The Stealth Influence of Covert Marketing and Much Ado About What May Be Nothing

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Most discussions of covert marketing stem from three basic statements: (1) People are generally skeptical of any business-provided sources of information, so publicity or even random endorsements by strangers on the street might provide consumers with more persuasive sales messages; (2) advertising creators repeatedly say that they need to “break out” from the increasingly cluttered mass media environment; and (3) news reports of any pervasive marketing activity include a direct assertion, or at least an implicit presumption, that business managers do it because they know it “works.” Management decisions to use any covert marketing tactic are driven by the first two beliefs, and public policy worries of its improper or deceptive influence on consumers flow from the third. However, most covert marketing efforts are undertaken with professional uncertainty of whether anything really works as they create new areas of consumer skepticism and even more commercial clutter.

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Since 1912, access to low postage rates legally required magazines to make certain that their readers would not mistake advertising for editorial content. The early Radio Act of 1927 and Communications Act of 1934 drew on this postal law, including similar requirements on broadcasters...
(see the discussion in Kielbowicz and Lawson 2004). Various codes of ethics and early efforts at business self-regulation also included a statement of sponsor identification, with a presumption that people can be deceived if they mistake advertising for editorial content. Today, many newspapers and magazines include a requirement that advertising must appear in a different font than the editorial materials or carry a large notice on the top of the page saying “advertisement” (Lacher and Rotfeld 1994; Rotfeld and Parsons 1989).

Periodic petitions from citizen groups since the 1970s that asked regulatory agencies to ban or restrict child-oriented advertising have included reference to a small child’s inability to discern the difference between advertising and entertainment. Although numerous academic studies have attempted to discover the age at which children acquire perceptual skepticism as part of their reactions to marketing messages, business critics argue that any sales messages would be inherently deceptive when aimed at children who are unaware of a message’s selling intent. (Neither critics nor researchers explain how children might be able to develop this consumer skill if the only advertising they see is for messages aimed at their parents.)

Related court decisions show that the validity for regulating sponsor-paid messages and not publicity might seem strained at times. From a marketing point of view, thinking in terms of consumer effects, it matters not if a product placement is the result of advertisers paying the broadcaster or moviemakers for the brand mention. Some of the most sales-successful examples of brand mentions in movies are examples of free publicity (e.g., Reese’s Pieces candy in the movie E.T.). However, it is repeatedly asserted that consumers are harmed when no one is told that an unidentified company with an eye toward product sales paid for the media content in cases of payola, product placement, or sponsored journalism (Crescenti 2005; Goodman 2006; Kielbowicz and Lawson 2004).2

Blipverts and Nonfiction Efforts to Bypass Consumer Skepticism

In the first episode of the short-lived 1980s television program Max Headroom: 20 Minutes into the Future, the fictional Network 23 created “blipverts,” or high-speed condensed commercials that implanted sales messages directly into the viewers’ minds. Unfortunately, blipverts sometimes caused a viewer’s head to explode, a minor side effect that threatened exposure of the new tool of hidden audience manipulation. So to keep the advertisers happy, the amoral network let a star investigative reporter die as they tried to keep the practice under wraps.

Despite the patent absurdities of the plot’s core technology, the combination of conspiracy theory, unethical corporate thinking, and power of business to manipulate consumers fit the popular paranoia of then and now. Many people strongly believe that subliminal advertising messages possess massive power over their lives. Even at major research universities, faculty with personal expertise far removed from the study of consumer psychology build classes around popular books that assert subliminal advertising’s ability to control consumers (e.g., the book by a lawyer described in Broyles 2006). Otherwise intelligent and thoughtful students tell their marketing teachers that they are doing a term paper on this topic for an English class, saying “But I know you don’t believe in it,” as if the topic were best movie of the year or dogs were smarter than cats. Then again, 40% of Americans believe that astrology is at least probably true, only 11% can say what a “molecule” is, and 52% do not know that the Earth makes an annual trip around the sun (Shapin 2001).

In 2006, a U.K. security researcher’s blog used the term “blipverts” in his claim that he found a new image-based spam with animated pictures showing subliminal “buy buy buy” messages lasting mere milliseconds. Cases of consumer heads having exploded from exposure to the spam were not reported, nor were any sales.3

Anything that seems to bypass consumer defenses readily raises the specter of consumer concerns for audience manipulation. At the very least, covert marketing with an unrevealed sponsor might be a deceptive effort to hide a selling intent. The possible theories of how it might influence consumer decisions provide a basis for calls for greater regulation of this allegedly unfair and deceptive trade practice. At the other extreme, views of a limited or constrained persuasive impact conclude that consumer harm is more chimera than reality (see, e.g., Ford 2006).

