

Commercial Communication in the Digital Age

Age of Access? Grundfragen der Informationsgesellschaft



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Volume 7

Commercial Communication in the Digital Age

Information or Disinformation?

Edited by
Gabriele Siegert
M. Bjørn von Rimscha
Stephanie Grubenmann

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Editor's Preface

Whenever we talk about information, *access* is one of the terms most frequently used. The concept has many facets and suffers from a lack of definition. Its many dimensions are being analysed in different disciplines, from different viewpoints and in different traditions of research; yet they are rarely perceived as parts of a whole, as relevant aspects of one phenomenon. The book series *Age of Access? Fundamental Questions of the Information Society* takes up the challenge and attempts to bring the relevant discourses, scholarly as well as practical, together in order to come to a more precise idea of the central role that the accessibility of information plays for human societies.

The ubiquitous talk of the “information society” and the “age of access” hints at this central role, but tends to implicitly suggest either that information *is* accessible everywhere and for everyone, or that it *should be*. Both suggestions need to be more closely analysed. The first volume of the series addresses the topic of information justice and thus the question of whether information *should be* accessible everywhere and for everyone. Further volumes analyse in detail the physical, economic, intellectual, linguistic, psychological, political, demographic and technical dimensions of the accessibility and inaccessibility of information – enabling readers to test the hypothesis that information *is* accessible everywhere and for everyone.

The series places special emphasis on the fact that access to information has a diachronic as well as a synchronic dimension – and that thus cultural heritage research and practices are highly relevant to the question of access to information. Its volumes analyse the potential and the consequences of new access technologies and practices, and investigate areas in which accessibility is merely simulated or where the inaccessibility of information has gone unnoticed. The series also tries to identify the limits of the quest for access. The resulting variety of topics and discourses is united in one common proposition: It is only when all dimensions of the accessibility of information have been analysed that we can rightfully speak of an information society.

André Schüller-Zwierlein

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Introduction: Commercial Communication in the Digital Age – Disinforming Informed Users?

The lines between different advertising formats and other forms of corporate communication are blurring. Thus, this book is not primarily about advertising or online word of mouth, it is not primarily about PR or native advertising and it is not primarily about e-commerce and viral marketing. Rather, the title and the book as a whole summarize the broad range of formats and types that can be subsumed under the heading “commercial communication”. All these formats and types of commercial communication face the same challenges in the digital age and are mainly induced by technological innovation. This rapid technological evolution includes changes in the media usage and the business and revenue models of the communication industry, with the effect of changing the threats to the individual user.

In this book, we proceed from two observations: Firstly, the amount of information available has risen – providing the context in which commercial communication takes place. Secondly, the vehicles and means of commercial communication in general have changed. However, we question whether the amount of information concerning commercial communication has risen correspondingly and whether this information is even readily accessible to consumers. Are digital consumers informed consumers? Does commercial communication in the digital age provide information or disinformation? And what does the answer mean for its effectiveness? The various contributions to this volume consider the question of whether commercial communication in the digital age differs from commercial communication in the traditional offline-world and whether it is disinforming informed users.

Observation 1: The Amount of Available Information in General has Risen

With the rise of the Internet, traditional media have lost their monopoly on mass communication. Digital publication is easy, cheap, and open to anyone with Internet access. By implication, new communicators and publications flood the net: Up to February 2016, 1,900,000 articles had been published on *Wikipedia* (<https://tools.wmflabs.org/steinsplitter/Meilensteine/>). At the time of writing

this introduction, 28,000 tweets were published every five seconds on *Twitter* and 115 new posts appeared on a *WordPress* blog while ten hours of new content was uploaded onto *YouTube* (<http://pennystocks.la/internet-in-real-time/>). Individual and corporate publishers, professionals and nonprofessionals, communicators from around the globe, shape this vivid digital-content ecosystem. In this environment users are not just confronted with what researchers call “information overload” (Eppler, Mengis 2004) but also with a variety of new information sources and the challenge of evaluating them.

Among them we increasingly find commercial organizations, expanding their corporate communications departments and producing professional media products to directly target their (potential) customers online – bypassing former mediators such as newspapers, magazines or TV and radio. According to an annual study conducted by the Content Marketing Institute, 76% of B2B marketers surveyed and 77% of B2C marketers in North America say they will produce more content in 2016 than they did in 2015, investing on average 28% (B2B) and 32% (B2C) of their total marketing budget (not including staff) into it (Content Marketing Institute et al. 2016a; Content Marketing Institute et al. 2016b). Today’s media shift shows similar dynamics to previous platform transitions, except for one major difference: there’s more money in digital publishing than ever before (Altchek 2016). In the battle for users’ attention, only those offering the most attractive content win – content is king.

Users face the challenge of distinguishing information from disinformation, trustworthy content from “bullshit” (Frankfurt 2005), and reliable sources from all the rest. This is quite a job considering the amount of information one is confronted with in the digital sphere – and it requires corresponding skill sets: media awareness and advertising literacy in particular. New formats for commercial communication often contain hidden attempts to persuade and are sometimes not immediately recognizable as advertising by the consumer. They challenge the ways we understand and process commercial communication and call for extended concepts of advertising literacy (see chapter 1.2 on advertising literacy). Even when aware of the fact that there are persuasive and camouflaged forms of commercial communication and being in possession of contemporary literacy skill sets, users would still not have the resources to consciously process each and every piece of communication they are confronted with in the digital sphere. Accordingly, one might wonder if the unconscious processing of commercial information sets the stage for the disinforming or even manipulation of consumers (see chapter 2.1 on human processing of commercial information in the digital environments).

Observation 2: The Vehicles and Means of Commercial Communication in General have Changed

While it is becoming harder to differentiate the various forms and types of commercial communication, the conception of communication as a process with a sender, a recipient, a message and a vehicle to transport the message remains the same. We can still see commercial communication as a form of persuasive communication that seeks to inform members of a target audience about products, services, organizations, or ideas. The key drivers that transform commercial communication in the digital environment are interactivity, integration and personalization (Siegert 2013).

Interactivity aims at engaging the users in the various forms of commercial communication, motivating them to produce user-generated content, making them co-creators of ads, motivating them to pass messages on (Daugherty et al. 2008). However, not every product or campaign is suitable for a high level of interactivity and not every consumer is interested in high-level interactivity either. Often the consumer engagement is limited to liking and sharing (Muntinga et al. 2011), but still this is a much more interactive setting than the unidirectional communication that advertising used to be and it is made easier in multi-directional communication networks compared to a unidirectional broadcast distribution.

Integration aims at blurring the lines of journalistic or entertainment content and commercial messages either by integrating commercial messages in editorial content as in the case of product placements (McCarty 2004; La Ferle, Edwards 2006) or by disguising commercial communication as editorial content as it is done in formats such as traditional infomercials (Hawthorne 1997) and advertorials (Goodlad et al. 1997), or more recently content marketing (Pulizzi 2012; Lieb 2012), native advertising (Matteo, Zotto 2015) and branded entertainment (de Aguilera Moyano et al. 2015; Hudson, Hudson 2006) (see chapter 2.4 on brand journalism). Obviously integration is not new, but has been around since the radio soap operas of the 1930s and the *Camel News Caravan* on 1950s television. However, digitization, the decline of linear media, and the rise of ad-blockers made it easier to avoid advertising and thus increase the attractiveness of integrated advertising techniques.

Personalization aims at addressing individual consumers by using one-to-one marketing and behavioral targeting based on all forms of data available (see chapter 3.1 on programmatic ad-tech). In this context digitization promises to reduce the wastage that naturally occurred in mass media based commercial communication when the target audience does not completely match the target group of a marketer.¹ Personalization shall make the (commercial) messages more relevant (Kalyanaraman, Sundar 2006) and intimate (Li 2009) and thus hopefully more successful (Malheiros et al. 2012).

¹ As in the quote attributed to John Wannamaker, William Lever or Henry Ford: „Half the money I spend on advertising is wasted; the trouble is I don't know which half.“

Commercial communication always tried to meet its objectives by employing new and different measures. In the digital age and against the background of interactivity, integration and personalization, online and mobile formats are at the center of commercial communicators' attention. By using online and mobile measures, marketers are no longer bound to the traditional media industry in order to reach single consumers, target groups or a mass audience. Online presentations, search engines, computational advertising and in particular social media, changed the ways of getting in touch and communicating with people as well as the ways of publishing and circulating stories. Although professionals have still broader access to the different measures, users and consumers have more possibilities to publish, be informed, communicate and recommend than ever before; and they reach a bigger audience with their own publications, comments, and recommendations. The commercial communication industry makes use of these new possibilities and tries to harvest user engagement in production processes as co-creation and in distribution processes as viral word of mouth distribution. Meanwhile creating buzz (Dye 2000) is an independent objective of most of the commercial communication activities. Altogether, users are increasingly important when it comes to giving meaning to commercial messages. However, the industry has to be aware that users are not only engaging in the way the industry would like but also in oppositional and critical ways, and that they themselves can reach millions of other users and spark a firestorm (see Prahalad, Ramaswamy 2004; See-To, Ho 2014; Thompson, Malaviya 2013; Vallaster, Wallpach 2013) (see chapter 4.1 on user-generated internet memes). Nevertheless, social media and personal networks have become new and important vehicles to transport commercial messages. "To involve the brand in conversations and to achieve recommendations, advertisers do not necessarily need journalistic services, because conversations and recommendations (word of mouth) are based on interpersonal and network communication. For interpersonal and network communication they need technologies, platforms or ecosystems, not journalistic media in the traditional sense of the meaning" (Siegert 2013, p. 33).

So there is evidence that there is generally more information available – for good or bad. Of course, not all of this information is new – much of the new content uploaded every minute to *YouTube* is a duplication of what is already there. Besides, not all information has the same relevance for the sender and the recipient. To marketers more commercial information means that it might be harder to cut through the clutter of alternative information, and for recipients it means that it might be harder to identify relevant and reliable information. People have a limited capacity to cope with first-level information so they look

for second level information – that is information about information, – to assess which is worth a closer look, just as data miners use metadata rather than the original data to make sense of a data set. So the question is whether there is enough metainformation available about commercial communication to allow it to be sensibly handled?

Question 1: Has the Amount of Information on Commercial Communication Risen Correspondingly?

Media content, and from our perspective commercial communication is also to be regarded as such, has become a double topic. For one thing, media professionals produce original content and recipients engage with it. However, on top of that media producers have turned to making media content and its distribution the object of their reporting. Today, there are as many articles about which film has the top spot at the box office as there are traditional film reviews (Hayes, Bing 2004). Even recipients who do not visit a film theater might follow these reports since this kind of horse-race journalism creates its own fascination.

A similar trend has long been evident in the context of the Super Bowl (Tomkovick et al. 2001). Ordinary consumers ponder beforehand which companies will be featured during the advertising breaks and afterwards they discuss who had the best spot (McAllister 1999). Commercial communication, marketing and advertising strategies become newsworthy content objects in their own right. Like product designers before (e.g. Jonathan Ive of *Apple*) marketers become celebrities² themselves first within the industry (Nudd et al. 2015) but increasingly so even outside of it (e.g. Dietrich Mateschitz of *Red Bull*) (see chapter 1.3 on advertising professionals (failing) attempts to distance their profession from the persuasiveness of advertising).

There are numerous archives that collect, sort and literally present all instances of commercial communication, just as there is some sort of wiki for almost any media content. These archives include commercial platforms aimed at the industry (such as *Coloribus* www.coloribus.com or the *AdZyklpädie* <https://v2.adzyklopaedie.com/>) as well as publicly funded platforms aimed at

² The opposite trend happens at the same time: celebrities are awarded marketing titles as described by Parekh and Zmuda (2013).

historians and other academics (such as *Ads and Brands* run by the Vienna University of Economics and Business <http://www.adsandbrands.com/>). However, the biggest resource for examples of audiovisual commercial communication, *YouTube*, is aimed at the general public and is also largely fed by amateurs. With the *YouTube* search feature anyone can find almost any advertising spot ever aired and even those in production.

Apparently, marketers today believe that their own industry jargon has become the common standard. During the European football championship, the confectionery manufacturer *Ferrero* asked the consumers to collect “love-brands” coupons, turning a marketing term into a marketing message for fans rather than consumers. Such a strategy suggests that the company expects the consumer to be conscious of commercial communication but apparently still trusts the effectiveness of the marketing approach.

The commercialization of the society as a whole (Schimank, Volkmann 2008) potentially means that any human interaction is interpreted from an economic perspective (Habermas 1985). This becomes evident in everyday language when we “invest” in a friendship or we “sell” an idea (Mautner 2010). From this perspective it is not all that important whether the actual amount of information on commercial communication has risen, because there is a general perception that any communication is at least partially commercial. While there is a difference between whether any communication can be *interpreted* commercially or



Figure 1: Lovebrands by Ferrero

whether it is actually *intended* to be commercially effective, both add to the prevalence of the phenomenon. There is more information available about commercial communication but the rising level of commercial communication is disguised within a commercialization of communication in general. Individuals might no longer be able to identify a commercial message if being asked for a date sounds like a sales pitch. However, the call for more transparency is not new: *Forbes* counted transparency among the eleven marketing trends to watch in 2015 (Dan 2014) and Chris Brandt, chief marketing officer at *Taco Bell* stresses in an interview on what marketing will look like in 2020 that “transparency [will be] the new black” (Beer 2015). Thus, in principle information seems to be available and even the providers seem to acknowledge a demand. However, we still have to ask the question whether information about commercial communication is actually accessible.

Question 2: Is this Amount of Information about Commercial Communication Accessible?

Consumers at all times have had their share of creating brand stories, since branding is just as much attribution (brand image) as it is self-portrayal (brand identity). However, at present the participation of users and consumers seems to be so comprehensive that some authors speak of “co-creation”. There is reason to believe that users and consumers might be more informed about the objectives and persuasive tricks of the advertising industry and are more prepared to get in on advertising campaigns than ever before. There is also a good chance that advertisers can inform about products and services without the limitations of time and place of the traditional mass media. But do we really face a time when advertisers and consumers will meet on a level playing field, where they have equal opportunities and power? Or does tracking users on and offline lead to a situation where advertisers have more information about consumers than ever before, often without the user being fully aware of it? Regulation might not help in this context as long as e.g. the European Court of Justice neglects protection requirements of less well informed individuals and simply assumes reasonably well informed and observant consumers (see chapter 2.2. on the European consumer information model). However, even qualitative and exhaustive information cannot guide users through the digital space if they do not possess the skills to “read” (understand, process and apply) it. This makes advertising literacy a core competency in a world highly characterized by commercial communication.

The volume discusses these and related issues in chapters dealing with “information and disinformation about advertising”, “information and disinformation through advertising”, “information about users” and a chapter on “users’ inclusion in the creation of advertising”. It brings together contributions from authors of different countries.

Structure of the Book

1 Information and Disinformation about Advertising

The first part of the book addresses the question of what consumers know about advertising: what information or disinformation is available and what do they do about it? The first chapter in this section by Kati Förster and Ulrike Weish deals with advertising critics – individuals or organizations that try to inform the public about potentially problematic aspects of advertising. This can be the reinforcement of stereotypes, the reproduction of a social order that is deemed unfair or the observation of an excessive materialism that is attributed to advertising. The second chapter by Patricia Núñez Gomez and Liisa Irene Hänninen addresses the question of advertising literacy. Do consumers actually have the sovereignty, composure, and reflectivity they are ascribed by the advertising industry? The authors first discuss the advertising literacy of young people and subsequently reflect on the working methodology and some practical experiences for the teaching of “advertising related literacies” to communication students at the university. The third chapter takes a different perspective: Jörg Tropp starts with the observation that there is indeed more information available on commercial communication. He discusses the “Cannes Lions”, International Festival of Creativity, to show that much of this information is self-referential, creating a postmodern marketing communication that fails to dissolve the logic of traditional advertising as it provides the audiences with the disinformation that advertising might no longer be advertising. Thus, advertising might not be the best source of information about commercial communication. This aspect is discussed in more detail in the second part of the book where we gather chapters that deal with questions concerning information or disinformation that can actually be transmitted in advertising messages.

2 Information and Disinformation through Advertising

Roland Mangold provides the basis for this part dealing with the question of whether commercial communication can be considered effective in a digital

environment where numberless communicators fight for the users' attention. He presents selected results from active psychological research and discusses the framework of a limited-capacity model of human information processing to answer this question. Gert Straetmans approaches the topic from a legal and consumer-protection perspective. He critically discusses the information paradigm that the European consumer information model is based on, assuming that consumers are benefit-maximising creatures and integrates recent developments in the field. In the third contribution of this section, Brigitte Naderer, Desirée Schmuck and Jörg Matthes approach the matter with a topic-centered perspective. They investigate the advertising practice called “greenwashing” which overstates or even falsifies the environmental impact of commercial offerings. The authors present different types of greenwashing and its effect on consumers. Ángel Arrese and Francisco J. Pérez-Latre open our perspective up in the direction of journalism, discussing the rise of “brand journalism”. By managing brand content from a journalistic perspective and applying news media standards, the authors consider brand journalism as a “modern marketing imperative”. In their contribution, they describe the effects of brand journalism on user engagement and discuss its contribution to the tension between information and misinformation in markets.

3 Information about Users

In the third section of this volume, authors present different perspectives on the monitoring and exploitation of user data in the digital sphere. Andrew McStay opens the section with his assessment of programmatic advertising. Sensitive to time, users' location and interests, this contemporary form of advertising reaches individuals across a variety of screens. The author discusses related potentials and the underlying interaction concept which integrates developments in finance, liquidity and high-frequency trading and aspires intelligent interactions with users' life context. Rolf H. Weber and Florent Thouvenin approach the development of consumer and citizen tracking from a rather critical perspective, by raising legal and ethical questions. The authors discuss implications for the long-term success of Internet businesses and demand full transparency with regard to the entire process of collecting and using information about consumers. Otto Petrovic closes this section on data collection with his discussion of the Internet of Things as a disruptive innovation. Analysing early implementations in health and fitness, the author presents the first signs of the tremendous impact this innovation will have on the advertising ecosystem.

4 Inclusion of Users in the Creation of Advertising

In the last section, we direct our attention to users' integration into advertising processes. Chris Miles opens the section with a rather broad and critical perspective on the topic: derived from detailed analyses of texts and practitioners' talk, which provides the foundational thinking behind the concept, he identifies serious tensions between the desire of traditional marketing for control over consumers and the principles of marketing co-creation. In his conclusion, he presents co-creation as a form of disinformation that aids marketing in misdirecting attention away from its crisis of relevancy. M. Elena Aramendia-Muneta complements this critical perspective on co-creation with her assessment of electronic word of mouth. Stating that eWOM can disseminate both information and disinformation, she stresses the ambivalent character of eWOM resulting in challenges for users and marketers. Tamás Csordás, Dóra Horváth, Ariel Mitev and Éva Markos-Kujbus close the chapter – and the volume – with another co-creation aspect on a linguistic level: the use of user-generated Internet memes as advertising vehicles. The authors propose a hitherto neglected business perspective on the appearance of branded contents in the expression of personal messages by working with the concept of memetics.

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Kati Förster and Ulrike Weish

1.1 Advertising Critique: Themes, Actors and Challenges in a Digital Age

Abstract: Ever since advertising emerged, both its functions and threats have been debated. The themes of advertising ethics and critique are multifaceted; the majority relate to the depiction of violence, hypersexualization and various “-isms” (e.g. ageism). The digital environment has added new aspects to the topic; respondents primarily worry about their loss of control, transparency and privacy. At the same time, the Internet provides a platform for critical voices – from keeping informed via the signing of petitions against certain advertising practices, to becoming an advertising activist her- or himself. This chapter addresses the current state of advertising critique in this digital environment. It will give an overview of the dominant themes and important actors and drivers of advertising critique. Furthermore, obstacles and stumbling stones for both research and practice are discussed and challenges identified.

The critique of advertising is as old as advertising itself; its pros and cons have been debated ever since advertising emerged. From its economic impact (e.g. Albion, Farris 1981 via the controversy about its effects on excessive materialism (e.g. Drumwright 2007), to its role in protecting the existing social order by promoting inequality, particularly in terms of race and gender (O’Guinn 2007) – the themes are multifaceted and driven by different actors with specific, often opposing interests. Without doubt, we are surrounded by advertising in its different forms, and sometimes advertising placements take grotesque shapes which affect and change our familiar patterns of reception in formerly advertising free areas, such as sports (everyone is used to it nowadays) and even religion, as the photograph in Figure 1 shows.

Thereby, the importance of advertising for individuals and the society is undoubted. Potter even ascribed to advertising the role of an “instrument of social control” (2009, p. 175) and suggested that “advertising now compares with such long-standing institutions as the school and the church in the magnitude of its social influence” (2009, p. 167). In fact, scholars and professionals alike have highlighted advertisers’ responsibility in promoting societal wellbeing (e.g. Baker, Martinson 2001; Cunningham, P. 1999; Waller 2012). However, since the beginning of advertising, the debates surrounding ethical standards for advertising revolve around the same, enduring themes and thus seem to be at a “dead end”.



Figure 1: Votive Church, Vienna, in March 2016 (own photograph)

As an example, in his seminal work on the role of advertising Pollay (1986) sets out the question as to whether advertising is a mirror of society, or whether it acts as an agent of change. Since then, this question has been asked repeatedly. Nevertheless the basic premise behind this question is: who is to blame for the harm advertising can cause? In other words, if advertising is a mirror of society,

then the industry is not to blame, but we all are. If we do not like the ads, we should stop watching the program they are in and we should certainly stop buying the products. But if we respond (as the advertisers intend), then we have no one to blame but ourselves. On the other hand, if advertising is the agent of change, then – according to Pardun – “It’s advertising’s fault we’re the way we are.” (2014, p. 3). Of course, it is not that simple and in many cases both situations apply.

Staying within this duty-based¹ perspective on advertising critique, one has to ask: who sets the moral and ethical principles advertising should be based on? To lay this duty on the advertising industry alone is questionable. Murphy (1998) argues with the “unholy trinity”. He states: “[a]dvertisers, agencies, and the media represent the three main parties in any advertising campaign. Among these three parties, it appears no one is willing to accept primary responsibility for raising ethical standards. Consequently, ethics in advertising is perceived to be rather low.” (1998, p. 318). On top of that, the digital environment nowadays adds a new aspect and complexity to the topic.

Based on interviews with industry leaders, Drumwright and Murphy (2009) found that the ethical issues presented by new digital media are different. To put it simply, the respondents are largely concerned with the advertiser’s loss of control, and issues of transparency and privacy. The ethical arena arising in the Internet and blogosphere was characterized as the “Wild West” – “a rough and tough, no-holds-barred context in which the regulations, guidelines and controls of traditional media are absent.” (2009, p. 87). In response, a number of different groups who question advertising practices in general and who debate their individual and social consequences have been formed. Ranging from individual net activists who denounce sexism by mocking advertisements to NGOs engaging in a critique of general consumerism, to the self-regulatory institutions of the advertising industry itself – the list of the various agents in advertising critique is long and diverse.

In this chapter we will discuss the current state of advertising critique in the digital environment, both from a research and a practical perspective. We will sketch its historical roots and the consequent dominant themes within this interdisciplinary field of interest. In doing so we will (1) identify important actors and

¹ Duty-based ethics, also referred to as deontological ethics, is based on the assumption that some acts are right or wrong in themselves, regardless of the good or bad consequences that may be produced. Under this form of ethics and ethical questioning one cannot justify an action by showing that it produced good consequences. Accordingly, the theory of deontology would state that advertisers and individuals are morally obligated to act in accordance with a certain set of principles and rules regardless of the outcome.

drivers of advertising critique, (2) discuss extant barriers and incompatibilities within the discipline, and (3) propose future directions, especially with regard to the digital and mobile environment of which advertising is a part.

1 The Roots of Research on Advertising Critique

Advertising critique and advertising ethics is an area of research that is driven by manifold interests and disciplines – rooted in philosophy, advertising ethics has branched into many fields. This is also due to the fact that advertising has various shapes depending on the point of view. *First*, advertising can be viewed as part of product promotion and thus as a vital ingredient of a marketing and branding strategy. According to Bohrmann (1997) advertising is primarily a planned attempt to influence individuals' opinions, attitudes and behavior about products, services, brands and companies with communication activities in order to reach economic goals. In this marketing context advertising ethics is therefore only a single aspect of a (much wider) research area investigating advertising's effects on aspects of image, brand attitudes or buying intentions. *Second*, and closely related to this, advertising is viewed as a form of persuasive communication and as such is a subject of communication research. Here advertising research does not only focus on economic advertising, but also includes social and political advertising. Willems (1999) referred here to a *strategic rationality* that is implied by advertising. However, Bohrmann (2010) highlights that the attempt to influence, to persuade, to sway may not be bad or ethically illegitimate per se. Both the economic and the communication science perspective on advertising are primarily settled in the micro perspective and focus chiefly on the short-term effects of specific stimuli by drawing on psychology and experimental paradigms (Drumwright 2007). In contrast, the *third* view understands advertising as public communication. This macro perspective concentrates on the aggregate effects of advertising, including advertising to vulnerable segments (Bonifield, Cole 2007) and advertising's role in consumption and collective welfare (O'Guinn 2007). A common criticism of advertising from the macro level is that it protects the existing social order and promotes inequality, particularly in terms of race, class and gender (O'Guinn 2007).

Drumwright (2007) has categorized social criticism of advertising on the macro level according to its three primary critiques: advertising encourages excessive materialism, advertising engenders and/or reinforces problematic stereotypes, and advertising cultivates false values and thus problematic behavior. In this context philosophy with its question of individual and collective ethical

guidelines plays a vital role. Advertising ethics can thereby be discussed within different philosophical perspectives (Förster, Brantner 2016). As an example, the utilitarian perspective builds on principles by asking what is best for all, or the greatest number of people possible (Mill 2003). For Mill moral reasoning “was equivalent to calculating consequences for human happiness” (Christians 2007, p. 118), that is, utilitarianism requires advertisers to maximize happiness for all (Cunningham, A. 1999). Another position is social contract theory, which highlights that a person’s moral obligations depend on a contract among them to form the society in which they live (Friend 2004). Rawls (1971) here argues that the best society would be formed by principles of justice chosen by rational citizens behind a veil of ignorance, in which their own social status and goals would not affect their decisions. Hence, practitioners need orientation and useful criteria “to step conceptually out of their roles as powerful disseminators of persuasive promotional messages and to evaluate the equity of the appeal from the perspective of the weaker parties” (Baker, Martinson 2001, p. 166).

2 Challenges for Advertising Critique in the Digital Age

With digitalization the scope and scale of ethical questions have increased. Tanyel, Stuart and Griffin (2013) date the beginning of Internet advertising back to 1994. During these last two decades it has evolved from placing banners to a wide variety of Internet techniques including video banners, viral marketing, rich media, social networking, search engine marketing, blogs, in-game advertising, emails, micro sites, user-generated content, mobile marketing and so forth (see the chapter on programmatic ad-tech in this volume).

One of the main issues in the digital advertising age refers to privacy and behavioral targeting. It is, without question, at the same time the biggest opportunity for advertisers as the collecting of data allows for the identification of consumers via cookies placed on their devices tracking all their online activities (Snyder 2011). Advertisers use these data to better target audiences in order to direct more specific ads to them. These data are also used to predict future behavior via the search for “statistical twins”. The availability of these (big) data bringing light into every single characteristic of our online behavior – from shopping via searching to media use – is probably the biggest threat from an ethical standpoint, because it raises questions of privacy. Privacy is concerned with the right of persons to determine what, to whom and to what extent

they want to disclose information about themselves. The right of privacy, also widely regarded with the “general right of an individual to be let alone“, was formulated and published by Samuel Warren and Louis Brandeis in the Harvard Law Review in 1890 for the first time, a long time before the Internet was invented. In their seminal article the authors claimed:

“Recent inventions and business methods call attention to the next step which must be taken for the protection of the person, and for securing to the individual what Judge Cooley calls the right “to be let alone”. Instantaneous photographs and newspaper enterprise have invaded the sacred precincts of private and domestic life; and numerous mechanical devices threaten to make good the prediction that “what is whispered in the closet shall be proclaimed from the house-tops.” (Warren, Brandeis 1890, § 4).

Although the amount and type of data collected about users have changed, privacy issues and thus transparency are still an important aspect (Drumwright, Murphy 2009). In other words, one of the main tasks for critique and the ethics of digital advertising is to provide transparency about the way these data are collected and used and, moreover, to get users informed about their rights and to give them an opt-out opportunity.

A second challenge for digital advertising, and currently often discussed, is *native advertising*, a form of advertising that matches the appearance of the platform on which it is published. In other words, within the practice of native advertising “advertisers create or sponsor content intended to blend in with the editorial content” (Carlson 2015, p. 850). This, of course, raises questions about the blurring of lines between editorial and business operations in the media. It is clearly associated with endangering journalistic ethics, or as Carlson (2015, p. 850) puts it: “The close connection between journalistic autonomy and authority supports a separation between a news organization’s editorial and business functions, both internally through their discrete operations and in the news product through the unambiguous marking of what is editorial and what is advertising. These distinctions feed into the strictures of journalistic professionalism and the ideal that journalists be left alone to control their jurisdiction without interference”. From the perspective of advertising ethics native advertising “betrays” potential consumers by pretending to be editorial content. This undermines the credibility of just the media that need to reach audiences; they somehow kill the golden goose. The growing practice of native advertising in digital media is the more surprising and thus superfluous as advertising has begun to be perceived itself as entertainment. So the question arises: what kind of audiences can really be reached with native advertising and what will be the “price” for this illusion and betrayal in the long run (see the chapter on brand journalism in this volume)?

3 Agents of Advertising Critique

A majority of advertising critique practices relate to images and visual communication: from ads depicting an excess of violence (so called shock advertising: Dahl et al. 2003, p. 268) to hypersexualized ads., e.g. children in sexualized postures (so called Lolita chic: Durham 2008) or a general “porn chic” (Gill 2007a, p. 73), to different kinds of “everyday” “-isms” such as exotism, post-colonial symbolism and hierarchies (Frith, Mueller 2010), and ageism (Carrigan, Szmigin 1999) – we see a multitude of different forms of offense in ads. Most of the ads violating ethics with regard to sexism; e.g. by sexualization without any product context (so called “eye-catcher advertising”), trivialization and depreciation of persons depicted through postures, objects, clothing, subtle or obvious slogans in the style of “old-boys’ jokes”, re-traditionalization using obsolete stereotypes which mainly depict women in obsequious poses. Also images of men as photo models or celebrities are almost exclusively assigned to a hegemonial manhood (Connell 2005): often young and white, slim, muscular, potent, heterosexual and financially independent – advertising subjects predominantly symbolize physical and mental strength, sportiness, risk and competition orientation, but also protection and safety. These traditional visual postures in advertising, although well known since the 1970s (Schmerl 1994, p. 134), are still alive, despite massive feminist, scientific and political critique.

The agents of advertising critique questioning these advertising practices and debating their individual and social consequences can be roughly categorized into three groups (besides legal regulation²): (1) actors of a general consumerism critique, (2) self-regulation by the branch itself, and (3) advertising interest groups of civil society.

4 Actors of a General Consumerism Critique

“The mercantile juggernaut has moved in or swarmed over (...) Our historically treasured cultural values are either viewed as marketing impediments – such as democratic tools for civic assertiveness – or are commandeered, co-opted, or outright commodified in the service of corporate profits.” (Ralph Nader quoted in Jacobson, Mazur 1995, p. 8)

² This includes international law (e.g. CEDAW, UN law against discrimination of women in the media), European (e.g. EU guidelines on audiovisual media) and national law (e.g. Pornografiesgesetz (BGBl), AMD-G, ORF-G, Gleichbehandlungsgesetz). For an overview and detailed information see Kappel 2013b and the chapter on trade practices and consumer disinformation in this volume.

Advertising critique has always been part of a general consumption and commercialization critique. It has been stated that commercialism and the dominant promotion of materialism (Jacobson, Mazur 1995) affect both consumers' minds and extraction of natural resources leading to enormous levels of superfluous production. Within affluent societies a high level of throw-away products are manufactured, many of them depleting basic resources such as water, air, soil and land, oil, carbon and metal ores. As a consequence, it has been argued that advertising in general is stealing people's time, especially children's attention and, moreover, it engenders conformism. Furthermore, the structure of marketing and advertising is undermining civic institutions (Barber 2007) and the whole media system (Baker 1994; Bourdieu 1998; Collins 1992). As the main revenue source for the media, advertising affects all parts of society: professional sports, schools and universities, the public space, public transportation, arts, politics, even the structures of nonprofit organizations and religions. In this wider sense of (a more radical) advertising critique we have a variety of different actors and areas of tension, primarily focusing on advertising's role in the commercialization and commodification of the public sector.

Advertising critique is closely connected with its role in a general "economization" of the public sphere. As an example, Galbraith (1958) outlined segregation in modern industrial societies between the public and the private sectors. In the public sector, especially in the Western capitalistic systems with their tradition of economic liberalism, free education, hospitals, public social welfare, public transportation and other services, go unfilled or become precarious: "The community is affluent in privately produced goods... It is poor in the public services" (1958, p. 315). With increasing financial pressure in the public sector, more and more former public responsibilities are actually reduced or "economized". Marketing interests and advertising logics have thus filled up the new spaces of a commercialized environment in postmodern society.

