

UNDERCOVER MARKETING: CONVERSATION OR COMMERCE?

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UNDERCOVER MARKETING: CONVERSATION OR COMMERCE?**ABSTRACT**

Undercover marketing, a relatively new promotional method in which companies use paid employees to engage strangers in conversation about a product without disclosing their affiliation with the company, is growing in popularity. Though much is being written about the subject in the popular press, it is only beginning to be explored from an academic/research perspective. This study experimentally investigates ethical judgments of the method from the point-of-view of a primary target group: college students. A model is constructed, examining the predictive power of two situational variables (disclosure and sampling), and two individual-level attitudinal variables (attitudes towards advertising/marketing and attitudes towards business). Subsequent effects of ethical judgments on attitudes towards the company and attitudes towards the target brand were also examined. Findings reveal that the model is effective, and most notably, that non-disclosure is most predictive of ethical judgments; attitudes towards advertising/marketing acts as the most significant moderator; and that ethical judgments of the method significantly affect both company and brand attitudes.

INTRODUCTION

Marketing comprises a number of business processes charged with bringing a product or service from conception to consumption. A critical component, one that is a significant sales driver, is marketing communication and promotion. In an environment saturated by an increasing number and type of marketing messages, the growing challenge to professionals is in finding ways to cut through the clutter. Additionally, with the aid of DVR technology, together with increasing media savvy, consumers are increasingly able to bypass marketing messages altogether. In recent years, a method known as undercover marketing, stealth marketing, and underground marketing has surfaced as a viable, and in many cases workable, solution to these challenges (e.g., Carl 2006). Undercover marketing is hardly new, as references to stealth tactics can be easily found as far back as 1948 (cf. King and Summers 1970), but in recent years it appears to have reached a tipping point.

Consider the following scenario: a cute young couple approaches a stranger, asking the individual to take their picture. The individual obliges, and after the photo is taken, the two engage the stranger in conversation about the camera's quality and features. The conversation may prove informational and enjoyable, and it may also turn out to be fake, the young couple employed by the company that sells the camera, and the encounter an orchestrated attempt to manufacture buzz about the product. In short, it may be undercover marketing. Organizations that employ this type of marketing either pay people, or compensate them in some other way, to promote a product without disclosing their affiliation with a corporate entity (Carl 2006). Companies of all stripes are engaging in this type of promotion, including giants such as *Ford*, *Lee*, and *Sony* (Kaye 2005), and indeed, the "flavor of the day is marketing that you don't know is marketing" (Eisenberg 2002, p.1). Some, including *Sony*, which used a campaign similar to the

camera scenario described above (CBS 60 Minutes 2004) are talking about it, but many are not, because it is thought that explaining the plan would render it ineffective (e.g., Steinberg 2000).

Because not all companies who use undercover marketing disclose the fact, it is difficult to estimate the pervasiveness of the technique. However, in a recent American Marketing Association survey, a surprising 94% of respondents felt that “alternative” marketing approaches will be more used more frequently in the future (Atkinson 2004). Additionally, and more specifically, according to a 2005 survey of U.S. marketing executives conducted by CMO Magazine, 15% reported using or planning to use stealth marketing within the next six months (Emarketer.com 2005). Thus, undercover marketing is and may increasingly be a very real, if not readily apparent, marketing method encountered by consumers.

There is agreement that the method is relatively inexpensive (e.g., Ahmed 2000; Kaye 2001) and effective (e.g., Godes and Mayzlin 2004), but the big question remains: is it ethical? This question has been at the center of ongoing discussions, but it has yet to be systematically studied or quantified. Undercover marketing, because of its “under-the-radar” nature, has perhaps more potential to be found ethically objectionable than some other marketing methods, but it is not unreasonable to posit that consumers might instead find it perfectly acceptable. At present, the loudest voices on the subject are those of dissenting marketing professionals and writers for the popular press, but the opinions that really matter, those of “average” consumers, are as yet unaccounted for. The goal of this study is to survey these opinions, to measure ethical judgments towards undercover marketing from the point-of-view of the target audience, and to attempt to predict and explain the sources of these judgments. Though I will discuss at some length potentially unethical features of undercover marketing, my intent in doing so is not editorial commentary, but careful consideration of the elements which may lead consumers to judge it as unethical. Further, I will attempt to predict and explain ethical judgments of the method by

exploring critical individual and situational variables; the situational (manipulated) variables are: disclosure/non-disclosure and sampling/no sampling; the individual-level variables are attitudes towards marketing/advertising and attitudes towards business.

LITERATURE REVIEW

Marketing is a subject over which concerns of ethicality abound. According to Fraedrich, Ferrell, and Pride (1989), “many researchers [identify it] as an area where ethical problems exist” (p. 1), and indeed, research on the subject has increased substantially in the last two decades. Most of this research, as noted by Treise (1994), “typically addresses either the broad societal implications...in the form of social commentary or discusses the implications of these issues for practitioners” (p. 59). This is true, as well, in today’s extant business ethics literature, a pool of research that is disproportionately replete with studies from the point-of-view of marketing and business professionals. A consumer-based viewpoint, the viewpoint that will be taken by this study, is much less common. Moreover, with regard to examination of the specific component of deception as an ethical problem in marketing, the practices that are most commonly examined are advertising claims and marketing research, with much less attention paid to deception in other areas (Aditya 2001). Some writers for the popular press have compared undercover marketing with subliminal advertising, which has received some attention by researchers; however, such comparisons have been made only as a way to explain undercover marketing, by analogy, to those unfamiliar with it. Such comparisons should not be taken at face value, however.

Word-of-mouth marketing¹, which has similarities with undercover marketing, has received recent attention by Carl (2006). Word-of-mouth marketing, in which organizations attempt to

¹ Not to be confused with Word-of-Mouth communication in which consumers talk about products with friends and family, with no prompts/incentives from marketers.

generate buzz by seeking volunteers to try new products and then “talk them up” is similar to undercover marketing in that it exploits the power of word-of-mouth, using it as a marketing tool, but differs in two important ways. First, with word-of-mouth marketing, agents are largely volunteers, compensated only, if at all, with free samples (e.g., BzzAgent); thus, it’s plausible to assume that *they genuinely like the product*. Second, with word-of-mouth marketing, agents talk up the products among their social networks (friends, family, acquaintances, and coworkers), whereas with undercover marketing, agents are engaging strangers. This is an important distinction, as reactions of the agent’s “conversational partner,” a term Carl uses to refer to people whom the agents engage in conversation, should differ when they do not know the agent. Thus, though word-of-mouth marketing and undercover marketing share some similarities, the two are different enough that findings from the former cannot be assumed to accurately describe the latter. Confirming this notion, Carl explicitly calls for investigation of undercover marketing, noting that “future research should look at agencies that...pay their agents to spread buzz rather than working with volunteers, or who do not allow their agents to disclose their identities” (p.30). None have yet undertaken this investigation.

There are a number of streams of research from which I will draw key insights for the present study. Though they differ in perspective, end-goals, and theoretical underpinnings, each provides valuable insight to the study of ethics in undercover marketing.

Defining “Ethical” and “Moral”

Though some researchers make exclusive use of the term “morality” and some of “ethics,” the two terms are closely related and frequently used interchangeably (cf. Jones 1991). This study, as well, will not distinguish between the two. Further, I will not establish definitions for the terms “ethical” and “unethical,” or “moral” and “immoral” (for discussions regarding the difficulty of establishing definitions see Beauchamp and Bowie (1979) and Jones (1980)).

Instead, I will employ Haidt, Koller, and Dias' (1993) summary of Kohlberg (1969) and Turiel (1983) in order to provide foundational parameters distinguishing what makes an issue ethical in nature: "moral issues are intrinsically interpersonal issues, and actions are judged by their material and psychological consequences for others" (p. 2). In other words, an issue must be (1) interpersonal, that is, it must occur among or involve multiple people; and (2) it must have consequences which fall on a person other than the actor. Kohlberg (1969) and Turiel (1983) make the further distinction between actions with interpersonal consequences that are only meaningful in the context of a specific situation or social system and actions with interpersonal consequences that are intrinsically harmful, regardless of convention (Haidt et al. 1993). The idea that an act which causes harm to others is unalterably wrong is presumably universal, the harm inherent in the act understood even by young children as making it wrong even if an adult were to tell them it is permissible (Haidt et al. 1993). As it is reasonable to posit that judgments of an issue which fall into the "inherently harmful" type prove more salient and more enduring than those which fall into the "conventional" type, I will explore this distinction by measuring universality judgments of undercover marketing.