At a basic level, people perceive messages differently when they are presented in the form of an advertisement than when they are written in the form of other types of communications. The same literal content can result in different consumer perceptions (Preston 1967; Preston and Scharbach 1971). Surveys of consumers repeatedly report that 70% of consumers believe that advertising is untruthful and should be more strictly regulated (Calfee and Ringold 1994). Consumers tend to disbelieve advertising claims, dislike advertising itself, and generally try to avoid the messages (Koslow 2000; Obermiller and Spangenberg 1998; Obermiller, Spangenberg, and MacLachlan 2005). In this context, marketing managers might possess a strong incentive to try to bypass this skepticism and generate a more positive message response by disguising their paid message as some type of editorial content.

Infomercials have become a common part of the modern television landscape in the United States, but when such programs began to proliferate during the 1980s, unwary consumers had no reason to expect to see commercial messages lasting as long as a typical entertainment program. At that time, viewers expected sales messages to be restricted to the breaks during or between programs. The term “infomercials” itself was coined as a criticism of this then-new sales format, which attempted to blur boundaries between commercial and noncommercial messages. Many

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2Even if court decisions “decide” that people respond to marketing messages in a certain way, it does not necessarily mean that they have any proof based on consumer research that this is the case. For example, the law presumes that advertising puffery is incapable of deceiving consumers because no one would believe it. This is based not on consumer research but rather on a series of judicial assertions, legal precedents, and cases under British common law dating back to 1602 (Preston 1994, 1996).

3Recent examples of one-second commercials by Master Lock or the General Electric “One Second Theater” were not hidden persuasion efforts but, announced and overt, an effort to generate secondary interest in the advertising and consumer buzz.
of these first sales programs were produced as talk shows, news magazines, documentaries, and even investigative consumer interest programs that claimed to present reports from unbiased tests or endorsements. Several tried to appear as bona fide news, with the sponsor as a guest expert who was interviewed by the show host. By having their own “commercial breaks” to give the price and ordering information, the programs enhanced the impression that the rest of the show was a regularly scheduled program, and many television stations and cable networks added to the illusion by failing to label the programs as paid advertising time (Hayes and Rotfeld 1989; Parsons and Rotfeld 1990; Wicks 1994).

When these shows were first aired, many audience members who had not previously seen the format might have been deceived. Federal Trade Commission cases against these early infomercial producers primarily focused on deceptive product claims, though more than half the original complaints also included charges of using a deceptive message format that misrepresented the infomercial as a broadcast or the cable company’s regular programming (Wicks 1994).

After decades of infomercials as a common part of the television landscape, it is doubtful that the format still fools anyone. Even when celebrities freely mention a product during an appearance on a popular talk show, audience members probably think that someone was paid by the company to make the endorsement. Similarly, because product placement and sponsored journalism have been the norm in women’s health and beauty magazines for decades, it is doubtful that the publications’ subscribers are fooled into thinking that the publications provide unbiased news reports. Because articles praising the virtues of a problem-solving product are repeatedly followed by one or two pages of advertising for the same brand that was mentioned in the article, no adult with adequate brain activity to read should be so naive as to think the two items are not related.

Although product placement has become a ubiquitous practice on U.S. television, U.K. viewers only see it in imported American programs, though some programs have the visible brand items digitally blurred out for U.K. transmission. In 2007, the European Parliament’s culture committee gave product placement an endorsement. Although the committee began putting pressure on individual countries to accept the practice, it includes a consumer protection requirement that broadcasters must inform viewers every 20 minutes which products have been placed in the program (Hall 2007). Given this mix of encouragement and fear, it is puzzling that the committee embraced it. At the same time, many people believe that the U.S. regulatory agencies should do more to limit the potential audience deception when a message or product placement fails to disclose sponsorship or that a product placement is a paid sales effort (see, e.g., Crescenti 2005; see also the comment by Sutherland in Ford 2006).