This is also the subject of Habermas' theory of a bourgeois public sphere (1990). It begins with the assumption that the public sphere needs public access by all citizens in order to guarantee access to knowledge, media, public spaces, rational considerations and information, access to communicative negotiations – free of domination and *pari passu*. Accordingly, Habermas believes that, ideally, better arguments should assert *qua* prudence and not the argument of the most powerful lobbyists or the advertising strategists with the most salient images in public spaces. The public sphere is thus not an arena of market based, but discursive relationships, a stage for debating and deliberating instead of buying and selling (Fraser 2001, p. 109). In other words and following this line of argument, if private organizations replace public institutions the democratic core

of civil liberty will be destroyed and – instead – be driven by market-based individual interests (Barber 2007). These presumptions do not only require an ongoing debate about the value of public goods, it also calls for the existence of a free (social) science independent of financial interests. Its actors should be free to reveal, describe and report the findings of independent investigations and normative appeals.

To sum up, intellectuals debating the role of advertising as a whole in the public sphere have always been important agents for the critique of advertising.

5 Self-Regulatory Institutions

“Tout s’achète: l’amour, l’art, la planète Terre, vous, moi [...]” (Beigbeder 2000, p. 15)

The advertising industry addresses its responsibility for ethical standards through self-regulatory bodies. Self-regulatory bodies are typically established by the communication industry itself (e.g. media, advertisers, advertising and media agencies) and societal organizations (e.g. universities, lawyers, chambers of commerce) in order – according to their self-declarations – to maintain a high quality of advertising and ensure consumer trust and protection for the benefit of the industry as a whole. In the US the Federal Trade Commission – an independent agency of the US government – regulates advertising. This is complemented by the Advertising Self-Regulatory Council (ASRC; see Advertising Self-Regulatory Council 2016). In Europe many countries also have self-regulatory bodies that are responsible for listening to complaints from the public and establishing whether or not a particular ad or campaign should be withdrawn. In Europe, internal or self-regulation is implemented by the European Advertising Standards Alliance (2016), of which currently 38 self-regulatory bodies are members: 27 from 25 European countries and 11 from non-European countries, including India, Australia, Brazil, Peru, and Canada (Förster, Brantner 2016).

The various advertising councils follow ethic codices and self-regulatory principles. As an example, the ethical guidelines of the American Association of Advertising Agencies, funded in 1924 and revisited in 2011, proclaims: “Specifically, we will not knowingly create advertising that contains: a) False or misleading statements or exaggerations, visual or verbal, b) Testimonials that do not reflect the real opinion of the individual(s) involved, c) Price claims that are misleading, d) Claims insufficiently supported or that distort the true meaning or practicable application of statements made by professional or scientific authority, e) Statements, suggestions, or pictures offensive to public decency or

minority segments of the population.” (American Association of Advertising Agencies 2011). These criteria are generally embedded in most of the ethical codes of self-regulation in Western countries.

Through these self-regulatory bodies practitioners are not only – more or less – active players in advertising critique, but as agents of production so to speak, they are at the same time the subject of their own critique. This, of course, creates contradictions and conflicts of interest. The advertising industry is itself characterized by a multiplicity of specializations and consequent fragmentation, a general “youthism” within the creative scene and a high level of fluctuation. This is aggravated by the prevailing market logic, specific working conditions, aesthetic decisions, dependence on clients’ budgets and marketing goals. In fact, the main driver is “freshness” – new products, new aesthetic codes and the rupture of taboos and rules are the scoops of the advertising industry; they guarantee personal success. Criticizing your own business thus in no small measure comes with a risk. So we can assume that whistleblowing and a critical voice can only be afforded by those who do not risk losing their jobs or who are not subject to the adjustment pressure of big companies. Given this, self-regulatory institutions are even more important as a “safe haven” for those individuals active in advertising critique that have concerns about practices in their own guild.

6 Groups of Interest in Civil Society

In many cases the established self-regulation system was not able to modify the still extant offenses in advertising and myths such as “sex sells”. As an example, the European Council requested in this context higher ethical standards for the depiction of under-aged models with regard to the target group of girls and young women, but without creating new prohibitions or legal regulations for advertising. The Council takes three groups to task: advertisers as the producers, the media as distribution authority and the public as critical consumers (Council of Europe 2007). Hence, the question arises of how civil society accepts its responsibility in developing a higher sensitivity for offenses in advertising not only with regard to sexism, but advertising ethics in general.

6.1 Advertising Watch Groups

An example of civil engagement in advertising critique are the local watch groups, as established in Austria (Vienna, Graz and Salzburg). They provide a

platform for complaints regarding sexism in advertising. Based on Goffman's seminal study (1979) and enhanced by newer empirical results regarding gender and stereotypes (Holtz-Bacha 2011; Kautt 2012; Schmerl 1994; Wilk 2002), a catalog of criteria has been developed by the group that serves as basis for decisions as to whether an advertisement is offensive or not (Kappel 2013a). The decisions of the group are published on the website, but are also picked up by the mass media.

6.2 Journalists and Amateurs

The Internet provides an open space within the battle for visibility, attention and prominence: anyone can write blogs or articles, and anyone can uncover grievances that may be picked up by professional journalists who catapult them into the mass media. Never before has it been so easy to reach audiences, to distribute messages, to communicate critical activities and to criticize companies, brands and international corporations. One of the more prominent examples is the mock advertising of a blogger who calls herself “The Militant Baker”. She took the style of advertising of Abercrombie & Fitch, known for not selling plus-sizes but for “cool, good-looking people”, and replaced it with herself and the slogan “Attractive & Fat” (see Figure 2). The campaign went viral and caught the attention of mass media outlets who then reported it. This demonstrates how the Internet helps individuals to express and publish their critique of advertising practices independently of the access barriers of traditional media.



Figure 2: Mock advertising (Burton 2013)

But the mass media and thus professional journalists also take action to bring ethical offenses in advertising to public attention. Just one example among many is the *lemon*, a negative award that *dieStandard*, an online outlet of an Austrian quality newspaper, has dedicated to sexist advertisements and media content since 2010.

6.3 Non-Governmental Organizations (NGO)

NGOs are a significant part of a general consumerism and also of advertising critique. They include organizations for feminism, antiracism, anti-violence, consumer protection, or environmental groups. As an example, the Clean Clothes Campaign (CCC) (2016) is a non-governmental organization that denounces the working conditions of the garment industry worldwide and thereby criticizes global brands by showing the divergence between their advertisements and real production conditions. The first CCC group was founded in Amsterdam in the late 1980s as a reaction to the bad working conditions of textile workers, mostly female, in low-wage countries. The CCC was also successful in other countries and meanwhile there are Clean Clothes groups in 15 European countries. The central question of production conditions in globalized mass production also became popular when Naomi Klein published her book “No Logo” in 2000. She demonstrated that big brand corporations do not use profit margins to improve working conditions, but instead profits are diverted to marketing and advertising budgets. Hence Klein’s conclusion is that the new capitalistic competition of global players takes place at the advertising level in order to gain the attention of well-funded elites worldwide and in Western countries in particular as the central addressees of their products (Klein 2000). This macro-economic process described by Klein sixteen years ago, is still extant in international production. Although corporations and brands have weathered countless “shitstorms” following accidental deaths (e.g. in the textile industry) and have published many CSR reports about ecological responsibility and working conditions, this logic of production is still an on-going practice (Frith, Mueller 2010).

Besides work and human rights, especially in developing countries, the struggle for natural resources is central to consumer and advertising critique. In recent decades environmental groups have been active in order to prevent ecological damage, such as deforestation, soil erosion, unfiltered chemicals and toxic spills from industrial waste, land appropriation for mono cultures (palm oil, soy, cotton, etc.) and genetically modified seeds and fertilizers (e.g., Monsanto, Novartis). One example from the number of NGOs, environmental groups and individuals is *Vandana Shiva*, an Indian activist, physicist, biologist

and receiver of the alternative Nobel Prize. She reported about the struggle of small farmers for essential access to water from the regional springs that were privatised to the Coca-Cola Corporation. This grassroots movement became public by first regional and then international media coverage. However, it was difficult to get the mass media to report the incident because Coca-Cola is an important advertiser and as such is important to a lot of media companies (Shiva 2002).

These examples illustrate two vital aspects: first, NGOs have an important role in advertising critique as they become more and more professional in their online communication activities. As such they are a source for critical journalistic reporting for the traditional media, but even more so for the growing alternative media (e.g. VICE). Second, the Internet is central to the independent publicizing of these practices and to the distribution of petitions against the destructive behavior of global players. Meanwhile there are various websites providing a platform to enter petitions (e.g. ipetitions.com; change.org). Petitions against advertising practices make up a large part of these websites, which illustrates that civil society is undeniably an important actor in advertising critique.

6.4 Educators

Another important group in active advertising critique are educators in kindergartens, schools and universities, as well as parents who engage in projects dealing with consumption critique, production conditions and participation in the economy. One main issue here is “pinkification” and “gender marketing” that perpetuates traditional role models for girls and boys. “Pink Stinks” for example, is a campaign against gender stereotypes in marketing, production and distribution, especially for children. A group of critical consumers and parents founded the initiative in Great Britain in 2012 and they mostly criticize advertising by the toy industry, e.g. Lego Friends, Barbie. The communication was almost exclusively conducted via Internet blogs and social media, but has been picked up by the traditional mass media. Meanwhile there are active “Pink Stinks” groups in Germany (Cologne, Hamburg, see Pink stinks 2015). The group thus stands for critical consumers who expect and convey gender equality and diversity in advertising and do so in the public space (Völzmann 2014). Pink Stinks organizes workshops in schools and theaters for children; they address their critique of stereotypes to the mainstream media, especially regarding specific TV shows. The group became famous in Germany and Austria with their protest against the casting show “Germany’s Next Topmodel” (Brummert 2016).

6.5 Artists

Another type of advertising critique is activism in the arts. It transports social critique to a different level and provides social criticism and new interpretations. Advertising in particular is a vital element of popular cultural critical formations making hip fashion regalia, body dramatics and the politics of the image visible and emotionally readable. Since Warhol's Pop Art at least, the boundaries between commerce and art culture have been blurred. Artists pick up extremes in advertising representations; they reflect them and critically expose image reception. Also, political and symbolical activism such as "Subvertisement" or "Culture Jamming" (Lasn 2005) and Adbusting (Klein 2000) are specific creative and subversive actions to imitate and thereby ironically treat brand communication. Meanwhile there are a number of critical magazines and websites that deal with this subcultural and dissident practice of advertising critique (Adbusters 2016).

7 Obstacles for Advertising Critique

The discussion shows that advertising critique is borne by a multiplicity of single activities and agents. Furthermore, research on advertising ethics takes place within different disciplines (such as marketing, communication science, sociology, political science, philosophy), mostly without reference to each other. But the question arises, of why advertising ethics and critique as subject of research seems to be at a dead end, as incipiently mentioned, revolving around the same themes and – finally – around itself. The reasons can primarily be located in three aspects: (1) the lack of objectivity, (2) the lack of acceptance, and (3) the lack of continuity.

7.1 The Lack of Objectivity

Advertising critique suffers from ambiguities of representation in visuals, language or their interaction. There are, of course, ethical offenses that violate our basic assumptions of what is right; i.e. they are wrong at first sight. These include for instance deception in advertisements, depictions of violence or sexual representations of children. But the majority of offenses in advertising depend on interpretation, they use traditional stereotypes and are thus sexist, they perpetuate outdated gender role expectations, operate with the objectification of women, depict disabled people as helpless victims, and thereby affect

our image of certain groups in society. This is closely connected with negotiated meanings in popular cultures and the feminist research into advertising that is rooted in this tradition. Furthermore and as an additional side note, in feminist research, objectivity as a quality criterion is seen as a hegemonic trick of male dominated science and the male dominated production of pictures, body representations and reading/decoding versions.

As an example, Laura Mulvey, a British feminist film theorist, employed Freud and Lacan's ideas to the cinematic aesthetics of patriarchal Hollywood cinema and found two distinct modes of the male gaze in the 1950s and 1960s, i.e. "voyeuristic" (seeing woman as image "to be looked at") and "fetishistic" (i.e. seeing woman as a substitute for "the lack", the underlying psychoanalytic fear of castration). These "male gaze" narratives and aesthetics are still extant in both films and advertising, but have developed new forms of representation (Mulvey 1975).

Gill (2007b) speaks here of a postfeminist media culture "as a distinctive sensibility, made up of a number of interrelated themes. These include the notion that femininity is a bodily property; the shift from objectification to subjectification; an emphasis upon self-surveillance, monitoring and self-discipline; a focus on individualism, choice and empowerment; the dominance of a make-over paradigm; and a resurgence of ideas about natural sexual difference" (2007b, p. 147).

This transformation in depictions and representations makes it even harder to detect sexist offenses in advertising, or as Gill puts it: "feminism is now part of the cultural field. . . Feminist-inspired ideas burst forth from our radios, television screens and print media in TV [...] However, it would be entirely false to suggest that the media has somehow become feminist and has adopted unproblematically a feminist perspective. [...] What makes contemporary media culture distinctively postfeminist, rather than pre-feminist or anti-feminist is precisely this entanglement of feminist and anti-feminist ideas [...] A certain kind of liberal feminist perspective is treated as common sense, while at the same time feminism and feminists are constructed as harsh, punitive and inauthentic, not articulating women's true desire." (2007b, p. 161). The transformation of popular culture in postmodernism is characterized by ambivalence, double binds, ironic symbols and quotable repetitions (McRobbie 2009). Hence, unambiguity and consistency, requirements in quantitative science, are not quality criteria in themselves in this context of decoding in a broader process of social change. The latter leads us to the next "stumbling block" for advertising critique – the lack of acceptance.

7.2 The Lack of Acceptance

Advertising critique suffers from its lack of acceptance for different reasons. First, offensive advertising causes collateral damage in groups who do not fit into the target groups of heteronormativity, purchasing power and whiteness. These groups are not primarily the addressees or target group of most of the brands, but they are reached by the brand communication, they are affected by it and sometimes they feel humiliated and insulted. This is especially the case for groups such as ethnic minorities and their religious values, economically precarious individuals, the aged and physically disabled, LGBT communities. All of these see a heteronormative world of white, well-funded middle-class families or winner types of high status within the perfect idyll of product presentations. These groups are economically not as relevant as the target groups. Hence, it is not until it becomes an issue for the targeted groups that the ‘sensitivities’ of the collateral groups come to the fore, at least for the majority of brands. Second, the lack of acceptance of advertising critique is due to its perceived inefficacy. Advertising critique always comes into play after an advertisement has been aired; thus the critique is always late. Advertising never comes to an end, even if campaigns are stopped, designs are criticized or visual practices are scandalized. In this logic of daily routines, advertising critique is always behind, trails behind stimuli and incidents – especially in digital environments. Third, advertising critique is not comfortable. It has the ideological stamp of a buzzkill: antiquated, priggish, critical of capitalism and thus tendentially radical. This negative image of advertising critique could also be the reason for the brittle research traditions in this question that – consequently – leads to a lack of continuity in research (Holtz-Bacha 2011, p. 15; Blake 2015, p. 3).

7.3 The Lack of Continuity

Academic life and activities have their own logic and mechanisms. In times of financial cutbacks in universities, individual research activities are more and more driven by economic interests (e.g. contract research to be able to finance studies) and publication mechanisms. In other words, the subject of research topics is affected by the demands of the private sector of the economy (sometimes also by public funding institutions) on the one hand, and the current dominant themes in research areas on the other. Advertising ethics and critique is, despite of its growing relevance from a social point of view, not “en vogue” –

neither in practice nor in research. It is at best a subtheme, an imposition, as it does not help to position the research in a competitive environment. In their seminal article, Drumwright and Murphy (2009) investigated the current state of advertising ethics. They interviewed industry and academic leaders, analyzed agency websites, advertising textbooks and academic literature. As one of their main findings they conclude: “Despite attention to issues of advertising ethics through the decades, it would be a mistake to assume that advertising ethics has received coverage commensurate with its importance. While advertising ethics has been recognized for some time as a mainstream topic [...], research is thin and inconclusive in many important areas” (2009, p. 85).

To sum up, the question is whether advertising in the digital age leads to more information or disinformation of consumers as individuals and – at a macro level – as members of a society. In fact, the discussion has shown that advertising and its critique is at a crossroads in the digital age with the challenges sketched. The voices within this field always have been there and are multifaceted. The Internet has helped to make these voices louder and thus to provide a platform to participate in any form – from staying informed via signing petitions against certain advertising practices, to becoming an advertising activist her- or himself. This supports the assumption that digitalization increases transparency and thus information about advertising practices. At the same time, the possibilities to collect data and to violate privacy increase. Furthermore, it is getting harder for self-regulatory authorities to oversee the highly fragmented field of digital advertising due to the sheer number of different websites, apps, blogs et cetera and to take action against violations of their code of ethics. So in contrast, these aspects underline the threat of a higher disinformation through digitalization in advertising. So far, a categorical answer cannot be given to the question, but it can be supposed that advertising critique plays a vital role in this area of tension. Right now, the role of research on advertising ethics seems to diminish mainly due to the speed digital advertising and its phenomena have developed. It has to be questioned whether the traditional forms of scientific critique are still sufficient or whether we need newer ways to stay relevant as a critical intellectual voice. This becomes even more acute as advertising needs a constructive corrective in order to prevent an imbalance between public and economic interests, or as Pollay formulates it more strikingly: “Of all the aspects of advertising that might be studied, values have the most profound implications and are the most meaningful to the larger academic community and the community at large” (1987, p. 107).

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Patricia Núñez Gomez and Liisa Irene Hänninen

1.2 Information and Disinformation Through Advertising Literacy in Communication Studies: Action Research and Real Social Projects

Abstract: In today's "liquid modern world" where everything is transitory and perishable and consumerism has become a social product in itself accelerating the cyclic reposition of worn goods and services, nourished by a fear of dropping out of "the social circulation" of esteem and human networks a growing number of critical societal actors have started to demand a more responsible approach for commercial communication, requiring more complete, accurate and truthful information about brands and corporations. Consumers, consumer organizations, communication scholars and media, among others, are willing to become part of the co-creation of brand information and stories, moving the focus from disinformation to information, responding to the demands for a more responsible commercial world, aligned with the emerging concept of responsible research and innovation (RRI). New interactive ways of advertising and the blurring of boundaries between advertising and entertainment also contribute to creating a challenging scenario for future advertising professionals who need to re-define their way of informing and communicating not only with consumers but all other societal stakeholders. The purpose of this article is to explain how including advertising literacy and education in the curricula of university level communication studies and applying innovating teaching methodology can efficiently respond to at least part of these new societal demands, emphasizing the "right impacts and values" of advertising by future communicators.

1 Advertising Literacy and Youth

Since the start of the new millennium, dramatic changes in the commercial media environment have occurred because the boundaries between advertising, entertainment and information have become increasingly blurred (Balasubramanian et al. 2006).

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A growing body of research has been devoted to areas of content that are not traditionally viewed as advertising such as sponsorships, brand content, street marketing, product placement and other new techniques. These advertising formats often contain hidden attempts to persuade and are not immediately recognized as advertising by the consumer (van Reijmersdal 2009).

Over the years online advertising has evolved and changed drastically from simple advertising formats to banner ads, pop-ups and interstitials, to sophisticated interactive 3D visualizations and “advergames” (Faber et al. 2004). Nowadays social networks are also used to improve advertising strategies. These relatively new forms of communication are challenging the ways that we understand and process advertising.

Digital advertising communication is developing new ways to engage with audiences and is transforming the media environment. Today attention is focused on integration not only in advertising, but in all kinds of commercial communication, and therefore transmedia strategy is involved in new ways of making ads and the relationship with brands.

Brands are transforming into brand utility and entertainment intended to help people in their life journey. Traditional and intrusive ads are becoming less common while consumers’ understanding of products, services and corporations is often perceived in terms of brand utility and entertainment, i.e. how brands can help people cope with and enjoy their everyday lives.

This integration of advertising and entertainment has opened up an innovative new way to understand advertising communication. It is generally assumed that young people are easily persuaded by these subtle formats, which often involve integrated advertising, because the young are thought to be less aware of their persuasive intent. Consumers are sceptical of advertising because of the bias of the source and the advertiser’s aim to persuade the consumer. This could be particularly relevant for the diverse formats of the Internet, since the source of content found on websites is more difficult to evaluate compared with traditional media sources. Thus for consumers it is also more difficult to identify the source of online content and evaluate its credibility. In a nutshell, developing Internet advertising literacy has become more challenging in today’s rapidly developing media and communication scenery, where digital advertising is changing in its format and content every day. The creation of new technologies such as APPs, virtual worlds or augmented reality creates difficulties for understanding and interpreting new forms of advertising.

Also, changes are happening because the boundaries between offline and online are disappearing. Brands today have the opportunity to research and know more than ever about their public due to big data processing. For that reason, they can create specific contents for more and more specific audiences,

based on precise behavioural retargeting. Audiences need to be trained for these new types of advertising communication in order to help them gain new kinds of advertising and media literacy.

Content which is strategically planned by companies and interacts with the public through their own communication channels improves the effect of advertising, because it creates an engagement with the brand. Rather than using traditional mass media, brands nowadays often use their own channels where they can better control the message and language, interact with consumers, and better target the public.

It is generally assumed that integrated formats are more effective in evoking some persuasive outcomes, such as product attitudes, than non-integrated formats (Balasubramanian et al. 2006). The most important theoretical explanation for this assumption is that people are expected to be more critical toward advertising than toward editorial content (van Reijmersdal et al. 2015). This is where the question of the ethical implications of information and disinformation arises, as persuasive and commercial communication uses the means and styles of journalistic and informative communication that can easily confuse, especially the young public. If content is seen as editorial the consumers' critical observation becomes more relaxed.

Up to now there has been a lack of integration between persuasion knowledge and advertising literacy studies and research on advertising effects, but recent studies tend to consider both aspects. In a review of research on children's advertising literacy, Rozendaal, Lapierre, et al. (2011) observed that existing conceptualizations of advertising literacy primarily entail conceptual knowledge of advertising (i.e. the ability to recognize and understand advertising messages). However, based on insights from persuasion processing theories they argued that because most contemporary advertising appeals to children on an affective level, children are expected to primarily process advertising under conditions of low elaboration. Consequently, young people are unlikely to use their conceptual knowledge of advertising to critically evaluate the advertisements they are confronted with.

Based on this line of reasoning, Rozendaal, Lapierre, et al. (2011) stressed the need to extend the prevailing one-dimensional conceptualization of advertising literacy (i.e. conceptual knowledge of advertising, which is referred to as *conceptual advertising literacy*) with two extra dimensions: *attitudinal advertising literacy*, which includes low-effort, attitudinal mechanisms that can function as a defence under conditions of low elaboration, and *advertising literacy performance*, which takes into account the actual use of conceptual advertising knowledge when confronted with advertising.

The first dimension, conceptual advertising literacy, is the ability to recognize and understand advertising messages. This ability concerns the selling proposal of the ads, understanding who pays the advertising, understanding the targeting and persuasive intent. Persuasion knowledge, which is also often referred to as “advertising literacy” in the literature on children and advertising (Livingstone, Helsper 2006), can be defined as concerning the consumers’ beliefs about the motives, strategies, and tactics of advertising. The second dimension, attitudinal advertising literacy, involves taking a critical attitude toward advertising based on scepticism and a dislike of advertising.

Finally, the third dimension, advertising literacy performance, is the ability to actually use the conceptual advertising knowledge when confronted with the advertising (Rozenaal et al. 2009). This takes into account the actual use of conceptual knowledge of advertising while being exposed to it, and the retrieving and applying of advertising knowledge.

Most traditional studies have concentrated on two components: recognition of advertising and understanding of its selling intent (Kunkel 2010). Even if we grant that the young have the necessary conceptual knowledge of advertising in place, it does not necessarily follow that they will actually enact it as a critical defence against its persuasive appeal (Moses, Baldwin 2005). In this case, they are more vulnerable when encountering messages in advertising that can be considered as disinformation.

When we are talking about advertising literacy, usually we focus on children and young people. In this paper we extend both the definition and explanation to university level students of advertising communication. The mere fact of knowledge of advertising communication and literacy does not imply that it can be adequately applied. For our students it is necessary to practice the knowledge they have acquired in order to become advertising literate. If they have the first dimension (conceptual literacy), but are not able to improve their attitudinal and performance skills, they will not develop advertising literacy and consequently become well informed.

Also, they must be trained to explore advertising and the other innovative forms of communication in a digital world, analysing the good practises of advertising and contributing through our profession to create a better world, helping societies to improve and grow. Advertising literacy and education is not just about acquiring theoretical notions and technical skills, but also about becoming critical and responsible. In practice, we cannot separate digital literacy and advertising literacy from media and information literacy, so in our classrooms we try to reproduce a working context where students can contribute to and a share their life experiences at the university, motivating them to use their own skills and competences that they have acquired outside of university. The

current education system often neglects the self-learned competences students have acquired outside of academia that are valuable for future advertising professionals, such as editing, designing and music among others, skills they share with each other, acting as teachers or mentors.

When it comes to the digital classroom we often leave students to lead a session and direct projects related to our teaching subjects (advertising, public relations, creativity, leadership, social communication), giving them responsibilities and facing them with real work contexts. With the assistance and mentoring of communications professionals students feel more assured, try to do their best, and learn from mistakes. Also, as they use their own digital communication skills in the classroom, they become more self-confident in their private life, and that is clearly reflected in their professional capacities and performance. As future leaders in advertising they must be able to develop valid information for a more responsible society and not resort to disinformation or misinformation in any form.

As Buckingham says (2003), media literacy refers to broad-based skills and competencies that people must have when they try to communicate, understand and create media texts and meanings in the modern media age. The term “digital natives” must be extended to embrace not only technological skills but also critical and user competences in a wider concept. These are the 21st century skills that citizens, and communicators in particular, must have to be able to use digital services and be responsible and critical consumers and creative content creators.

As Professor Kupiainen underlines, students learn in informal environments but these alone are not enough for a complete education, so if universities and schools can bring together both worlds (formal and informal) maybe they can learn in a more appropriate way. Using their digital skills inside the university can help students acquire a deeper knowledge of them, for example when they use it to collaborate in pairs, digital responsibility, etc. (Kupiainen 2013). He talks about *cultural media education*, where the focus is on everyday meaning making where people, especially children and young people, use media to communicate in a variety of sociocultural contexts.

The starting point for media literacy is not just about cognitive or individual skills. The basic question is: what kinds of literacies and skills are needed in the information society? How are media literacy, digital literacy and advertising literacy required in everyday social and cultural practices? Binkley et al. (2010), when introducing the 21st century competences required for the current information society mentions information and ICT literacies as tools to work with, and our team would add information literacy. However, in this chapter we often refer

to the term advertising literacy as a global concept, meaning the entire set of literacies relating to advertising and media.

Now we cannot fully understand the above mentioned forms of literacy other than in terms of information literacy, relating them to the concepts of information, disinformation and misinformation. Karlova and Fisher (2013) make a differentiation between misinformation, understood as inaccurate information, and disinformation, seen as deliberately deceptive information. The authors conclude that misinformation and disinformation are closely linked to information literacy, especially in terms of how they are diffused and shared and how people use both cues to credibility and cues to deception to make judgements.” (2013, p. 1). The authors argue that information and disinformation must be taken into consideration in the field of information behavior, as elements of information literacy, because inaccuracies and deceptions “permeate much of the world’s information” (Karlova, Fisher 2013, p. 2). Advertising and other forms of commercial communication deal with information and the mere fact that their focus is always persuasive, often openly so, does not excuse abusive, non-accurate and incomplete uses of information, and even less so disinformation and misinformation.

Commercial communication and specially advertising are often accused of disinformation and even deliberate cheating when delivering brand information. The exaggerations about brand attributes and the lack of complete and comprehensive information on product labels (misinformation) have caused large-scale social criticism of advertisers and agencies, for example the recent discussions in the field of alimentation about the excessive amount of sugar, nitrates and other potentially health damaging ingredients in processed food products or about the use of terms such as “natural” when referring to food products. Consumer organizations, media and an increasing number of consumers have started to demand more accurate and complete information not only on products and services, but also on the corporate brands behind the goods.

Now, the role of advertising students as “prosumers”, future professional producers of commercial communication and at the same time consumers, opens interesting and challenging perspectives for advertising education. Media and information literacy, advertising literacy and digital literacy teaching can be understood within the framework of social responsibility and sustainability demanded by critical societal actors, and future communicators can become front-runners in terms of the equalling of power between consumers and advertisers.

The educational strategy that can respond to new societal demands is aligned with the new focus in science, the concept of RRI, responsible research and innovation, which also applies to the field of academia. The methodology of real social projects as a means of advertising literacy education for future

communicators, proposes some answers to these new societal challenges and the demand for more responsible advertising campaigns in terms of fostering better and truthful communication and co-production with society, moving from disinformation to information in commercial communication.

2 Real Social Projects and Action Research as a Vehicle for Advertising Literacy and Values Education Among University Communication Students

2.1 Background for the Methodology of Real Social Projects and its Relation to Advertising and Information Literacy

Since 2003, a team of lecturers and researchers from the Faculty of Communication Science, Complutense University of Madrid (UCM) has been applying the methodology of real social projects in the teaching of advertising and public relations to undergraduate and master's degree students, recognized by and receiving financial support from the Complutense Fund for Educational Innovation and Quality Improvement. A project that started as a pilot experience with a small group of students organizing a charity event for the Madrid food bank, has developed into a shared action research and communication management project among students, lecturers and non-profit organizations, including international and non-governmental organizations (NGOS), with around 400 to 500 students that yearly benefit from the methodology and with more than 100 third-sector entities as partners. As a result of more than ten years of the application, study, innovation and improvement of the methodology of real social projects, this teaching system has been validated as an efficient vehicle not only for teaching research and communication strategies, but also to help students gain the kind of literacies required for professional communicators: advertising, media, information, ICT and digital literacies.

The method of real social projects, developed within the framework of interactive learning systems, consists of the planning and implementing of real research and communication projects for a non-profit organization. Experience is acquired in a professional context and thus the project is largely based on the experiential learning theory and cyclic learning processes originally developed by Dewey (1997 [1938]) and further by Kolb (2014 [1984]). Students become the main actors of their learning process and learn to take responsibilities working with

the NGOs, whereas lecturers act as mentors and coaches to the group. The methodology is based on collaborative learning, a teaching approach that was consolidated in higher education in the late 1990s (Bruffee 1999; Cabrera et al. 2002) and is today used in study communities. Within the project a collaborative focus means including three actors that create a multidirectional working network: students, lecturers and non-profit organizations. Students assume the role of an advertising or PR agency, lecturers act as account supervisors and NGOs actually become real clients and demand services from the student teams.

Teaching and investigating advertising literacy (and related literacies) among young people is a challenging issue in itself, but exploring and working on the concept with advertising students opens new perspectives, as here the youth, that would be subject of study in a traditional research focus, will become investigators and designers of the campaigns in their professional future and thus, have a larger knowledge of commercial communication strategies, intentions and symbols than young people in general. Their double role as consumers and would-be professional communicators gives them a deeper understanding of the commercial world. But does it always necessarily make them more responsible than other young people? The answer is no, not if we only concentrate on educating students in conceptual advertising literacy and forget the attitudinal and performance levels.

Today's "liquid modern world" as Bauman (2010) defines the postmodern era, is a society where everything is transitory and perishable, where consumerism has become a social product consisting of the cyclic reposition of worn articles, which gains meaning because citizens are afraid of losing market value if not consuming and fear being left out of "the social circulation" of esteem and networks of friends, aspects that define us as members of the group. In advertising, more than in many other fields of communication, the game is about generating feelings of belonging, creating shared brand universes and building consumer fidelity.

Advertising students follow trends and are aware of new tendencies in the commercial world, not just because they are interested in fashion and trendy topics, but also because their studies demand it. And no doubt they use "cool brands" as other students do in order to underline that they are different, to integrate into a desired youth environment and group. Belonging to and being inside the right kind of social circles can be as important to communication students as it is to mathematics students, but still, understanding the mechanisms of persuasion and the underlying social and psychological aspects is bound to give them more tools to be critical with respect to advertising and other commercial messages.

The age of innocence of interpreting openly persuasive forms of advertising as objective information is long gone, but in the field of publicity for instance, the distinction between information and disinformation is often tricky, because it relies on influence and persuasion, and also uses an informative appearance that can easily be mistaken for journalistic content. Publicity uses critical and civilizing messages, with underlying persuasive significations, but these are often camouflaged, simulated or dissimulated (Craig 2014, p. 20). To defend themselves, students must know what it is all about. To use this kind of communication in the future, communication students must learn the ethical implications of information. What Twitterers, Instagramers, YouTubers and other social media influencers say is happily shared by most of us, as long as it is new and surprising. But how often do we, young or old, consider whether we are spreading information, misinformation or even disinformation? Do we really consider the objectiveness and truth of the messages we forward and comment on?

The rapid changes in today's communication scenery set new demands for literacy education and require new definitions for information, misinformation and disinformation in the commercial world. Generally seen as to the opposite of misinformation and disinformation, information is often associated with the notion of "truth". For example, De George (2003) makes a distinction between data and information because data contains no claims to truth whereas information does.