Additionally, I will draw from Shweder (1990) to supply the ethical values that are most likely to dictate moral judgments. Shweder argued for the existence of three codes of moral thought and discourse which cultures elaborate and rely on to different degrees. Each code is based on the way in which a culture conceptualizes the self. The code on which the West relies, he said, is the *ethics of autonomy*:

In the ethics of autonomy, the self is conceptualized as an individual preference structure, and the point of moral regulation is to increase choice, autonomy, and control (Haidt et al. 1993, p. 614).

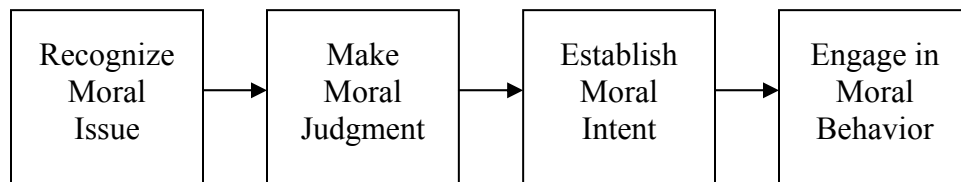
Corresponding to, and in upholding this concept of self, the ethics of autonomy has been "highly elaborated in the legal systems and moral philosophies of Western society" (p. 614). This

code corresponds closely to Tureil's moral domain, which focuses on harm, rights, and justice (Haidt et al. 1993). Thus, this study will assume the primacy of choice, autonomy, and control, values engendered in Shweder's ethics of autonomy, as well as Tureil's corresponding moral domain, which focuses on harm, rights, and justice, as foundational in ethical judgments. I will turn now to discussion of how I will approach the measurement of ethical judgments of undercover marketing.

Business Ethics

The burgeoning of the study of business ethics can be largely attributed to concerns over a business environment in which scandals of the type that occurred at *Enron*, *Worldcom*, and *Tyco* have taken place. In order to discover, and thus hopefully prevent future ethical lapses like those that facilitate such debacles, many researchers have attempted to conceptualize and delineate the process through which individuals make ethical decisions, leading to the development of numerous models; the most basic being Rest's (1986) four stage model (Figure 1).

FIGURE 1
Rest's (adapted) Ethical Decision Making Model (1986)



Much of this research focuses on behavior as the final stage, but some researchers have instead isolated the first two stages, narrowing their focus to recognition and judgment of an ethical issue. Because my research perspective is from the point-of-view of the observer of a situation, not the decision-maker who dictates it, this model provides an appropriate approach for this study. Research in this paradigm is based largely on theory by Jones (1991) who proposed a theoretical framework based on "moral intensity."

Moral Intensity

Moral intensity refers to “the extent of issue-related moral imperative in a situation” (Jones 1991, p. 372). Prior to Jones’ introduction of this construct, moral models used in business ethics research did not explicitly include characteristics of the issue itself as independent or moderating variables; rather, they focused primarily on individual-level variables, context, prior experience, deontological and teleological evaluation processes, and cognitive processing (cf. Weeks et al. 2005). Researchers who use Jones’ model, however, focus on the influence of characteristics of the situation itself as drivers of recognition and judgment of ethical problems (cf. McMahon 2002). Essentially, Jones introduced the construct of “perception of a situation as ethically problematic,” defined by the degree to which the situation contains ethically salient content. A number of researchers have used Jones’ work (e.g., Chia and Mee 2000) and identified morally intense components within scenarios in order to help understand why a situation is found to be unethical. Drawing from this approach to ethical study, I have attempted to identify the ethically salient issues potentially present in undercover marketing, the ethical content that will drive consumer recognition and judgment of the method as ethically problematic. These issues, frequently cited by those who comment on the method, are deception and manipulation. Thus, perception of these two salient issues in undercover marketing should drive judgment of the method as unethical. Additionally, adjusting their intensity should also adjust judgments of the ethicality of undercover marketing. More specifically, by making these issues more salient, higher levels of judgments of undercover marketing as unethical should be found.

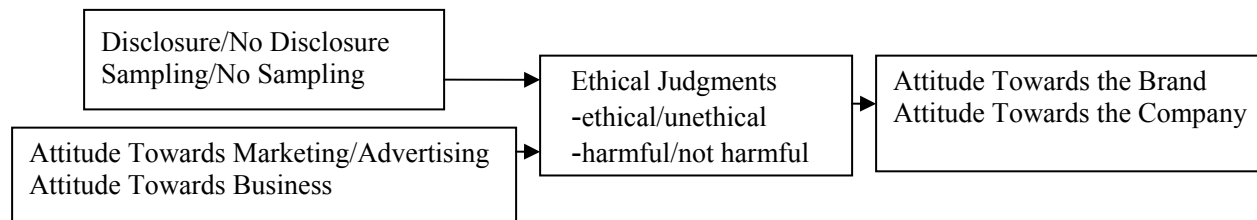
Next, I will introduce two variables, disclosure and sampling, which I contend manifest deception and manipulation, adjustment of which should make these issues more or less salient. Introduction of each variable will be prefaced by a discussion of the salient issue which it manifests. I will also introduce individual-level attitudinal variables, opinion towards

marketing/advertising, and opinion towards business, which will play important influencing roles in judgments. Discussion of these variables will begin with presentation of a representative model, after which each variable and its relative role will be considered individually.

A Model of Ethical Judgment of Undercover Marketing

Figure 2 depicts the proposed model for ethical judgments of undercover marketing. As the model indicates, two independent situational variables will determine ethical judgments of undercover marketing: disclosure and sampling. Judgments will also be informed by two important individual-level variables: attitude towards marketing/advertising, and attitude towards business. Dependent measures, which are grouped together under the construct “ethical judgments” will be a function of these situational and individual-level variables. Finally, ethical judgments of the method will influence attitudes towards the company and attitudes towards brand.

FIGURE 2
Hypothesized Relationships Among Constructs



I will turn now to discussion of each variable, its importance, role in the model, and supporting literature. Introduction of each of the two independent variables will be prefaced by a discussion of the salient issue(s) which they manifest.

Deception

Deception has been defined in various ways by numerous institutions and researchers. Two important guiding organizations in the field of marketing, the American Marketing Association (AMA) and the more recently formed Word of Mouth Marketing Association (WOMMA), both

condemn deception. Yet, neither provides a comprehensive, operational definition for the term. The WOMMA, in fact, provides no definition at all. Instead, in a list of what it calls “unethical word of mouth marketing tactics,” it includes stealth (undercover) marketing which is “designed to deceive people” (Womma.org 2006). It does, however, discuss honesty at length. In doing so, it outlines the importance of “honesty of relationship,” “honesty of opinion,” and “honesty of identity.” Clearly, these components of the WOMMA’s code of ethics were written with undercover marketing in mind, and indeed, the organization has struggled to differentiate word-of-mouth-marketing from undercover marketing, making it clear that it *is not* and *does not condone* the latter. Thus, the WOMMA is biased against undercover marketing and so its thoughts on the practice cannot be utilized in objective study of the issue.

The AMA does provide a definition for the deception, defining the term as “an unethical sales practice involving withholding information or telling “white lies”” (Marketingpower.com). Though this definition provides a good starting point in operationalizing the term, its use of the word “unethical” to define “deception” is circular, and doesn’t clarify the issue much. Further, a “white lie,” defined as a lie that is “often trivial, diplomatic, or well-intentioned” (Wikipedia.org 2006) seems an odd inclusion in the definition; deception is an important issue to many researchers (e.g., Skipper and Hyman 1993), hardly “trivial.” Additionally, though promotion is arguably a sales practice in that one of its end goals is to encourage purchase, its purpose also includes simply “spreading the word,” in which case the applicability of this definition becomes questionable. In sum, though not entirely without merit, neither the WOMMA nor the AMA provides a comprehensive definition for deception—not one that is appropriate for this study.