For a legal issue, U.S. regulations of deceptive marketing do not require evidence that the company intended to mislead the audience, nor must actual deception be shown. However, it is possible that most users of infomercials, product placements, hired buzz agents, or other covert marketing tools are not trying to deceive anyone. They are merely facing a pragmatic problem that audiences are increasingly difficult to reach through traditional mass media tools.

**Breaking Out from the Message Clutter**

Leaving product placement, sponsored journalism, payola, paid buzz agents, and other guerrilla marketing out of the discussion for the moment, it is intuitively obvious that the traditional mass media have undergone a massive increase in their advertising-to-editorial ratio during the past few decades. As Ronald Reagan was sworn in for his first term as president, U.S. network prime-time television typically had less than ten minutes per hour of advertising. Today, that amount has doubled. Television commercial breaks are longer, and the commercials are shorter, so there are more spots appearing per break. Listeners of broadcast radio today complain of hearing more advertising than music or news. Magazines have multiple pages of advertising even before the table of contents, not to mention the plethora of cards and inserts that fall in the readers’ laps.

Before 1984, the Federal Communications Commission limited the number of nonprogram commercial minutes per hour of television or radio stations’ programming. When those restrictions were removed during the deregulation mood of the Reagan administration, it was repeatedly asserted that broadcasters’ competition for audiences would discourage the overcommercialization of the airwaves with a clutter of advertising messages. However, it did not work out that way. The ever-increasing number of local stations, in addition to cable, satellite, and broadcast networks, created greater competition for audience attention while giving audiences a choice of more alternatives. Ironically, however, competition for audiences was a lesser power, as economic forces inherent in the advertiser-supported business model encouraged broadcasters to push the limits of audience tolerance of advertising time during each program.

With the decline of the former mass media into more segmented and targeted options, the total audience size of even the largest vehicles is greatly reduced. The most-viewed episode of the most popular prime-time hit of recent years, such as the final episode of *Seinfeld*, had a smaller audience than any typical episode of successful programs of the 1970s. With smaller audiences, the broadcasters or networks need to sell more time or space to make the same amount of money because the advertisers have been resistant to paying much higher prices per viewer or listener to reach these audiences. Logically, marketing managers should be willing to pay more to reach narrowly targeted audiences with a less cluttered environment, but with few exceptions (e.g., Steinberg 2007; Steinberg and Vranica 2007), they are not.

To the dismay of companies that pay for these marketing messages, the clutter itself encourages greater commercial avoidance by the target audiences as it becomes easier for the consumers to do so. Televisions all have remote controls, and many people watch programs that they recorded, so they can skip the commercials. In addition, subscription-based networks do not include advertising. The formerly captive radio audiences of bored automotive commuters can listen to prerecorded music, talk to friends on their cell phones, or, like television audiences, subscribe to satellite-provided or other broadcast services that are delivered commercial free.
Advertising writers talk of writing messages so entertaining that they would “break out from the clutter.” As Howard Luck Gossage (1986), a member of the Copywriters’ Hall of Fame, often said a half century ago, “People read what interests them and sometimes it’s an ad.” Because mass media audiences are not captives, the messages cannot be written as if the advertiser is “shooting fish in a barrel.”4

However, others believe that marketing’s future lies in finding new ways to place the messages where consumers cannot avoid them, such as burying sales messages into entertainment programs, movies, or magazine articles (e.g., Donaton 2004). As a result, ambush media have proliferated. Viral marketing tries to generate buzz, awareness, shock, or surprise. Guerilla marketing tries to generate publicity. Companies try to generate word-of-mouth campaigns with key opinion leaders, and there are now companies whose networks of volunteers receive free samples of products in the expectation that these people will help sell the products to others.

Driving on highways south of Indiana in the 1970s, the scenery was covered with signs as thick as kudzu in Alabama, telling drivers to “See Ruby Falls.” It seemed like every barn wall, billboard, and farm animal that stood in the same place too long carried one of these admonitions. Highway beautification laws have torn down many signs, but companies are creating new ways to place advertising everywhere else, so away from the interstate highways, virtually no blade of grass is left uncovered. Although movie theaters were reluctant at first to accept any product advertising, they now run increasing quantities of sales messages before movies that push back feature start times and anger customers (e.g., Rotfeld 2006). Doctors and dentists have televisions in waiting rooms that sell health services. To hype the 2006 fall television season, CBS coated its network logo on 35 million eggs, put pictures of its shows’ stars on postage stamps, and carved the name of a new program into a 40-acre Kansas cornfield. So the solution for breaking out of the clutter is itself the creation of more clutter.

