when using a defective product, US product liability laws dictate that every company involved in the design, production and distribution of that product can be held responsible for that injury. As a result, we can realistically assume that all companies doing business in the United States are obligated to provide the public with products that are safe to operate. Additionally, companies are duty-bound to produce goods or services that are functional. When any of us purchase a product, we naturally expect that product to perform in the manner it advertised to. Finally, companies are also expected to provide products at a reasonable price. All commodities have an inherent value, and it is widely considered to be unethical to charge more for a product that it is honestly worth. “Value” can be considered a relative term, but from a very generalized standpoint, people typically do not wish to pay more than for a good/service than its “fair market” price. If these two criteria, duty to the shareholders and to the customers are fulfilled, then they company’s actions are deemed ethical.

A company has a duty to its shareholders to maximize its share price, as well as a duty to its customers to provide safe, functional, and fairly-priced products. Interestingly, these two separate duties collide during the advertising process. Whether a company handles promotions in-house, or elicits the services of an independent advertising agency, whoever creates the advertising campaign for a product also has several important duties to fulfill. On one hand, an advertiser has an obligation to the original company to promote the intended good or service in a favorable light, an advertisement should compel people to purchase the featured product. On the other hand, an ad is also expected to be accurate and appropriate. Intentionally misrepresenting a product in order to convince people to purchase it, or purposefully slandering other people, products or companies in the process, would be a clear violation of an advertiser’s duty to potential or current customers. All promotional campaigns are also expected to be tastefully executed. Advertisements should not be offensive or crude to those they are targeting, upholding the company’s reputation they are working for. For example, product placement, a form of stealth marketing, typically tries to showcase products in a positive light. Advertisers would not be fulfilling their duty to the client, nor would product placement be effective if products were shown in a distasteful manner. Since this is true and product placement is simply fulfilling a business duty it is therefore ethical.

The most important thing to consider when evaluating the ethicality of a marketing campaign from a deontological framework is how the many duties involved in an action interact with one another. At first, an advertiser’s duty to a company and its shareholders, and its duty to its customers may appear to be mutually exclusive. And in many circumstances they have
become so, as the practice of distributing video news releases demonstrates. By masquerading a biased advisement as a factual news report, companies are deceiving their customers for their own personal benefit.

So then which duty is more important to a company, that of maximizing its revenue or of producing honest advertising? And how do we judge the ethicality of an action that ignores one duty in order to fulfill another? All these questions lead us to an ethical “grey area.”

But what if there were another option? Recent evidence suggests that what is good for the company can also be good for the public. According to a 2006 study by Northeastern University professor Walter J. Carl III, there is a remarkably simple alternative: disclosure.

Carl and his team joined forces with the renowned marketing firm BzzAgent, Inc. in order to design a groundbreaking experiment intended to take a closer look at the phenomenon of stealth marketing. The goal of the study was to determine whether or not disguising the intention of a promotion actually makes that promotion any more effective. And the results demonstrated overwhelmingly that it does not. According to Carl, approximately 75% of those who participated in the study were just as receptive to marketing agents who identified themselves as they were to those who did not. What seemed to truly impact the effectiveness of a campaign was not whether or not people were aware of the promotion, but rather whether they believed the agents involved were “providing an honest opinion” (p. 3). In fact, according to Carl, the “pass-along/relay rate” (the number of people a person discussed the product with after being approached by an agent) “actually increased [when people were made] aware they were talking with a participant in an organized word-of-mouth marketing program” (p. 3). Conversely, the study also noted “a negative backlash effect” (p. 3) displayed by some people who were not initially made aware of the situation. Upon discovering that they were involved in a promotional campaign, these people directed intensely negative feelings toward the advertising agent, the original company, and the product being discussed (as in the Boston Bomb Scare example). “Virtually no negative feelings, however” were reported when people were made aware of the “agent’s affiliation” (p. 4). Therefore, being open and honest about your marketing efforts is as effective, if not more so, than being intentionally deceptive about them. And since disclosure allows a company to fulfill both its duty to its stockholders and its duty to the public, and not just to one or the other, it is clearly a more ethical option than using stealth tactics.

**Ethical Conclusion**

Obviously, the ethicality of stealth marketing is not a black and white issue. Even when evaluating the phenomenon using established ethical frameworks, grey areas arise. Utilitarian based ethics dictate that an action is only as ethical as its consequence. Because stealth marketing results primarily in negative consequences to society, the practice would be considered unethical from this standpoint.

Virtue based ethics teaches us to act honestly, compassionately, and with integrity in all situations. Yet, stealth marketers use deception and deceit to lure the public into paying attention to their promotions. Such tactics are clearly not virtuous in nature, and thus stealth marketing can not be considered ethical under this framework either.

But the issue is not as simple when examining the phenomenon from a deontological standpoint. Deontological, or duty-based ethics, dictate that certain circumstances or relationships result in the creation of strict moral imperatives or “duties.” Stealth marketing creates in a conflict between an advertiser’s duties to its company and its duty to its customers, and this conflict makes it difficult to determine the duty-based ethicality of the issue.
However, Walter Carl’s study demonstrates that this deontological conflict can be avoided altogether by disclosing one’s promotional activities to the public. What make Carl’s experiment so vitally important, is that it establishes that the deception that is so central to stealth marketing is completely unnecessary. By simply identifying their true intentions, marketers can fulfill both their duty to shareholder and to customers, and they can do it in an honest and ethical manner.

Therefore, we can confidently conclude that the practice of Stealth Marketing is unethical. However, we have also demonstrated it is not that product placement, guerilla marketing, and VNR’s are inherently wrong; rather these tactics become unethical when used in conjunction with dishonesty and deception. If Turner properly identifies itself and its product during its next publicity stunt, then the company can avoid the problems it experienced in Boston. Similarly, if newscasts that utilize VNR’s, and if movies and TV shows that implement product placement begin introducing some sort of disclaimer that they are using promotional materials, then their actions would be far more ethically sound.

We are not advocating that companies stop using VNR’s, product placement, or Guerilla Marketing, rather that they implement such promotions in a more responsible manner. Companies should continue to search for innovative, creative and fun ways to advertise, they should simply remember that, as Professor Carl demonstrated, any such effort can be an effective marketing tool without the use of secrecy and deception.

**Work Cited:**


8. ibid


10. ibid
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