The Federal Trade Commission, the agency which regulates marketing as part of its mission to protect consumers, provides a three-pronged definition of the word. Deception exists, according to the FTC, (1) if the act is potentially or actually misleading, (2) the reasonableness of

the consumer's action in the circumstances prior to the deceptive act, and (3) if there are material consequences of the act for the customer (www.ftc.gov/bcp/policystmt/ad-decept.htm 2006); in short, the act must mislead reasonable consumers in a material way, causing physical or financial harm. Thus, under this definition even if a misleading act has taken place, if the consumer is not materially harmed by it, no deception has taken place. Additionally, other types of harm, including psychological harm (for example, anger, embarrassment, and offense) are not included. Thus, while the FTC apparently finds this a satisfactory definition for its purposes, because this research seeks to probe implications of deception other than material consequences, the definition utilized here clearly needs to be extended beyond this limited legal perspective. Even if undercover marketing is legal according to the FTC, its practice can nevertheless harm companies and brands if consumers feel it is unethical.

In undercover marketing, perhaps the most apparent source of potential for perceived deception is the nature of the method itself; that is, the practice of promoting a product while posing as "just another consumer." Webster's Encyclopedic Unabridged Dictionary (1996), defines the word "deceive" as "to mislead by false appearance or statement" (p. 516). The notion of *false appearance* is an especially important component of the definition in terms of potential for perceived deception in undercover marketing; thus, it will contribute significantly to judgments of ethicality of the method. Moreover, judgments of the method may carry over to ethical judgments of the information provided, as well; if consumers are suspicious of the method, they may also be suspicious of the information received via the method. Thus, consumer perceptions of deception attributed to undercover marketing's "false appearance" has twofold importance: first, it may lead consumers to call the method deceptive and thus unethical; second, it may lead them to then also perceive the information provided as deceptive and thus unethical.

Turning to the literature over the subject, we find consideration of the “false statement” component of the definition, or the potentially deceptive nature of the information itself. Miller, Mongeau, and Sleight (1986) describe deception as “message distortion resulting from deliberate falsification or omission of information by a communicator with the intent of stimulating in another, or others, a belief that the communicator himself or herself does not believe.” Thus, for these researchers, deception occurs if the marketer lies with intent to mislead. Writing about advertising, Gardner (1975) notes that it is also important to determine the effect of the message on the consumer’s “accumulated beliefs”; that is, if the consumer is left with “impressions and/or beliefs [that are] factually untrue or potentially misleading, deception is said to exist” (p. 42). Olson and Dover (1978) further note the importance of determining whether there are “harmful or dysfunctional effects on the consumer’s purchase decisions” (p. 30). The components noted by Gardner (1975) and Olsen and Dover (1978) are mentioned here because of their frequent mention in research on deception, but are beyond the scope of this study.

Thus, deception is a multidimensional issue that may involve one or more of the following: intent to mislead, false appearance, false statement, and consequences including material and psychological harm. Is undercover marketing deceptive? Do undercover marketers ever intentionally mislead consumers? After all, puffery (exaggerated claims or statements about the performance of a product or service that are recognized as such by potential customers and thus not usually considered deceptive (Marketingpower.com)) is legal. Is undercover marketing merely puffery, or is it more than that when the consumer doesn’t know the person promoting the product is a marketer? Is the method false in appearance or statement? Does it cause harm, material, psychological, or otherwise? Though I will not attempt to determine the factual answers to these questions, I will seek to understand consumer judgments regarding these issues.

Studies show that deception is an especially salient ethical issue. In a study by Skipper and Hyman (1993), truthfulness was found to be one of the norms that people most commonly invoke for ethical judgments. Additionally, in a study by Hyman, Tansey, and Clark (1982), deception was found to be more important to respondents than thirty-two other ethical issues. Thus, perception of deception as salient in undercover marketing should prove especially significant in leading consumers to judge the marketing technique to be unethical. The variable that largely manifests deception is the lack of *disclosure* that a business is paying an agent to push the product. If an agent discloses, false appearance should not be perceived. Additionally, perceptions of intent to mislead and false statement should be reduced. As a consequence, perception of harmful consequences should be reduced, as well. In sum, if the agent (marketer) discloses, the consumer should perceive less deception and thus judge the situation as less (or not at all) unethical. Conversely, if the agent does not disclose, the consumer should perceive higher levels of deception, and thus judge the method as more unethical. Further support of this argument can be found in Freistad and Wright's (1994) discussion of the persuasion knowledge model. They argue that when a consumer becomes aware of a persuasion attempt, a "change of meaning" will occur, which may lead consumers to:

"... disengage somewhat from the ongoing interaction, draw inferences of some sort, get distracted from the message, discount what the person says, etc. Further, whereas before the persuasion attempt consumers generated no particular evaluative feelings about the company, now they may begin to include assessments of the effectiveness of the tactic and how appropriate and fair it seems" (p.13).

In short, when consumers become aware that the scenario is undercover marketing, or a persuasion attempt, their attitudes will shift; they will become defensive, and they will form judgments about the method. Accordingly, my first hypothesis is as follows:

H1: Non-disclosure will yield judgments of undercover marketing as more unethical relative to disclosure, which will yield judgments of undercover marketing as less unethical.

Consumer Perception of Manipulation

One of the primary goals of marketing communication is to persuade. Though a debated topic in terms of what is acceptable, persuasion is nevertheless an accepted component of marketing, accepted largely because even if the persuasion methods in use are questioned, at the end of the day consumers are (usually) aware that they have been the targets of persuasion attempts and can thus “protect” themselves. Persuasion, defined as “caus[ing] somebody to adopt a certain position, belief, or course of action,” is, in simpler terms, an attempt to influence. Yet where, many have asked, does an attempt to influence, which is presumably generally accepted, become something closer to an attempt to control, which is presumably generally not accepted? What components of a marketing method shift it from a persuasion attempt to manipulation, or an attempt “to influence or control shrewdly or deviously,” especially “by artful, unfair, or insidious means” (M-w.com 2006)? This is an important question, and one that is commonly posed about undercover marketing (see 60 Minutes’ special report): is it manipulative?

In order to answer this question, it is important to first note that manipulation and deception are closely related, but distinct issues. Strictly speaking, deception is not always manipulation; that is, deception is not always intended as a vehicle or means to influence or control. In the case of undercover marketing, however, deception, where it exists, is such a vehicle. Thus, for the purposes of this study, manipulation subsumes deception. Again, strictly speaking, manipulation does not always involve deception. In the case of undercover marketing, this rule holds: there are means other than deception (as represented by the disclosure variable) that manifest the salient issue of manipulation. Thus, disclosure manifests both deception and manipulation, but because manipulation is present (or could be perceived as being present) in episodes of non-disclosure *via* deception, manipulation is a secondary consequence. Nevertheless, because the disclosure

variable manifests both salient issues, adjustment of this variable will be the most significant predictor of ethical judgments.

There is, however, a second variable which will be treated to adjust the salient issue of manipulation, thus adjusting ethical judgments. For purposes of clarification, it is helpful to first draw out an important component of the definition for manipulation: the word “control.” Manipulation is salient when, by some means, a marketer seeks to exercise control over consumers’ behavior, for example, their purchase behavior. If the consumer feels that she is in control, however, the salience of manipulation should fall and the consumer should judge the scenario as less unethical. In undercover marketing, a variable that can control consumer perception of control is product sampling; if the consumer is given the opportunity to sample the product being promoted, the salience of manipulation should fall. Consumers will have the ability to independently evaluate the product, and their judgment of the product will result more from having inspected its attributes rather than from the agent’s “pitch.” In sum, if a consumer has the opportunity to try a product, they will more likely feel as though their judgment of it is a result of their own independent evaluation of its quality, rather than being the result of manipulation. Based on this discussion, my second and third hypotheses are as follows:

- H2: If the opportunity to sample is provided, consumers will find the instance of undercover marketing less unethical.
- H3: Non-disclosure in combination with no sampling provided will yield the most significant judgments of undercover marketing as unethical.