As commercial messages intrude into all areas of life in ways that no one can physically avoid, the messages are mentally tuned out by the desensitized audiences. By becoming a ubiquitous part of modern entertainment, product placements become part of the unnoticed perceptual wallpaper. Or worse, when noticed, the messages are not believed.

Consumers’ awareness of endless product placements in magazines, movies, books, and television programs makes them more skeptical of all mass media content, not just the portions clearly identified as advertising. Publicity itself becomes a weaker tool in consumer persuasion with each new discovery of yet another columnist or reporter paid to write certain stories. The well-known anchor for the CBS evening news program of my college years might have been the most trusted man in America, but journalism’s image has long been in decline. Modern surveys report many young people saying that they get most of their current events information from The Daily Show, a popular program on Comedy Central that is self-described as “fake news.”

In the end, covert marketing is not going into more credible formats or breaking out from the clutter. Instead, it creates new areas of consumer distrust with even more message clutter in new areas of the public space. It would be interesting to apply various tests of consumer skepticism to media content that research participants perceive as or believe might be advertising, regardless of whether the time or space was actually purchased by a sponsor.

Also overlooked in many discussions of covert marketing tools is the inherent limitation of the format that does not allow for much of detailed product information in the message. The message can be captive to forces outside the company’s control.

In January 2007, the trade magazine Advertising Age praised the movie tie-ins for cars in upcoming summer movies, though the value of these expenditures did not seem tied to audience responses. General Motors partnered to have its line of vehicles portray the animated robot characters in the Transformers movie. The vehicles in this case were central to the plot, though it is questionable whether audiences noticed the brands on the cars and trucks that turned into the robots or, more important, whether the fantasy of alien robots hidden in the vehicles added sales value. The real interest-provoking display for General Motors was not on movie screens but rather in the use of the transforming vehicles in traditional television car advertising with a focus on the car and statement of product benefits. That same magazine article also described how Dodge paid several million dollars and committed more than $10 million more from its marketing budget to design and brand the flying car used by the title characters in the movie Fantastic Four: The Rise of the Silver Surfer. However, the car itself seemed more Star Wars than street car, with the logo and car name so buried that few people could see it. It is doubtful that the huge expense returned a cost-effective positive impact on car sales when the movie displayed a flying car with Dodge lightly written on the hood.

Even when noticed and believed, most covert marketing alternatives depend too much on sales that might be driven by simple name recognition, with the possible added endorsement value of association with a star or popular movie. In many cases, not much else can be said about the product or service. This might work for some simple products, but most brands need more than a picture of the package to generate a strong brand image, and most product placements cannot do that.

Companies “Know” That It “Works”

In a joke my grandmother liked to repeat, an old woman walks into temple during a funeral service. Hearing the words about the illness of a loved one, she starts to call out, “Give him some chicken soup. Give him some chicken soup.” The rabbi stops and quietly says, “I’m sorry madam, but it is too late. It wouldn’t help.” She replies, “It wouldn’t hurt.” As I presented the recent examples of the car ties-ins with summer movies or some other examples of question-

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4Gossage died in 1969. As he put it, a huge quantity of boring and repetitive advertising message would work as a sales tool only if you are shooting fish in a barrel, “but the fish are starting to swim faster and developing armor plate” (Gossage 1986).
able impact to undergraduate classes, some students speculated that they might generate sales. When asked how or why this could happen, someone said, “It wouldn’t hurt.”

The millions of dollars reported to be spent on these product placements should be a questionable expenditure for their uncertainty of impact. However, there seldom appears to be even a limited degree of critical thinking behind the reported covert marketing efforts.

In the early 1990s, an encyclopedia company turned to publicity as its primary mass communications sales tool. The head of the company’s marketing department came to our campus to show the students his successes, which, like all publicists, consisted of a clip collection. He showed the students headlines from all major newspapers and video segments from every prime-time television news program, all describing how the new edition changed pictures used in the section on dinosaurs. In recent years, paleontologists altered their views of how the creatures walked around, with tails in the air instead of dragging on the ground, a change reflected in the new edition’s dinosaur illustrations.

The reason the new pictures in a small part of the multivolume books generated so much news was seen from the opening sequence in every television program in which they showed clips from the popular movie Jurassic Park that had come out earlier. Using the same information as the encyclopedia editors, the movie producer had the animated dinosaurs running with their tails in the air.