Stahl (2006, p. 90) argues that for a critical researcher truth can never be an objective description of external reality and that all perception is always value-laden and based on prejudices. In the author's interpretation of information, misinformation and disinformation, Stahl describes the concepts from the perspective of two of the most widely cited authors in CRIS (Critical Research in Information Systems), Habermas and Foucault. From a Habermasian focus, misinformation is not problematic, it is seen simply as information that is contentious and that will for this reason be analysed in a discourse, where the person claiming truth will need to explain his reasons. Disinformation is more problematic, as it is seen as information that deliberately alienates or disempowers people. For a Foucauldian, distinguishing misinformation and disinformation is artificial as it supposes there is a universal truth and that the speaker has self-reflectiveness in terms of her own intentions when speaking (Stahl 2006, p. 91). It is the alienating and disempowering risk of deceptive informing, mentioned by Habermas, that seems particularly relevant for the advertising education project described in the present chapter, especially when collaborating with third-sector organizations, where building trust is a core concept when dealing with the public and beneficiaries of social and cooperative projects. Students need to learn the limits of information, as well as the dangers of mis- and disinformation.

The protective and preventive role of advertising literacy education in terms of responsible advertiser and consumer behavior is implicitly present in many of the subjects taught at communication schools (such as professional deontology and ethics or consumerism), but the focus changes when it comes to non-profit advertising teaching. The real social projects team emphasizes the role of advertising literacy among communication students not so much as a means of protection against the persuasive tricks of advertisers but more as education in values and social responsibility towards all the important stakeholders of the marketplace: consumers, clients, media, consumer associations, environmental organizations, coworkers in the advertising agency, etc. This also implies facilitating a broad understanding of information literacy to the students, in terms of information, disinformation and misinformation. In our experience, collaborating with non-profit organizations facilitates an adequate environment for acquiring these multiple types of literacy related to advertising focused on values in today's complex and highly competitive commercial ecosystem.

2.2 Action Research in Communication Education: Realistic Feedback for a Growth Mindset

Over the years of applying the methodology of real social projects, the team has tested and used diverse research techniques, but it is action research that best adjusts to the specific environment of the project that combines two levels of study: 1. applied research for non-profit organizations and 2. teaching methodology research and quality improvement, focusing on real social projects and advertising literacy. Action research, as pointed out by Stringer (2014), provides a means to find effective solutions to problems in localized settings and thus helps organizations increase the effectiveness and efficiency of their work:

“Far from providing a set of fixed prescriptions to be applied in any context, action research provides a flexible and practical set of procedures that are systematic, cyclical, solution oriented and participatory, providing the means to devise sustainable improvements in practice that enhance the lives and well-being of all participants.” (2014, p. 5)

The research is required to produce improvements and action that can make practical changes to the lives of the persons involved, rather than merely generate neat reports which are filed away and then forgotten. Non-profit organizations, especially small ones, that often lack qualified communication departments due to scarce resources, benefit from the studies provided by the student team collaborating with them and this has repercussions for the professionalization of their workforce. Also, as scholars, students and NGO workers together study

examples of good and bad campaigns, this can be viewed as “in-company advertising literacy coaching” contributing to the learning of good practice, often necessary for small organizations that cannot hire communication professionals or agencies.

At the non-profit level, using action research techniques and collaborative working systems where students, lecturers and NGO communication officers, and sometimes even the beneficiaries of the social project, act hand in hand generates productive communication campaigns that can have a direct impact on many underprivileged people’s lives. Ideas and input from all the collectives participating in campaign creation are incorporated into the phases of strategic planning using a collaborative approach to inquiry (Stringer 2014) that can provide the team with the means to take the right kind of systematic action and resolve specific problems. For example, in drug prevention campaigns designed by students, part of the problem – young people consuming substances – will become part of the solution, as students that have tried drugs know the motivations for consuming them and can thus contribute better insights to prevention campaigns than might formal survey results.

At the communication school level this leads to better teaching practices, augmented advertising literacy and higher motivation levels among communication students. Also, students gain self-esteem when confronted with the real professional world, when they realize that they are actually able to handle tricky communication strategies, not just fictitious class assignment. The feedback is more realistic, criticism is more constructive and students receive praise in its just measure. Dweck’s work on mindsets and how they can contribute to people’s success (2006), as well as his paper on the perils and promises of praise (2007), alerts us to the risks of excessive appraisal. Dweck finds (as cited in Leather 2013) that praising intelligence or abilities gives a “fixed mindset” that, when presented with a challenge, causes withdrawal from the task, lowering motivation and sense of self; whereas helping people to develop their “growth mindset” generates motivation and an enhanced sense of self as well as resilience.

Our lecturing team has realized that constructive criticism and measured positive comments and coaching practices when working in real projects, seem to help students in their professional development and personal growth. Over 90% of the participating students over the past decade whose opinions are collected and analyzed every end of semester, have expressed their positive opinion of the teaching methodology and declared that they feel more confident and prepared to face the challenges of their future work posts.

As a whole the project is about developing advertising literacy and education praxis for social change, sharing the educational philosophy and action lines of Vallaeys (2003), Soares (2011) and Custódio (2015), among others.

2.3 Working Procedures and Practical Experiences:

Usually, every beginning of term when the team starts to work in the project, the first step is to explore the market and issue in question as a prior step to designing communication strategies and campaigns for the non-profit organizations that students collaborate with. In parallel to students' research actions, the lecturing team begins to analyze the educational and motivational value of the global project: they use participant and classroom observation to monitor and create an adequate work climate, list and measure learning expectations using surveys and class discussions, as well as explore the values involved in third-sector advertising and communication through case studies of campaigns. At the end of the semester student feedback is gathered by focus groups and surveys and changes are made to readjust the teaching methodology. Though questionnaires are used to quantify student opinions, observational and narrative action research methods such as those described by McKernan (2013) and seen above are used by the real social projects team, permitting a deeper look into any problems and progress and enabling adjustments to practice.

To visualize the working procedures, we will describe the yearly Africa Conference that journalism students organized during two academic courses as their public relations class assignment. One half of the students were assigned organizational issues of the conference, whereas the other half dealt with diverse issues of African reality and delivered their findings in conference papers and posters. The students working on these specialized reports used diverse research techniques, such as media content analysis, expert interviews, literature review and surveys to explore issues such as human trafficking, diamond wars, child soldiers, refugees, the African press, gender roles, hunting, nature preservation, music, etc. Some of the students applied the research outcomes to design campaigns for NGOs. In these kinds of working environments that deal with sensitive social and developmental issues, students gain information, reducing dis- and misinformation, and acquire a critical point of view on topics that are not mainstream in traditional media or formal university curricula.

As for the organizational aspect, taking as an example the conference management team, the students did market research by analyzing competing conferences by type, persons, entities and the press that work in issues related with the continent, then contacted and interviewed journalists, writers and experts on African society as well as African youth, to get involved and become speakers or sponsors at the conference. These continuing cycles of investigation permitted the team to get a glimpse of the complexity of African realities and also helped them to create visibility for the continent within the academic community. In classroom sessions during the planning period of the conference, aid

organizations and NGO campaigns were studied in order to foster advertising literacy within the charities and aid organizations with the aim of outlining the differences in values that they represent, and this way students learn that they cannot use the same strategies, coding system, images and messages as in traditional corporate and product advertising and communication.

For example, regarding a campaign proposal for Food Bank, students were asked why a commercial cannot show a beggar scavenging through a street dustbin even if it is legal and seems like a striking idea for an ad? On the one hand, it goes against ethics, as most homeless people do not want to be shown in that kind of situation. On the other hand, generating the association between trash bins and Food Bank might make people suspicious of the origin of the foodstuffs the NGO delivers. At the communication school, an important part of advertising literacy teaching when applied to the third sector, deals with moral restrictions and rules that go beyond the legal and written ethics statements, and action research helps students to discover the underlying reasons. As McNiff and Whitehead (2011) state: “action research is value laden and morally committed” (2011, p. 27), and when applied to charities it is even more so.

Another efficient way of learning advertising literacy within the class project was the designing of communication strategies for NGOs, a task that some teams completed and presented during the conference having previously attended briefings and brainstorming sessions with the communication department executives of the organization. This way of teaching works through in-company (or in-NGO) learning where the organization’s communication manager becomes a tutor by showing students previous and competing campaigns and analyzing benchmarking adds and communication actions, so that the trainees can design new strategies and action plans for the organization. Critical analysis of not only ads, but also media information of issues related to the NGO’s cause is also included, where students learn to distinguish between information, disinformation and misinformation. Learning and research become action, but with more knowledge and with respect for different realities and vulnerable beneficiaries.

2.4 “Learning by Doing” and “Co-creation” as Strategies for Action Research and Advertising Literacy Learning

The strategy of learning by doing (DuFour et al. 2006) and experiential learning (Kolb 2014 [1984]) have proved their efficiency in the application of the methodology of real social projects where students must assume responsibility for entire communication campaigns and research projects that will have public exposure through the mass media and measurable impacts on key audiences, in

addition to any positive repercussions on the realities and life conditions of many underprivileged people in the case that the campaign succeeds.

In many of the advertising campaigns designed by students targeting young consumers or the public, the gap between industry and the public becomes so narrow that we can talk about co-creation (Pralhad, Ramaswamy 2004; Hatch, Schultz 2010). A tendency especially visible in social media is guerilla marketing and the organization of events, where the consumers or users take an active part in the communication. However, in social media where nearly everyone has the potential of becoming an author, the risk of false information arises. Among others, Popava (2015) and Keshavarz (2014) alert us to questions of reliability and credibility on the web; information *versus* dis- and misinformation. Hence our team has included information literacy as part of the advertising education project.

In communication education, both reception and creation competences should be developed to gain media and advertising literacy (Díaz-Aguado Jalón et al. 2015, p. 226), especially when teaching takes place at the school of communication. With a combined focus, young people can reach a deep understanding of how persuasive communication works and develop a capacity for critical reception as well as learn about ethical and efficient ways to design communication strategies as future advertising and PR professionals. The experience our team has acquired collaborating in drug prevention campaigns with Atenea Foundation and the Madrid Community Drug Prevention Plan, described in this chapter, illustrates the double role of media, information and advertising education where students are seen both as a target public and as creators of a campaign. Co-creation is often used by our team, especially when the campaign targets young people, as this way students study the young audience from the inside and gain quick insights through the use of participative action research methodology.

As a first phase for the drug prevention campaigns, students received an intensive course on drugs and the physical, psychological and social implications of consumption. The second phase was dedicated to peer research, where students interviewed and filmed anonymous student statements for and against drug use. Students were encouraged to share the information they had acquired during the course, but instead of using the “authority, parent, big brother telling” strategy, it was an example of peer education, using the informal discourse of young people. After the preparation process, students had acquired the necessary level of knowledge concerning drugs and prevention, but they still needed to learn more about prevention campaigns, motivations and the values they involve.

This is why an advertising literacy module was included as part of the project, where students took part in campaign case studies from the point of

view of both reception and creation. First, students learned about the mechanisms that get young people addicted and how communication can contribute to informing and dissuading drug use by analyzing ads and social media messages and discerning the creative strategies behind the campaigns. Messages, language and image codes, type of storytelling, social representations and the tone of narrative, among others, were analyzed by students and understood not only from a theoretical perspective, but also on a personal level as part of the target audience for the campaigns. Having received a course in drugs and prevention, students were able to detect cases of disinformation in the communication materials they analyzed and demonstrated that they had gained information literacy. It was only after this learning phase that students could begin to themselves create, and take part in a contest designing campaigns based on the knowledge acquired in the workshops.

2.5 The Teaching of 21st Century Skills and Advertising Literacy

The need for new knowledge and general competences required for the 21st century information or knowledge society have been identified and largely discussed by scholars (Plomp 2013; e.g. Binkley et al. 2010). The Assessment & Teaching of 21st Century Skills Project (see <http://atc21s.org>) defines the educational aims relating to the competences employers' demand of entry-level workers in today's information-age society and that should be included in today's school curricula. These skills, many of which our college level students still lack, are grouped under the acronym KSAVE, meaning knowledge, skills, attitudes, values and ethics. The project identifies ten skills organized in four broad categories (Binkley et al. 2010). The ATC21S has been used as a starting point for improving our educational innovation and advertising literacy projects at the Faculty of Communication to assist in adjustment to future workplace requirements. The following adaptation of the model (Binkley et al. 2010) shows how these can be integrated into university level communication and advertising literacy education, using real social projects and action research as a basis for the methodology.

Ways of Thinking:

1. Creativity and innovation
2. Critical thinking, problem-solving, decision-making
3. Learning to learn/metacognition (knowledge about cognitive processes)

Working on advertising campaigns fosters a student's ability to create and innovate and has all the challenges of a real work context with the requirements and deadlines of any work assignment. Working with real professional projects, not just simulations, forces students to make decisions, solve problems and learn to be critical in terms of research plans, strategies and creative pieces. Learning by doing a real campaign gives them a better insight into the creative process than simulated class assignments.

Tools for Working:

4. Information literacy
5. Information and communication technology (ICT) literacy

Training future advertising and communication professionals requires including information and ITC in the methodology as well as media and advertising literacy education systems and toward this aim analyzing and working with a real campaign offers an adequate platform. The team emphasizes the importance of information literacy and a broad understanding of information and disinformation, including it in the project curricula. Social networks, shared online workplaces and the virtual campus are largely used in the projects, but this is a field where improvement by our team is required. Cross disciplinary collaboration with the Faculty of Information Science is planned so as to foster more advanced practices.

Ways of Working:

6. Communication
7. Collaboration (teamwork)

Internal and external communication networks are part of the learning system used in the real projects methodology, which is collaborative by nature and depends on effective teamwork, as in communication agencies and departments. More than in other fields of knowledge, in communication aspects related to sharing, cooperating and collaborating are of vital importance, otherwise we could not even use the term communicate (from latin *communicare*, to share, to put in common).

Ways of Living in the World:

8. Citizenship (local and global)
9. Life and career
10. Personal and social responsibility (including cultural awareness and competence)

“Glocal”, meaning local applications for global ideas and innovations is key to understanding today’s business and communication. Students work in non-profit projects that benefit underprivileged people, sometimes local, other times on other continents, and in order to do their work well, they need to learn to build bridges towards intercultural understanding and global citizenship. Ours and theirs, fear of “otherness” are not terms admitted within the work teams. Working for free for the benefit of other people educates students in values and responsibility, both in personal and corporate contexts. Forming teams with students from different cultural backgrounds raises global awareness and fosters cross-cultural skills. An example of this is a student team recently formed to collaborate on a fundraising campaign for an NGO in Ghana, where the team leader role is assumed by Chinese master’s degree students and the work team formed by local (Spanish), Belgian and German Erasmus students, coordinated by African volunteer workers, and finally mentored and coached by local and Finnish lecturers.

2.6 Conclusions

In this chapter, we have shared a working methodology and some practical experiences for the teaching of “advertising related literacies” to communication school students. As ICT and communications tools and strategies are in a state of constant change, advertising education is becoming increasingly challenging. Not only are efficiency and impact required by advertising, but there is also a demand for the “right impact”, for a more responsible, credible, accurate and truthful communication with the various stakeholders with regard to the new discipline of RRI – responsible research and innovation.

In our experience, the key idea that can give some response to today’s ethical demands in the field of education in commercial communication can be found in the distinction between information, disinformation and misinformation. Beyond the philosophical discussions about “truth”, scholars mostly agree that disinformation implicitly includes the deliberate intention to give false information, whereas misinformation is wrong, misleading or incomplete information, without the necessary intention of misleading the public. However difficult it is to find a valid definition for objectivity in communication, it is up to the team making decisions on publishing or advertising a brand to determine the degree of truth or falsity of the information included, something that advertising students must learn at an early stage of their education. Within the scope of our project, building trust is key to gaining stakeholders when it comes to NGO communication strategies based on truthful storytelling.

In our experience, action research, a socially responsible method by definition, and real social projects can work efficiently as a means of promoting advertising literacy, but a broader understanding of the concept in required and media, ICT, digital, information and some new, yet to be named near future literacies must be englobed in the project.

New media and new contents created in different formats where similarities between pure information, persuasive communication and entertainment become blurred can confuse the message and disinformation and misinformation can be easily taken as accurate information by students if they do not acquire up to date advertising related literacy. At the same time, they need to learn how to handle the user generated content they create in a proper way and how to manage citizen authorship when working for a brand in their professional future. In societally oriented communication, the rights of the vulnerable public must be guaranteed and the accuracy of information is the key to a more egalitarian society. Media and advertising students will be the future leaders in creating advertising content, information that has the potential to either foster or reduce social stereotypes and create trending topics and tendencies.

So advertising literacy is not only about being critical with the media and messages, but it is also about being informed as to how to use information and commercial communication, to understand the consequences or the social effects that it can produce. The co-creation of new media and the masses of information generated every day requires well prepared professionals and well informed citizens. The university must be able to form responsible workers, communicators for a better future, well informed and capable of generating social change. Only in this way can we move from disinformation to information in future of advertising.

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1.3 Advertising Self-Reference – as Exemplified by the International Festival of Creativity

Abstract: With the beginning of the use of the Internet for commercial communication, a new era in advertising was born. Today, advertising professionals increasingly orient themselves toward a service-dominant logic approach when producing information for advertising purposes. Thus advertising is developing into a postmodern marketing communication which attempts to distance itself from the persuasiveness of advertising. In this contribution, the reasons for this development are analyzed, using the theoretical concept of self-reference and the idea of advertising as a social system. The empirical background is the International Festival of Creativity (“Cannes Lions”). The analysis shows that the central features of postmodern marketing communication, hyperreality and second-order information, do not lead to a dissolution of advertising logic and thus do not lead to the desired de-differentiation between people’s everyday life and advertising.

1 Advertising and Self-Reference

In recent years, the significant role of self-reference in terms of reflexivity in explaining the source and functioning of communication has been impressively elaborated in the communication sciences (Archer 2010; Schmidt 2008; Steier 1995). To summarize these ideas, reflexivity can be understood as the fundamental process in generating social structures. This process is realized as communication. Communication relies on collective knowledge which builds a bridge between human cognitive autonomy and the co-existing need for social orientation. According to Schmidt (2008), in the domain of knowledge this collective knowledge can be conceived of as reflexive loops of expectations which are expected, and in the domain of motives and intentions as imputations which are imputed. Collective knowledge is more or less shared by all the members of a society and plays a fundamental role in their day-to-day communications and in coordinating their behavior.

Using a system-theoretical approach advertising can be conceptualized as a social system. As such it follows its own specific logic which is anchored in

constructed, collective knowledge of the advertising system. This knowledge is shared by the actors within the system and gives sense and orientation to those actors' communications and actions (Schmidt 1990; Tropp 2014). Central to this conception is the knowledge that in advertising, the focus is on paid creativity which serves in an attention-grabbing manner consumers' experiences, expectations, interests, motives, wishes, feelings, needs, etc. for the benefit of the object of the marketing (product, service, person, party, etc.).

Within the social system of advertising, four areas of action can be distinguished:

- Production: fabrication of content and design, and creation of the advertising materials,
- Distribution: media planning and media purchasing,
- Reception of the advertising materials,
- Processing: self-presentation of the system (Figure 1).

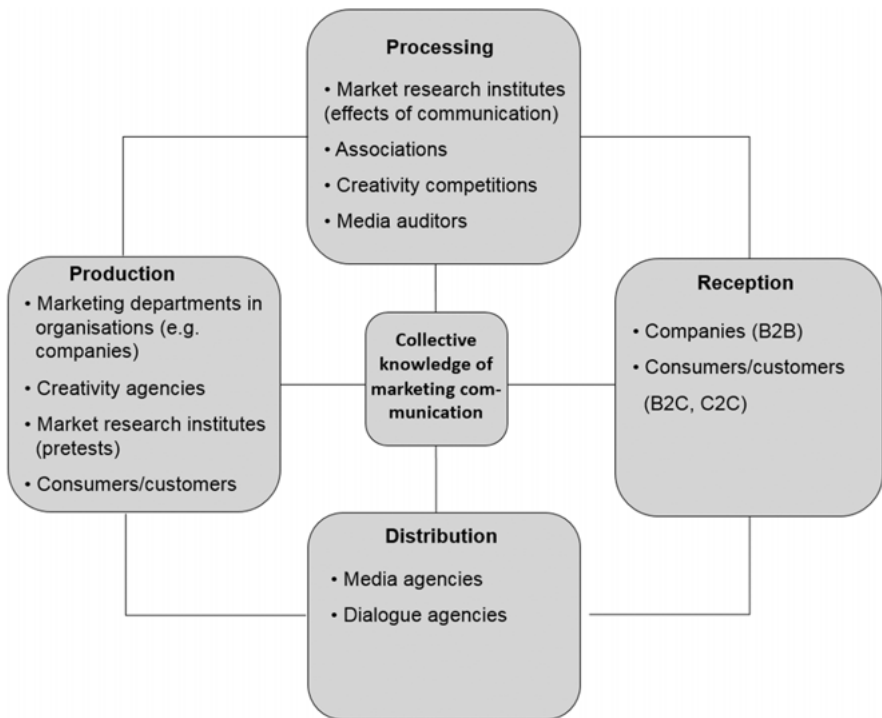


Figure 1: Network of action areas in the advertising system (source: author)

In these areas of action, different organizations are active at the meso-level; but at the micro-level, individuals are also engaged in the areas of production and reception. The latter is due to two reasons:

First, the activities of consumers and customers can nowadays be confirmed in the action area of production (see the chapter on the rhetoric of marketing co-creation in this volume), as is discussed under the headings of social media, consumer-to-consumer (C2C), reverse marketing or consumer-generated advertising (CGA).

Second, the action area of reception similarly demonstrates the following peculiarity: it is possible to encounter activities which are integrated within organizations and those which are not. In business-to-consumer (B2C) and C2C relationships, there are no professionalized and institutionalized recipient roles integrated into organizations. Here, the object of discourse is merely the consumer. In business-to-business (B2B) relationships, the situation is different. Here, the role of consumer/customer is fulfilled by organizations in the economic system.

In the context of this paper, the action area of processing should be stressed. Although reflexivity is the basis of every communication process in the advertising system, in the area of processing, there is the additional aspect of the system's own self-presentation; this comes in the form of professionalized communication about advertising. This communicative processing and utilization of advertising can be understood as institutionalized reflexivity within the social system of advertising. Among other points it should be noted that:

- Market research institutes are engaged in assessing the effects of advertising processes on behalf of agencies and/or marketing companies and in so doing provide the agencies and their customers with leads for adjusting their future communication.
- Associations bring together and represent the specific interests of different organizations within the industry, both within the advertising system and externally.
- Media auditors advise marketing companies in their selection of media agencies and evaluate and monitor the media strategies and plans provided by the media agencies as well as the conditions for purchasing advertising space and time.
- In creativity competitions, advertising works entered by agencies are evaluated and the results are brought together with the aim of compiling an annual ranking of the most creative agencies. Worldwide, the annual International Festival of Creativity attracts the most attention among creativity competitions. Using this event as an example, the following sections will be concerned with discussing self-reference in the advertising system.

2 The International Festival of Creativity

In 2013, the best-known creativity competition worldwide, the International Festival of Creativity in Cannes, France, celebrated its 60th anniversary. In the last ten years, the number of entries in this festival has risen significantly, and in 2015 reached a new peak of over 40,000. This represents an increase of around 130 per cent since 2002, a fact which impressively substantiates the increased importance of professionalized self-reference in the form of self-presentation within the advertising system (Figure 2).

The enormous dynamism and increase in marketing messages within the advertising system, which are largely due to developments in communications technology, go hand in hand with new advertising conditions for the agencies. Consequently, advertising agencies work on their positioning in the changing market and therefore a growing importance for advertising agencies' self-presentation and a further increase in the number of entries can be expected. For the festival organizers, this brings with it further growth in revenue, thanks partly to the entry fees.

Not only the number of entries but the number of prize categories is also steadily increasing. Whereas in 1997, agencies could enter their work in just two categories (Film Lions, Press & Outdoor Lions), in 2015 there were 21 of them, ranging from classics such as Film, Press & Outdoor through Product Design, Media, and Mobile to Creative Data, Innovation, and Glass which is the newly launched category for gender issues.

This trend towards an increase in the number of specialized domains of self-reference can be attributed to differentiation within advertising, creating a

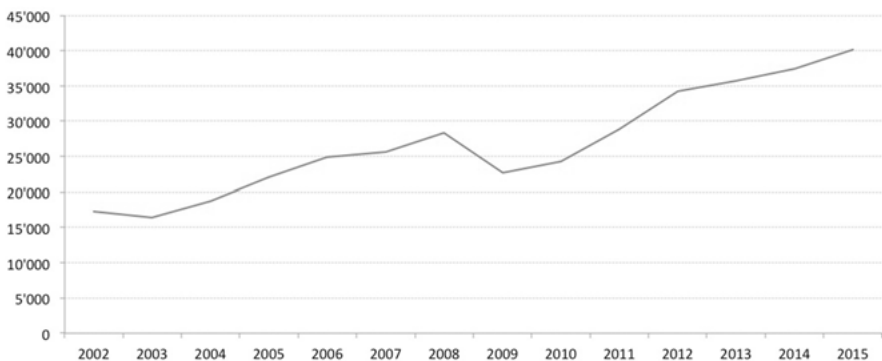


Figure 2: Trends in the number of entries in the International Festival of Creativity (Lions Festivals Limited 2002–2015)

variety of specialized solutions for different media and multiple types of communication disciplines. Attempts on the part of the organizers to limit the number of categories so as to reduce the number of narrowly specialized categories, which tend to devalue the individual prizes, have been unsuccessful up till now. On the contrary, in 2016 a number of new categories will be introduced (Digital Craft Lions, Entertainment Lions for Music). To put it comprehensively and across categories the aim today is, above all, to create possibilities for communication that:

are relevant and useful for recipients (e.g. Nike: Nike+ Fuelband; Grand Prix in the categories Cyber and Titanium 2012),



QR-Code 1: Case Video Nike Fuel Band, company: Nike+, agency: R/GA, New York (R/GA 2012)

use today's spectrum of possibilities in media systems in modern societies in the domains of paid, owned and earned media in ways which are creative and cross-linked (e.g. Metro Trains: Dumb ways to Die, Grand Prix in the categories PR, Direct, Radio, Film and Integrated 2013),



QR-Code 2: Case Video Dumb ways to Die, company: Metro Trains, agency: McCann, Melbourne (McCann Melbourne 2013)

involve recipients actively in communication processes (e.g. Google: Hilltop Re-Imagined for Coca Cola; Grand Prix in the category Mobile 2012)



QR-Code 3: Case Video Hilltop Re-Imagined for Coca-Cola, company: Google, agency: Grow Interactive, Norfolk (Grow Interactive 2012)

link marketing communications with distribution, product or service policy aspects (e.g. Tesco: Homeplus Subway Virtual Store; Grand Prix in the category Media 2011).



QR-Code 4: Case Video Homeplus Subway Virtual Stores, Unternehmen: Tesco, agency: Cheil Worldwide, Seoul (Cheil Worldwide 2011)

Consistent with this opening up of the focus on the advertising phenomenon, in 2011 the Festival was renamed from the “International Festival of Advertising” to the “International Festival of Creativity”. To summarize: the focus is not simply on traditional advertising; but rather on increasingly specialized and simultaneously cross-linked, creative media communications and business solutions.

3 The Effectiveness of Advertising Self-Reference

The success of the Cannes festival can be explained by the nature of advertising. The event is the perfect showplace for the logic of advertising. The industry admires itself in a glamorous mirror in which it observes how versatilely its logical coherence of creativity, illusoriness and business can be interpreted and simultaneously how marvelously functional it is. Advertising communication does not have the presentation of believable, factual information as its focus; rather it is damned to catch the attention of consumers with communications which are not intended to represent reality but which are branded with the motive of persuasion – from pizza packaging to a TV spot, from Web banner to advert, from a blogger’s recommendation to a YouTube viral. Everyone knows this – and the industry knows that everyone knows. It is the core finding of Friestad and Wright’s research on persuasion knowledge that there are no significant differences between lay and expert beliefs about the psychology of persuasion within the context of advertising (Friestad & Wright 1995).

With reference to Luhmann (1996), the thesis can therefore be advanced that the success of the International Festival of Creativity is due to the organized way in which it provides an experience of advertising self-reference in such a way that the event reflects the true nature of advertising: it communicates in a manner that is removed from reality and assumes that this will be assumed.

However, let us not be deceived by the apparently obvious explanation for why the Cannes festival is so successful. This is as follows:

As with other creativity prizes, the awards – gold, silver and bronze lions – serve to provide the basis for compiling a creativity ranking in which agencies are sorted according to their degree of creativity. To do this, agency competitions with a high weighting are preferentially considered. The International Festival of Creativity carries a weighting of 8 – the highest – and thus enjoys a correspondingly high prominence amongst agencies and the specialist media. The better an agency does in the rankings the more attractive it is – on the one hand, as an employer specializing in the area of creativity. On the other hand, with a good

placing in the rankings an agency can position itself as a creative service provider among marketing companies in an increasingly tough and more competitive world – or so one might think. This is all the more so if the rankings receive strong media attention in the specialist press every year. For this reason it is not surprising that 88% of the member agencies of the German Association of Communication Agencies (*Gesamtverband Kommunikationsagenturen GWA*) reported in the spring monitor 2005 that they participate in creative competitions (*Gesamtverband Kommunikationsagenturen 2005*).

This explanation appears self-evident, but does not approach the crux of the matter. Thus, Jean-Remy von Matt, co-founder and owner of the agency Jung von Matt, which achieved first place in the creative rankings of the two German specialist journals *Horizont* and *W&V Werben und Verkaufen* in 2014, claims that such rankings "... (are) in no way reliable indicators of the creative potential of an agency. In my career I have met so many creative individuals and agencies which carried off prizes at creativity competitions but in the hard day-to-day world of genuine challenges were hardly able to get anything off the ground. A bias in competitions is also the fact that ranking placements depend on the agency's willingness to make investments. Further, award-winning works are often actually individual initiatives. Anyone who is unwilling or unable to make such investments will never reach the top" (von Matt 2011, p. 34).

Matt is not the only one with this opinion. Similarly, Alexander Schill, the creative head of the agency Serviceplan, which in 2012 was the most successful German agency in Cannes and in the two above-named rankings achieved second places, does not have a problem with the agencies' procedures for developing ideas with the sole intention to win prizes at creative competitions. Accordingly, these are pieces of work that are created on the initiative of an agency without being commissioned by an agency customer and that have the sole aim of achieving points in creative competitions. An example might be "The Solar Annual Report 2011" which won the Grand Prix in the category Design in 2012, and which was rumored to be a "golden idea" (Fuhr 2012).

Producing golden ideas and entering work in festivals is a costly endeavor for agencies. For instance, the agency Jung von Matt was the German agency with the most entries (192) in the Cannes Festival of 2010 (Unckrich 2010). Assuming that each entry, depending on the category, costs between €299.00 (Radio) and €1,195.00 (Titanium & Integrated, Creative Effectiveness) (Lions Festivals Limited 2012), the agency had entry fees of around €143,00.00 – not to mention the time and outlay needed for the production of golden ideas, travel and overnight costs for staff, out-of-pocket expenses, etc. Taking into account the fact that nowadays an agency needs around 3,000 points to achieve first

place in a German ranking and the rule of thumb that 500 points cost around €350,000 (Kolle 2012), this means that an agency has to pay around €2 million annually for its engagement in creativity rankings – that is, if it wants to stay at the top.

An initiative by agencies to limit participation in competitions – i.e. to limit professionalized self-reference of the social system – on grounds of expense, as expressed by von Matt, a kind of “creative de-escalation treaty” (von Matt, cited in Amirkhizi 2008, p. 24), in which agencies would agree to enter only three competitions (ADC Germany, Cannes Lions and EFFIE) failed in 2000 and again in 2008. A further initiative by Amir Kassaei, the former spokesman of the board of the Art Director Club in Germany, to found a “German Agency Index” was also unsuccessful. This was intended to replace the hitherto existing creative rankings by a listing involving ten evaluation criteria, including creativity (Richter, Weber 2009). Following the announcement in 2012 by the agencies Jung von Matt and Scholz & Friends, that they would in future only take part in creative competitions every two years, the discussion on creative rankings has once again been sparked. The aim of establishing an overarching, widely recognized, and economically more cost-conscious ranking has however miscarried. The industry’s gazettes are clinging to their individual ranking procedures, although fewer competitions have been taken into account in the individual rankings since 2013. That agencies’ performance at the International Festival of Creativity should be included is taken for granted – and with it, the continuing pressure to produce golden ideas with their high expenditure. Agencies will therefore have to continue to put up with this situation, even though their achievements in Cannes, and therefore creative rankings, only give very misleading information concerning the creativity of the customer-commissioned work carried out by agencies. Instead, the rankings show the willingness of agencies to invest in an expensively bought appearance of being especially creative – which is vastly independent of their actual commissioned work.

Of course, the agencies know that their customers, the companies, know the truth about the ability of creative competitions to make any valid statements about the creativity of an agency. Hence, Herbert Sollich, the marketing director of the beer brand Veltins, for example, claims that the Cannes festival is fading more and more into the background “because agencies’ clients have realized that advertisers putting themselves on show tends to have little to do with their advertising efficiency” (cited in Strasser et al. 2012, p. 31); and Marc Weegen, the group manager for market communication for the National Association of the German Cooperative Banks says in the same place that “I find it awful to be at events in which creative people praise themselves to the skies” (2012, p. 31).