Attitudes Towards Advertising, Marketing, and Business

Attitudes towards advertising, marketing, and business in general are final variables that should impact ethical judgments of undercover marketing. Researchers have, since as early as the 1950s, been conducting large-scale studies of public opinion on advertising (Beard 2003). Because many consumers equate advertising and marketing, together with the fact that

professionals argue that advertising and word-of-mouth marketing are in fact very similar (Womma.org 2006), research of attitudes towards advertising provides valuable insight for the present study. Researchers also conduct similar surveys of the public over their opinions and attitudes towards marketing (e.g., Beard 2003) and towards business (e.g., Bernstein, Arndt, Zellner, and Coy 2000). What these studies show is that there is a segment of consumers whose attitudes towards advertising/marketing are quite negative; the same is true of attitudes towards business. Among people who dislike advertising/marketing and/or business, this disposition will contribute substantially to their judgments of undercover marketing. In short, opinions towards marketing and business will affect consumers' responses to undercover marketing as follows:

H4: Consumers who have negative attitudes towards marketing and/or business will judge undercover marketing as more unethical relative to consumers whose attitudes towards marketing and business are relatively less or not at all negative.

How will Ethicality Judgments Affect Effectiveness of the Method and Consumer Attitudes?

In addition to determination of ethical judgments of the method, the resulting effect on consumer attitudes towards the product being marketed and towards the sponsoring company are also important to consider. More specifically, how will judgments of ethicality affect consumers' brand attitudes and attitudes towards the company?

Attitudes Towards the Brand. Research has shown that perceiving an ad to be unethical significantly and negatively impacts attitude toward the brand (cf. Dean 2005). Similarly, perception of a marketing method, in this case undercover marketing, as unethical should result in the same negative impact.

Attitudes Towards the Company. A company's image is the totality of impressions that it makes on the minds of consumers (Pope and Voges 1999). Part of that image is credibility, or the extent to which consumers trust the company (Keller 1998). When a company is seen as in violation of ethical norms, its credibility can be harmed, and conversely, when it exceeds

expected ethical norms, the result is more positive consumer attitudes (cf. Creyer and Ross 1997). Thus, with respect to undercover marketing, if consumers judge the method to be unethical (ethical), they should also have less positive (more positive) attitudes towards the company. Based on the above discussion, I propose:

- H5: Consumers who find undercover marketing more unethical will indicate more negative attitudes towards the brand, relative to consumers who find the method less unethical.
- H6: Consumers who find undercover marketing more unethical will indicate more negative attitudes towards the company, relative to consumers who find the method less unethical.

METHOD

Overview of Subjects and Procedure

Data was collected from 244 undergraduate students from two Western Universities (50% female, aged 18-51 [80 percent between the ages 20-25]). Four scenarios were created in a 2 (disclosure/non-disclosure) x 2 (sampling/no sampling) factorial design involving a hypothetical encounter with undercover marketing. According to Loo (2003), the use of self-report surveys containing ethical scenarios is a practical methodology in the study of ethics. Additionally, Couger (1989) noted that scenarios are useful in eliciting attitudes by personalizing a situation.

Each respondent completed a five page survey in a self-paced classroom setting (manipulations assigned randomly). Participants were told that the survey was intended to measure opinions about certain companies, their brands, and products. Following a brief instruction page telling respondents to proceed at their own pace and answer each question honestly, the survey presented measures to assess attitudes towards business and attitudes towards advertising/marketing, in that order. Next, the scenario was presented, followed immediately by evaluative questions about the scenario. Measures were then presented to assess attitudes towards the brand and attitudes towards the company, in that order. The survey

concluded with manipulation checks, demand assessments, and collection of demographic information (age, major, gender). Each subject was given a debriefing statement at the conclusion of the experiment.

Stimuli

As noted above, the stimuli created for this study were four scenarios involving a hypothetical encounter with undercover marketing (See Appendix A). The scenarios were designed to create two levels of each of the manipulated factors: i.e., disclosure/no disclosure and sampling/no sampling. Other elements deemed potential confounds were carefully controlled. The setting needed to be one in which the student respondents could easily imagine themselves, and one that would not, in itself, contaminate responses (e.g., a bar). Thus, the scenarios described an experience that occurred at the student's school campus. The product involved was a cell phone. The product also had to be one that would not contaminate responses (e.g., alcohol, cigarettes); and one that could be represented as "new" in some way, but not so new that respondents were unfamiliar with it. If the product represented was too new, the level of cognitive processing necessary to interpret the product information could interfere with attention paid to the details of the marketing method presented. Final potential confounds controlled were: the product does not tend to be an extremely high or low involvement product, it is not one for which quality has the potential to vary widely (i.e., respondents shouldn't doubt its basic efficacy), nor one for which judgment of quality is extremely subjective (e.g., a CD). A control for price sensitivity was included by noting that "the price of the phone is within the range [the respondent was] planning on spending." Finally, no brand name or company name was mentioned, nor was the sex or other descriptive details about the undercover marketer.

Scenario Evaluations Measures²

After each scenario, respondents were asked a number of evaluative and probative questions. First, two scales were presented to assess initial acceptability of the method (anchored “perfectly okay/very wrong,” and “acceptable/not acceptable;” Spearman-Brown Reliability Coefficient = .96). Next, respondents were asked to make an ethical judgment (“ethical/unethical,” “honest/dishonest,” and “up front/sneaky;” $\alpha = .88$). Then, drawn from Haidt et al. (1993), came a justification probe (“Please briefly explain your answer”) which was evaluated qualitatively (discussed later in the section entitled “Data Coding”). Next, a question to assess whether or not the respondent was “bothered” was presented (“If the situation described above happened to you, would you be bothered, not care, or think it was good?”; answer options “bothered/not care/good”), and was intended to personalize the situation by specifically asking “*if it happened to you*” (depending on a person’s construal of self, they may otherwise answer question with respect to its effects on others/society as a whole); and further, to measure responses to the slightly different meaning of “bother” as opposed to “acceptable” or “ethical.” Two questions to assess whether or not interference should occur, adapted from Miller, Bersoff and Harwood (1990) followed: (1) “Should the person described in the scenario be stopped? (2) Punished?” (answer options “yes/no/unsure”). A question to assess universality judgments, also adapted from Miller et al. (1990) was used to determine whether respondents universalized their judgments: “Would it be okay for countries to differ in their acceptance of the situation described above?” (“yes/no/unsure”). Finally, perceived harm resulting from the situation was assessed (“harmful/not harmful”), followed by an open-ended qualitative probe asking “If you feel someone is harmed, who is harmed? How?” (see “Data Coding” for discussion of analysis of responses to this question).

² All multiple-item scales averaged relevant items (nine-point scales, unless indicated otherwise).

Covariates and Ethical Judgment-Contingent Outcome Variables

Measures for attitudes towards advertising/marketing and for attitudes towards business asked respondents, via 9-point semantic differential scales, to rate their attitudes towards business and advertising/marketing on five scales anchored “negative/positive,” “unfavorable/favorable,” dislike/like,” “unpleasant/pleasant,” and “disagreeable/agreeable” (attitude towards advertising/marketing scale $\alpha = .95$; attitude towards business scale $\alpha = .92$).

Items assessing attitudes towards the cell phone and attitudes towards the company were identical to those used to measure attitudes towards advertising/marketing and business and also show high internal consistency ($\alpha = .97$ and $.98$, respectively). The survey concluded with questions aimed to determine whether respondents knew the purpose of the research—none did—and finally, demographic data was collected (age, major, and gender).

Data Coding

Responses to the two qualitative questions on the survey were coded into categories based on apparent themes. Analysis was theory driven, that is, it was assumed that Shweder’s choice, autonomy, and control would be reflected in responses. In following notable work in this area, data were also analyzed for exceptions to this theory (Gilly and Wolfinbarger 1998). Further, though repeating responses were utilized as representative of the sample, idiosyncratic responses were also given attention as “[offering] clues about the boundaries within which findings were relevant,” and as bringing to light “issues not articulated as well by other study participants” (Gilly and Wolfinbarger 1998, p.73).