At the start of class after the publicist’s visit, a student sagaciously asked the prime question: Did the encyclopedia company have any evidence that parents would buy an expensive collection of reference books because it has pictures of dinosaurs that look like those portrayed in a movie? I did not know, because the publicist did not say, but I thought that the company probably did not.

As Gladwell (1998) notes, “The curious thing about our contemporary obsession with spin, however, is that we seldom consider whether spin works. We simply assume that, because people are everywhere trying to manipulate us, we’re being manipulated.” For most companies, publicity is an end unto itself. Just getting noticed is their goal. Many people repeat the phrase, “Any publicity is good publicity,” but it simply is not true when the goal is to sell a product.

Every textbook notes that the prime benefit of advertising over publicity as a communications tool is that the company is able to control the message. Contractual disagreements on product placements have generated lawsuits when the quantity of mentions or visibility of the brand is not what the company expected. Efforts at generating word of mouth can backfire if a small group of people picks up on a feature they do not like. Buzz itself can become negative, or even a disaster. Even great, positive buzz does not necessarily translate into sales, as was clearly shown with the box-office failure of the viral-popular movie Snakes on a Plane. Merely getting noticed is not a useful goal for any marketing effort (see Crain 2007).

There are anecdotes that describe product placement-generated publicity that drove increased product sales. Articles in academic journals reporting surveys or experiments tend to focus on narrow tests of certain situations, forced exposures of the messages, or self-reports of responses, but they do indicate situations in which product placements in programs or game shows can enhance the brand image with some consumers (see, e.g., Gould and Gupta 2006; Van Reijmersdal, Neijens, and Smit 2007). Placements can work, but that does not mean that they will work in any specific case. A positive brand image does not necessarily translate into sales. Most covert marketing efforts are undertaken with professional uncertainty of whether they will work, and the activities usually reflect pragmatic measurement of their impact.

A lot of ineffective covert marketing is created for the same reason that there is so much bad advertising. It is prepared with the goal of impressing other people in the business instead of first asking how or why consumers might buy a product (see, e.g., Rotfeld 2001). Companies are not doing these things because they know they work. At best, they hope that it might work, or they do it because everyone else is doing it. Too often, no one asks how or if the covert marketing effort could help generate sales.

The Public Policy Nonissue

The flood of sales messages filling all parts of modern life has been criticized for despoiling the landscape of our popular culture, but this is not a valid concern for public policy in a free market society. A greater issue comes from professionals who turn to covert marketing because they think they are getting away with something as they actively try to deceive consumers. It is easily possible to find companies that look for loopholes in laws and regulations as they attempt to deceive their customers into believing that their product is something it is not (Preston 1994, 1996). Untroubled by anything as inconveniencing as a scruple, some marketing people think that the straightest distance between two points is a tunnel. It is possible that some users of covert marketing tools think they are getting away with something, bypassing consumer skepticism or other perceptual defenses in their efforts to manipulate a hapless audience. An ethical issue in such instances turns on marketing intent, regardless of whether it works as intended.

Yet the consumer protection problem is not covert marketing itself. The hidden sales intent is only a minor part of the more significant problems that unethical deceptive marketing managers create. In the older case examples of deceptive infomercials, the companies pretended that their sales programs were objective talk shows, but the more important basis for regulatory action was that they were selling products that were unsafe or did not work. The consumers did not need protection from all infomercials; the programs generated their own basis for consumer skepticism. Today, some products are honestly (and maybe effectively) sold in infomercials, and some dishonest companies deceptively sell all sorts of things in any manner available.

In the end, as managers come up with new and creative efforts of covert marketing, they might break out from the clutter for a short time as they create new clutter. With increasing consumer skepticism of all information sources, a hidden sales intent would probably not matter as people selectively use or ignore the new materials. Covert marketing might or might not work as a marketing tool—as a practical matter, many of these efforts will probably be ineffective or, in the long run, self-defeating—but this is not the basis of public policy concerns. The important deceptions are not the marketing methods but rather the messages.
The people hired to wander around the public space trying to generate word-of-mouth buzz for their clients’ products might be hiding the sponsored nature of their efforts, but as with any other form of covert marketing, the existence of a hidden or unidentified sponsor is less important than whether the messages are true. In assessing the consumers’ interests, that is the real issue for covert marketing or any marketing tool.

References