Figure 3: Jean-Remy von Matt as advertising model for the Jung von Matt agency customer Mey (Source: Unckrich 2011)

“At the top” of what exactly do agencies want to stand by their participation in the Cannes Festival and other such events, as Jean-Remy von Matt puts it? The answer is, at the top of a creativity ranking which everyone knows does not reflect the factual, commissioned creativity of an agency, but rather its degree of identification with the logic of the advertising industry. The effectiveness of advertising self-reference is here strikingly demonstrated: stand out at all costs. That this has little to do with the day-to-day working creativity of the agencies is not so bad – on the contrary that is how advertising works. The evaluation criteria applied by the Cannes Festival are therefore not valid and reliable measures of agency creativity. Its evaluation criterion is rather the generally accepted and elaborately stage-managed *fiction* that agency creativity is being measured. The Cannes Festival is no more real than the communications which agencies develop for their customers. The festival makes the DNA of advertising visible for one week – and of course, in Cannes, the city with a worldwide reputation for glitter and show. All this has its price, and the agencies are ready to pay it. At the end of the day, they have no other choice but to put on a good face for the show in which they themselves play the leading role and which they themselves want to sell – sometimes even in a perfectly stage-managed advertising self-referenced persona (Figure 3).

4 Postmodern Marketing Communication

The line of argument presented here leads inevitably to the diagnosis that advertising has arrived in the postmodern and has taken the evolutionary step into postmodern marketing communication. Of course, even since the beginning of the 1960s, with the emergence of modern trademarks and branding, a certain lack of reality is constitutive for the reality of the advertising system. In Cannes, however, advertising has been getting deeper into a new dimension of escapism from reality every year; and since the 1990s this has been closely associated with the term of postmodern marketing (e.g. Christensen et al. 2005; Firat, Venkatesh 1993; Proctor, Kitchen 2002).

A central feature of postmodern marketing is hyperreality. This means that signs become disconnected from their original referents and begin to create their own reality. With reference to Baudrillard (1978), this can be formulated thus: the advertising medium creates its own advertising product. The relationship between the signs used in an advertising communication – the syntactic dimension – becomes disassociated from the semantic dimension – the connection between the sign and what it signifies, e.g. the advertised product. The advertising message becomes, then, self-referential, denoting nothing more than itself, without being bound a priori to any particular product. Hence the Cannes festival can be understood as an event which celebrates dissociation between the reality of the creative manipulation of signs and the economically oriented sobriety of commissioned advertising.

Hyperreality, and with it the arrival of advertising into the postmodern, can also be seen elsewhere in Cannes. Reflexive expectations are causing advertising to increasingly distance itself from its own logic of reality-distanced communication. The result is an advertising hyperreality in which the producers of advertising expect recipients and consumers to expect that advertising should be an integral, useful part of their day-to-day lives, and not part of an unreal world of brands and dreams. Examples from Cannes are award-winning works such as Best Buy's Twitter service, "Twelforce" (Crispin et al. 2010), Tesco's "Homeplus Subway Virtual Store" (Cheil Worldwide 2011, see QR-Code 4), the IBM campaign "Smart ideas for smarter cities", which gave a service function to out-of-home advertising materials (Ogilvy 2013), or the Beiersdorf campaign "Nivea Protege", where a child-protecting function was incorporated into the print advertisement for the product Nivea Sun Kids (Foote Cone & Belding 2014). Mention should also be made of the apps for smartphones and tablets which companies offer as a free download. Bernardin and Kemp-Robertson (2008) summarize the development as follows: the trick of the advertising sector

is to move away from the public marketing of messages towards useful services: “providing something useful, relevant, or entertaining that embeds itself much deeper into everyday life than a 30 second commercial ever could” (Bernardin, Kemp-Robertson 2008, p. 132).

How did it happen that advertising took the evolutionary step of mutating into marketing communication that, against the background of the current developments in collective advertising knowledge, can be characterized as postmodern, and which, thanks to the future evolutionary stage of collective knowledge about marketing communication, will become the norm for the coming generation?

The answer is to be seen in the mediatization of modern society, and with it, the establishment of a new media-matrix, the center of which is no longer occupied by TV but by the Internet (Finnemann 2011). The players in the individual, functionally differentiated social systems, whether they be in politics, sport, health or, of course, also in advertising, are increasingly aligning their actions to comply with the logic and the conditions of success required by the media system. The result is, in essence, an exaggerated molding of all social systems by the media system. Among advertising professionals, this development seems to lead to the insight that target subjects not only fulfil a function in the economic system as consumers, but also, with the increasing mediatization of society, play a more and more important role in the media system as recipients and communicators, whose expectations are to be fulfilled by media offerings with a marketing content.

Therefore, the central role of the Internet in the media-matrix encourages advertising professionals to pay more attention to increasingly diverse modes of media reception. The notion of a passive, superficial mode of reception still exists, but it seems that advertising professionals put more and more emphasis on complex, in-depth reception by (inter)active consumers, who – according to the dual-process models – engage with media products either peripherally and heuristically or centrally and systematically, depending on their situational motivation and involvement (Chaiken 1980; Petty, Cacioppo 1986). Previously, the advertising strategies of companies and agencies were based mainly on the former processing route. They largely worked on a goods-dominant logic (G-D logic) informed strategy, presuming that their media products, which communicate a consumer benefit linked with the consumption or use of the advertised product, would be processed in an often unconscious, at best superficial manner, and would have an impact despite the recipient’s lack of involvement (Grimes, Kitchen 2007; Zajonc 1968). Those G-D logical strategies resulted in an asymmetric communication process (Lusch, Vargo 2008) in which the consumer was regarded as being an “operand resource” (Vargo, Lusch 2004, p. 7), a

passive recipient of advertising messages that were pushed towards him (“push” advertising). Today, however, it can be observed that advertisers are increasingly relying on a central and systematic processing of their advertising material. For this they develop media content based on service-dominant logic (S-D logic) informed strategies which focus on a service that creates a benefit in everyday life, and which is largely disconnected from the consumption of the advertised product. The advertising itself assumes a service function, by turning itself and its media products into a beneficial component of the daily-life situations and actions of target groups. The consumer is regarded as an active “operant resource” (2004, p. 7), as a co-producer of useful services, engaging with service propositions offered by advertisers (“pull” advertising) (regarding the S-D logic perspective see also chapter 4.1 on the rhetoric of marketing co-creation).

Advertising professionals expect that, through this hyperrealization of advertising, that is, through the dissociation of media offerings from the semantics of advertising messages, advertising will then be processed elaboratively, and judged to be relevant and useful. Traditionally there has been a clash in the G-D logic approach between the product benefit on the one hand, and the intrusiveness of traditional advertising (Li et al. 2002), its potential to disturb, on the other. The idea is that this opposition will be eliminated by S-D logic-informed advertising which aims to be a media-based service element, emerging as a useful advertising message in the daily-life situations and actions of recipients and no longer merely a tool for selling goods.

To summarize: the logic of the advertising system is undergoing a mediatization-related transformation from a goods to a service-dominant logic. This self-referential shift in collective advertising knowledge, based on the actors’ expectations and imputations of the advertising system, is today leading to the observation that advertising, with its media offerings, is distancing itself from its previous reality, i.e. its distance from reality. Hence, it can today be characterized as hyperreal and consequently as postmodern. In the words of Bogusky, co-owner of the US-American agency Crispin Porter + Bogusky: “The consumer should know that we know that he knows that we want to sell him something. The divide between the advertiser and the target of the advertising has to disappear.” (Bogusky 2008, cited in Häberle 2008, p. 21) According to this, the hyperreal aim of postmodern marketing communication is to remove itself from its persuasive, intrusive character – to no longer be advertising. Instead, brands are intended to develop into useful reality marketing communicators which consumers can integrate into their daily lives. In so doing, postmodern marketing communication makes self-reference able to be experienced in the advertising system’s action area of reception as well. Second-order information (von Foerster 1995), in the sense of advertising information about the information passed on

in the advertising, is inherent in postmodern marketing communications. And this information is: advertising no longer wants to be advertising. This however does not change the fact that marketing communication remains advertising to its recipients and consumers, and that marketing communications can be logically and semantically differentiated from those of other social systems.

5 Conclusion

In the advertising industry, self-reference, as the basic process in the creation and maintenance of social structures, has brought forth the International Festival of Creativity which, with its differentiated domains (prize categories) makes the self-reference of advertising in the domain of creativity clearly visible. In their observations, in the form of judgments, the jury members make use of the logic of that network of activity in areas that the actors in the advertising system themselves constitute. Developments in the Festival (number and type of entries, degree of differentiation, type of works that win prizes) allows for conclusions to be drawn about the increasing importance of professionalized self-reference, and further the evolutionary step that has been taken by advertising in the direction of postmodern marketing communication. Hyperreality is being advanced as the solution to problems that have been created as a result of G-D logic informed advertising strategies. However, with hyperreal advertising the problems do not disappear; rather, in the second-order information of postmodern marketing communications, the recipient is informed of the distancing of the advertising from itself by the advertising itself – and in so doing, the communicative problems of advertising become even more visible. To put it in a nutshell, today's advertising informs its audiences about the disinformation that advertising is no longer advertising.

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Roland Mangold

2.1 Human Processing of Commercial Information in Digital Environments

Abstract: In theories of advertising effects *attention* is generally considered as being most essential for consumers' processing of commercial messages. Especially in digital media environments where many different information sources compete for the users' attention and where the next channel is only a fingertip away it is important to provide content that satisfies the users' needs and is attractive to them. The good news is: information processing with reduced attention can also result in intended effects. To understand which specific conditions cause such effects and what different kinds of effects are to be expected, active psychological research on advertising in digital media settings is necessary. In this paper, selected results from this research will be discussed in the framework of a limited-capacity model of human information processing.

1 Introduction

In almost every model of advertising effects attention is considered as being a crucial factor for commercial information to be effective. As the total capacity that is available in the human mental architecture for the processing of input information is limited (Mangold 2015), and as many different information sources compete for the consumer's attention, commercial information might not get the capacity necessary to elicit intended effects on memory, attitude formation, or decision behaviour.

In the traditional mass media (printed matter, radio, television), advertisers have been confronted with a balancing act between either making commercial information more salient by putting it in the foreground or by moving it more into the background, and thus being confronted with the risk that it might be missed by consumers. For example, when a television viewer is watching a commercial spot there is not a high probability that important product information will be missed. However, commercial spots tend to be evaluated negatively by viewers and processing might fail because consumers use commercial breaks to look at the TV guide or their smartphone, to talk to each other, or even to leave the room. Product placements on the other hand, are evaluated more positively and viewers tend to stay in front of the TV and follow the TV programme they are embedded in. But product placements have a significantly

higher probability of being overlooked. Consequently, despite their tendentially negative image radio or television spots have been preferred for commercial communication, as long as not too many alternative programme channels have been offered to the radio or TV audience, and as long as it took some effort to switch channels.

The situation is becoming more complicated in digital media environments. Users still have a limited capacity for the processing of input information, but meanwhile there are many more sources from which information can be accessed. Furthermore, switching to another channel is much easier in digital environments: the next video and the next website are only the click of the mouse or the touch of a finger away. That is, consumers tend to be less motivated to stick with the processing of information from media they are not interested in, because it requires so little effort to find a better alternative.

As a consequence, the designers of commercial messages in digital media environments should take consumers' specific needs relating to the given information into account more carefully, in order to achieve the degree of attention necessary for intensive processing. But as the number of competing information sources is considerably higher, and as a perfect match between the content offered and users' needs probably might not be possible, research is required on the effects that might be expected even in cases where commercial information is processed with reduced attention.

In the next section an architecture for consumer-information processing will be introduced that offers an appropriate framework for the discussion of the above questions. Then, the specific needs of users that are satisfied during their interaction with digital media will be discussed. A limited number of basic human needs have been identified in empirical studies that are relevant both to the content, as well as the interactivity provided by digital media. In addition, a method will be described that is specifically adapted to revealing the users' needs that are being satisfied or not during their interaction with digital media. Following that, the effectiveness of processing commercial information with a low receptive capacity will be discussed, and the relationship between allocated capacity and different kinds of effects will be explained. If such an unconscious processing of input information is possible it has to be discussed as to whether this establishes the opportunity to disinform or even manipulate consumers.

2 An Architecture for Consumer Information Processing

In this paper a modified version of Lang's (Lang 2000, 2009) *limited capacity model of mediated motivated message processing* (LC4MP) has been chosen to

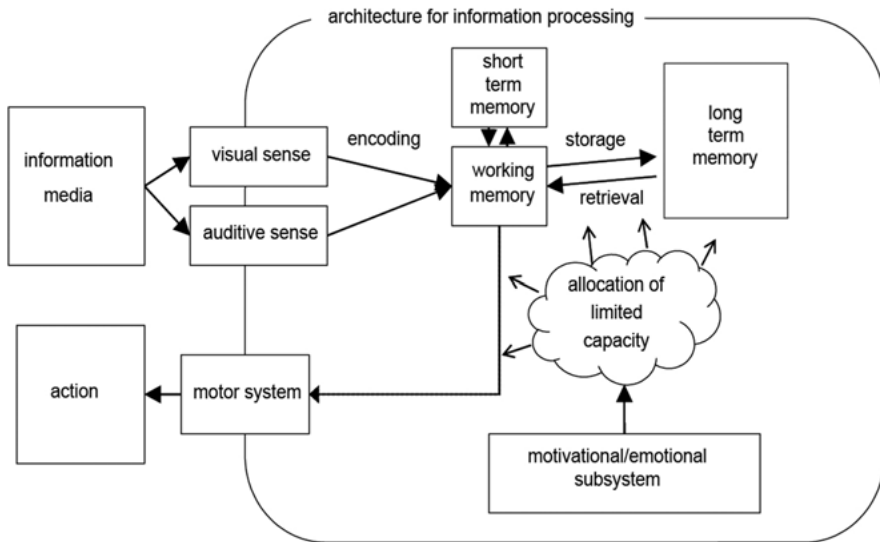


Figure 1: An architecture for human information processing (modified version based on Lang 2000, 2009)

explain advertising effects in digital media environments (see fig. 1). A specific feature of this model is an implemented mechanism of *capacity allocation* that provides an appropriate explanation for the effects of processing information with a varying attention capacity. Cognitive information processing, and motivation and emotion, are controlled by two separate subsystems thus enabling a detailed explanation of interactions between cognitive and motivational/emotional states.

In the LC4MP humans are conceived of as systems which permanently exchange information with their physical environment. Information processing is performed by an architecture that receives information from the outer world through the senses (predominantly the visual and the auditory senses), decodes this information (i.e. understands it), processes this information (e.g. thinks about it), and possibly acts on its environment according to processing results. Information input from the environment is represented by structured patterns of physical energy that stimulate the human's sensory organs. Initially, these patterns of energy can be conceived of as *data*; only if a *meaning* can be assigned to them, will they become *information* for the individual. In this view, information is identical to *symbolic* patterns that are connected to (inner) meaning by the information processing system.

During *encoding* the system first attempts to find an appropriate meaning for the data pattern transported from the senses to the working memory. If this process succeeds, a representation of the environment will be constructed in the working memory that serves as a basis for subsequent processing (e.g. thinking, problem solving, deciding and judging). To be able to assign a meaning to input data, knowledge has to be *retrieved* from the long term memory. Important processing results may in turn be *stored* in the long term memory. As it might be necessary during processing to retain some information for a limited duration (e.g. for intermediate results when performing a calculation), five to nine information elements (e.g. single units such as digits or letters, but also more complex chunks such as numbers or words) can be stored temporarily in the short term memory. Information processing may finally result in an instruction for the motoric system to initiate an action, but this is not a necessary consequence of operations in the working memory.

The upper part of the architecture displayed in fig. 1 is called the *cognitive or representational subsystem*, because here representations of the environment are constructed. In the lower part of fig. 1 the second subsystem is responsible for dealing with the *motivational and emotional states* of the individual. Emotions and motivations (needs, goals, and gratifications) are strongly interconnected: if a person's needs are satisfied, this person will experience positive emotions. If however, an expected need satisfaction is frustrated, the person will experience negative emotions. Emotional and motivational states also affect the way in which information is processed by the representation system.

A central assumption in Lang's (2000, 2009) *LC4MP* is that every process being executed in the architecture needs *capacity*. The amount of capacity that has to be allocated to a process in order to ensure proper execution is variable: "easy" (i.e. superficial) processes that do not require much concentration can be performed with less. For example, well trained and thus automatically running processes (like riding a bicycle or driving a car) are typical low capacity processes. "Deep" (i.e. thorough) processes however, that require concentration for their proper execution need a higher capacity. A process that requires a high capacity for thorough and deep operation but does not get it will operate superficially and will thus be imprecise.

Processes running with a high capacity differ from processes running on low capacity with regard to certain characteristics:

- *High capacity processes* are voluntarily controllable, their operation is governed by rules, and information is processed in a logical and rational way. During processing, the system searches for the overall best solution for a problem. The individual is consciously aware of the processing that is going on, and the processing details as well as results can be retained in memory.

- *Low capacity processes* on the other hand, evade voluntary control, and the processing style is heuristic, following “rule of the thumb” rather than the rule of logic and rationality. As a result, low capacity processes provide an approximation of good, but not necessarily the best solutions. They operate unconsciously, and the process details are not stored in memory.

A second central assumption within the *LC4MP* is that the *total amount of capacity* available for processing in the system is *limited*. That is, the allocation of processing capacity is compensatory: if one process gets more capacity for operation, other processes being executed at the same time will get less. This is the reason for the fact that although humans in principle are able to process more than one information source in parallel (e.g. thinking about a problem while riding a bicycle), only one process can be really deep and thorough, while all other processes will operate superficially. This mechanism constitutes no restrictions for habitual and therefore low capacity demanding processes (such as the routine activities already mentioned). But in principle, as soon as at least two require a higher level of capacity for sufficiently deep and thorough operation, only one will get enough capacity, while others will only function in a superficial manner – the person experiences *cognitive overload*.

To summarize, the demands of different processes for a variable level of capacity are strongly related to the kind of processing (deep and rule-governed or superficial and heuristic). Processes not receiving the capacity they would require for thorough operation will only attain superficially computed results. But what are the principles according to which capacity is allocated to currently operating processes? What are the factors that determine whether a process will get more or less capacity? The following determinants are mentioned in Lang’s (2000, 2009) publications:

- *Voluntary control*: Despite the fact that people generally tend to assume that they have a strong voluntary influence on the way in which information is processed in their heads, the effects of voluntarily capacity allocation to selected processes is only weak. This becomes obvious from the example where a student is learning for his exam. If he is not very much interested in the topic, learning becomes tedious and even after many repetitions learning success is only moderate. There doesn’t seem to be a way of just voluntarily increasing the capacity allocated to learning and thus with a simple trick improve learning.
- *Characteristics of the stimulus*: Attention will be very much attracted by stimuli that are *salient* to a person. Stimulus saliency is determined by stimulus properties like size, colour, movement, or loudness. For example, an ad which is big and displays loud colours will probably get more attention

- capacity than small and colourless stimuli. If a stimulus with not very salient features per se (e.g. an uncoloured ad) differs considerably from its context (e.g. with coloured text and pictures), it becomes salient by that.
- *Motivation*: Capacity will be allocated automatically to the processing of stimulus information that is related to a person's interests, needs, goals, or expected gratifications. Having the right motivation is a much stronger determinant for capacity allocation than any of the other factors listed here.
 - *Emotions*: In numerous empirical studies the influence of mood on the style of thinking has been demonstrated (cf. Bless, Fiedler 2006). When in a bad mood people think in a stricter, more rule-based, and more logical manner. In a good mood however, people think more superficially, they use heuristics, and are more creative. It is quite obvious that emotion-dependent differences in information processing are related to differences in capacity allocation: in a negative emotional state more capacity will be allocated to processing input information than in a positive state. An explanation for this relationship is given by *cognitive tuning theory* (Kuschel et al. 2010): emotional states serve as information about processing demands, and with this information the system can tune its processing activities to maximum performance in the existing environment. If a person is in a bad mood this signals that some kind of problem needs to be solved. As problem solving requires logical and thorough thinking, the system assigns most of the capacity available to these cognitive operations. A good mood, on the other hand, indicates the nonexistence of problems, and as a consequence there is no need to allocate so much capacity to information processing.

3 Satisfaction of Consumer Needs in Digital Environments

As has been indicated in the previous section motivation is one of the dominant factors for the allocation of capacity. Accordingly, if an advertiser's intention is to get enough capacity for his commercial message to be processed deeply and thoroughly, he should provide messages that optimally satisfy the customers' needs. Need satisfaction is affected by messages in digital media in two different ways. For one, *content* can be provided to the user that matches his or her interests, goals, gratification expectations etc. For the other, the *interaction with the interface* of the digital media can be more or less satisfactory.

A number of theoretical approaches to *basic human needs* have been published. What these studies have in common is that the needs postulated by

the authors are based on empirically collected data. Data from interviews or questionnaires have been submitted to statistical complexity reduction with procedures such as factor analysis. As a result between three and sixteen basic need dimensions have been found. Although it is assumed in these approaches that the set of needs reported in the publications applies to everyone, the intensity of each need varies between individuals. So a need profile can be identified for every human being in which some needs are more prominent, while others have a weaker intensity.

- *Reiss and Haverkamp* (1998) claim to have found in total *sixteen basic desires* which form the so called Reiss profile. The basic needs in their model are acceptance, curiosity, eating, family, honour, idealism, independence, order, physical activity, power, romance, saving, social contact, social status, tranquillity, and vengeance.
- *Ryan and Deci* (2000) in their *self-determination theory* assume three basic need dimensions: competence, relatedness, and autonomy.
- *Sheldon et al.* (2001) report having found ten different basic needs: self-esteem, autonomy, competence, relatedness, pleasure-stimulation, physical thriving, self-actualization-meaning, security, popularity-influence, and money/luxury.

The determination of to what extent certain basic needs are affected by a product, a service or a commercial message is complicated by the fact that customers tend not to be consciously aware of their own needs. As a solution, the *laddering interview* has been developed by Reynolds and Gutman (1988). Laddering is an interview technique used in marketing research to gain insight into how the needs of customers are affected by products. This method is based on *means-end chain theory* (Gutman 1982) according to which customers have cognitive combinations in their minds consisting of the attributes of products (means) and goals (ends). If the attributes and goals match, the product is evaluated positively by the customer because it satisfies his needs.

When conducting a laddering interview for a specific product the interviewee will first become acquainted with the product and its features. Then the interviewer tries to find out which of the product's properties are most salient to the consumer. For example, if a person is testing a bio-soy burger the attributes "healthy", "vegetarian" and "sustainable" might be most important to him. Then by subsequently asking *why-questions* the specific meaning of these attributes to the test person are uncovered. For example, the interviewee might connect the property "vegetarian" to the fact that for this food no animal had to be slaughtered, which in turn is connected to one of his central values. It may also be possible that a product has disadvantageous features. For example, when

cosmetics have been tested using animals this may conflict with the customer's value of not killing animals for economic purposes. It is obvious that the same property of a product might have different benefits for different people. This reflects the fact that the profile of needs varies from person to person.

Laddering is a well-established method for uncovering the needs that are affected by the properties of a product. However, without modification it is not applicable to identifying the features of *interactive media* (e.g. the interface of a website or a software), that satisfy certain needs of the user, as laddering is not designed to capture dynamic and time dependent features. As an alternative the *valence method* has been developed on the basis of the means-end chain theory by Burmester et al. (2010). These authors assume that certain design features of the interface (e.g. interaction elements, interaction styles) are more prominent to the user than others. While interacting with this interface in the *experience phase* the user presses a green button whenever he experiences positive emotions. If a negative emotional state occurs the user indicates this with a red button. In the subsequent *interview phase* the user will be interviewed about those sections of the interaction that he has previously marked. Again, similar to laddering, subjects are asked what properties of the media have caused the positive (or negative) emotion, what the reason for this emotion is and what meaning the property of the interface has for the user. In the subsequent analysis the basic needs underlying the combination of interface properties and emotional states will be identified.

4 Low Capacity Consumer Information Processing

If a commercial message to customers cannot satisfy their needs to an extent, it requires them to process that information attentively and deeply, this does not necessarily exclude the effects of that message. An experiment most frequently cited in this context was conducted by Vicary (Mangold 2015, p. 142). In 1957, in a cinema in Fort Lee (USA), he presented a movie to the audience which contained messages such as “eat popcorn” or “drink Coca-Cola”. The presentation time of these messages was too short for conscious recognition. Vicary reported an increase of popcorn sales of 58% and Coca-Cola sales of 18% during the interval. Obviously “subliminal” processing of information input (i.e. processing below the threshold of consciousness) can affect decisions and corresponding behaviour of humans. As an inspection of Vicary's original data is not possible, and as it has even been assumed that Vicary's study was a fake to promote his newly established marketing agency (Danzig 1962), a replication with similar

experimental conditions has been published by Karremans et al. (2006). In this study subjects were instructed to identify on a computer screen the strings out of a series that contained lower case letters. Before each task a prime was presented for 23 milliseconds. In control conditions the prime consisted of the letters “NPEIC TOIL”. In the experimental conditions the letters were rearranged to make the words “LIPTON ICE”. After having finished the tasks, subjects were asked whether they wanted mineral water or iced tea to drink. In the control conditions 31% of the subjects and in the experimental conditions 54% chose the iced tea. In a replication of this experiment subjects ate a salty candy before they solved the tasks. Now 20% of the thirsty subjects in the control conditions decided for iced tea, whereas 85% in the experimental conditions made this choice. Obviously, the effect of unconsciously processing advertising information is considerably stronger if the subjects experience a specific need that is related to the unconsciously processed input information.

Studies on the unconscious processing of commercial information have so far predominantly been conducted using experimental settings that resemble mass media reception. Are the results also transferable to digital media environments? At least for the presentation of banner ads on websites, Yoo (2008) was able to demonstrate similar effects. The author presented three different webpages to subjects for a duration of 45 seconds each. In the two experimental conditions each page displayed an advertising banner at the top with varying brand information. One group of subjects was asked to carefully evaluate the page, thus assuming that they would focus their attention both on content as well as on the advertisement (the attentive group). Subjects in a second group were instructed that they should understand the content of the page and that they would be submitted to a comprehension test afterwards. This instruction was intended to focus their attention on the content and distract it from the banners (the distracted group). In a control group no advertising banners were present on the pages. As a task subjects were asked to complete word stems (like S T R _ _ _) to full words. For the analysis the number of completed words that were present on the banners was counted. Further, a recognition test was conducted. Results of this explicit test of brand memory demonstrated that subjects in the attentive group remembered significantly more brand words than those in the distracted group, who did not have a better memory performance than the control group. According to this experiment the processing of banner information with a low capacity seems to have little effect on memory.

The resulting pattern is different however, if the results for the word completion task are examined. In the control group only 36% of the word fragments were completed into words that were displayed on the banners. In contrast, in the attentive group 57%, and in the distracted group 55% of completed words

were identical to words that were also part of the banner messages. In addition, subjects from both experimental groups exhibited a more positive attitude towards the brands presented on the banners, and more frequently assigned the brands to a consideration set of five products they might buy compared to members of the control group. Similar to many other studies Yoo (2008) was able to demonstrate that even processing advertising information with only a low level of capacity can result in effects that are in the interests of the advertisers. Effects induced in low capacity processing conditions are called *implicit* because they are not conscious to the person and cannot be measured directly with methods like questionnaires. As implicit effects are inherent to information processing but not based on information explicitly stored in memory, they can only be made observable indirectly by methods such as reaction time measurement, free association, word completion, or the misattribution of feelings.

Despite the impressive number of studies demonstrating implicit effects, there is still a lack of theoretical approaches that can serve as a framework for explanation. According to the *LC4MP* low capacity processing is uncontrollable, unconscious, more superficial, and without memory trace. But this model does not define a processing structure that is causal to the differences. A model published by Gawronski and Bodenhausen (2006) not only includes assumptions about the two different levels of human information processing, but it also incorporates statements regarding an architecture in which these two different modes of processing are carried out.

According to the *associative propositional evaluation model (APEM)*, information input to the sensory system will be processed in parallel in two different structures. In the *associative subsystem* (lower part of fig. 2) information elements (e.g. brand names or product properties) are represented by nodes in a network. Nodes can have varying activation states; the amount of activation reflects the relevance of the element represented by the node for ongoing information processing. Nodes are connected to each other, and activation will be propagated from one (activated) node to connected nodes. The stronger the connections between two nodes are, the more activation will be exchanged between them. The spreading of activation is automatic and uncontrolled by the person. It is also fast and concludes within a short space of time. When information is presented to the system, sensory nodes are stimulated and activated. This activation will automatically be spread to connected nodes and activate them in turn. If, for example, a person is a fan of *Apple* smartphones, this positive attitude is represented by nodes for positive properties (e.g. “good”, “modern” or “cool”) that are strongly connected to the node for an *Apple* smartphone. If a person sees such a smartphone (e.g. in the warehouse or in a commercial), this will automatically activate nodes which represent positive properties. The

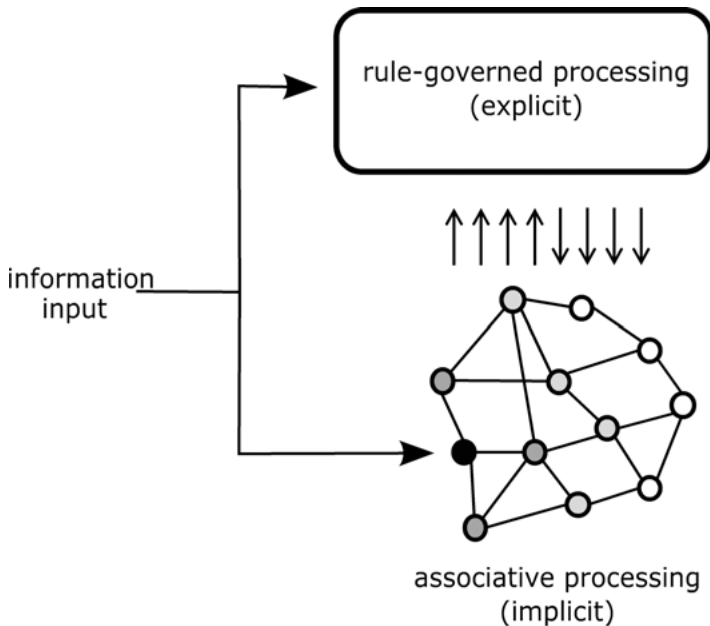


Figure 2: Architecture of the associative propositional evaluation model (modified version based on Gawronski, Bodenhausen 2006)

resulting activation pattern then, represents the meaning or the attitude formed by the associative system.

In parallel to activation spreading, a process is initiated in the *propositional subsystem*. Here information processing is *rule-governed*: symbolic information in the system is modified according to rules (i.e. program instructions) by a central processor. Processing that follows the rules of logic and rationality is deep and thorough. Processing in the propositional structure is slower and requires more capacity than associative processing. When a person does not have much capacity available for the processing of certain information – for example, when not much time is left for a decision or when other capacity-consuming processes are executed at the same time – there is a high probability that processing results will mostly reflect the operation of the associative system. However, when enough capacity is available, processing will be completed within the propositional architecture.

These assumptions have been corroborated by results from a study conducted by Shiv and Fedorikhin (1999). In an experiment, two groups of subjects were instructed to retain either a two-digit or an eight-digit number while they crossed a room. Before they had to recall the number at the other side of the room they

were confronted with two kinds of dessert: subjects could choose between a tasty looking chocolate cake or a healthy fruit salad. After they had decided on one of the sweets subjects were asked to recall the (two or eight digit) number. The analysis reveals a strong influence of the experimental conditions on the preference for chocolate cake or fruit salad. In the eight-digit conditions, subjects more frequently chose chocolate cake than in the two-digit conditions. An explanation for this result can be given within the *APEM* framework: retaining a two-digit number is a relatively easy task that does not require a large amount of capacity. That is, when subjects were deciding on one of the two desserts they had enough capacity left for a decision process at the propositional level. Here the more frequent decision for fruit salad was quite rational and well founded. Subjects who had to retain an eight-digit number, however, did not have much capacity left for coming to a decision and were only able to process information at the associative level. In the associative subsystem more positive properties are connected to chocolate cake than to fruit salad which triggered the decision in favour of the high calorie sweet. That both the associative and the propositional subsystem are operating in parallel is demonstrated by the observation that subjects deciding for fruit salad reported that at first they impulsively tended to go for chocolate cake but in the end decided to be reasonable and take the fruit salad. Obviously, although the associative decision process came to a conclusion earlier the state of the associative system was overwritten by the outcome of the propositional process.

To summarize, at least implicit effects (like stimulating brand associations or improving attitudes toward the brand) can also be found in situations in which advertising information is processed with only a low level of capacity by media users. These effects are not conscious to the person and can only be verified using specific methods of indirect measurement. Implicit effects can appropriately be explained according to the *APEM* as being based on associative processing, that is, on the spread of activation between nodes linked to each other.

5 Conclusion

According to the model introduced in this paper media recipients have a limited capacity for the processing of the commercial information offered to them. Advertising in traditional mass media always has been confronted with the problem that only a fraction of mediated information is processed intensively by the recipients. The good news is: processing with low capacity may also be

effective in certain ways. For example, latent needs can be made salient and intensified (Karremans et al. 2006).