The questions were explanatory (i.e., they asked respondents to explain their response to earlier—scaled—questions) rather than exploratory, and thus, coding was relatively straightforward and primarily involved determining (a) whether or not the respondent felt that the scenario was acceptable/harmful and (b) why. Further, in seeking to determine perceptions of the

specific issues of deception and manipulation, terms related to these ideas were carefully noted.

[See Table 1 for a description of the verbatim codes.]

[Insert Table 1 about here.]

Justification Probe. The justification probe asked respondents to explain their answers to five preceding scales (“Please briefly explain your answer to question 19”) on which they were asked to indicate whether the scenario was “perfectly okay/very wrong”, “acceptable/unacceptable”, “ethical/unethical”, “honest/dishonest”, and “up front/sneaky.” Six categories were delineated. The first category, *acceptability*, included straightforward responses as to whether or not the method was acceptable to the respondent. The second category, *descriptors*, included all *adjectives* respondents used to explain their response to the method’s acceptability (e.g., unfair, deceptive, creative). The third category, *assessments of effectiveness*, included any explicit analysis by the respondent as to the whether or not the method is effective as a marketing tool, and why. The fourth category, *cynicism* included responses indicating that the method was “not ethical” but that that was “to be expected from business.” The fifth category included references to the *information* provided by the marketer, including whether or not the information was biased. Additionally, a number of respondents noted that the undercover marketer should have provided a business card or a way to seek out further information on the product. The sixth, and final category, *control*, included references to the respondents’ control over the situation; this included references to both the amount of time the encounter spanned, as well as references indicating the nature of how they were engaged in the encounter (e.g., whether or not they willfully chose to speak with the marketer, or if they were “tricked” into doing so).

Harm Probe. The harm probe immediately followed a scale asking respondents to rate the scenario (on a 1-9 scale) “harmful” to “not harmful” and asked respondents “If you feel someone is harmed in the scenario, who is harmed? How?” Because this question was less open-ended

than the justification probe, categories were more straightforward and involved (1) the person (or entity) being harmed, and (2) how they were harmed. With respect to the person, or entity, being harmed, a common answer was the “sensitive” person, where the word sensitive appears to refer to proclivity to be offended. A second common answer was that “People who can’t make their own decisions” would be harmed. References of this type also, in some cases, included statements noting that “[T]hough I wouldn’t feel harmed, I can see why some people might.” Finally, and a bit surprisingly, responses referring to the company or the manufacturer as being harmed were also common:

It may harm the company [because] the person who was “tricked” could come to develop negative feelings towards the company.

The manufacturer would be harmed to a certain degree because the promoter may come across as being dishonest.

The company when people react negatively to feeling manipulated.

Moreover, respondents noted that attitudes towards companies and towards advertising could deteriorate over time as a result. A few respondents also ardently noted that “Society as a whole” would suffer harm. With respect to “how” the person or entity was harmed, respondents were largely inexplicably silent on this issue, limiting their responses to “who” was harmed. Those who did provide answers to “how” most frequently referenced “feeling manipulated,” “feeling tricked,” “losing trust [in advertising]”, and making a bad purchase decision as a result of the encounter.

RESULTS

Manipulation Checks

To measure the effects of disclosure and sampling on judgments, it was essential that respondents perceived the disclosure (or non-disclosure) and sampling (or non-sampling) in the scenarios. Both manipulations were effective ($F(1,237)=80.0, p<.001$ and $F(1,235)=53.1,$

$p < .001$, respectively). There were no significant differences across treatments for age or gender, and these variables did not impact the ANOVA or regression analyses reported below: thus, they are not discussed further.

Evaluations of Scenarios

The “moral judgment” construct is conceptualized as comprising two outcome measures: judgments of ethicality and judgments of harm. The ethical judgment construct is the most direct measure, and most important in this study. As noted above, harm is a specific component of ethicality that is thought to be of primary importance in the West’s ethical code, included here to gain enhanced insight into this important construct. Thus, for each hypothesis predicting judgments of ethicality, each of these two outcome measures will be examined individually. The following data were analyzed by means of ANOVA with post-hoc comparisons of individual cell means. [See Table 2 for a summary.]

[Insert Table 2 about here.]

Data analysis using “ethical” as the dependent variable showed statistically significant differences between treatments: a main effect for disclosure ($F(1,239)=44.76, p < .001$), a main effect for sampling ($F(1,239)=4.19, p = .04$), and a disclosure x sampling interaction ($F(1,239)=6.2, p = .01$). As hypothesized (H1), non-disclosure yielded judgments of the method as more unethical than did disclosure ($M=5.82$ versus $M=4.11$, respectively). Additionally, as hypothesized (H2), sampling yielded judgments of the method as less unethical than no sampling ($M=4.70$ versus $M=5.23$, respectively). Finally with respect to H3, a surprising finding emerged: non-disclosure in combination with no sampling did not yield the most significant judgments of the method as unethical; instead, non-disclosure/no sampling and non-disclosure/ sampling yielded very similar levels of ethical judgments ($M=5.88$ versus $M=5.76$, respectively). Notably,

however, sampling in combination with disclosure produced judgments of the method as *most ethical* ($M=3.53$).

Data analysis using “harm” as the dependent variable revealed a disclosure main effect ($F(1,237)=6.80, p=.01$), but showed no impact of sampling. The interaction between disclosure and sampling was also insignificant. As predicted (H1), non-disclosure yielded judgments of the method as more unethical than did disclosure ($M=3.31$ versus $M=2.65$, respectively). H2 and H3 were not supported by the data for the harm measure.

In summary, H1 was supported when “ethical” and “harm” were used as dependent variables. H2 and H3 received support only for the “ethical” outcome measure.

Effects of Attitudes Towards Business and Attitudes Towards Marketing/Advertising

In order to test the hypothesis (H4) that attitudes towards marketing/advertising and attitudes towards business will affect judgments of undercover marketing, ANCOVA was used: i.e., these two prior attitudinal evaluations were treated as covariates. As before, both “ethical” as well as “harm” variables were felt to be important as both reflecting “ethical judgments” and were thus both analyzed. Preliminary analysis, however, revealed no effect of attitudes towards business or of attitudes towards advertising/marketing on judgments of harm, so the findings reported below reflect only the “ethical” outcome measure.

Attitudes Towards Business. As hypothesized, attitudes towards business proved to have a significant moderating effect on ethical judgments ($F(1,236)=9.41, p=.002$) when treated as a covariate (evaluated at $M=7.21$). Comparison of estimated marginal means of the model that included attitudes towards business, versus the model that did not include attitudes towards business revealed minimal differences, however, for all but the interaction effect. Specifically, with attitudes towards business in the model, the means for “no sampling/disclosure” and for “sampling/no disclosure” were the same ($M=5.83$), whereas without attitudes towards business in

the model, these two interactions were different: “no sampling/no disclosure” was lower ($M=5.76$) and “sampling /no disclosure” yielded the highest mean ($M=5.88$). Also notable is that inclusion of attitudes towards business in the model increased R^2 from .189 to .222 (incremental $F(1,237)=10.05, p<.01$).

Attitudes Towards Advertising. As hypothesized, attitudes towards advertising also proved to be a significant moderator ($F(1,236)=11.66, p=.001$) when treated as a covariate ($M=6.91$). Notably, the significance of the sampling main effect increased (from $F(1,236)=4.19, p=.042$ to $F(1,236)=7.30, p=.007$) when attitudes towards advertising was added to the model. As before, comparison of estimated marginal means for the “full” model compared to the “reduced” revealed effects on both the differences between means for sampling as well as for the interaction. With respect to sampling, with attitudes towards advertising in the model, the mean for the “sampling” treatment was lower ($M=4.59$) than when attitudes towards advertising was not in the model ($M=4.70$). However, when subjects were not given the option to “sample” the product, changes in estimated marginal means were minimal ($M=5.27$ when attitudes towards advertising was in the model versus $M=5.23$ when attitudes towards advertising was not in the model). For the interaction, including attitudes towards advertising in the model resulted in the highest mean for the “no sampling/no disclosure” scenario ($M=5.88$ versus $M=5.76$ without attitudes towards advertising in the model), whereas without attitudes towards advertising in the model, “sampling/no disclosure” revealed the highest mean ($M=5.88$ versus $M=5.75$ with attitudes towards advertising in the model). Finally, inclusion of attitudes towards advertising in the model increased R^2 from .189 to .223 (incremental $F(1,237)=10.37, p<.01$).

In sum, H4 received partial support: attitudes towards advertising/marketing and attitudes towards business were significant when the “ethical” outcome measure was the dependent variable, but not for the “harm” outcome measure. Further, the effect of attitudes towards

advertising produced the interaction predicted by H3 (i.e. when attitudes towards advertising was in the model, no disclosure x no sampling yielded the most significant judgments of the method as unethical), though H3 was not supported with the original model. Bryman and Cramer (1997) recommend that researchers not include two covariates in a model when they are highly correlated, as it weakens the model. Attitudes towards advertising and attitudes towards business are, in fact, correlated ($r=.54$); interestingly, however, a model including both constructs reveals that attitudes towards advertising remains statistically significant ($F(1,233)=5.01, p=.026$), while attitudes towards business becomes statistically insignificant. A multiple regression confirms that attitudes towards advertising are more significant in predicting ethical judgments than are attitudes towards business, and in fact removes the effect of attitudes towards business on ethical judgments ($b=-.21, t=-2.28, p=.023$ for attitudes towards advertising versus $b=-.17, t=-1.52, ns$ for attitudes towards business).

Effect of Ethical Judgments on Brand and Company Attitudes

In order to measure the effects of ethical judgments on brand attitudes and company attitudes, two separate ANOVAs were performed together with comparison of mean scores: a 2 (sampling/no sampling) x 2 (disclosure/non-disclosure) x 2 (low/high ethicality) ANOVA, and a 2 (sampling/no sampling) x 2 (disclosure/non-disclosure) x 2 (low/high harm) ANOVA. The two levels for both ethical judgments were created via a median split of each construct. As hypothesized, judgments of ethicality (as measured separately by both the “ethical” and the “harm” outcome measures) affected both attitudes towards the brand (H5), as well as attitudes towards the company (H6). More specifically, more negative ethical judgments yielded less favorable brand and company attitudes.

When the “ethical” measure was used as a predictor, the effect of ethical judgments on brand attitudes was significant ($F(1,239)=46.590, p<.001$), with more negative ethical evaluations

resulting in less favorable brand attitudes ($M=5.36$ for “unethical” versus $M=7.52$ for “ethical” judgments). The effect on company attitudes was significant as well ($F(1,239)=106.45, p<.001$), and again, more negative ethical evaluations resulted in less favorable company attitudes ($M=3.57$ for “unethical” versus $M=6.98$ for “ethical” judgments).

When the “harm” measure was used as a predictor, the effect on brand attitudes was significant ($F(1,237)=21.37, p<.001$): i.e., higher degrees of perceived harm resulted in less favorable brand attitudes ($M=2.84$ for “harmful” versus $M=5.88$ for “not harmful”). The effect on company attitudes was also significant ($F(1,237)=36.24, p<.001$), with higher perceived harm yielding less favorable company attitudes ($M=3.25$ for “harmful” versus $M=5.73$ for “not harmful”).

In sum, H5 and H6 both received support: the effect of ethicality judgments on brand attitudes and on company attitudes is statistically significant, with more unfavorable/negative judgments of ethicality and perceived harm resulting in less favorable brand and company attitudes. One point of interest is that judgments of harm, as compared to ethical judgments, appear to more negatively affect brand attitude and company attitude (as indicated by the individual treatment means). A caveat to this finding, however, is that the incidence of respondents finding the situation harmful was relatively small ($n=85$) compared to those who rated it not harmful ($n=156$).

Bother, Interference, and Universality Assessments

Bother. In response to the question asking respondents if they were bothered by the scenario, only 12 percent of respondents indicated that they were “bothered,” with the majority indicating that they “didn’t care” (60 percent; 28 percent indicated that it was “good”).

Interference. For the question assessing whether or not the scenario should be subject to “interference” (stopped and/or punished), 12 percent indicated that the undercover marketer

should be stopped and 62 percent indicated that they should *not* be stopped (26 percent indicated that they were “unsure”); further, a scant 4 percent indicated agreement that the undercover marketer should be punished, while a significant 86 percent indicated that they should *not* be punished (10 percent were unsure).

Universality. Respondents who answered that it was not okay for countries to differ in their acceptance of the scenario were, by definition, universalizing their judgments. In order to more meaningfully interpret judgments of universality, it was examined both by itself as well as in conjunction with the ethical outcome measure. Overall, 14 percent of respondents universalized their judgments and 67 percent did not (19 percent indicated that they were “unsure”). Of those who judged the scenario as unethical, 18.6 percent universalized their judgments; that is, they indicated that undercover marketing is both unethical, and also that it is an issue whose ethical acceptability is not subject to local convention, but that it is *universally* wrong. The majority, 52 percent, indicated that the scenario is ethical, and also did not universalize their judgments; that is, they indicated that this issue is ethically acceptable, and also subject to local convention. In sum, undercover marketing appears to be seen, even by those who judge it as unethical, as an issue which is conventional, not universal.

GENERAL DISCUSSION

This study had four primary objectives: (1) to determine consumers’ ethical judgments of undercover marketing, and more specifically, to determine whether manipulation of disclosure and sampling would shift those judgments; (2) to attempt to infer and explain sources of ethical judgments; (3) to determine whether preexisting attitudes towards advertising/marketing and towards business would affect ethical judgments; and (4) to determine the effect of ethical judgments on attitudes towards the brand and the company engaging in undercover marketing.

The results demonstrate that disclosure and sampling do in fact alter ethical judgments, such that when respondents were presented with a scenario that indicated non-disclosure (as opposed to disclosure) by the undercover marketer, they judged it as more unethical; and when presented with a scenario that indicated no sampling (as opposed to sampling), they again judged it as more unethical. Surprisingly, the combination of non-disclosure and no sampling did not yield the most significant judgments of the method as unethical; instead, ethical judgments by those exposed to this combination of treatments were very close to the non-disclosure/sampling scenario. Notably, however, disclosure/sampling produced judgments of the method as *most ethical*. What these findings indicate is that the effect of sampling is secondary to the effect of disclosure when the two variables are examined in combination. That is, when combined with non-disclosure, whether or not sampling was offered did not appear to matter to respondents—ethical judgments were nearly the same in both non-disclosure scenarios. When sampling occurs together with disclosure, however, sampling does have an effect, leading respondents to judge the scenario as more *ethical*. Thus, non-disclosure is the most predictive of ethical judgments. What this means for companies who use this method is that if they choose to follow a policy in which agents disclose, it would behoove them to also provide consumers with the opportunity to sample the product. If they do not disclose, however, it does not much matter whether or not they offer sampling, in terms of ethical judgments.

With respect to judgments of harm, findings indicate that only the disclosure manipulation impacted judgments; more specifically, when respondents were presented with a scenario in which the agent did not disclose, they judged it as more unethical. Again, this suggests that non-disclosure is the most predictive of judgments under examination in this study. Thus, if firms that use this method wish to be perceived as ethical, they may want to consider encouraging their agents to disclose their affiliation—that is, that they are “on the job.” Moreover, the importance

of ethical judgments has practical/managerial importance, since judgments of ethicality lead to attitudes towards the brand and company involved.

Findings from qualitative data indicate that consumers want to feel as though they are in control. They did not like feeling “Tricked into a sales pitch” but indicated that if they engaged the undercover marketer, then it was okay.

“I think everything is okay with the story. I initiated contact so it’s not like I was tricked.”

“If I was interested in the phone, it’d be okay. If I didn’t show interest and this person continued to market their product to me, that is not okay.”