Meanwhile our media environment has changed radically; digital media provide an uncountable number of different sources offering multimedia information which is accessible through interactive interfaces. But the way in which information offered by the media is processed in the human cognitive architecture still remains the same: the users' capacity is limited, and only a highly restricted number of information sources can be processed at the same time. But today, users have many more options for alternative information and it is quite easy and effortless for them to switch to a competitive channel. One option to get the users' attention and interest is to provide content and interactivity that is related to his or her currently active needs. But even in situations where media users do not pay much attention to advertising in digital media it still can be effective and match the advertiser's intentions (Yoo 2008).

As priming studies demonstrate, commercial information will also be processed unconsciously and can influence a person's thinking, decisions, and actions. As she is not aware of this impact – doesn't this set the stage for disinformation or even manipulation of consumers, especially in digital media? The answer is: no. Results from priming studies reveal that unconscious priming can only make existing (latent) needs obvious and salient to the subject and thus intensify them. However, it could never be shown that this priming mechanism allows the creation of new and previously non-existing needs or motivates subjects to make decisions that are contradictory to their general intentions. Despite all the differences – with respect to the motivated and unconscious processing of advertising information, new digital media environments are very similar to the traditional mass media.

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Gert Straetmans

2.2 Trade Practices and Consumer Disinformation

Abstract: The last decade the European consumer information model has been the subject of increasing criticism, not in the least from scholars of non-legal disciplines. The information paradigm whereupon this model is based takes as a starting point that consumers are benefit-maximising creatures who, when given full information, will consistently make decisions that maximise their welfare. Precisely the assumption that informed consumer decisions are efficient decisions is increasingly challenged nowadays. Especially the fact that the release of information in the market is not non-committal in cases where that information empowers him to correct his misleading impressions based on particulars of the product or in advertising, is subject of criticism. To date, these critiques are of no specific concern to the European legislator. Recent harmonisation measures continue to be heavily rooted in the European information model. Also the Unfair Commercial Practices Directive is not well equipped to combat, for example, disinformation as a result of an overload of information. However, recent developments in case law demonstrate the ECJ's willingness to mitigate the consumer's duty to internalise information for his own good. Yet, the European legislator seems far better placed to deal with the drawbacks of the information model and should, in that respect, approach valuable insights from other disciplines with an open mind.

1 Introduction

In view of the establishment of the internal market the European legislator developed a European consumer information model. Although consumers automatically benefit from more competitive market structures they also must be secured a legal environment wherein they are capable of searching out bargains between goods and services offered and sold across borders. Thus a consumer must be made capable of reaping full benefit from the internal market by making purchase decisions in full knowledge of the fact. This requires the release of information in the absence of which consumers would fail to fulfil their function in the internal market. The European preference for information disclosure measures comes as no surprise. The economic theories underlying the internal market

policy presuppose that the release of information can hardly have a negative impact on the market. Quite the opposite, these theories approach the consumer as a benefit-maximising creature who will consistently make decisions that maximise his welfare if he is given full information. It follows that informed consumer decisions are efficient decisions. This so-called information paradigm lies at the core of the European consumer information model. Factor in that information requirements are much more in line with the internal market objectives than straightforward prohibitions, as they are much less inhibitive to trade, and the finding that European harmonisation measures are heavily focused on disclosure mandates was only to be expected.

The European consumer information model will be briefly highlighted in section 2, with special attention to relevant European legislation (subsection A) and case law of the European Court of Justice (subsection B). In the last decade the European consumer information model has been the subject of increasing criticism not least from behavioural economics scholars. Section 3 of this contribution highlights the critiques. In a subsequent section it will be examined whether Directive 2005/29/EC on unfair commercial practices (hereafter: UCPD) is capable of responding to those critiques. The protection of consumers against misleading practices forms an important, if not the most important, part of the aforementioned directive. This directive is of general application and therefore deserves separate attention. Finally, a concluding section completes the analysis.

2 The Internal Market and the European Consumer Information Model

To provide for the appropriate measures in view of the establishment and correct functioning of the (internal) market lies at the core of the European Union.¹ Companies and consumers would both benefit from more efficient market structures. However, for the internal market to yield its benefits to consumers they must be able to have easy access to goods and services promoted, offered and sold across the borders,² since it is the cross-border movement of goods and services that allows consumers to search out bargains and innovative products and services and ensures that they optimise their consumption decisions.³ For this system to work the release of private *consumer* autonomy within the market

1 See Article 3(3) TEU.

2 See CJEC, case C-362/88, GB-Inno-BM, *E.C.R.*, 1990, I-667, para. 8.

3 See also e.g. Green Paper on European consumer protection, Brussels, COM(2001)531final.

is presupposed.⁴ This implies a consumer who is looked at as a benefit-maximising creature capable of reaping full benefit from the internal market by making purchase decisions in full knowledge of the facts.⁵ The consumer's right to choose the goods and services closest to his preferences also requires a certain empowerment of consumers. Hence, information must be disclosed to consumers.⁶

By impairing the consumer's ability to make choices which are informed and therefore efficient,⁷ unfair commercial practices generate a market failure. Consequently misleading practices were prohibited and mandated disclosures were imposed on businesses to combat the market inefficiencies resulting from the information asymmetry that exists between companies and consumers.⁸ This explains why the earliest consumer measures were mainly concerned with misleading information in two central domains, namely advertising rules and labelling requirements.

As a result of the informational empowerment of consumers the idea that consumers were genuine promoters of integration instead of passive beneficiaries gained ground fairly rapidly.⁹ Hence the focus of European legislation shifted to

4 Choice models imply an individualistic, autonomous conception of human preferences. See on this point, G. Straetmans, *Consument en markt*, Kluwer rechtswetenschappen, 1998, Deurne, 466-514.

5 See CJEC, case C-362/88, GB-Inno-BM, *E.C.R.*, 1990, I-667.

6 See G. Straetmans, *Consument en markt*, Kluwer rechtswetenschappen, 1998, Deurne, 242. The Commission endorsed the same view in Communication (June 2002) on Consumer policy strategy 2002–2006, *O.J.*, 2002, C 137/2 and in Resolution of 2 December 2002 on Community consumer policy strategy 2002–2006, *O.J.*, 2003, C 11/1.

7 Economic theory presupposes that information can never have a negative impact. If the information is ineffective or irrelevant, it will simply be ignored by consumers and businesses. If consumers are given full information, they will consistently make decisions that maximise their welfare. Hence informed consumer decisions are efficient.

8 Consumers have less information than businesses and so have difficulty in making decisions that reflect their true preferences. Businesses themselves have no sufficient incentives to provide consumers with the information they need. Therefore the law comes to the aid of consumers and requires the information be provided. See also G. Howells, "The Potential and Limits of Consumer Empowerment by Information", *Journal of Law and Society* 2005, Vol.32, (349) 355, who points out that "harm will be reduced by ensuring goods and services are more likely to be in line with realistic consumer expectations based on reliable information. Avoiding problems through the consumer taking responsibility for his or her own purchasing choices must be a desirable objective. Moreover, this accords with popular support for the notion of consumer autonomy and avoids criticisms of paternalism from the nanny-state". That way "information rules empower consumers to protect themselves and have the advantage that they are not prescriptive and so do not prevent traders innovating", *a.c.*, 356.

9 In the Third Action plan on consumer policy, Brussels, COM(95)0519, the consumer is already referred to as a full-blown participant, a key player in the internal market, and also as a person who is able to make well-informed choices and who is sufficiently alert to defend his own rights.

the establishment of a legislative environment in which consumer's confidence may grow, enabling the confident consumer to become the new benchmark of the internal market.

A Consumer Information Model – Legislative Developments

Two ground breaking harmonisation measures secured consumers the information they need to participate in the internal market, the foodstuffs labelling directive and the directive on misleading advertising. The aim of both directives was to prevent any deception of consumers. Directive 79/112/EEC of 18 December 1978 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs for sale to the ultimate consumer¹⁰ prohibits the misleading of purchasers as to the characteristics¹¹ of foodstuffs and also contains compulsory rules to indicate a number of foodstuff particulars, for instance a list of ingredients on labelling. Directive 79/112/EEC is of general application and has been replaced by Directive 2000/13/EC¹² which in its turn has been repealed as from 13 December 2014 by Regulation 1169/2011/EU on the provision of food information to consumers¹³. Article 13 (1) of the Regulation requires mandatory food information to be “marked in a conspicuous place in such a way as to be easily visible, clearly legible, and where appropriate indelible. It shall not in any way be hidden, obscured, detracted from or interrupted by any other written or pictorial matter or any other intervening material”. It further contains rules as regards the font size and characters of mandatory particulars and rules concerning distance selling and the omission of certain mandatory particulars.

Directive 84/450/EEC concerning misleading advertising¹⁴ harmonised the definition of ‘misleading advertising’¹⁵. In contrast to the labelling directive this directive did not stop Member States from retaining or adopting provisions with a view to ensuring more extensive protection for consumers.

10 *O.J.*, 1979, L 33/1.

11 In particular the nature, identity, properties, composition, quantity, durability, origin of provenance, method of manufacture or production.

12 Directive 2000/13/EC of the European Parliament and of the Council of 20 March 2000 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs, *OJ* 2000, L 109/29.

13 See in particular Regulation 1169/2011/EU on the provision of food information to consumers, *OJ* 2011, L 304/18.

14 *O.J.*, 1984, L 250/17.

15 Article 2.2 of the Directive.

Although it was initially believed that both instruments conveyed sufficient information to consumers to make them beneficiaries from increased competition in the market, the shift towards the establishment of a legislative environment in which consumers' confidence may grow required the release of more information. As a result, all harmonisation measures targeted at protecting consumers included from that date an impressive number of pre-contractual information obligations imposed on traders.

For instance according to Article 5(1) of the recent Consumer Rights Directive¹⁶ (hereafter: CRD) the trader shall provide the consumer with no less than 20 information particulars before the consumer is bound by the contract. This information must be provided *in a clear and comprehensible manner* if that information is not already apparent from the context. In providing that information, “the trader should take into account *the specific needs of consumers who are particularly vulnerable* because of their mental, physical or psychological infirmity, age or credulity, in a way which the trader could reasonably be expected to foresee” (own emphasis)¹⁷. However, the directive peculiarly adds on this point that “taking into account such specific needs should not lead to different levels of consumer protection”¹⁸.

The directive also contains rules that are more targeted to the media user. The trader must provide the user of any new media which concludes a distance contract the more detailed information provided for in Article 6(1) or make that information available to the consumer *in a way appropriate to the means of distance communication used in plain and intelligible language* (own emphasis). Additional information requirements apply to distance contracts concluded by electronic means that place consumers under an obligation to pay.¹⁹ Unlike the general pre-contractual information obligations, these obligations concerning distance contracts set forth in the CRD are completely harmonised so that no interference from Member States is allowed.

Users of media are further protected by the Electronic Commerce Directive²⁰, the Services Directive²¹ and the Unfair Commercial Practices Directive²². The Services Directive and the E-commerce Directive also contain pre-contractual information requirements additional to those laid down in the CRD.²³ However, if a

¹⁶ Directive 2011/83/EU, O.J. 22 November 2011, L 304/64.

¹⁷ Article 5(3) from the UCPD holds a similar provision. See also on this point, albeit from a different angle, the contribution of Förster/Weish to this book.

¹⁸ In the absence of this rule, the requirement in the UCPD seems to be stricter.

¹⁹ Article 8(2) CRD.

²⁰ Directive 2000/31/EC, O.J. 17 July 2000, L 3178/1.

²¹ Directive 2006/123/EC, O.J. 27 December 2006, L 376/36.

²² Directive 2005/29/EC, O.J. 11 June 2005, L 149/22.

²³ Article 6 (8) CRD.

provision of Directive 2006/123/EC (services) or Directive 2000/31/EC (e-commerce) on the content and the manner in which the information is to be provided conflicts with a provision of the CRD, the provision of the latter will prevail. This means that only in cases of conflicting requirements is the complementary nature of the directives estopped in favour of the CRD.

Although the UCPD merely prohibits misleading²⁴ and aggressive commercial practices and does not impose information requirements as such, it nevertheless contains indirect information duties with respect to invitations to purchase²⁵. In the case of invitations to purchase a trader has according to Article 7(4) of the UCPD a stricter obligation to provide information, failure of which may constitute a misleading omission. This material information partly overlaps with the information requirements imposed by the CRD. Both lists of information duties must be complied with when the advertising is categorized as an invitation to purchase. Yet again, in the case of conflict the CRD prevails.

It follows from the foregoing that directives on consumer protection, and more in particular on the protection of media users, continue to pile on information requirements. Some of the requirements²⁶ referred to above are open to interpretation and leave broad discretion to the judges. Also the obligation to take into account the special needs of particularly vulnerable consumers is rather unclear, especially in the CRD where this tailoring of information may not lead to different levels of consumer protection.

B Consumer Information Model – Case Law of the European Court of Justice (ECJ)

The ECJ highly contributed to the development of the information model. On many occasions, it has been asked to clarify the information model and the information duties laid down in the aforementioned directives. It thereby comes as no surprise that the ECJ's approach towards the two central pillars of the European information model, advertising and labelling, has been basically

²⁴ It repeals and incorporates the misleading advertising directive referred to above.

²⁵ The ECJ interpreted an invitation to purchase broadly: “an invitation to purchase exists as soon as the information on the product advertised and its price is sufficient for the consumer to be able to make a transactional decision, without it being necessary for the commercial communication also to offer an actual opportunity to purchase the product or for it to appear in connection with such an opportunity” (para. 33, ECJ 12 May 2011, case C-122/10, *Ving Sverige*, ECLI:EU:C:2011:299).

²⁶ For instance requirements such as ‘easy to understand’, ‘in plain language’ etc.

the same.²⁷ In the case that the consumer was able to make informed choices, market deregulation prevailed over national regulatory protection.

It is precisely in that regard that the Court consistently held that the assessment whether an appellation, brand name or advertising statement may be misleading must take into account the presumed expectations of an *average consumer who is reasonably well informed and reasonably observant and circumspect*.²⁸ This benchmark of the European average consumer has its origin in the prime consideration taken from the non-binding preliminary programmes for a consumer protection and information policy that consumers should be enabled to make a choice in the market in full knowledge of the facts.²⁹ The emergence of this European consumer image was implicitly present in misleading practices cases like *GB-Inno-BM*³⁰, *Yves Rocher*³¹ and *Mars*³², and was subsequently consolidated in the *Gut Springenheide* and *Tusky* case³³. It has been confirmed since in case law, and also more recently in legislation³⁴.

With regard to labelling requirements, the ECJ emphasized that the rational consumer whose purchasing decisions depend also on the composition of the products will first read the list of ingredients. As a result the average consumer

27 For an extensive analysis, see G. Straetmans, *Consument en markt*, Kluwer Rechtswetenschappen, 1998, 197–466.

28 See in particular, ECJ 1999, *Sektkellerei Kessler*, Case C-303/97, EU:C:1999: 35, para. 36. Thereby, the ECJ was not particularly inspired by human information processing models taken from other disciplines. See for example the Limited Capacity Model of Mediated Message Processing and the LC4MP developed by Lang and find more about this model in the contribution of Mangold to this book (chapter on human processing of commercial information).

29 ECJ 1990, C-362/88, *GB-Inno-BM*, EU:C:1990, para. 17: “a prohibition against importing certain products into a Member State is contrary to (the provisions relating to free movement of goods) where the aim of such a prohibition may be attained by appropriate labelling of the products concerned which would provide the consumer with the information he needs and enable him to make his choice in full knowledge of the facts” (own emphasis).

30 See ECJ 1990, C-362/88, *GB-Inno-BM*, EU:C:1990. The ECJ agreed with the European Commission that any normally aware consumer knows that annual sales take place only twice a year so that the ‘European’ consumers would not be misled by information on temporary price reductions.

31 ECJ 18 May 1993, *Yves Rocher*, C-126/91, EU:C:1993. The Court held that the prohibition on ‘eye-catching’ advertising was disproportionate: it also prohibits correct advertising that is eye catching.

32 ECJ 1995, *Mars*, C-470/93, EU:C:1995, paragraph 24: The ECJ held that “reasonably circumspect consumers may be deemed to know that there is not necessarily a link between the size of publicity markings relating to an increase in a product’s quantity and the size of that increase”.

33 ECJ 1998, *Tusky*, C-210/96, EU:C:1998, para. 31.

34 See Directive 2005/29/EC on unfair commercial practices (UCPD) and Directive 2011/83/EU on consumer rights (CRD).

who is “reasonably well informed and reasonably observant and circumspect” is not misled by the use of a term on the label if the seemingly misleading impression the term entails is contradicted by the list of ingredients that duly indicates the presence of all the ingredients in the product.³⁵ Hence, a comprehensive and correct list of ingredients on the packaging of a product may prevent a consumer’s misleading impression derived from a term or depiction used on the packaging of the product.³⁶

Although the ECJ recognises that cases may exist where the requirement of an additional statement to the trade description is necessary in order to avoid any confusion on the part of consumers, it consistently struck down additional national labelling requirements to that end. In *Commission vs. Italy*³⁷, for instance, the ECJ was opposed to the German prohibition to market hollandaise sauce or béarnaise sauce prepared from vegetable fats instead of butter and eggs in accordance with the recipe traditionally followed in Germany. The ECJ stated that “for consumers who are heedful of the composition of a product, sufficient information is available by way of the list of ingredients which (...) must appear on the labelling”³⁸. In the same vein, the ECJ held in *Darbo*³⁹ that mentioning ‘naturein’ on the packaging of strawberry jam gave consumers no misleading impressions.⁴⁰ It pointed out that “an average consumer who is reasonably

³⁵ See to that effect, e.g. ECJ 1999, *Van der Laan*, Case C-383/97, EU:C:1999:, para. 37.

³⁶ See e.g. *Severi*, C-446/07, EU:C:2009:530, paragraph 61, on the question whether the designation of a foodstuff, ‘Salame tipo Felino’, which is evocative of a place and which is not registered as a PDO or PGI may be legitimately used by producers who use it uninterruptedly for a considerable period and in good faith, is misleading. “It is clear from the Court’s case law that, in order to assess the capacity to mislead of a description to be found on a label, the national court must in essence take account of the presumed expectations, in light of that description, of an average consumer who is reasonably well informed, and reasonably observant and circumspect, as to the origin, provenance, and quality associated with the foodstuff, the critical point being that the consumer must not be misled and must not be induced to believe, incorrectly, that the product has an origin, provenance or quality which are other than genuine”.

³⁷ ECJ 2010, *Commission vs. Italy*, C-47/09, EU:C:2010:7140.

³⁸ Paragraph 36, *Commission vs. Italy* case.

³⁹ ECJ 4 April 2000, *Darbo*, C-465/98, EU:C:2000:184.

⁴⁰ See also:



well informed and reasonably observant and circumspect could not be misled by the term ‘naturally pure’ used on the label simply because the jam contains pectin gelling agent whose presence is duly indicated on the list of its ingredients”⁴¹.

Also, in the misleading advertising cases, the ECJ emphasized that the European average consumer has the duty to internalize the information which is disclosed to him in the market.⁴² The *Clinique*⁴³ case is illustrative of that point. In that case the German Government sought to stop the use of the name “Clinique” for cosmetic products on the ground that that name could mislead consumers into believing that the products in question had medicinal properties. The ECJ adequately countered the German objections. It stated “that the range of cosmetic products manufactured by the Estée Lauder Company is sold in the Federal Republic of Germany exclusively in perfumeries and cosmetic departments of large stores, and therefore none of those products is available in pharmacies. It is not disputed that those products are presented as cosmetic products and not as medicinal products. It is not suggested that, apart from the name of the products, this presentation does not comply with the rules applicable to cosmetic products. Finally, according to the very wording of the question referred, those products are ordinarily marketed in other countries under the name “Clinique” and the use of that name apparently does not mislead consumers”⁴⁴. Hence the German prohibition did not appear to be necessary to satisfy the requirement of consumer protection and human health. The Court therefore added: “The clinical or medical connotations of the word “Clinique” are not sufficient to make that word so misleading as to justify the prohibition of its use on products marketed in the aforesaid circumstances” (own emphasis)⁴⁵.

The importance of this last sentence cannot be overlooked. Even though the ECJ recognises that it is not excluded that German consumers may wrongfully infer from the product name that it has medicinal qualities, this is not sufficient to prohibit the use of that name as deceptive. The product is presented as a

⁴¹ ECJ 4 April 2000, Darbo, C-465/98, EU:C:2000:184, paragraph 22.

⁴² For a more elaborated account of the developments in case law of the ECJ, See G. Straetmans, *Consument en Markt*, Kluwer Rechtswetenschappen, Mechelen, 1998, 355–408 and G. Straetmans, “Misleiding en de consument”, *DCCR*, 2013, nrs.100–101, 108–122. See also S. Weatherill, “Consumer image: linguistic, cultural and social differences”, in E. Terry and G. Straetmans e.a. (eds.), *Landmark cases of EU Consumer Law*, 2013, Intersentia, Cambridge-Antwerp, 5–20.

⁴³ ECJ 1994, *Clinique*, C-315/92, EU:C:1994:.

⁴⁴ ECJ 1994, *Clinique*, C-315/92, EU:C:1994:., para. 21.

⁴⁵ ECJ 1994, *Clinique*, C-315/92, EU:C:1994:., para. 23.

cosmetic product, its presentation complies with the specific labelling requirements laid down in European directives, and the product can only be bought outside pharmacies. This information should suffice to alert the European consumer and allows him to correct his initial wrongful inferences from the product name.

The bluntness of the ECJ in *Clinique* has been severely instead of severally; criticised more than once. The ECJ therefore mitigated somewhat the effect of its ruling in subsequent judgments. Thus, in *Estée Lauder*⁴⁶ whilst confirming the standard of the average consumer, the ECJ also held that “in particular, it must be determined whether *social, cultural or linguistic factors* may justify the term ‘lifting’, used in connection with a firming cream, meaning something different to the German consumer as opposed to consumers in other Member States, or whether the instructions for the use of the product are in themselves sufficient to make it quite clear that its effects are short-lived, thus neutralising any conclusion to the contrary that might be derived from the word ‘lifting’”⁴⁷. However, the mitigating effect of the reference to particular social, cultural or linguistic factors was put immediately into perspective by the Court’s consideration that “at first sight, the average consumer – reasonably well informed and reasonably observant and circumspect – ought not to expect a cream whose name incorporates the term ‘lifting’ to produce enduring effects”⁴⁸. The ECJ acted similarly in the *Linhart and Biffi*⁴⁹ case where it held that the mere statement ‘dermatologically tested’ or ‘clinically tested’ appearing on the packaging of soaps and hair products meant that the product was “well tolerated or at least harmless when applied to the skin”⁵⁰.

It follows from the foregoing that the European average consumer is depicted as someone who is well capable of processing information which is disclosed in the market. Moreover, the European average consumer has the duty to take advantage of this information, the release of which is not non-committal, especially when that information empowers him to correct his misleading impressions based on the product name or other particulars on the packaging of the product or in advertising.

⁴⁶ ECJ 2000, *Estée Lauder Cosmetics vs. Lancaster Group*, C-220/98, EU:C:2000:8.

⁴⁷ ECJ 2000, *Estée Lauder Cosmetics vs. Lancaster Group*, C-220/98, EU:C:2000:8, para. 29. According to the German Government the use of the term ‘lifting’ for a firming cream may mislead consumers as to the duration of the product’s effects, because it gives purchasers the impression that use of the product will obtain results which, above all in terms of their lasting effects, are identical or comparable to surgical lifting.

⁴⁸ ECJ 2000, *Estée Lauder Cosmetics vs. Lancaster Group*, C-220/98, EU:C:2000:8, para. 30.

⁴⁹ ECJ 2002, *Linhart and Biffi*, C-99/01, EU:C:2002:618.

⁵⁰ ECJ 2002, *Linhart and Biffi*, C-99/01, EU:C:2002:618, para. 32.

3 Information Model – Criticism

The ECJ's preference for the European average consumer as a standard for the assessment of misleading practices has been criticised in consumer literature as *majoritarianism*.⁵¹ Some authors advanced that the concept of the confident consumer has a very weak and unreliable basis in Community law.⁵² In the same vein, it is often objected that although information disclosure can contribute to the empowerment of consumers, they are often of very little help to vulnerable consumers when it comes to leading a self-determined life. This even prompted some scholars to conclude that the European consumer information policy leaves out the protection of the really weak, illiterate or poor consumer.⁵³

Another critique advanced by legal scholars is the lack of a real benchmark of reasonable consumer expectations. Especially with regard to digital content the absence of such a benchmark may have adverse effects on the level of protection of media users.⁵⁴ According to those scholars “consumer information can shape the reasonable expectations of consumers, and thereby also the level of protection consumers can reasonably expect. In this respect, the level of protection consumers can expect (e.g. according to the rules of fairness of commercial practices or contract terms), depends to a considerable extent on the extent to which consumers have been informed. Hence, consumer information may indirectly also serve as an unfair exclusion clause”⁵⁵.

Also on a more general level, information requirements have been the subject of substantial criticism, not the least from behavioural economists.⁵⁶ Without going into too much detail behavioural economists mark as major

51 S. Weatherill, CMLRev, 1999, 51.

52 W-H. Roth, CMLRev, 2003, 944; Th. Wilhelmsson in Private Law and the Many Cultures of Europe, Kluwer Law International, 2007, 243-268; H. Unberath and A. Johnston, CMLRev, 2007, 1251–1252.

53 E. Hondius, Sydney Law Review, 2006, 93; B. Heiderhoff and M. Kenny, ELRev, 2007, 743.

54 N. Helberger, L. Guibault, M. Loos, Ch. Mak, L. Pessers, “Digital Content Contracts for Consumers”, *J. Consum. Policy* 2013, 36:50–51. These scholars argue that instead of leaving the matter entirely at the discretion of suppliers and relying on consumer information, a certain minimum standard of usability, safety and consumer friendliness of digital content must be imposed (p.50).

55 N. Helberger, L. Guibault, M. Loos, Ch. Mak, L. Pessers, “Digital Content Contracts for Consumers”, *J. Consum. Policy* 2013, 36:51.

56 See e.g. O. Ben-Shahar & C.E. Schneider, “The Failure of Mandated Disclosure”, *University of Pennsylvania Law Review*, 2011, Vol.159: 647–749 and O. Ben-Shahar & C.E. Schneider, “Coping with the Failure of Mandated Disclosure”, *Jrslm. Rev. Legal Stud.*, Vol. 11, No.1, 2015, 83–93.

critiques of consumer information policies based on mandated disclosures, the bounded rationality of consumers,⁵⁷ the fact that consumers often lack the time to read information,⁵⁸ the absence of rules on the presentation of the information,⁵⁹ the length of the information and the comprehensibility of information for consumers in general⁶⁰ and for vulnerable consumers in particular.⁶¹

The ease with which the European legislator faithful to the European consumer information model continues to adopt mandatory information requirements in recent harmonisation measures may be questioned in the light of aforementioned critiques. In a legislative context that is piling on information requirements the question arises whether this overload of information does not bear in itself the risk of misinforming consumers? An interesting question in that respect is whether the UCPD, which completely harmonises the domain of unfair (including misleading) commercial practices, can be of help to combat (potential) disinformation resulting from an overload of information as a misleading commercial practice. This will be examined in the following section.

4 Is the UCPD of Help?

It must be submitted first that the scope of the UCPD is broad. It encompasses market practices that ‘materially distort the economic behaviour of consumers’.

⁵⁷ Bounded rationality refers to the limitations to the cognitive capacity of consumers to process information. A paper often referred to in this context is G.A. Miller, “The Magical Number Seven, Plus or Minus Two: Some Limits on Our Capacity for Processing Information”, *The Psychological Review*, 1956, Vol. 63, 81–97. See also G. Howells, European consumer law, in C. Barnard and S. Peers, *European Union Law*, OUP, 2014, 687.

⁵⁸ N. Helberger, L. Guibault, M. Loos, Ch. Mak, L. Pessers, “Digital Content Contracts for Consumers”, *J. Consum. Policy* 2013, 36:49.

⁵⁹ It is therefore submitted that consumer information must be framed. See N. Helberger, L. Guibault, M. Loos, Ch. Mak, L. Pessers and B. Van der Sloot, *Digital Consumers and the Law – Towards a Cohesive European Framework*, Alphen aan den Rijn, Wolters Kluwer, 2013, 68 et seq.

⁶⁰ In this respect, it is sometimes submitted that there exist a risk that traders cover their backs by oversupplying consumers with information; see G. Howells, “The potential and limits of consumer empowerment by information”, *Journal of Law and Society*, Vol. 32, 2005, 363.

⁶¹ See the ample bibliographical notes in K. Johnston, C. Tether, A. Tomlinson, *Financial Product Disclosure: Insights from Behavioural Economics*, Ministry of Business, Innovation & Employment, Occasional Paper 15/01, Wellington, February 2015; see also The Final Report ‘Warning: Too much information can harm’ by the Better Regulation Executive and National Consumer Council on maximising the positive impact of regulated information for consumers and markets, <http://www.eurofinas.org/uploads/documents/policies/NCB-BRE-Report.pdf>, November 2007, with references to literature.

This means: “using a commercial practice to appreciably impair the consumer’s ability to make an informed decision”. It follows that information is misleading when it has an adverse effect on the purchase decision of the consumer. As a consequence, badly drafted information can be misleading, for instance if the reason for doing so is to hide certain facts or conditions from consumers. If a commercial practice omits material information that the average consumer needs, according to the context, to take an informed transactional decision, it constitutes a misleading omission prohibited under the UCPD.

The broad scope of the UCPD does not at first glance exclude the categorization of an overload of information as a misleading practice or omission. However, one should not overlook that the UCPD is designed within the context of the European information model and finally interpreted by the ECJ in accordance with the standards set out above. It follows from the information model that irrelevant information is not as such misleading. Only relevant information has the potential to negatively impact the purchase decision of the consumer.⁶² The assumption therefore remains that a sufficiently informed consumer cannot be distorted by an overload of information in taking his purchase decision, provided that the relevant information to his purchase decision is correct. As a result, the success rate for combatting overloads of information on the basis of the UCPD will be in the current state of European law fairly limited. And yet, recent developments in the ECJ’s case law may reveal a changing approach towards the overload of information and the consumer’s duty to internalize disclosed information.

In the recent *Teekanne* case⁶³ the Court had to interpret the alleged misleading character of the statements on the packaging of a fruit tea.⁶⁴ That packaging comprised a number of elements of various sizes, colour and font, in particular (i) depictions of raspberries and vanilla flowers, (ii) the indications ‘fruit tea with natural flavourings’ and ‘fruit tea with natural flavourings – raspberry-vanilla taste’ and (iii) a seal with the indication ‘only natural ingredients’ inside

⁶² An interesting parallel may be drawn here with different outcomes in information psychology studies. See for example the handling of environmental claims in greenwashing advertising and the contribution of Naderer, Schmuck and Matthes to this book.

⁶³ ECJ 4 June 2015, Case C-195/14, Bundesverband der Verbraucherzentralen e.a. vs. Teekanne GmbH, EU:C:2015:361, <http://curia.europa.eu>.

⁶⁴ See also:



a golden circle. The question brought before the Court was whether the depictions on the packaging of the fruit tea were of such a nature that they could mislead consumers with regard to the tea's content inasmuch as it gives the impression that it contains raspberry and vanilla-flower or flavourings obtained from those ingredients, even though such constituents or flavourings are not present in that tea.

Having regard to the settled case law set out above, one would have expected the ECJ to rule that the list of ingredients expresses, in a manner free from doubt, the fact that the flavourings used are not obtained from vanilla and raspberries but only taste like them, and that correct and complete information provided by the list of ingredients on packaging constitutes sufficient grounds on which to rule out the existence of any misleading of consumers. As was indicated above, consumers have the duty to internalize information which is disclosed to them in the market and on the products. Despite all this the ECJ however stated: "the list of ingredients, *even though correct and comprehensive*, may in some situations not be capable of correcting sufficiently the (average reasonably well informed, and reasonably observant and circumspect) consumer's erroneous or misleading impression concerning the characteristics of a foodstuff that stems from the other items comprising its labelling" (own emphasis)⁶⁵. In doing so, the ECJ *for the first time recognised* in the *Teekanne* case that correct and complete information provided by the list of ingredients on packaging in accordance with the labelling of foodstuffs directive may constitute misleading advertising. It follows that the display of the correct and comprehensive list of ingredients no longer rules out the possibility that the labelling has the capacity to mislead consumers. That will be the case if some of the items of which the labelling is composed of are in practice misleading, erroneous, ambiguous, contradictory or incomprehensible.⁶⁶ This assessment must particularly take into account "the words and depictions used as well as the location, size, colour, font, language, syntax and punctuation of the various elements on the fruit tea's packaging"⁶⁷.

A striking parallel may be drawn with recent developments in case law relating to unfair contract terms. In the *Katalin Sebestyén*⁶⁸ case the ECJ was asked whether an arbitral clause could be regarded as unfair despite the fact that the consumer received, before the conclusion of the contract, general information on the differences between the arbitration procedure and ordinary

⁶⁵ Para. 40, *Teekanne* case.