Additionally, some respondents liked the idea that they could ask questions about the phone and (in the scenarios indicating sampling) even try it out.

Also consistent with the importance of consumer control, the amount of time the encounter took, especially in the disclosure scenarios, was important to respondents. A number of respondents noted that the scenario “wasted their time.” Alternatively, however, a number of respondents noted that the scenario was fine, because after all, they could just “walk away.” In sum, companies who use undercover marketing as a promotional tool should take steps to ensure that the consumer feels in control of the encounter. If possible, the consumer should engage the marketer in conversation, not the other way around, and the consumer should dictate the pace and length of the conversation, and should be provided with a way to independently seek out more information on the product.

On the whole, respondents were not bothered by the scenario. Interestingly, it appears that consumers indeed, as posited earlier, make the distinction between judging the scenario as “unethical” and judging it as “bothersome,” with far less respondents indicating that they were bothered by it than indicating that it was unethical. At least two possible explanations exist for this finding. First, business ethics is an applied discipline; that is, companies attempt to

encourage ethical behavior by outlining specific behaviors that should be adhered to. Yet, the notion of ethics in its Socratic-Platonic tradition is more consistent with “ideals” of behavior. In this way of viewing ethics, ethical behavior is something to aspire to—the yardstick that, though unreachable, is aspired to because in doing so behavior will be enhanced for the good. Thus, for consumers who view ethics in this way, it may be easy to judge a scenario as “unethical,” yet not bothersome; though undercover marketing may not stand up to “ideals,” consumers are nevertheless not “bothered” by it.

A second possible explanation for this finding is that, though we are a society with independent construals of self, i.e., we view the self as separate from others, and thus base our moral judgments on “the self as an *individual preference structure*” (cf. Haidt et al. 1993), researchers have also found that in situations where there is some other (usually majority, or powerful) group acting on a second group, the second group will employ an “ethic of care” characterized by an *interdependent* construal of self, where concern for others becomes paramount (cf. Tronto 1987), especially for people with whom they feel physically or culturally close (Tronto 1987). To the degree that consumers view marketers as a “majority” or “powerful” group, it can thus be argued that they become concerned with how the marketers’ actions affect not only themselves, but others, as well. This notion is reflected in verbatims by respondents indicating concern for “sensitive” or “uninformed” consumers who might be negatively affected by undercover marketing. Thus, because the “bother” probe asked “*If the situation happened to you...*”, respondents were prompted to adopt an independent construal of self, whereas the questions over ethicality did not specify an affected party, and thus respondents could have instead adopted an interdependent construal of self in their evaluations, taking into account the effect of the scenario on others. In either case, what this finding means for practitioners of undercover marketing is that consumer judgments of the method as unethical is not the only

measure to take into consideration in determining their overall evaluations of the scenario. Further, the fact that a relatively small percentage of consumers indicated that they were personally “bothered” by it is good news for those who use this method, though this does not necessarily mean that they will be responsive to the method.

Universality and interference judgments were included because, as noted by Haidt et al. (1993), if respondents view undercover marketing as morally (ethically) wrong, they will endorse two beliefs that are commonly held about prototypical moral violations: “First, people should not be at liberty to perform these acts; they should be stopped or punished. Second, the wrongfulness of these acts is universal, not contingent on local customs or convention” (p. 613). The majority of respondents did not feel that the undercover marketer should be stopped or punished. This finding was at first quite surprising, but analysis of qualitative data revealed that respondents felt that the undercover marketer was just doing their job (e.g., “It’s their job, they should not be punished!”). Because the undercover marketer presented in the scenario was indicated as a peer of the student (i.e., they were another student), and because the scenario specified that the marketer was instructed not to reveal that they were “on the job,” it appears as though respondents did not hold the undercover marketer responsible for any negative effects of the scenario. A question asking “Should the company who employed the undercover marketer be stopped?” and “punished” would likely yield a higher incidence of respondents indicating agreement. Additionally, the universality probe revealed findings indicating that this issue is not seen as universal. That is, respondents indicated that it was okay for countries to differ in their acceptance of the situation. In sum, the interference probe findings indicate that consumers will not call for regulation of undercover marketing, and the universal probe findings indicate that undercover marketing is perceived as a conventional issue, which means that it is subject only to local regulation, if any.

In terms of attitudes towards advertising/marketing and attitudes towards business, significantly, if perhaps not surprisingly, findings indicate that such attitudinal judgments affected judgments of ethicality of undercover marketing. Despite the fact that the college-age cohort is well-documented as not trusting advertising and marketing (e.g., Wolburg and Pokrywczynski 2000), students in the sample indicated very positive evaluative (i.e., “like/dislike”) attitudes. Additionally, though some argue that because students today reached college-age in a period in which businesses were heavily criticized for unethical practices (Beard 2000) and are thus more cynical, students in the sample nevertheless indicated very positive attitudes towards business. Attitudes towards advertising/marketing and attitudes towards business resulted in slightly reduced judgments of the method as unethical. Notably, sampling became more important when attitudes towards advertising/marketing were considered. In the earlier model, the effect of the sampling manipulation on ethical judgments proved to be secondary to the effect of the disclosure manipulation. When attitudes towards advertising were added to the model, however, the effect of sampling became more significant. Specifically, when respondents were presented with the opportunity to “sample” the product, this led them to rate the scenario as being more ethical. Additionally, in the interaction between the sampling and disclosure manipulation, sampling proved to affect judgments such that the disclosure manipulation did not eclipse the sampling manipulation, as in the model that did not include attitudes towards advertising/marketing. That is, sampling in combination with non-disclosure yielded judgments of the method as more ethical as compared to no sampling in combination with non-disclosure. Perhaps consumers with more positive attitudes towards advertising/marketing are less likely to question the intent of the marketer and instead view the scenario simply as an opportunity to receive information about a new product and further, to view the opportunity to sample the product as important in helping them to evaluate it. Further, sampling

is important to consumers with less positive attitudes towards advertising/marketing, as they will feel more comfortable with the method when they can sample the product and make an independent evaluation. Thus, college-age students largely *do not* dislike advertising/marketing and business and as a result, they don't particularly dislike undercover marketing. But for those who do dislike marketing, sampling helps to alleviate their concerns about the method.

With respect to attitudes towards business, a surprising finding is that when attitudes towards advertising/marketing and attitudes towards business are evaluated together, attitudes towards business becomes insignificant. Because "attitude towards business" is a conceptually broad construct, it is perhaps not so surprising that respondents' attitudes towards business were not as impactful on ethical judgments of undercover marketing as was the more directly comparable measure of attitudes towards advertising/marketing. The implication of this finding is that future research in this area need not focus on attitudes towards business, but on attitudes towards marketing/advertising, in seeking to predict and explain judgments of undercover marketing.

Not surprisingly, and consistent with earlier research (e.g., Creyer and Ross 1997; Dean 2005) findings indicate that ethical judgments significantly affected brand and company attitudes. A number of respondents explicitly indicated that the company associated with the scenario would be harmed by use of the method. As one respondent wrote, "The cell phone company intentionally misled me...what else are they willing to do?" Much research in the area of company credibility and advertising indicates company credibility as a predictor, rather than a determinant, of advertising effectiveness (cf. Carrillat, Lafferty, and Harris 2005). Thus, the relationship between attitudes towards the company and attitudes towards the marketing or advertising used by the company is circular: that is, attitudes towards undercover marketing will influence attitudes towards the company, which will in turn influence subsequent effectiveness of advertising and marketing used by the company. This is important to note, as the effects of

judgments of ethicality of undercover marketing has more far reaching effects than short-term attitudes. Similarly, transference of ethical judgments to brand attitudes can be lasting and difficult to correct. Moreover, when the brand is unknown, the effect of attitudes towards the ad or promotional method is especially important in attitude formation/change (Carrillat et al. 2005).

Limitations and Future Directions

Some limitations should be noted. First, the sample largely comprised undergraduate business majors. This is likely the reason for the high means for attitudes towards business and attitudes towards advertising, and makes findings of these variables as moderators of ethical judgments perhaps different than would be the case in a more representative sample. Yet, despite the high mean, moderation was still significant; thus, the moderation effect in more representative sample would likely be even more significant, and the findings of this study provide initial evidence to the moderation, a relationship that can now be further explored. Second, regarding the survey instrument, in addition to the question asking respondents if the *undercover marketer* should be stopped or punished, respondents should have also been asked if *the company involved* should have been stopped or punished. Additionally, undercover marketing's effectiveness is often attributed to the charm and/or attractiveness of the undercover marketer; reading a scenario is clearly not the same as actually being exposed to a "real life" encounter with an undercover marketer.

Finally, the model's R^2 was small ($= .223$); thus, there are other factors that may be related to judgments of undercover marketing, such as affective variables (e.g., respondents' "gut reactions" to the method or their need for cognition), respondents' general tendency to be morally outraged, respondents' ethical ideology (i.e., relativism and idealism [cf. Forsyth 1992]), and additional perceptions about the situation itself. Because ethical judgments are

multidimensional and complicated, a predictive approach is quite difficult. Future research in this area should take an exploratory approach (e.g., via focus groups or in-depth interviews), and attempt to identify additional relevant antecedent and consequent variables. Finally, future research should seek to determine undercover marketing's effectiveness in driving sales, and additionally, in perpetuating the spread of buzz about the product.

CONCLUSION

Research in the area of word-of-mouth marketing is only just beginning, and this study has revealed a number of useful initial findings. Though writers for the popular press and a number of vocal marketing professionals have voiced opinions indicating that undercover marketing is unethical, this study reveals that for a number of consumers, the method is not so problematic, after all. Additionally, this study reveals the importance of consumers feeling as though they are in control of the undercover marketing encounter, as well as the importance of providing consumers with the opportunity to sample, in order to alleviate concerns with the method. For marketers, understanding how consumers perceive their practices, as well as the origins of those perceptions, is important; and in an environment in which consumers are increasingly mistrustful of marketing and business, practitioners must take special care to ensure that they do not cause potentially irreparable damage to their brand and company. This study has provided a number of useful insights, and further exploration of this issue should shed further light on how consumers form their ethical judgments, thus allowing marketers to adjust their practices to be more well-received by consumers, which will ultimately work to the benefit of not only the companies, but consumers as well.

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TABLE 1
Verbatims

Acceptability

“I agree that it is perfectly okay.” (ND, NS)

“I don’t see anything wrong with [the method].” (ND, S)

“[The method is] sneaky and borderlines on unethical.” (D, S)

Descriptors

- Sneaky (D, S)
- Informative (D, S)
- Very creative (ND, S)
- Brainwashing (ND, S)

Assessments of Effectiveness

“It is a good marketing tool. Word of mouth is very effective.” (ND, S)

“I think it’s okay for marketers to sell in this way [because] it doesn’t make me feel pressured to buy it, but helps me decide for myself.” (ND, S)

Information

“The information...is only benefiting the curious customer.” (ND, NS)

“Whether or not the information is correct is the most important.” (ND, S)

“The [undercover marketer] should have left a business card or more [product] information.” (D, NS)

“The person is not giving me an unbiased opinion.” (ND, S)

Cynicism

“It may not be ethical, but that’s advertising.” (ND, NS)

“It’s not ethical, but it’s a good way to promote a product.” (ND, S)

Control

“I think everything is okay with the story. I initiated contact so it’s not like I was tricked.” (ND, NS)

“How much time did [the encounter] take? That is important.” (D, S)

TABLE 2
Summary of Treatment Cell Statistics¹

<i>Construct</i>	<i>Disclosure/ Sampling</i>	<i>Non-Disclosure/ Sampling</i>	<i>Disclosure/ No Sampling</i>	<i>Non-Disclosure/ No Sampling</i>
Ethicality	3.53 (0.25)	5.88 (0.26)	4.70 (0.26)	5.76 (0.25)
Harm	2.45 (0.25)	3.43 (0.25)	2.83 (0.26)	3.18 (0.25)
Attitude towards Business	3.55 (0.25)	5.83 (0.25)	4.61 (0.26)	5.83 (0.25)
Attitude towards Advertising/Marketing	3.44 (0.25)	5.75 (0.25)	4.67 (0.25)	5.88 (0.25)
Attitude towards the Brand	6.62 (1.90)	6.39 (1.96)	6.17 (1.91)	5.90 (1.93)
Attitude towards the Company	6.02 (1.81)	5.20 (2.33)	5.11 (2.04)	5.03 (2.20)

¹ Means and (standard deviations).

APPENDIX**SURVEY: SCENARIOS**

[Disclosure; Sampling]

You've been thinking it might be time to look into getting a new cell phone. One day you're at school, waiting outside of one of your classes and a person nearby is fiddling with one that looks like a new model. The person notices you looking at their phone, so they start telling you about it. You find out that it is, in fact, a new model. The person also tells you that it's a great phone. It has all of the standard features (calling and text messaging capabilities, calendar, alarm, etc.), "but," the person tells you, "it also lets you download and play music." "The price of downloads is similar to the price of downloading songs for mp3 players," they continue, "and the music files can be transferred to an mp3 player." You also find out that the price of the phone is within the range you were planning on spending. The person goes on to tell you that they work for the promotions department of the company that sells the product. They then hand the phone to you, letting you look at it and check out its features. You even make a few calls to friends, send a text message, and download and listen to a song. After a bit, the person tells you that they have to go; they retrieve the phone from you, then turn and walk away.

[Disclosure; No sampling]

You've been thinking it might be time to look into getting a new cell phone. One day you're at school, waiting outside of one of your classes and a person nearby is fiddling with one that looks like a new model. The person notices you looking at their phone, so they start telling you about it. You find out that it is, in fact, a new model. The person also tells you that it's a great phone. It has all of the standard features (calling and text messaging capabilities, calendar, alarm, etc.), "but," the person tells you, "it also lets you download and play music." "The price of downloads is similar to the price of downloading songs for mp3 players," they continue, "and the music files can be transferred to an mp3 player." You also find out that the price of the phone is within the range you were planning on spending. The person goes on to tell you that they work for the promotions department of the company that sells the product. You ask to take a look at the phone and to try it out, but at this point, the person tells you that they have to go; they turn and walk away.

[Non-disclosure; Sampling]

You've been thinking it might be time to look into getting a new cell phone. One day you're at school, waiting outside of one of your classes and a person nearby is fiddling with one that looks like a new model. The person notices you looking at their phone, so they start telling you about it. You find out that it is, in fact, a new model. The person also tells you that it's a great phone. It has all of the standard features (calling and text messaging capabilities, calendar, alarm, etc.), "but," the person tells you, "it also lets you download and play music." "The price of downloads is similar to the price of downloading songs for mp3 players," they continue, "and the music files can be transferred to an mp3 player." You also find out that the price of the phone is within the

range you were planning on spending. They then hand the phone to you, letting you look at it and check out its features. You even make a few calls to friends, send a text message, and download and listen to a song. After a bit, the person tells you that they have to go; they retrieve the phone from you, then turn and walk away.

A few days later, a person in one of your classes tells you that they, along with a dozen other students on campus, just got jobs promoting a new cell phone that downloads and plays songs, but that the company they work for instructs them not to tell people that they are “on the job”. You describe the encounter you had a few days ago with a person and their new cell phone and your classmate confirms that you were actually talking to someone paid to promote the phone.

[Non-disclosure; No sampling]

You've been thinking it might be time to look into getting a new cell phone. One day you're at school, waiting outside of one of your classes and a person nearby is fiddling with one that looks like a new model. The person notices you looking at their phone, so they start telling you about it. You find out that it is, in fact, a new model. The person also tells you that it's a great phone. It has all of the standard features (calling and text messaging capabilities, calendar, alarm, etc.), “but,” the person tells you, “it also lets you download and play music.” “The price of downloads is similar to the price of downloading songs for mp3 players,” they continue, “and the music files can be transferred to an mp3 player.” You also find out that the price of the phone is within the range you were planning on spending. You ask to take a look at the phone and to try it out, but at this point, the person tells you that they have to go; they turn and walk away.

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