⁶⁶ Para. 41, *Teekanne* case.

⁶⁷ Para. 43, *Teekanne* case.

⁶⁸ ECJ 3 April 2014, C-342/13, *Katalin Sebestyén vs. Raiffeisen Bank e.a.*, EU:C:2014:1857.

legal proceedings. The ECJ first confirmed the fundamental importance of pre-contractual information for the consumer's decision to be bound by the conditions drafted in advance by the seller or supplier.⁶⁹ But instead of connecting immediate consequences for consumers to this voluntary disclosure by the trader, the ECJ mitigated its impact on consumers, pointing out that “even assuming that the general information the consumer receives before concluding a contract satisfies the requirement under Article 5 that it be *plain and intelligible*, that fact alone cannot rule out the unfairness of a clause such as that at issue in the main proceedings” (own emphasis)⁷⁰.

These developments with respect to labelling requirements and unfair contract terms demonstrate that the ECJ, unlike the European legislature, is increasingly aware of the flaws of the European information model. In both domains the ECJ seems to be prepared to mitigate the harsh consequences of the information model. It thereto reduces the consumer's responsibility to process information and his duty to internalize mandated or voluntary disclosures when taking purchase decisions.

5 Conclusion

The legislation and jurisprudence relating to misleading practices is still heavily rooted in the European information model. The average rational consumer has a duty to internalize mandated or voluntary disclosures. Recent developments in case law demonstrate that the ECJ is prepared to mitigate this duty in respect of contract terms and foodstuff labelling. It remains to be seen whether this development will have a spill-over effect in the context of misleading commercial practices. If so, it would certainly offer judges additional tools to combat existing overloads of information in e-commerce or beyond. Yet, the European legislator seems far better placed to deal with the drawbacks of the information model and should approach valuable insights from other disciplines, e.g. behavioural economics, communication studies, information psychology, with an open mind. It will require a substantial mindshift in current legal thinking, away from the beaten path of the existing legal assumptions. Such a shift will obviously take time, but the recent case law may well usher in a new era.

⁶⁹ Para. 33, *Sebestyén* case.

⁷⁰ Para. 34, *Sebestyén* case.

Brigitte Naderer, Desirée Schmuck and Jörg Matthes

2.3 Greenwashing: Disinformation through Green Advertising

Abstract: As environmental issues are of growing importance in today's society, consumers are more likely to take environmental concerns into consideration when making their purchase decisions. As a consequence, companies tend to advertise their products as sustainable or eco-conscious. While many green advertisements communicate sincere green claims, some companies use advertisements as a tool to overstate or even falsify the minimization of the environmental impact of their offerings. This advertising practice is called greenwashing. This practice involves spreading disinformation concerning the services or products in question by telling outright lies or by insinuating environmental attributes through vague statements or emotional cues. In the following chapter the various types of greenwashing, its effect on consumers, and future research perspectives will be discussed.

1 Introduction

Environmental concerns are of growing importance for consumers when making their purchase decisions. Consequently, companies have been pushed to develop so called green messages about their offerings that underline their environmental efforts (Ahern et al. 2013; Baum 2012; Carlson et al. 1996; Parguel et al. 2015; Segev et al. 2016), for instance, claiming sustainability or recyclability of their products. More specifically, companies use advertising to promote their pro-environmental images and environmentally friendly product attributes (Leonidou et al. 2011). Thus, the number of companies advertising the green attributes of their products or services is rising (Ahern et al. 2013; Futerra 2008). Accordingly, there is a growing need to address the topic of green advertising in academic research (Taylor 2015). In this chapter we use the term green advertisements to describe all commercial messages that promote environmental sustainability or convey ecological messages that target the needs of eco-conscious customers, regulators, and other stakeholders (Leonidou et al. 2011).

While many green advertisements communicate sincere efforts towards sustainability and eco-consciousness, some companies use advertisements as a tool to overstate or even falsify the minimization of the environmental impact of their offerings (Carlson et al. 1993). In the early stages of green advertising in

particular, companies published advertisements presenting deceptive or confusing truths or even false promises (Davis 1991). Since environmentally friendly products are increasingly demanded by consumers nowadays, the practice of untruthful and confusing green advertisements is again on the rise (Baum 2012). This practice of misleading consumers through unsubstantial, false or vague sustainability claims is called *greenwashing* (Baum 2012; Carlson et al. 1993; Kangun et al. 1991; Furlow 2010; TerraChoice 2010). The dissemination of disinformation is a common practice in various kinds of advertising messages (e.g. nutritional claims such as “fat free”) and is used to make products or services seem more appealing to consumers (Hickman et al. 1993). However, the impact of disinformation in green advertising is considered a crucial topic on a societal level. Therefore, greenwashing can be considered as a specific type of disinformation in advertising. Advertising is proclaimed to have the power to affect social change. As the urge to buy eco-conscious sustainable products is partly based on the current ecological crisis, disseminating false or inaccurate information about green products, or trying to persuade consumers on the basis of non-factual emotional appeals, diminishes the power of advertising to mitigate this crisis (Kilbourne 1995). Hence, disinformation in green advertising is affecting the way we deal with a global problem.

The goal of this chapter is to describe the phenomena of greenwashing as an advertising practice of disinformation. For this purpose, this chapter presents research on the content of greenwashing and discusses the possible effects of greenwashing on consumers’ attitudes and behavior. In summarizing our findings, we propose some ideas for possible future research and an outline for consumer advocacy groups and policy makers, advertising practitioners, and consumers.

2 Greenwashing as Disinformation through Green Advertising

Due to the growing popularity of being eco-conscious, environmental claims are nowadays used for all kinds of products and services, including those offerings that are not inherently environmentally friendly such as airlines, plastic bottles, or batteries. Moreover, many green advertising messages present confusing truths or false promises that lack substantive information about the real environmental impact of products and services (Baum 2012). The phenomenon of greenwashing (Carlson et al. 1993; Delmas, Cuerel Burbano 2011; Kangun et al. 1991; Parguel et al. 2015) thus refers to “the act of misleading consumers regarding the

environmental practices of a company or the environmental benefits of a product or service” (TerraChoice 2010, p. 1). Baum (2012) defines greenwashing more precisely as “the act of disseminating disinformation (false information to obscure the truth) to consumers regarding the environmental practices of a company or the environmental benefits of a product or service” (2012, p. 425).

The term greenwashing is not new, but was first established in the early 1990s to describe trivial, misleading or deceptive claims in green advertising (Carlson et al. 1993; Kangun et al. 1991). Since then, many companies have made sincere efforts to reduce the environmental impact of their products. Nevertheless, there are those who overstate or simply fabricate the ecological qualities of their offerings. Consequently, “environmentally friendly”, “degradable”, or “sustainable” are abstract catchphrases that are currently used frequently in green advertising. Four main factors are driving the importance of greenwashing practices in green marketing today. First, consumers have an increased demand for environmentally friendly products. Second, sales of green products are rising. Third, government regulations are supporting environmental objectives. Fourth, there are no international industry-wide laws regulating green promotion (Horiuchi et al. 2009), however, the EU directive 84/450/EEC states regulations concerning misleading advertising for the members of the European Union (for more details see Straetmans’ chapter in this book). Thus corporations have increased the number of green products and advertisements in recent years, making disinformation through green advertising an important issue in today’s advertising practices.

The misleading presentation of ecologically relevant attributes is a worrying practice: positive information about green products is often presented in a way that is deceptive and consequently individuals who lack background information about a company’s activities may misinterpret the advertised product’s characteristics or the company’s environmental intentions (Lyon, Maxwell 2011). Furthermore, the usage of terms such as “environmentally friendly”, or “sustainable” is often hard to verify by consumers even if they have used the product or service (Carlson et al. 1993). Vague claims, emotional cues or fabricated promises, are not unique for green advertising. However, the dissemination of misleading information about ecological issues may affect the way in which the global problem of the environmental crisis is dealt with (Kilbourne 1995). It is considered especially problematic as companies receive governmental supports (Horiuchi et al. 2009) and obvious greenwashing has a negative effect on consumers’ trust (Finisterra do Paço, Reis 2012; Tucker et al. 2012). This outcome could have a negative impact on the purchase intentions of legitimate green products, consequently damaging a crucial aspect of dealing with the environmental crisis (Kilbourne 1995).

When it comes to practices of greenwashing, researchers therefore investigate 1) what techniques companies use to mislead consumers (Baum 2012; Carlson et al. 1993; Kangun et al. 1991; Segev et al. 2016), and 2) how consumers' evaluations of and reactions in response to green advertising is undermined by dishonest or overstated green advertisements (Chen, Chang 2013; Chen et al. 2014; Schmuck et al. 2016a; Parguel et al. 2015).

3 Content of Greenwashing Practices

When promoting products or services as environmentally friendly, companies aim at informing consumers about the green attributes of their offerings, generating awareness for the sustainability efforts, and creating demand for environmentally friendly products or services (Segev et al. 2016). Companies have different ways of presenting attributes of products and services as sustainable: 1) They can promote a green lifestyle; 2) they can address the connection to the biophysical environment; or 3) they can promote a corporate image of environmental responsibility (Banerjee et al. 1995).

To convey these messages, green advertising can employ one of three strategies: green advertisements either present *functional, fact-based appeals* which highlight the relevant utilitarian attributes of a product compared to conventional competing products (Hartmann et al. 2005). Alternatively, they use *image-based emotional appeals* depicting pleasant natural scenery, which might evoke positive affective responses because of the virtual association with real-world nature (Hartmann et al. 2013). Finally, green advertisements can employ a *mixed-type promotional strategy* combining functional and emotional appeals.

The majority of green advertisements in the past thirty years were issued by companies in contrast to associations or advocacy groups, and the content of these advertisements has shifted from focusing on the environmental aspects of products and services to promoting green offerings as a consumer benefit (Ahern et al. 2013). Accordingly, the goal of green advertising nowadays is primarily to make the consumers feel good about themselves when choosing a green product or service, which leads advertisements to a low level of factual green claims (Segev et al. 2016) and – as also apparent in other types of advertising – an increase in emotional appeals.

3.1 Greenwashing Based on Claims

In their content analysis, Kangun and colleagues (1991) established a typology that distinguishes four major types of greenwashing claims: 1) *false claims* that

present a straight out lie; 2) *vague or ambiguous claims* offering a broad and poorly defined claim leaving room for misinterpretation, e.g. “all natural”; 3) *claims that omit important information*, which advertise a narrow set of green attributes, while ignoring other aspects of equally important environmental concerns and 4) a *combination* of misleading elements.

TerraChoice (2010) has built on these types of claims and has established four additional concepts: 1) *unfounded claims*, which present an unsubstantial claim without accessible supporting information or reliable third-party certification; 2) *presenting false labels*, which show images and logos that give a wrongful impression of a third-party endorsement; 3) *claims of irrelevance*, which advertise a truthful environmental claim that is unimportant or unhelpful, e.g. claiming products are CFC-free (chlorofluorocarbon-free), when CFC is generally banned by law; 4) *claims promoting the lesser of two evils*, which offer information that may be true but that distracts the consumer from the greater environmental impact of the category as a whole, e.g. a fuel-efficient sports car.

Content analyses showed that particularly in the 1990s, which constitutes the beginnings of green advertising, more than half of the green advertisements investigated contained deceptive claims, most of them vague or ambiguous in nature (Carlson et al. 1993; Kangun et al. 1991; Leonidou et al. 2011). However, recent evidence reveals that disinformation through green advertising is still an issue: Baum (2012) studied six of the previously defined concepts of greenwashing in a content analysis of green print advertisements in the US and the UK in 2008. The majority of the advertisements researched presented at least one misleading or deceptive claim (75% US; 51.6% UK). The most frequently applied type of greenwashing was the presentation of ambiguous or vague claims (51.7%), followed by claims that omit important information (34.4%) and unfounded claims (30%). The high levels of vague and unsubstantiated claims have been shown to be an international issue, as content analyses in India (Fernando et al. 2014) and China (Dai et al. 2014) have found that a third of print advertisements present ambiguous and unfounded statements.

However, another recent analysis (Segev et al. 2016) of print advertisements showed that more than half of all green advertisements (62.3%) can be characterized as credible. This is of course good news, yet 25.1% were still coded as vague or ambiguous, and 11.7% were regarded as incomplete statements. The researchers also looked into the usage of environmental logos, which give the consumers the impression of a third-party endorsement of the presented product or service, and can be regarded as an important and easily understandable source of information for consumers. In total, 15% of the 617 advertisements analyzed presented a logo, of which 67.7% were illegitimate (Segev et al. 2016).

Hence greenwashing is not only a technique that works with explicit claims, but also includes a more emotional or intuitive aspect by the use of logos or specific images (Parguel et al. 2015).

3.2 Executional Greenwashing

In fact, visual demonstrations of pleasing nature imagery are frequently used in green advertising (Hartmann, Apaolaza-Ibáñez 2008; Matthes et al. 2014; Hartmann, Apaolaza-Ibáñez 2009). For example, Segev and colleagues (2016) showed that 37.6% of all advertisements presented elements of vegetation, and 13.9% showed images of landscapes and animals. Hartmann and Apaolaza-Ibáñez (2009) also state that ecological attributes of a product or brand are often communicated in the background of an advertisement which presents a beautiful unspoiled landscape. Previous research has shown that natural imagery in green advertisements can evoke positive emotional responses in consumers (Hartmann, Apaolaza-Ibáñez 2008, 2009, 2012; Matthes et al. 2014), which can lead to higher advertisement and brand evaluations (Matthes et al. 2014).

Consequently, Parguel and colleagues (2015) introduced another dimension of disinformation through green advertising that expands its definition beyond the use of textual claims. They use the term of *executional greenwashing* to define the practice of presenting so-called, *nature-evoking elements* in association with a product that is not factually eco-conscious (2015, p. 108). They conclude that the usage of such pleasant nature imagery may be misused in green advertising to induce false perceptions of a company's environmental efforts without referring to its actual sustainable product or service features. Therefore, in the case of executional greenwashing, nature-evoking images are paired with trivial green buzzwords such as "natural" or claims such as "go green" to evoke the feeling of a product being environmentally friendly without factual basis, hence creating disinformation about a product or service. However, content analyses, which specifically focus on the use of images in green advertisements are still lacking. Baum (2012) states that image interpretations in quantitative content analysis are much more subjective and require a higher level of interpretation. Still, including background imagery or icons into the analysis makes it possible to conduct a more nuanced interpretation of the advertisement, which is why the coding of visuals in future content analyses is warranted.

Additionally, Baum (2012) points out that it is not equally possible to examine the different types of greenwashing claims. In her analysis, identifying false claims proved to be unfeasible, as it requires extensive background knowledge about the service or product promoted, which also describes the challenge consumers face when confronted with claims in advertising. Recent events however,

such as the Volkswagen scandal in the fall of 2015, show that companies do commit the practice of lying in their advertisements (Lynes 2015) and it is therefore necessary to investigate all possible greenwashing strategies.

4 Effects of Disinformation in Environmental Advertising on Consumers' Attitudes and Behavior

Despite the excessive use of greenwashing claims in advertising, there is a dearth of research investigating the effects of these claims on individuals' perceptions of disinformation through green advertising and its consequences on attitudinal outcomes. The few studies that investigated how consumers perceive misleading green advertisements used a variety of outcome measures ranging from rather broad conceptualizations such as *green advertising scepticism* (Finisterra do Paço, Reis 2012) or *ad credibility* (Tucker et al. 2012) to more specific measures such as *perceived deception* (Newell et al. 1998) or *perceived greenwashing* (Chen, Chang 2013).

As a key construct in the research area, *perceived greenwashing* refers to individuals' mistrust of green claims in advertising because they are misleading in terms of words or visuals, are vague or not provable, are exaggerated, or mask important information (Chen, Chang 2013). First research evidence suggests that individuals negatively evaluate advertised brands when they mistrust companies' environmental efforts. Nyilasy, Gangadharbatla, and Paladino (2014) found that additional information about companies' environmental efforts in advertising decreases consumers' attitudes to advertising and purchase intentions when a company's actual environmental performance is low. In contrast, when no additional information about companies' environmental efforts was presented, the same advertised product and brand was evaluated favorably. Hence, the question arises whether consumers are even able to detect deceptive greenwashing strategies when they are not equipped with detailed background information about a company's full portfolio of activities (Lyon, Maxwell 2011).

An experimental study by Newell and colleagues (1998) revealed that false textual claims in green advertising increased consumers' perceptions of deception, which in turn lowered the advertiser's credibility, advertising and brand attitudes, and purchase intentions. In contrast, Parguel and colleagues (2015) found that an executional greenwashing strategy, using nature-evoking images in advertising, was not deemed as misleading among consumers, but even enhanced their perceptions of the advertised brand's ecological image and led

to more favourable brand attitudes than the same advertisement without natural imagery (2015). The greenwashing strategy was only unmasked when additional information about the brand's actual environmental performance was provided by adding a traffic light label.

This finding is striking because it suggests that the simple presence of a nature-evoking image may lead to more positive attitudinal outcomes among consumers than an advertisement without visual cues for the very same product. Hence, although consumers might be able to detect false textual claims as greenwashing (1998), they may still be susceptible to the greenwashing strategies of advertisers that enhance a brand's ecological image merely by adding nature-evoking images in advertisements (2015).

However, as in other fields of advertising, consumers' involvement with the issues relating to the advertisement has to be taken into account to entirely understand consumers' responses to an advertising message (Parguel et al. 2015). In the realm of green advertising, a lion's share of research suggests that individuals differ in how they respond to persuasive appeals depending on their level of *environmental involvement*. Involvement refers to the degree to which an individual perceives an attitude object as personally relevant or salient (Petty, Cacioppo 1986). Extensive literature provides a variety of conceptualizations for environmental involvement (for a discussion, see Matthes et al. 2014). One conceptualization is *environmental concern*, which can be described as awareness of environmental problems and perception of the necessity to protect the environment (e.g., Finisterra do Paço, Reis 2012; Bickart, Ruth 2012; Hartmann, Apaolaza-Ibáñez 2012; Schmuck et al. 2016b; Schmuck et al. 2016a). Second, scholars have conceptualized green involvement as a general positive *attitude toward green products* (e.g., Bech-Larsen 1996; Roberts 1996). A third definition of highly involved green consumers relies on their self-reported *green purchase behavior* (e.g., Chang 2011; Shrum et al. 1995). Finally, consumers' *objective knowledge* or *expertise* about environmental issues serves as an important indicator for their involvement with the environment (Schmuck et al. 2016a; Parguel et al. 2015).

Highly involved green consumers have long been considered as particularly skeptical (Finisterra do Paço, Reis 2012; Shrum et al. 1995). It has been assumed that environmentally involved consumers may be more inclined to penalize products or brands that make poor environmental efforts and may be more likely to critically examine an advertisement (Newell et al. 1998). However, recent findings reveal that vague claims such as images of nature in advertising are not detected by highly involved consumers and thus question the widely believed notion of the skeptical green consumer (Matthes, Wonneberger 2014; Schmuck

et al. 2016b). Matthes and colleagues (2014) found that highly involved consumers evaluated an argument-based functional appeal more positively compared to those with lower involvement. However, vague image-based advertisements that presented no substantial information about the environmental features of a product also exerted a positive effect on consumers' advertisement and brand attitudes irrespective of their involvement level (Matthes et al. 2014). Thus the mere association of a brand with textual or visual green claims led to more favorable brand associations among highly involved individuals, no matter whether the advertisement presented objective factual information about the brand's greenness or contained solely visual green cues.

In the specific context of disinformation through green advertising, research on the moderating role of environmental involvement is scarce. There is first evidence that neither high environmental concern (Newell et al. 1998) nor high knowledge about environmental issues (Parguel et al. 2015) can facilitate the recognition of vague misleading green advertising cues and thus prevent consumers from falling into the greenwashing-trap. Parguel and colleagues (2015) found that simple nature-evoking images enhanced a brand's ecological image among consumers with low environmental knowledge but also among those with high expertise, although to a lesser degree. This effect was reduced however, when indicators of a product's environmental performance such as eco labels were added. In this case, environmentally misleading, deceptive, or false claims in advertising may severely damage consumers' advertiser and brand evaluations.

A recent study by Schmuck, Matthes and Naderer (2016a) took a closer look at the effects of different types of greenwashing claims on perceived deception among consumers depending on their environmental concern or knowledge. Within an experiment employing a quota sample of 486 US consumers, the authors examined the effects of two different types of greenwashing claims for a bottled mineral water: a vague or ambiguous claim that was too broad to have a clear meaning and a false fabricated claim that presented an outright lie about the product's environmental features. Additionally, they investigated how the association of these two claim types with a nature-evoking image affected consumers' perceived deception, namely their perceived greenwashing. Findings reveal that consumers did not recognize vague greenwashing advertisements, irrespective of their level of environmental concern or knowledge. Instead, vague claims can even promote brand attitudes when they are combined with pleasing nature imagery. The reason for this positive effect is an affective process evoked by the picture that appeals directly to the consumers' emotions. In line with previous studies (Hartmann, Apaolaza-Ibáñez 2008, 2009, 2012; Schmuck et al. 2016b), they found that beautiful nature imagery activated feelings compared to

those experienced in real nature, so-called *virtual nature experiences* (Hartmann, Apaolaza-Ibáñez 2008, p. 821). Thus, consumers do not recognize disinformation in green advertising through vague ambiguous claims. Instead these claims even exert a positive effect on consumers' attitudinal outcomes.

Against the background of previous research evidence indicating that most greenwashed advertisements employ vague claims (Baum 2012; Fernando et al. 2014; Kangun et al. 1991), this result seems worrying. However, vague claims in combination with emotive imagery are not limited to green advertising, but form a common advertising strategy in almost all fields of advertising. In particular, when advertising objects arouse or elicit strong feelings such as in the realm of healthcare, political issues or advertising with children, emotive advertising appeals can lead to poorly reasoned attitudes, which points to the severe consequences of disinformation through vague emotive claims in advertising in general (see also Huddy, Gunnthorsdottir 2000).

Although less prevalent than vague claims, false green claims that present an outright lie may also bias consumers' evaluations of an attitude object. Schmuck, Matthes and Naderer (2016a) investigated the effects of these fabricated green claims on consumers' perceived deception depending on their environmental knowledge. They found that those with higher environmental expertise detected the advertisement's misleading intention when false textual claims were presented. Less knowledgeable individuals did not react negatively in response to the advertisement, presumably because of a less critical elaboration of the presented claims. However, when a nature-evoking image was added to a false claim, highly knowledgeable individuals fell victim to the emotional virtual nature experience – as in response to the vague claim – and did not unmask the advertisement's outright lie. Hence, those who detected greenwashing most easily when the false claim was presented without a natural image recognized disinformation through greenwashing to a lesser degree when the advertisement contained a nature-evoking image. Thus, the positive emotions induced among those with higher environmental involvement inhibit critical perceptions of the advertisement's content. Put differently, the affective process can override the critical elaboration, and highly knowledgeable individuals see less greenwashing in those advertisements compared to advertisements without beautiful nature imagery. Thus, this evidence suggests that highly involved individuals are particularly susceptible to disinformation in advertising through emotive appeals (e.g., pleasant imagery), which chimes with previous findings indicating that people who are highly involved with an issue are particularly susceptible to involve emotions in their reasoning (Huddy, Gunnthorsdottir 2000). Hence, when attitudes are emotion-laden such as in the realm of environmental protection, health campaigns or political advertising, emotional cues may be particularly

persuasive for those highly involved with the issue, because they weigh affective information more heavily than do the less involved.

In contrast, emotive images are less persuasive for less involved individuals. Schmuck's and colleagues' (2016a) findings revealed that individuals with lower environmental knowledge were able to recognize the advertisement's greenwashing intention when an additional image was present presumably because the nature imagery is less persuasive for these individuals. Instead, the image draws greater attention to the obvious contrast between the false claim and the pleasing imagery and thus facilitates unmasking the misinforming claim among those with less environmental knowledge (Hartmann et al. 2013). Consequently, for these consumers the cognitive process was stronger than the affective process because of their lower emotional affinity towards nature. Thus, depending on consumers' environmental knowledge and the presence of a visual cue in the advertisement, false claims might enhance perceived greenwashing, while vague claims were not recognized as greenwashing at all. In contrast to environmental knowledge, environmental concern did not enable consumers to notice greenwashing, either through vague or false claims. This finding corroborates with previous research (Newell et al. 1998), indicating that being worried or concerned about the environment is not sufficient to detect an advertisements' misleading intention. Rather than environmental concern, objective topic knowledge of for example, recycling, packaging, or pollution, is necessary to recognize false claims.

In sum, research so far has shown that vague green advertising claims are not perceived as greenwashing among consumers and may even positively influence brand attitudes and purchase intentions, especially when the advertisement contains pleasing images of nature (Matthes et al. 2014; Schmuck et al. 2016a). However, when companies go too far and employ outright lies in advertisements (e.g., claiming that a plastic bottle is the most environmentally friendly product in the world), consumers might detect the advertisement's misleading intention depending on their expertise and the visual layout of the advertisement. If consumers discover greenwashing, this can backfire on the product and corporate brand evaluations (Nyilasy et al. 2014). Thus, advertisers should follow a responsible approach when employing green marketing strategies, since any perception of deception on the part of consumers may result in negative attitudes toward the advertisement, the brand and the advertiser (Newell et al. 1998).

Overall, research on the effects of misleading green advertising is still scarce. Only a few studies have examined the effects of disinformation through green advertising. Future research should follow up on their findings and examine the effects of misleading green advertisements for different product

categories and brands. Furthermore, the present effect studies have not sufficiently researched all the existing types of greenwashing. More studies that investigate the effects of executional greenwashing, the usage of illegitimate third-party endorsement and the various greenwashing claims are needed. Moreover, there is a dearth of research on the long-term effects of greenwashed advertising. Finally, up until now, many studies investigating greenwashing effects (e.g., Newell et al. 1998; Nyilasy et al. 2014) employed student samples, which cannot be generalized to a broader population of green consumers. Therefore, to fully understand the effects of disinformation in terms of greenwashing in environmental advertising, more experimental research with non-student samples is warranted.

5 Conclusion

The existing body of research shows that consumers are affected by the use of misleading environmental claims in their attitudes and behavior. However, studies also reveal that different types of greenwashing are more difficult to identify than others, even for highly involved and informed consumers (Schmuck et al. 2016a). Previous research even suggests that more involved individuals are most influenced by emotive appeals such as nature imagery (Schmuck et al. 2016b; Huddy, Gunnthorsdottir 2000). As vague claims and appealing nature imagery are commonly used tools in today's green marketing campaigns (Baum 2012; Segev et al. 2016), it is a worrying result that consumers cannot recognize these misleading intentions. More research investigating the potential of executive greenwashing through the usage of nature imagery and possible counter mechanisms is therefore warranted.

Segev and colleagues' (2016) content analysis has shown that advertisements presenting environmental facts are less disposed to deceive consumers. Hence, it is recommendable to increase the usage of factual claims to ensure the avoidance of misinforming consumers. As vague and ambiguous claims still dominate greenwashing practices in environmental advertising (Segev et al. 2016; Baum 2012; Fernando et al. 2014; Carlson et al. 1993; Kangun et al. 1991; Leonidou et al. 2011), it is clear that disinformation is a crucial part of green advertising. Yet in the interest of consumer information, advertisers should substantiate their claims by presenting more details on the green product or service. However, given the finding that emotional appeals such as nature imagery are very successful in persuading consumers (Huddy, Gunnthorsdottir 2000; Schmuck et al. 2016b), the incentives for advertisers to change their advertising strategies is low.

As a regulatory attempt, it is our suggestion to provide consumers with more detailed information about a company's actual efforts to preserve nature. As an example, Parguel and colleagues (2015) discuss the suggestion of adding a traffic light label in the advertisement to give information on the environmental impact of the advertised product or service. Additionally, the usage of approved and official eco-labels would help consumers to understand the ecological contributions more intuitively (Bickart, Ruth 2012). As emotional appeals in green advertising are able to reach consumers on an intuitive level, we would suggest that regulatory information should work similarly. Hence obligatory labels or signifiers like the traffic light added by third-party experts could help consumers to better understand the true environmental impact of the advertised product or service. It is, however, an important directive for future research to investigate the issues of regulatory attempts further so as to receive insight into the best ways of informing consumers about the actual environmental efforts of a company.

Segev and colleagues (2016) suggest that it would be recommendable to not only address the regulations of claims in green advertising, but also the usage of visual elements such as pictures or logos of environmental organizations. The presentation of non-certified graphical elements might mislead consumers to see it as a validation of a green claim. As visual elements are highly effective in convincing consumers (Hartmann, Apaolaza-Ibáñez 2008, 2009; Matthes et al. 2014) even if the presented claims are false or vague (Schmuck et al. 2016a), we would argue that binding and precise regulations are necessary. Though to establish international binding regulations proves to be challenging in practice (see Straetmans' chapter in this book).

We would also suggest that it is of key importance to increase consumers' awareness for misleading advertising practices such as greenwashing, hence developing consumer literacy programs that are part of school education (for more information on advertising critique and consumer advocacy groups see Förster's chapter in this book). Furthermore, it is helpful to promote informational online guides such as TerraChoice's (2010) site "Seven sins of greenwashing". Here, consumers can learn about the different techniques of greenwashing and to recognize the "greenwashing-sins" through an online-game. Initiatives like this may help consumers to identify precise and reliable green advertising which could minimize their susceptibility to disinformation through green advertisements. Applications such as this might also be helpful to create a general awareness of disinformation practices used in advertising.

The increased demand for green products nowadays is a positive development, which can be of importance to managing environmental issues such as air pollution or waste disposal. However, if companies continue to misuse the

consumers' desire for eco-conscious products and services by disseminating disinformation about their offerings, environmental responsible products in general might lose their prominence and trust in the marketplace. It is thus of importance that stricter advertising regulations and transparent information practices are implemented to stop greenwashing.

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2.4 The Rise of Brand Journalism

Abstract: There are few commercial communication concepts that have had a rise as spectacular and fast as brand journalism. Brands' journalistic activities were usually considered under the category of content marketing and are also sometimes described using terms such as custom content, content publishing or corporate journalism. Although corporate journalism is an old practice, its development in digital environments has elevated it to a new dimension. Today, as a matter of fact, there are few large corporations or brands that resist the urge to start initiatives in the field: brand journalism seems like a modern marketing imperative.

This chapter tries to clarify the conceptual nature of brand journalism, given its growing importance. First, it explains the different factors that contributed to its rise. Then it analyzes its various forms along with some keys to its use by corporations. Finally, the effects of brand journalism in terms of audience engagement, and its contribution to the tension between information and misinformation in markets, are evaluated and future developments assessed.

There are few commercial communication concepts that have risen as spectacularly and fast as brand journalism. Brands' journalistic activities are usually considered under the umbrella concept of content marketing – “the idea that all brands, in order to attract and retain customers, need to think and act like media companies” (Pulizzi 2012, p. 116) or like publishers (Rogers 2016) –, and are also sometimes described in terms like custom content, content publishing or corporate journalism. Since 2004, when Larry Light, then McDonald's CMO, coined the term, these activities have multiplied (Bull 2013). Although corporate journalism is an old practice – publications such as *The Furrow* or *The Ford Times* are often mentioned as relevant precedents¹ – its development in digital environments has elevated it to a new dimension (see, among others, Barrett 2012; D'Vorstin 2014; Kent 2012; Mallet et al. 2013; Salerno 2013; Malthouse 2014). Today, as a matter of fact, there are few large corporations or brands that resist the urge to start new initiatives in the field. As Light (2014b) says, “brand journalism is a modern marketing imperative”.

¹ *The Ford Times* published by the Ford Motor Company and *The Furrow* by the Deere & Co. joined many other long-running company magazines introduced since the mid-1800s (Riley 1992; Swenson 2012).

Besides McDonald's pioneering activities, there are currently a good number of brand journalism initiatives that show enough know-how and experience to be considered models of good practice. Red Bull has created an entire media division following the logic of brand journalism; Coca-Cola's *Journey* is an online magazine that gives access to the brand's world in the online universe; there are also specialized media like Adobe's *CMO*, Credit Suisse's *The Financialist* or General Electric's *GE Reports*. As with content marketing in general, there seems to be no limit to the variety of brand journalism's forms (see, among others, Brito 2012; Brown 2014; Lazauskas 2014b; Leitus 2014; Mann 2014; Sinclair 2014; Shapiro 2014; Holt 2016). By 2013, the Interactive Advertising Bureau (IAB) underlined in a very diverse sample of more than fifty U.S. companies that 86% of business-to-consumer and 93% of business-to-business firms were developing content marketing activities of some kind (Internet Advertising Bureau (IAB) 2013).

This chapter, in considering the relevance that brand journalism has achieved, tries to make its nature clearer from a conceptual standpoint. The various factors that contributed to its development are later explained. Its various forms are then analyzed along with some indications of its use by corporations. Finally, the effects of brand journalism will be evaluated and we will share our thoughts concerning the future development of this activity.

1 Brand Journalism: Concept and Nature

A clear consensus on the definition of brand journalism has not yet been reached. However, there is a broad consensus on the activities that can be described as such. Although sometimes there can be a degree of confusion with other forms of content marketing – especially with native advertising actions – what defines brand journalism is the management and design of brand contents from a journalistic perspective, imitating the best practices of the news media.

Andy Bull, who wrote one of the first handbooks on the topic, emphasized that brand journalism is a response to the fact that any organization can now use journalistic techniques to tell its story directly to the public (Bull 2013). Larry Light, the term's "father", points out the fact that brand journalism is about communicating a multi-dimensional, multi-faceted, complex set of brand messages in an integrated manner. There is an editorial policy, a brand framework of brand-defining "non-negotiables" within which marketing teams have the responsibility to be locally relevant, and the flexibility to address individual differences (Light 2014a). Like regular journalism, he comments, brand journalism's

goal is to inform, entertain and persuade by collecting and communicating news, events and happenings (Light, cited in Swenson 2012). D’Vorkin, a practitioner who from his management position in *Forbes* magazine has often advocated the development of content marketing activities, conceives brand journalism as “brands using the tools of digital publishing and social media to speak directly to consumers” (D’Vorkin 2012, p. 10).

A good number of communication consultants and content companies have developed brand journalism units that are specially committed to a specific way of understanding the initiative. For Dawson Ferguson (2012), for example, brand journalism is “using the credibility and influence of news to tell a corporate story in order to achieve competitive differentiation” (2012, p. 1); for Media-Source (2013) “brand journalism utilizes journalistic techniques to tell a story created for targeted audiences. The less branding applied to the content, the more the content fits the criteria for strong brand journalism” (2013, p. 5); Lewis PR (2014) describes it like this: “It’s a company investing in content and becoming a provider of news. It is more, much more, than a series of press releases and product launches. Brand journalism is a serious attempt to share information and comment about an industry or sector” (2014, p. 7). Finally, for the Spanish communication consultants Llorente and Cuenca, “brand journalism uses the news’ credibility and influence (and its format) so that brands and corporations differentiate its offer in the market. With brand journalism, brands are introduced into the lives of potential audiences with issues that are familiar to them: they aspire to be the newspaper, TV channel, website or radio station that their clients follow” (Tascón, Pino 2014, p. 10).

The use of tools, techniques and journalistic formats for contents produced for media owned by brands or corporations seem to be essential notes of brand journalism. Besides the technical dimension, brand journalism – equal in this sense to corporate journalism – applies “traditional journalistic principles to organizational communication, in order to achieve alignment and action behind the organization’s purpose, vision, values, strategies, operating principles, and priorities” (Kounalakis et al. 1999, p. 230). It also has a common goal of achieving credibility, influence and positive engagement by participation in the flow of information and mediated social conversations, especially in digital environments, with contents that are clearly differentiated from advertising contents, PR, or those of content marketing. The nature of the kind of activity that is developed is more controversial.

In general, the idea that those activities can really be considered to be journalism has not been easily accepted, especially among journalists themselves. Along these lines, Ken Doctor, a media market analyst and commentator says bluntly: “Call it what you want, but brand journalism isn’t journalism. It’s

public relations, customer connection, engagement – whatever you want to call it – on the new steroidal Intel chips. And it can produce good stuff that’s useful to us as buyers of goods and services. But it’s not journalism” (Doctor 2007). This type of distinction is usual when brand journalism is analyzed as a phenomenon, even when there is a recognition of the difficulties in defining the nature of different communication activities – even those of the news media themselves – (Barciela 2013; Edgecliffe-Johnson 2014; Farhi 2013; Filloux 2014; Llyod 2015; Meleard 2015; Meyer 2014; Ostrihoff 2013). Some specialists in marketing contents have elaborated on the true nature of these activities; Contently for example, a New York firm specializing in the management of content produced for freelancers to serve brands (Carr 2013, pp. B1) distinguishes brand journalism – “A mythical discipline that cannot and should not exist within the space-time continuum of our media universe. While brand publishing provides information and entertainment and should hold itself to a standard of ethics, journalism must be independent” – from brand publishing – “The practice of a brand telling stories about the things it cares about, its brand, and its brand’s products in a way that’s genuinely engaging and not promotional)” (Lazauskas 2014a).

The debate about the “journalistic” nature of these brand communication activities, and about how they are perceived by audiences, could be framed in the more general discussion about the tensions between information and disinformation processes that affect the functioning of markets and society. This is especially relevant given the difficulty of measuring newsworthiness and the credibility of the news and their sources in social media environments, and the need for authenticity, credibility and transparency of information to ensure that journalistic ethics are upheld (Hasnat 2014; Karlova, Fisher 2013).

In conclusion, brand journalism can be considered as a series of content marketing activities produced by brands and corporations that share some characteristics: content with value, newsworthiness and interest for them and their audiences; distributed by their own media; and using journalistic work processes, tools, principles and formats. Their goal is to achieve authority and influence in markets and society and to strengthen their relationships with different clients and stakeholders.

The following matrix could serve to visualize and compare different modalities of content marketing (and other activities of brands’ communication mix), along two main aspects: the emphasis on informative, persuasive or entertainment formats and genres; and key media strategy for content publishing (paid media, earned media, owned media). Of course, the line between them is not clear-cut, and many hybrid formats are possible, but this conceptual matrix can help to

put brand journalism practices into the context of other marketing communication activities.

Table 1: The Content Marketing Matrix

	Informative	Persuasive	Entertainment
Paid media	Native advertising	Advertising	Product placement
Earned media	Publicity	Marketing & Public Relations	Branded events & entertainment
Owned media	Brand journalism	Corporate publishing	Branded entertainment

2 The Development of Brand Journalism

As noted before, brand journalism has a number of famous precedents in the history of corporations, brands, and their communication, from house-organs to the many initiatives promoted by corporate journalism. However, its new twenty-first century dimension, with its variety of forms, has been a consequence of the unique set of circumstances that surround brand marketing management and the development of the world of journalism.

The technological revolution, especially of communication and information technology, has transformed both marketing and journalism. On one side, from a marketing standpoint, technologies have made brands and corporations more visible in the marketplace and transformed their relationships with their clients and society at large. At the same time, they have had to face new challenges, as more complex communication environments make relevance and differentiation ever more difficult to achieve. On the other hand, technologies have been truly disruptive for the creation and distribution of journalism, leading to a crisis of journalistic identity that affects the profession itself, its companies and business models (Blumler 2010).

The management of brand communication was traditionally supported by advertising and public relations. Today it requires new tools to balance and overcome the growing shortcomings of conventional activities in digital environments (Scopelliti 2014). The battle for attention and audience *engagement* is made more difficult by threats like banner blindness (a growing online advertising phenomenon); audience fragmentation, and a new active, participative and individualistic attitude by the public (Light 2014a); the amount of noise generated in an information society flooded by content with diverse quality and sources; the need to participate in conversations and news flows about different topics in

the digital universe, especially social networks (Light 2014b); and the growing complexity of the integration of brand messages in new formats and vehicles with enough return of investment. Brand journalism – or “newsroom mentality” in companies (Zuk 2012; Winkleman 2015b) – tries to be a way to confront those challenges by the creation of relevant brand contents of outstanding value that can attract audiences and attention with a journalistic media content logic. That logic would also fit the idea of “youtility” (Baer 2013): the provision of contents – among other things – that are of help to the public and customers instead of being simply an excuse to sell them products.

Brand journalism is also well suited to the way of participation in public life that is expected from brands and companies in the so-called “age of transparency” (Tapscott, Ticoll 2003). If the contribution of news media to transparency is based on their capacity to produce relevant, objective and independent news, the contribution of brand journalism is the quality, truth and appropriateness of brand stories (Tascón, Pino 2014). As a matter of fact, Lyons says that “brand journalism is meaningful, quality storytelling” (Lyons 2013, p. 11). In this sense, brand journalism turns itself an essential tool to build a “transparent communicative organization” (Taiminen et al. 2015).

Finally, many companies have decided to invest in brand journalism after considering the singularity of twenty-first century consumers, especially in the digital domain. Such publics tend to take their own decisions about how to access relevant brand information, how to interact with it and what kind of authority should be attached to different content sources. Moreover, consumers are increasingly sharing their knowledge and experience with their social environment (Bruhn et al. 2012; Hermida et al. 2012). Such behavior produces increasing opportunities to manage direct contact with brands – like those of brand journalism – that do not need intermediaries like public relations firms, advertising agencies or other media companies as they did before.

From a strategic perspective, brands aspire to maintain their relevance through new ways of communicating with the audiences. But the troublesome situation of journalism in the complex digital environment is another trend to consider. This is not the place to go deeper into its technological, economic and professional causes, which have already been analyzed elsewhere (see, among others, Almiron 2010; Levy, Nielsen 2010; Franklin 2016; Russell 2011). But some of the consequences are worth mentioning in order to understand the rise of brand journalism.

Recently a number of “new versions of journalism” have developed as a consequence of how easy it could be for anybody to act as a journalist (citizen journalism, robot journalism, link journalism, networked journalism, etc.). The

words “every company is a media company”, popularized by Tom Forenski (2012), a former *Financial Times* journalist, only has sense with the dilution of journalism as an organized professional activity (Lobe 2013; Hamann 2015).

The crisis of news media has led many journalists – perhaps more out of need and disappointment than conviction – to consider working as news professionals in companies or in newsrooms specializing in brand journalism as an increasingly interesting option. The newsroom projects established in firms like Coca Cola, General Electric, IBM, Intel and Microsoft – to mention just some of the best-known examples – are not only staffed with journalists. Some of them are led by professionals with prestige and experience in some of the best print publishers: *GE Reports*’ Tomas Kellner (in *Forbes*) or IBM’s Steve Hamm (in *Business Week*) are two good examples.

Finally, the financial crisis of news media companies and their poor growth prospects have also encourage some of them to create business units that focus on the production of brand journalism content (Burke 2013; McDermott 2013). Such a decision is usually part of a new context in the business relationship between clients and media. Both are increasingly open to exploring new avenues of mutually profitable collaboration around new branded content formats such as native advertising (Burke 2014). A case in point is *Buzzfeed*, with its team of more than 30 ad. creatives, journalists and artists who work closely with advertisers and their agencies to create the most ‘shareable’ stories.

This intersection between branding and journalism has resulted in a variety of models to develop brand journalism initiatives. All of them share a basic concept: to move from brand-centered ways to communicate about a brand (its values, ideals or benefits) to an issue-centered approach to brand communication, where brands propose topics that provoke discussion, participation and engagement with audiences.

3 Brand Journalism Practices

The distinction between paid media, earned media and owned media is fundamental to understanding different brand journalism formats. It also allows their differentiation from other actions that manage visibility with editorial and journalistic tools (for example, advertorials, sponsored content and native advertising). Paid media is media you pay for, like traditional ads, Google AdWords or other types of search or display advertising; earned media is when content receives recognition and a following outside of traditional paid advertising, through communication channels such as social media and word of

mouth, or traditional publicity (see chapter 4.2 on the effect of word-of-mouth in e-marketing in this volume); finally, owned media is the media activity related to a company or brand that is generated by the company or its agents in channels it controls (from company websites to blogs, Facebook brand pages or Twitter accounts). Of course, there can be activities or initiatives that integrate elements of the three perspectives, but the distinction seems clear enough.

In its current stage of development, brand journalism follows the logic of owned media in the sense that brands are creating communication media with content produced according to criteria, principles and processes that resemble the journalistic. Such media are trying to capture the interests of their companies and stakeholders with their contents, and also try to participate in the flow of information about the topics that fit their editorial perspectives. In some cases, those media use several distribution windows to increase their reach: Adobe's CMO (www.cmo.com), for example, besides its own portal is made accessible as sponsored content in the *Wall Street Journal's* section with the same name (<http://www.wsj.com/news/cmo-today>). From this point of view, the logic of brand journalism activities differs from the approach of more general content marketing initiatives, which are based on the reach advantages of earned media (Du Plessis 2015).

From a content production perspective, there are many options to manage a regular flow of media content for brands, but there are three main models that can also be combined: creating in-house newsrooms, commissioning contents to external specialists, and aggregating and curating syndicated contents. The first option requires a great commitment with this activity: it implies a strong investment in material and human resources. Many companies that have been quoted in this chapter have created newsrooms that are integrated with all the content marketing activities (for example, Coca Cola, GE, IBM, Intel, Adobe, Microsoft y Verizon). The second option is supported by the fact that a number of news media (including great brands like *Time*, *New York Times*, *The Economist* or *The Guardian*, to mention some well-known examples), and advertising & PR agencies (Publicis, 360i, Omnicom, Hill & Knowlton, among others) have started to build newsrooms and content units to produce news and reports and manage other brand journalism activities related to content created by their clients. This model follows the more traditional lines of "contract publishing" that was used for brand magazines (Dyson 2007). Finally, brand media can also be fed through third-party content, managed directly, or with the support of the new companies like NewsCred, Contently, Ultramedia or Rosetta, that specialize in *online* content management – from creation to diffusion.

There is another way to classify and distinguish brand journalism initiatives. It is related to the idea of editorial orientation and the goal of communication of a brand's contents. Along those lines, Lyons (2013) sees four models: brand awareness (publishing stories about your company, as in GE and IBM); industry news (publishing stories about your industry, creating coverage that supplements the work of mainstream media, as in Intel and Microsoft); create and sponsor content (establishing your company as a thought leader in a field, as in Adobe's CMO); and lead generation (using content as a way to generate leads that can be converted into customers, as in HubSpot's case). These models, to some extent, are well-suited to the different types of audiences that often dominate the ways to define brands' media reach: employees and other internal stakeholders; clients and potential clients; specialized audiences (media, experts, etc.); society as a whole. It is common that branded media have one of these four basic types as their model, with a key audience as the core, but without losing the goal of making the basic types compatible.

No matter what the focus adopted, brand journalism practice works on the assumption that journalistic contents and processes should be emulated. Hubspot, for example, underlines best practices like: be transparent; don't write art copy; tell the truth; have an opinion/point of view; admit mistakes; get interesting people to contribute; be promiscuous (Lyons 2013). Contently, in its Code of Ethics, submits to these principles: adhere to journalism's core values of honesty, integrity, accountability, and responsibility; credit all sources of content and ideas; ensure that the reader/viewer understands the source, sponsor, and intent of the content; fulfill promises made to contributors and sources in the course of reporting; disclose all potential conflicts of interest (Snow 2016). On its part, a leading specialist in the field, Content Marketing Institute's (CMI) Mike Murray considers these ideas as the key to effective brand journalism: learn/apply how journalism works; use brand journalism to be relevant to your customers; make sure journalists can recognize the core formula of your company; help people be better customers; educate first; measure your efforts; make brand journalism a part of your communication strategy (Murray 2013). CMI highlights newsroom practices that can help that kind of effectiveness: operate like a newsroom; have editorial meetings every day (week); go out in the world, do reporting; obsessively follow the news; work quickly, have a 'twitter metabolism' (Miller 2013).

The expression "more journalism, less branding" is an apt summary of many of the ideas mentioned before, although every brand has its own way to make it real. Of course, the specific company's brand journalism model depends on the goals and results that have been forecast: its evaluation is another crucial aspect that should be considered.

4 Effects and Results

There is not enough research to assess the impact and reception of the brand's journalistic content in audiences. However, we can explore some evidence about the reactions provoked by this content related to the more conventionally journalistic, following the lines of some isolated works that have been written around the topic. Van Reijmersdal et al. (2010) looked at whether the balance or imbalance between commercial and editorial content was affecting the way publications were perceived by the readers of client magazines like Kraft Foods' *Food & Family* or Home Depot's *Style Ideas*. Their analysis confirmed what should be expected after more generic studies into content credibility and the persuasion process: the more the commercial orientation of a publication, the less was the credibility perceived by readers and the more persuasive intent was perceived by magazine readers.

Cole II and Greer (2013) linked those findings to *brand journalism* and researched the effect of 'commercial frames' and 'editorial frames' for the perception of the contents of two hypothetical client magazines in the same product category. They reached the conclusion that the editorial frame improved the perception of message credibility and positive attitudes towards the brands that were mentioned. The study also showed that identifying corporate sources of content did not diminish message credibility – the opposite was more likely – unless the 'commercial frame' and corporate sources were united, which was especially damaging to credibility. Finally, those attitudes and evaluations were related to readers' involvement with the product category. According to the study, "product involvement plays a significant role in explaining variation in all attitudes examined. Involvement also produces an interesting interactive effect when examined in light of the source. For low-involved consumers, corporate sources led to the highest credibility ratings; for medium involvement consumers, peer sources made content seem most credible. High involvement participants rated content from both sources as highly credible" (Cole, Greer 2013, p. 683).

Finally, Baetzgen and Tropp (2015) reach similar conclusions when studying the keys to success of brand-owned media. According to them, the success depends on a complex interrelation of factors, but "content-centric factors such as content quality and the non-advertising character of brand-owned media are most important for creating relevant content and for achieving media success in terms of reach and frequency" (Baetzgen, Tropp 2015, p. 135).

It seems that these conclusions justify brands' growing interest in brand journalism with the above mentioned philosophy of "more journalism, less

branding”. But of course, the goals of improving credibility and brands’ desire to be perceived as institutions that offer “insights that add value to customers’ lives” (Cole, Greer 2013, p. 684), can only be managed through measures of traffic, reach, interactivity and circulation of a brand’s media, in the same way that those parameters assess the impact of communication media and other marketing actions in general.

The metrics of brand journalism should be proxies for relationship-building, not vanity stats of page views (NewsCred 2015). The sequence reach – engagement – conversions gives shape to the basic structure of the measures that are typically used to evaluate content marketing effects, as Figure 1 indicates. Excluding the last conversion metrics (around lead generation), which are not necessarily included in most brand’s media basic goals, the rest apply soundly to brand journalism’s logic.

Beyond the evolution of Key Performance Indicators (KPIs), and their possible relation to brand business indicators, the daily life of brand journalism is full of events and situations that demand special initiatives that are difficult to evaluate in the short term. There are two examples that could be considered paradigmatic: brand journalism around the launch of new products or projects, and the role of brand media in crisis situations or around problems generated by negative media coverage.

As for the first situations, MediaSource explains in some detail how one of its clients, Ohio State’s University Wexner Medical Center, took advantage of a new project to experiment with “Google glasses” (The Google Glass Project) to foster its visibility in markets and society. The total project achieved an audience topping 320 million across company-owned and news media channels with an advertising value exceeding \$1.1 million. All brand journalism content was shared via company-owned social media channels, including more than 73,000 YouTube plays, totaling 135,867 minutes of playing time – which is more than 94 days of continuous play. The estimated Twitter audience alone was 1.7 million people. The content was also prominently featured on the company intranet, reaching key internal stakeholders and influencers (MediaSource 2013).

Regarding crisis situations, there have been some interesting recent cases that show opportunities to react that are facilitated by *brand journalism*. Edgecliffe-Johnson (2015) has written in the *Financial Times* about the ways in which companies like Amazon or Theranos have responded to negative coverage at the *New York Times* and *The Wall Street Journal*, respectively, publishing long replies in “neutral” content platforms like Medium; or about how the Chinese company Alibaba, after a *Barron’s* story that suggested that its stock value could fall by 50%, answered with a 2,000 word letter to the publisher in Alizila, the news site of their own company. Those responsible for Alibaba’s letter explained

Table 2: Content Marketing and Brand Journalism Metrics and KPIs

Metrics – <i>What do we measure?</i>	KPI – <i>Is our content building our business?</i>
Reach	
ImpressionsTraffic	Is our content being seen?
Subscriber / audience size	How large is our audience?
Share of voice	What’s our share of voice in a market/channel?
Audience penetration across org	Is engagement growing across the workflow chain of a single organization?
Engagement	
Time on site	How much time are people spending with our brand?
Bouncerate	Are people engaging with our brand & content?
Page views	Where and how often are people engaging with our content?
Return visits	
Referrals	
Social sharing and interactions	
Conversions	
Brand lift	Are we creating awareness? Is our message memorable?
Perception / attitudinal change	Are we changing perceptions?
Behavioral conversions	Are people discovering and understanding our product & service offering?
Lead generation	Are we driving quality leads?
Sales lift	Are we driving overall sales?

the decision: “We are such a high-profile company that investors, analysts, media and other key influencers will read every single word very closely”. As the *Financial Times*’ article states, “companies that don’t like the headlines journalists write are realizing that they can write their own” (Edgecliffe-Johnson 2015). Vara (2015) elaborates on the same idea: “Not long ago, companies that felt they had been wronged by a news outlet could do little in response, besides requesting a correction, penning a letter to the editor, or, in extreme cases, taking out an ad. Now they can present their version directly to readers – on their own Web sites or on platforms like Medium, Twitter, and Facebook”.

In both day-to-day business and special occasions, brand journalism allows companies the opportunity to be more transparent, reach markets with a fresh approach to communication, and publish the right message to the right audience at the right time. In the final analysis, it facilitates a medium and long-term goal:

improving the credibility, authority and engagement of brands, in the environment of intense noise in which increasingly wired and cynical consumers live. However, because of the novelty of these practices, more time will be needed to really assess the degree in which those goals are achieved.

5 Epilogue

“Brand journalism is either a great idea or a silly conceit, depending on our preparedness to embrace what really lies behind those two simple words” (Edwards 2013). This quote illustrates well the challenges of a brand journalism strategy, precisely because of the difficulty of achieving the right balance between ‘journalistic frames’ (distinctive of brand journalism) and ‘commercial frames’ (innate to brands’ publishing activities). As a matter of fact, the meeting of those “two simple words” – certainly an oxymoron (Sorofman 2013) – creates a dangerous misunderstanding of the extent to which the audience could be disoriented, and confirms the fuzzy borders that already exist between journalism and many other communication activities (Holtz 2011; Yang 2015; Winkleman 2015a). From this point of view, it would probably be interesting to challenge the denomination of this set of brand editorial activities through the use of new concepts such as “brand publishing”, “brand storytelling” or “editorial communications” that have already been used as equivalent expressions (Foremski 2015). Such terms could avoid the suspicion that always accompanies the “Faustian Pact” between commercial and journalistic activities, to use the *The Wall Street Journal’s* editor’s words (quoted by Pompeo 2013). A pact that in the case of “native advertising”, for example, casts professional and legal doubts (Levi 2015).

The debate over terms is not the only, or the more relevant, debate around brand journalism. It is an activity still in its infancy, but there are already other issues such as its scale. Although the majority of brand media started on a reduced scale – with exceptions like Coca Cola’s *Journey* or Adobe’s *CMO* with newsrooms staffed with more than ten people – the optimal size of the team, or the volume of content that are best suited to the goals of these projects remain to be seen. On the one hand, the need to prioritize content quality over quantity seems clear; on the other, it is a fact that the digital landscape is so cluttered that there is a need to accumulate audiences using a variety of messages, as the media that fight the battles for visibility are showing (*Huffington Post*, *Buzzfeed*, *Vox Media*, etc.). The temptation to grow and improve KPIs with this second approach is strong and can become a medium-term problem. As Fishkin (2014) explains, mentioning content marketing’s extraordinary growth: “Content

is powerful. It helps websites and companies earn traffic, earn amplification through social media, build trust with an audience, all at a cost far lower than traditional or online paid marketing channels. But, sometime in the next few years, I'm worried that it may become a more challenging, more risky, and less dividend-paying investment. The problem is (or will be) content fatigue. And we've no one to blame but ourselves".

The integration of journalistic brand activities with the existing content marketing initiatives, especially with 'native advertising' or 'branded content' is another interesting topic (Basney 2014; Matteo, Zotto 2015). If brand journalism content aspires to take advantage of its unique "journalistic/editorial frame", it should distinguish itself clearly from 'native advertising' or 'branded content' messages, whose nature is almost the opposite – commercial paid content with the editorial appearance of the media that published it. But at the same time, it also seems apparent that brands are bound to coordinate and integrate their content marketing actions, taking advantages of the synergies and economics derived from well-orchestrated plans. Managing both goals is not simple and might generate a diverse set of dysfunctions that affect the credibility of content (Smith 2015).

A more important dysfunction, already mentioned in paragraph 1, could be the impact of brand journalism activities on the flow of information and news around themes and issues of public interest. As commented by Doctor (2013), "content marketing can blur the lines between "without fear or favor" news and market pitches – and there will be heavy pressures to do so." Brand journalism representing private interests can try to manage news about current events, by introducing into the public conversation subtle brand references that can be difficult to differentiate from other journalism. Salmon (2013) concludes, after analyzing the distinctions between what he defines as "buzzy terms" (content marketing, sponsored marketing, native advertising and brand journalism), that it should never be forgotten that "they are all attempts by companies to get consumers to read things which the company in question, or its executives, wants those consumers to read" (without being really conscious of it, could be added).

Finally, it is also interesting to consider what brand journalism's future will be. Its current explosion looks like a natural development of activities that were conducted by many companies in the past and have since grown exponentially through new technologies. However, what is its real growth potential? Both the world of communication and the world of technology are in a sort of perpetual transformation, and the effects of the coming changes to brands' relationships with clients and stakeholders are not easily ascertained. Today we can say that brand journalism's growth is a fact. We will need to wait some time to understand to what extent the fact has been a fad or not.

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Andrew McStay

3.1 Micro-Moments, Liquidity, Intimacy and Automation: Developments in Programmatic Ad-tech

Abstract: This chapter assesses programmatic advertising. Programmatic advertising is characterised by sensitivity to time, location, interests and the ability to reach individuals across a variety of screen types. Here the advertising process is increasingly automated and has the capacity to target people in relation to what they are doing at a given moment in time. Automation applies not only to targeting, but the creation of adverts themselves. To explore recent trends in advertising I draw from developments in finance, liquidity and high-frequency trading. This is less about metaphor, but more that programmatic logic unmistakably derives from the automated price sorting of commodities in contemporary financial markets. This renews and clarifies long-standing critique of the audience-as-commodity. As the chapter proceeds to unpack, the principle of liquidity also has an experiential and phenomenological dimension that is redolent of what Google phrases in terms of ‘micro-moments’. This is a realisation of programmatic logic as advertising seeks to intelligently interact with a person’s life context in real-time.

1 Introduction

This chapter reflects on behavioural developments in advertising. I focus explicitly on programmatic techniques that promise advertisers the capacity to offer the right message, to the right person, at the right time. This means being able to reach across device types, apps, websites and platforms to reach people with videos, rich media, static and native ads, and even promoted tweets. To do this, advertisers bid in real-time for advertising space and consumer attention. The objective of programmatic techniques (henceforth known as ‘programmatic’ to reflect industry usage of the term) arguably has less to do with long-term branding and stimulation of desire, than interacting with people at moments when they may be most pre-disposed to acting, clicking or purchasing. As will be developed, another key characteristic is that programmatic is automated. Whereas advertising deals once took days and even weeks to negotiate, and media had to be bought weeks if not months upfront, programmatic allows this

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haggling and buying to take place in the time it takes to load a webpage. Programmatic advertising is an auction-based process whereby potentially thousands of media buyers bid for the right to present advertising to a known target.

Whereas behavioural advertising is oriented to desktop computers using the web, programmatic approaches are based on understanding always-connected people who use a variety of screens and technologies. Programmatic includes, expands and develops web-based behavioural techniques that use cookies to trace and cluster web searches, and thereafter serve advertising on the basis of who a person is rather than what they are looking at. After all, we search on tablets while in front of the TV; review videos about products on YouTube; use apps on the move to search for cafés to rest weary feet; and then use mobile devices to decide what to do once revived (such as shopping, exhibitions, sight-seeing or where to go for lunch). Advertisers seek to understand journeys and behaviour, and thereafter be able to reach the right people with salient messages when they are most likely to spend money, and understand which stimuli were influential in getting us to click or buy. This is achieved by organising information about us typically collected through apps, social media, web browsing, video watching, stores visited and physical location. To provide a sense of popularity and scale of this approach, in 2015 *Advertising Age* reckoned that programmatic buying would take \$14.88 billion of the approximately \$58.6 billion digital advertising market (Kantrowitw 2015). This equates to roughly 25% of the entire digital advertising industry. In *theory*, programmatic offers advertisers greater precision in: who to target; geographies and times of day; command over the beginning, mid and end stages of campaigns; evaluation of what is working well and not so well; and which ads are being engaged with so as to only pay for ads that are quantifiably effective. The lure of programmatic is the promise of enhanced control of the advertising process.

To provide understanding of the implications of programmatic approaches, I begin by outlining the automotive context to programmatic advertising and then progress to offer a robust account of the practicalities of programmatic advertising. This is important so as to avoid glib theorising in later sections. Having developed an understanding of the character and form of programmatic advertising, I then move to detail the significance of programmatic logic. By this I mean why it is important, and what the implications and consequences are. By this stage we will possess a solid understanding of the practicalities of programmatic so that we can begin to deal with it at the level of logic and theory. This will allow us to more clearly see what it portends in terms of: *liquidity*, or exposure of media and audiences to commodity mechanisms found in the purer domain of high-speed finance; and *micro-moments*, Google's moniker for programmatic advertising that uses big data analytics and machine learning to target people as they

move through everyday life. Although these expressions derive from automated market trading, ad-tech and on-going work in machinic pattern recognition, I suggest that they are best appreciated with phenomenological sensitivity.

2 Background: The Story So Far

Readers of this book are likely to be familiar with behavioural advertising. Although the term rightly suggests advertising that targets according to a person's behaviour, it is more accurately defined in terms of third-party tracking cookies that are employed by ad networks to gauge our interests. The role of ad networks is to match ad spaces provided to them by web publishers with ads for appropriate audiences. They do this by placing tracking cookies on people's computers so when an Internet user visits a website participating in that particular network, the user will have a tracking cookie installed on his or her machine that will register each time he or she visits another site participating in that network. For a sense of scale, the leading ad networks in the UK (Advertising.com, Yahoo! and Google/DoubleClick) each reach 90% of the UK's online audience. Cookies, or identifying pieces of code, tell ad networks what sorts of sites people have visited so they can target them with appropriate advertising. The reason why web publishers use third-party ad networks is so they can make revenue from their ad spaces without having to go to the effort of selling slots to advertisers. In other words, it is a labour activity that makes use of the economies of scale that well-connected ad networks can provide. The success of ad networks should be judged by the extent to which they can marry available inventory from web publishers with demand from advertisers for: a) spaces in which to place their advertising; and b) specific types of people they wish to reach. Segmentation in behavioural advertising typically relies on five to ten attributes (such as age, gender, income, geography, education, mind-set and interests), but programmatic buying systems can evaluate an exponentially large amount of input. This is the first notable point of this chapter: programmatic advertising makes use of a more diverse range of data sources than behavioural techniques. Before we properly discuss and define programmatic advertising, there are a few more terms and practices we first need to understand.

We now understand that ad networks are entities that serve cookies to users and third party advertising on publishers' sites. The next form of organisation to recognise is the ad exchange. Ad networks and ad exchanges are related and often confused, but they are actually quite different. An ad exchange is similar to a stock exchange in that they auction impressions (the unit for serving an ad once) to the highest bidder. Whereas ad networks sell bulk amounts of ad spaces

(bundled to be appropriate for specific age, gender, geography and interests), the advent of ad exchanges allows buyers and sellers to value inventory on an impression-by-impression basis that is *bid* for in real-time. This means that theoretically publishers have a better sense of who is buying and at what cost. From the advertiser's point of view, they receive feedback on how each impression has performed. This is impressive if we try (and fail) to consider how many online ad impressions are served by the hour or day. The function of an ad exchange is to allow advertisers (or an intermediary agency acting on their behalf) to bid to serve an ad in real-time. This 'real-time' is defined in terms of the time it takes a webpage to load (if you press 'refresh' on your browser, it is that long). The process is that:

- a person uses an online device;
- the device requests an ad from an ad server;
- the request is redirected to an ad exchange;
- the opportunity to present an ad is bid for in real-time;
- the winner serves the ad;
- the person sees the ad.

The success of an advertiser's bid is decided by data about the type of user and their interests. The role of the ad exchange is to host the auction and establish the right user for a specific ad, on a given medium, at a price the advertiser is willing to pay. The ad stock includes display, rich media, video, mobile, tablet and social media inventory. As there are multiple advertisers looking for the same customer at the same time, real-time buying (RTB) exchanges hold real-time auctions to decide who is the best fit with the potential customer. The winner of the auction and the price of the ad space are determined by *context* (relevance of the site to their product/service/organisation type) and *audience* (how good a match the viewer is for the advertiser).

3 Programmatic

This brings us to programmatic advertising, or the capacity for advertisers to automatically target consumers across a range of devices. Even within industry discussion, RTB and programmatic approaches are confused, but there are important differences. Programmatic typically (but not always) uses real-time exchanges to buy ad space. The difference is that whereas RTB is a specific way to purchase ad space (by means of auctions held as a webpage loads), programmatic is a method to determine if the inventory space (slots on a webpage) is

right for the advertiser who wants to purchase it. This involves a richer than hitherto understanding of audiences. Although media space may be bought via RTB methods (and often is), programmatic ad buys can involve purchasing ads that have a fixed cost (rather than bid-for ones that have a changeable price). In easier to digest terms, ad spaces might be purchased direct from the publishers of *The Economist* website so that the inventory and price is agreed and fixed. The programmatic part of the transaction that differentiates it from a traditional direct sale is the automation of the ad serving process on *The Economist* webpage.

I appreciate that the range of practices is difficult to visualise (and is potentially somewhat tedious), but the key characteristic is that the buying and selling of individual (impression-by-impression) advertising opportunities happens with little human intervention (although some is required to enter campaign objectives and budget). From the point of view of the advertiser wishing to advertise, this removes a great deal of complexity as programmatic promises to black-box the entire advertising process (media decisions, profiling, targeting, delivery of ads and as developed below, even creativity). This can be contrasted with the usual media-buying mechanisms of discussion between ad companies and publishers, telephone calls, emails, person hours, paper work and expensive executives. To put automated and programmatic advertising into context, since the inception of advertising and newspapers in 1702,¹ advertisers have bought their advertising by talking to and negotiating rates with people. They were locked in to a contract, forced to run a certain number of ads with a publisher and had little idea whether anyone engaged with the advertising. The difference is that the automation of buying and selling advertising space allows ad buying and management of engagement on a per-impression basis.

We gain even more insight when we consider that programmatic advertising requires a great deal of information about users. As will be developed later, the make-up of *programmatic logic* is to know more about the viewing and motives of the person clicking. Whereas behavioural advertising makes use of cookie-based data, programmatic draws on a much wider range of data points, not least information from apps used on mobile phones. Traditional behavioural advertising that uses third-party cookies does not work on Apple iOS devices because it does not allow third-party tracking cookies. Instead mobile programmatic companies make use of “device IDs; deterministic identifiers unique to handsets, or probabilistic determination; using multiple data points to create statistical models” (Internet Advertising Bureau (IAB) 2015).

¹ Arguably since 1702 in the UK, when advertising was carried in the first newspaper *The Daily Courant*.

There are three sorts of data that programmatic advertising makes use of, including *first-party* data, the most valuable sort, where information is collected and aggregated directly by a given web publisher. This might include purchase behaviour and how people behave on their websites. The next tier of data that programmatic can make use of is *second-party* data. This involves an unusual business arrangement where a partner (company A) is willing to share customer data with company B (and vice versa). For example, a person interested in premium music amplifiers might visit the partner company's site about premium speakers and be tagged with a cookie. Lastly it also involves *third-party* data, or information that is bought and sold in an open market environment. In programmatic, this provides a great deal more data about audiences than can be identified and extracted by behavioural ad networks. This data is bought from what are known as data management platforms (DMPs), or data aggregators, who have relationships with a large number of websites in order to gain a big-picture view of users (by means of cookies and IDs on mobile phones). Notable examples include organisations such as eXelate, Lotame and Bluekai. Third-party data can come from a range of places including online tracking (as with behavioural advertising), but also website registration data, public records and offline transaction data such as loyalty cards. These different data streams can be used together. Lotame for example promises marketers that they can marry their own data (from past campaigns, traffic through website and apps they might own) with third-party demographic and behavioural information provided by data sources around the world (such as MasterCard, BlueKai and Kantar). The outcome of being able to make use of first, second and third-party data is that advertisers (or first-parties) often possess colossal databases that are goldmines of information about the buying habits and location of their customers. Supermarkets and people's favourite retailers for example hold a great deal of information about consumer history and interests. What programmatic allows is the capacity to merge these with publically available demographic data, mobile phone and credit card information, social media, and other sources available to DMPs.

Programmatic also promises improved *re-targeting* (when online advertising is targeted at consumers who visited a publisher's website but did not buy or fulfil a desired action) and sensitivity to the context in which advertising takes place. This varies but may include: content that appears next to the ad, device on which the ad is delivered, part of the day, day of the week and environmental factors such as news that is being reported, sports results or celebrity events. Beyond the automated serving of display advertising, it also promises to assist in understanding effectiveness. From the point of view of the industry, this is the most significant point, but in addition to real-time bidding, ad serving, ad

tracking and overall campaign management, programmatic technologies may also create ads to suit contexts by automated means.

3.1 Dynamic Creative Optimisation

This is where we see a clear difference between RTB and what programmatic portends. Although today programmatic is primarily a buying and serving method, it also promises ‘dynamic creative optimisation’. This entails the capacity to automatically (without human intervention) alter ads to fit the viewer and their context in real-time. For example on launching the game Madden NFL 15 in 2015, EA Sports working with Google used mobile ads with different combinations of copy, images, and backgrounds to reflected what was happening in the game at that exact moment. Similarly, other brands have optimised their ads to account for location, time of day and the weather. Adobe for example, echoing other programmatic firms, also promise their advertisers that they can ‘build, personalize and deliver creative assets in real time’ and that ‘Adobe offers the only platform that combines advertising, data and creative optimization to redefine programmatic marketing’ (Adobe 2015). Although one might associate Adobe with their web design and imaging software, they are aggressive actors in the programmatic advertising business. For a sense of the diverse range of data types they employ to deliver dynamic content, Adobe’s (2016) privacy page says that their analytics services collects data (including personal data) on: the URLs of the webpages people visit and the time spent on them; the URL of the page that showed the link people clicked on that brought them to that company’s website; the searches that people have performed, including searches that led them to that company’s website; information about the browser and device, such as device type, operating system, connection speed, and display settings; IP address, which Adobe say they may use to approximate general location; information people may provide on that company’s website, including information on registration forms; whether they clicked on an ad; items they have either purchased or placed within the shopping cart feature on that company’s website; and social network profile information, including photos, fan and like status, user IDs, age, and gender. Adobe continues by saying that some companies using Adobe services may send them information that allows them to identify users personally (this is the first party information mentioned above). Further, some companies may also buy additional information about users and then add that additional information to the information collected by Adobe’s products on their websites. This additional information may include things like email addresses, account information, or Facebook profile information, including photos and usernames.

3.2 The Automation of Advertising

Although often lauded as a creative business, the advertising industry has long been interested in quantification, feedback, analysis, verification systems and machine-like approaches to targeting and creating ads. This is best understood when one considers that the rise of dedicated ad agencies in the late 1800s parallels the rise of industrial production methods, distribution and management. Taking cues from the empiricism of science, this approach overtly emphasised cause and effect, predictability, control, data and the need to inject certainty into the advertising production process. Although the advertising giants of old introduced machinism into its methods, they could not have predicted the automation of creating, targeting, serving and collecting data about the reception of ad content so as to generate dynamic advertising experiences.

3.3 Liquidity in Advertising

As is now clear, programmatic advertising involves automated exchanges to deploy the right message, to the right person, at the right time, across a range of media. There are different types of programmatic buying: some of which are open to all potential buyers, and others where only certain types of buyers/advertisers are allowed. In this section I discuss the open auction format² whereby a publisher allows any buyers to purchase their inventory at a cost dictated by open market mechanisms. This is an important feature because advertising is borrowing technology and techniques from the world of high-speed trading and investment banking. We might consider the tone and character of high-frequency trading. In the real-time finance sector people are largely redundant as investment banks, fund managers and traders place their faith in algorithms run by computers to buy and sell shares. To a very real degree, global finance is automated in that it operates with little human intervention. High-frequency trading (HFT) is controversial, but in Europe it forms over 30% of market traffic. In the USA it is 70% (Ross et al. 2012). Its dramatic rise to prominence has polarised opinion in the political and financial sectors. Exponents say it has reduced trading costs and increased activity on markets – but critics point to two devastating US American market collapses in which HFT played a central

² Other formats include ‘Automated Guaranteed’ (where the content does not go through an exchange, and deals are negotiated directly between buyer and seller); ‘Unreserved Fixed Rate’ (where costs of content are fixed upfront); and ‘Invitation-Only Auction’ (where only select advertisers can bid).

role. And now European policy makers are debating whether to impose severe limits on HFT. Influential figures are even calling for it to be banned.

This is utterly unbridled capitalism in which trading is not just about buying low and selling high, but doing so at maximum velocity. Rather than landing ‘the big deal’ (maximum difference between buy and sell), automated high-speed trading takes advantage of tiny price discrepancies that only exist over the most infinitesimally small time horizons. The profit comes from being able to take advantages of these small profit opportunities multiple times. For a sense of speed, an article for the Bureau of Investigative Journalism comments that ‘HFT takes place at speeds more commonly associated with particle physics. In the quarter of a second it takes you to blink, an HFT computer can carry out over 5,000 transactions’ (Ross et al. 2012). Without hyperbole, this is literally a war of the machines. In the finance industry we see machines (or ‘algorithms’) combating each other to shave a few millionths of a second off trading time. This is done by placing servers close to the Internet exchange and investing in ultra-high speed feeds of market data to shave microseconds off ‘latency’, or the time it takes a trader’s message to reach the exchange and return.

Although there are differences between advertising and financial technologies, there are commonalities, particularly with regard to the principle of *liquidity*. I use this expression both in a financial and ontological sense, although these are not separate. After all, our trading, banking, and payment technologies play a fundamental role in shaping our modern world and social reality. In financial terms, liquidity refers to the capacity of a market to maintain a stable asset price. The notion of stability is the capacity to buy or sell an asset without any significant change in the price of the asset. Cash for example is the most liquid of assets because it can be exchanged with no loss of intrinsic value. A house that nobody wants to buy has low liquidity value. What programmatic (particularly the open auction format) adds to the advertising market is greater liquidity of advertising media spaces, opportunities to serve ad impressions through these spaces, and the data about audiences. This is due to an exponentially increased number of bidders, buyers and sellers of advertising slots. Thus, because of the high number of exchanges taking place in the programmatic media environment, a seller’s assets (such as advertising opportunities and audiences) are quickly and truly valued. The advertising system is not as smooth or advanced as that found in finance, but high frequency trading provides an excellent sense of the direction, potential and orientation, of the digital advertising sector. A barrier to this today is lack of transparency in the advertising market. This is because there is a difference between what an advertiser will pay for programmatic advertising and what a publisher will receive. Whereas in

finance the figure is the same, in advertising an intermediary takes a large slice of what an advertiser pays. This can happen at multiple points along the advertising value chain that brings together advertisers (who want the advertising space) and the publisher (who owns the media space). Ultimately it is unclear what fees are being paid and who along the advertising production chain³ is adding extra cost. Part of the task for trade associations such as the Internet Advertising Bureau today is to create a trading environment where there is greater transparency over fees/prices, the bidding process and inventory.

Further, both buyers and sellers of ad space would like to know what the price of this *commodity* is going to be in the *future*. Be this orange juice, coffee or indeed ad space, buyers are keen to buy now if they think prices will go up, while sellers seek to have future revenue assured (lowering future risk). What is desirable for both buyers and sellers is reliable information about the market price of ad space both now and tomorrow⁴. This is what an *Advertising Age* article refers to as a ‘forward marketplace’ (Bruell 2015). The potential consequence of this is that ad space itself is not only exchanged in real time, but contracts would be auctioned for ad space to be delivered on a specified future date/time. I appreciate this is rather detailed, but the take-home point is the shift of digitally enhanced advertising towards a commodities market.

By seeing it through future-oriented market logic, ad space can be bought and sold on by the buyer of the ad space. So, for example, if marketer/trader X has paid 15€ per 1000 impressions for video display ad spaces, to reach audience Y over Christmas, then if the price of ad space to reach this particular audience increases, marketer/trader X may sell this stock and profit from the price difference. Even further, the consequence of this is that speculators with no interest in using the space for advertising may buy and trade in this stock, just as they would with tea or steel. This may still seem somewhat abstract and unimportant, but what futures-based programmatic represents is a model for the future of advertising. This becomes even more significant if we project a few years down the line and see behavioural and programmatic advertising encompassing PCs, tablets and mobiles, and also television and networked outdoor media in so-called smart cities. Although advertising is typically held to be the public face of capitalism, the reality is that in terms of liquidity and market

3 The value chain of programmatic advertising is: advertiser > agency > trading desk > demand side platform (DSP) > ad exchange > publisher Internet Advertising Bureau (IAB) 2013

4 Traditional ad space of course fluctuates throughout the year (Superbowl minutes and pre-christmas television is more expensive than 3 am on a Wednesday), but the point is that both buyers and sellers of these slots appreciate certainty.

logic, it is catching up with other commodity forms. The move toward treating media space as a more abstract commodity portends a very different sort of media system and a very different way of doing advertising. This is possible now because these exchanges and marketplaces provide an automated record of every transaction and a clear record of trades.

Thus, the long cherished audience-as-commodity principle (Fuchs 2012; McStay 2011; Smythe 1981) finds renewed impetus and full realization as firms such as Mass Exchange lead the way in not only ad space futures exchange, but also audience future exchanges. This means that advertisers can buy guaranteed interest from people with desirable characteristics (for example, mothers in a given region on a certain income range between 18 and 25 years old). Historically audiences have been dubbed a commodity, but this is something of a misnomer because it was not the audience being traded on an open market, but the ad space with an assumed audience attached. Now audiences become a real commodity as they are placed onto a more public market open to speculators who may have no interest in advertising (or audiences) whatsoever and, importantly, audience value is determined by what the market (and its players) is willing to pay (liquidity).

4 From Privacy to Intimacy

Much critical scrutiny is paid to the extent to which advertising techniques based on people's behaviour is invasive of privacy (Baruh 2007; McStay 2011, 2016; Zuiderveen Borgesius 2015). However, this section suggests critical considerations that are related but different. A controversial claim within contemporary ad-tech is the promise of knowing people in greater detail and generating more effective advertising, without the need for high amounts of personally identifiable information (PII). This is digitally acquired information that can be used either on its own or in combination with other items of information to identify people. However, what programmatic claims is that use of diverse aggregated data sets can target people *like* you, but not you. The claim is that advertising can be intimate without being personal. My point is *not* that advertising no longer uses personal information (it does), nor are there no longer questions to be asked about privacy (there are); but recognition of a tendency within the industry to try to be more intimate without relying on increasingly personalized and identifying data. This is driven in large part by a need to circumnavigate regulations. My argument is that attention should be paid to practices and experiences that are affective and intimate, and that we should also note that this intimacy is achieved through increased use of aggregation.

This merely echoes what advertising has always sought to do. In a sense, traditional advertising has had to execute a more difficult trick than digital approaches because it is required to communicate personally through broadcast means. The most successful of ‘classic’ advertising is aimed at groups, but sees these as clusters of individuals to be influenced and persuaded on a one-by-one basis. This is intimacy at scale. Contemporary means of achieving intimacy are based on big data logic in that programmatic makes use of more data points and sources (online and offline), aggregates these, and processes them in real time. This provides greater agility and reactivity by means of high levels of data collection (about history, behaviour, places, devices, channels and contexts), yet aggregating these so the resultant targeting is based on small group profiles rather than individuals. Further, for mobile and tablet devices that make use of Android’s ‘Advertising ID’ and Apple’s ‘Identifier for Advertisers’, this is targeted at advertising IDs that are not permanent, not tied to a device and can be re-set (although it is debatable how privacy-enhancing this is in practice). The net result is an attempt to balance high levels of data gathering and anonymisation techniques to create experiences that feel intimate, yet reduce levels of personal data processing.

4.1 Micro-Moments

The principle of intimacy is an important one because a key feature of programmatic is that it allows advertisers to target ‘micro-moments’, or those short periods of time when we are most receptive to a message intended to influence us (DoubleClick 2015). There is a range of factors to consider including location, proximity to retailers, discovery (ooh/aha!), what we are saying, who we are saying it to, what we have searched for, videos we have watched, environmental factors such as temperature/weather and even our physical state. Due to the fact that smartphone users are typically always connected to the Internet, our behaviour (physical and online) betrays intent, interests, marketing opportunities and readiness for appropriate messages.

Ontology is the admittedly vague term that refers to what exists for people. It is an attempt to get at the quality and character of reality, how we experience it, and how it is affected by the introduction of new variables (such as technologies, but also other phenomena). This is not just idle tracing of parallels between technology and the humanities, because mega-tech and user experience firms are deeply interested in the interaction between computing and human experience. Programmatic micro-moments such as those discussed by Google’s DoubleClick represent something quite new in that it does not just seek to understand preferences or interests, but moments. In fact ‘interact’ is a better

word than ‘understand’ to characterize how advertising engages with moments because understanding does not matter, only effectiveness. This becomes clearer when we recognise that this form of understanding is predicated on being intimate, relevant, salient and timely. Technologies do not understand us but effectively engage with potent moments when we may be swayed and affected in a way useful to a given advertiser. Although ‘micro-moments’ serve to simplify and storify programmatic practices for DoubleClick’s clients, the premise and orientation is worthy of consideration. For DoubleClick (2015) this is recognition that our days are populated by ‘intent-rich moments when preferences are shaped and decisions are made’. This premise is better understood when we recognise advertisers’ interest in attribution, or the attempt to quantify what aspects of advertising influences us, when influence occurs and to what degree. This does not just involve the appreciation of single moments but the series of life events that inform moments (where we might buy or click something). This puts us in a phenomenological bind in that programmatic logic promises to interact with us at the level of quality, feeling and emotion; yet it uses tools historically thought of as alien to understanding experience. By definition phenomenologists should disagree that the meaning of the poem can be found in the form of the letters of which it is composed (to borrow from Bergson 1999 [1913], p. 35). If this is unclear, phenomenological criticisms are similar to Searle’s (1998) epiphenomenal *Chinese Room* argument about how symbol-processing machines cannot be said to have a mind because they do not understand the content they are processing.

4.2 Machinic Verisimilitude

There is a very basic difficulty in tracing the relationship between technology and human beings because this would require that machines could be ontologically oriented to know what people discuss in terms of quality. This is both physically and philosophically problematic in that people and machines are made of different stuff, and that human understanding is based on a granularity of contextual sensitivity that machines are incapable of. Although we will not resolve the question of ‘what is consciousness and subjectivity’ here, what we can say is that much of what we consider to be subjective and private is already more public than we usually think. Language, symbol use, status, ethics and identity are all constituted by relational and social factors. By being social they are public, and by being public they are observable. Machines may not be as good as people at comprehension of motives, but they excel at observing and remembering at levels and in ways impossible for people. This involves watching, listening, sensing and making inferences about actions or inaction. Memory

also plays a role acting as an analytical repository with which to judge (in reference to a set of given values) what is appropriate, and clearly a-historical machinic capacities have advantages over people in this regard. This is *a-historical data mining*, or the capacity for equal recall to either recent or older behavioural traces. This is not about authenticity, but affective, effective and predictive knowledge. We do not have to concern ourselves with whether machines really understand, but consider what elsewhere I have termed *machinic verisimilitude* (McStay 2014). This entails semblance of intimate knowledge of people, and engagement with the subtleties of qualia and human experience. From a more practical advertising point of view, it is the capacity to generate exactly the right message, to the right person, at precisely the right time, so as to take advantage of moments in a person's daily life flow. This has less to do with people thought of as private self-contained unities with private interior experiences inaccessible to others, but a more public view of personhood. This is a more civic interpretation that sees a person come into being through interaction at physical, intellectual, linguistic and social-semiotic levels. As these are public structures, behaviour can (at least theoretically) be traced within these. This public view of selfhood is defined in terms of probability, expectation and delivery of what we expect a person to do, given an assessment of their current state, and what is known of their behavioural dispositions, history and connections with others. This is less about privileged access to private thoughts to confirm suppositions about *real* motives and feelings, but instead correct assessment of public data verified by the predictive power of machinic insight (such as whether we click, buy or visit after being exposed to X stimuli in Y circumstance at Z moment). After all, the advertising industry does not care about consciousness and being per se, but functionality and effectiveness defined in terms of predictive ability and the capacity for machines to meaningfully interact with people in micro-moments. To go further, it is a resounding success if it can say with certainty that it does not personally 'know' people, yet is able to influence them at key decision points as if it did. Thus, it does not matter whether machines can *truly* know us but whether they can predict what we will do next and influence outcomes, particularly at micro-moments when we may be influenced and pivoted towards a different path.

5 Conclusion

In conclusion we see that programmatic advertising is significant in multiple respects. To list: it offers advertisers greater granularity in terms of *what* they are saying, *whom* they are targeting, on *which* media and *when* this takes place. Underpinning this are novel technologies and practices. These are characterised

by automation, more sophisticated data collection and processing, and media and audience markets characterised by greater liquidity. If we also consider potential for high frequency trading and marginal gains selling provided at dizzying speeds in an automated and self-driven marketplace, we see fundamental changes in the nature of advertising. Before we bow to the modern digital sublime, or conjure dystopias, we should not fall prey to the belief that programmatic is a perfect system for advertisers. Today, due to the fact that it targets people rather than the content of websites, there is an inbuilt lack of control over precisely where ads will land. This worries advertisers because unfortunate ad placements can damage the reputation of the brand. It is also besieged by ad fraud, botnets and even questions of whether real people or machines are clicking on ads⁵. Programmatic is not an omnipotent advertising system, but the logic that underpins programmatic is too powerful to be deterred. It has a number of characteristics in that it intends to map the entire *context* of our lives, and it seeks informational and emotional relevance at precisely the right instant. At the level of principle, it is not contained by desktop, tablet or mobile devices, but will spill over onto televisions and into networked ads in our cities. For example, in 2015 we saw the first rollout of artificial emotional intelligence in out-of-home advertising and it is a short step to connect smartphones with these practices (McStay 2015). The language of programmatic advertising also invites philosophical sensitivity as it seeks to understand and influence human ‘micro-moments’. This phrasing by Double-Click takes on significance when: a) we recollect that this is Google’s programmatic service; and b) that Google is investing heavily⁶ in the business of deep learning, so to better understand the context of human lives and real world complexity through neural networks, reinforcement, consolidation, adaptation, carrying learning from the past into the future, and approaches that share characteristics with human learning.

The research is sponsored by the UK’s Arts and Humanities Research Council (ref: AH/M006654/1).

⁵ This is malicious software that takes over people’s computers and simulates a person browsing the web. These bots (or non-human traffic) will never buy anything so the ad exposure is useless to an advertiser that is paying the ad network, who in turn is paying the publisher McStay 2016. This is not a trifling problem for the ad industry because the scale of this problem is huge. For a sense of scale, in 2015 advertisers were projected to lose \$6.3 billion advertising to bots from \$40 billion spent globally on display ads and the estimated \$8.3 billion spent globally on video ads White Ops 2014.

⁶ See for example Deepmind that was acquired by Google and promises to ‘solve intelligence’ by combining ‘the best techniques from machine learning and systems neuroscience to build powerful general-purpose learning algorithms’.

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Rolf H. Weber and Florent Thouvenin

3.2 The Legal and Ethical Aspects of Collecting and Using Information about the Consumer

Abstract: On the Internet, consumers and citizens are increasingly monitored and tracked. The collection and use of information about consumers serves different goals, has various legal implications and raises important ethical questions. From a legal perspective, the most important issue is the compliance of such activities with data protection law. Today, such compliance is often doubtful given that the collection and use of information about consumers often lacks the transparency required by law and fails to meet the relatively high standard of informed consent. From an ethical perspective, transparency seems to be key as well. Given that the long-term success of Internet businesses will depend on their compliance with the applicable law and on consumers' trust, providing full transparency with regard to the entire process of collecting and using information about consumers seems to be crucial.

1 Introduction

In recent years, the Internet has evolved from a communication platform to a place of work, leisure and consumption that encompasses almost all kinds of everyday activity. While the function of a communication platform is still a key issue, many activities that go beyond that of mere communication can be conducted online, e.g. shopping¹ and mobile banking. With the increasing mobile use of the Internet, it is possible to write or read e-mails,² visit websites,³ or

1 http://ec.europa.eu/eurostat/statistics-explained/index.php/E-commerce_statistics_for_individuals (last accessed on 29 November 2016).

2 See for Europe: http://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Internet_use_statistics_-_individuals#Internet_use_by_individuals (last accessed on 29 November 2016), and for the US: http://www.iab.net/media/file/GfK_IAB2014OriginalDigitalVideoReport.pdf (last accessed on 29 November 2016). In some countries, social media has become the favorite online activity, see The Guardian article of 2 September 2015, Social media overtakes entertainment as favorite online activity: <http://www.theguardian.com/media/2015/sep/02/social-media-overtakes-entertainment-as-favourite-online-activity> (last accessed on 29 November 2016).

3 <http://www.internetlivestats.com/total-number-of-websites/> (last accessed on 29 November 2016).

use social media⁴ almost anywhere and at any given time. With the use of mobile wearable or ingestible devices that we will carry on or in our bodies, we may even reach the point where we have only one connection left to the outside world: our personal connection to the Internet.

Although such a *pervasive Internet* scenario may still sound somewhat futuristic, and although one can think of many ways how people would try to avoid living in such a world, many aspects of our everyday activities, both as citizens and consumers, have already changed fundamentally. The migration of these activities into an online environment has created a *broad range of opportunities for commercial activities*: first, businesses can collect vast amounts of information about consumers given that their online activities can be easily tracked, stored and analysed in order to better understand the needs and wishes of every individual consumer. Second, electronic communication allows the tailoring of products and services as well as prices to every individual consumer based on previously collected information. Against this background, we will outline some of the most important ways of collecting and using information about consumers and assess the legal and ethical implications of such activities.

2 The Reality of Consumers' Online Activities

2.1 Collecting Information about Consumers

Surfing on the Internet is far from being an activity devoid of consequences; anyone who uses the Internet leaves data tracks both intentionally and unintentionally.

2.1.1 Self-published Data

Internet users, particularly social network users, voluntarily disclose a plethora of personal information on the Internet.⁵ This information, which is often almost as good as publicly available, typically relates to information about the users' public but also private life (e.g. addresses, dates of birth, credit card numbers, phone numbers, etc.) and to pictures disclosing further personal elements about the user.

⁴ http://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Internet_use_statistics_-_individuals#Internet_use_by_individuals (last accessed on 29 November 2016).

⁵ Internet Society Report, *Understanding your Online Identity: Protecting Your Privacy*, 2012, p. 1.

2.1.2 Monitoring Online Behaviour

The monitoring of consumers' online activity primarily aims at collecting consumer data in order to improve existing online processes, deliver better services and provide a better user experience. Additionally, online monitoring is used for security reasons to protect consumers and service providers against malicious online activity. The activity of Internet users can be monitored by observing their digital footprints. Such footprints result e.g. from information voluntarily disclosed by users on websites, the Internet Protocol (IP) addresses of the devices used and further information gathered through the use of cookies and other tracking methods.

IP addresses: To be present online, individuals' and businesses' electronic devices need to have a specific, non-physical IP address, which is a numerical label assigned to each device that is connected to the Internet. IP addresses cannot be directly controlled by the users themselves since the allocation of such addresses is (directly or indirectly) derived from the Internet Address Registries. Online electronic devices "communicate" through the use of a traceable IP address, thereby leaving data tracks on visited websites. Monitoring mechanisms record the IP addresses used to automatically analyse the users' origin, the nature of their requests and the average time spent on the Internet in general and on certain websites in particular⁶. In addition, these addresses enable the (at least temporary) assignment of data to certain users which can help to identify potentially illegal activities. The advertising industry, however, uses IP addresses to track individual users and to rate the value of an advertisement.⁷

Cookies and Other Applications: When a user requests a website, quite often, so-called "Internet cookies" are downloaded on the user's electronic device. These small pieces of information can be used either by the website's operator or the provider of an advertising banner implemented in such a website and may contain an identifier, typically a string of random letters and numbers.⁸ Cookies enable servers to identify users by assigning information logged on the server to individual users, thereby enabling advertisers to track users so that they can target them with personalised advertising.⁹ Further, so-called "web

⁶ <http://www.oecd.org/sti/ieconomy/46968839.pdf> (last accessed on 29 November 2016).

⁷ <https://support.google.com/adwords/answer/2456138?hl=en> (last accessed on 29 November 2016).

⁸ A cookie consists of a name and a value which may contain any text or numbers. The user's device can add attributes to the cookie which are not sent to the web server. Attributes may for example contain the domain name of the relevant website in order to avoid access by other websites.

⁹ See the chapter of Andrew McStay in this book, p. 4.

beacons” are used. Web beacons are graphics that are embedded in websites or e-mails pursuing the purpose of online tracking. They enable the originator to determine who accessed a website or read an e-mail, at what time and from which computer such activity took place, etc. In addition to Internet cookies and web beacons, so-called “device fingerprinting” is gaining in importance. For this fingerprinting process, various information about the user’s browser, operating system, system colours, installed plug-ins and typefaces is gathered which, combined, ultimately produces a digital fingerprint of a specific device. This process can be used to identify the user’s device when cookies are not available. In combination with other data, conclusions about the type of device used and the respective Internet user may be drawn.

As a reaction to these developments, numerous networking techniques have been developed in recent years that help avoid any kind of data recording and protect individuals’ privacy in the online world. These techniques include, e.g., privacy enhancing technologies (PET) and anonymizing networking techniques.¹⁰

2.1.3 Data Theft

In addition to the personal information that users voluntarily disclose online and the information that is gathered through legally permissible monitoring techniques, personal data can also be obtained and gathered through illegal means. Recently, an increase of data theft has been reported as a result of intruders hacking into e-mail accounts, social media accounts or online bank accounts¹¹.

In practice, there are many reasons why hackers choose to engage in data theft. Data, particularly personal data, is a source of great value¹². This value is appealing for hackers who seek to gain financial advantages through illegal means¹³. Further, Internet activists, such as the “Chaos Computer Club” may

¹⁰ For more details see ROLF H. WEBER/ULRIKE I. HEINRICH, *Anonymization*, London 2012, pp. 15–20.

¹¹ See for instance <http://www.spiegel.de/netzwelt/netzpolitik/e-mail-passwoerter-gestohlen-18-millionen-datensaetze-a-962419.html> (last accessed on 29 November 2016); <http://security-affairs.co/wordpress/33511/cyber-crime/standard-chartered-accounts-hacked.html> (last accessed on 29 November 2016).

¹² http://www3.weforum.org/docs/WEF_IT_UnlockingValuePersonalData_CollectionUsage_Report_2013.pdf (last accessed on 29 November 2016); http://www3.weforum.org/docs/WEF_ITTC_PersonalDataNewAsset_Report_2011.pdf (last accessed on 29 November 2016); See also: <https://datacoup.com/docs#about> (last accessed on 29 November 2016).

¹³ <http://uk.businessinsider.com/heres-how-much-your-personal-data-costs-on-the-dark-web-2015-5?r=US&IR=T> (last accessed on 29 November 2016).

seek to show technical vulnerabilities. Other activists, such as “Anonymous” or “the Impact Team” may use their technical knowhow for political goals, such as exposing alleged misconduct. One case in point was the breach of the commercial website Ashley Madison, which enabled extramarital affairs.¹⁴ In this highly publicised case, hackers penetrated the servers of the company, stole sensitive client information and published the information online¹⁵.

2.2 Using Information about Consumers

Data collected online can be used in multiple ways. Apart from e-mail marketing and personalised advertising (especially within social media), data vending also comes into consideration.

2.2.1 E-Mail Marketing

Internet users disclose their personal information online with little hesitation, for instance when purchasing products online, in order to obtain a company’s newsletter or to participate in an online contest. Such information typically includes names, dates of birth, postal addresses, credit card numbers and e-mail addresses. Companies gather and store such information and use it to provide users with “traditional” as well as personalised advertisements.

2.2.2 Personalised Advertising

The collected data is analysed in order to identify the interests of the Internet users. The knowledge thus acquired enables companies to anticipate which goods each individual customer might need or want. Thus, when such customers visit other websites, they are delivered advertisements that are tailored to their previously identified interests. Such personalised advertising is becoming exceedingly prevalent. In a sense, personalised advertising can be seen as an evolved technique of “retargeting”, whereby users are shown advertisements of products

¹⁴ <http://www.wired.com/2015/08/happened-hackers-posted-stolen-ashley-madison-data/> (last accessed on 29 November 2016).

¹⁵ <http://www.tripwire.com/state-of-security/security-data-protection/cyber-security/the-ashley-madison-hack-a-timeline/> (last accessed on 29 November 2016).

they previously viewed on a website but did not end up buying¹⁶, with an added personalisation/customisation dimension.¹⁷ The idea behind personalised advertising is that, by indirectly reminding customers of items they considered buying, companies increase the purchase likelihood of the respective customer.

2.2.3 Data Vending

Given the nearly infinite possibilities of using personal information for business purposes, businesses consider and use personal data as tradable goods. In recent years, an independent business branch has emerged around the trading of Internet users' personal information (data vending). Personal data vending, i.e. the sale by commercial data vendors of personal data as a commodity, has become a multibillion-dollar industry.¹⁸

3 Legal Aspects

3.1 Preliminary Remarks

The collection and use of information about consumers raises a number of legal issues, above all with regard to data protection law. Other relevant legal areas include unfair competition law and criminal law, the latter namely with regard to data theft. Unfair competition law may apply as a consequence of data misappropriation or the misleading use of information. However, since EU law has hardly been harmonised with regard to criminal law and only partially so with regard to unfair competition law and since legal issues in these areas are to date relatively sparse, the following considerations will focus exclusively on data protection law.

With regard to the law applicable on the Internet, it should be noted that most often, the laws of more than one country may apply. Which law must be applied to a specific legal issue is determined by a complex body of legal rules, namely the so-called “private international law” and other “conflict of laws” rules. As a general rule, one can say that Internet service providers that offer their services in a given national market must comply with the national laws

¹⁶ <https://seotwist.com/retargeting-ads/> (last accessed on 29 November 2016).

¹⁷ See the chapter of Andrew McStay in this book, p. 9.

¹⁸ <http://www.cbsnews.com/news/data-brokers-selling-personal-information-60-minutes/> (last accessed on 29 November 2016).

of said market. Accordingly, multi-national businesses will have to tailor their services to the requirements of potentially very numerous national laws.

3.2 Legal Framework for Data Protection

Data protection law has been (and currently still is) a matter of national legislation throughout the EU and has only been partially harmonised by the *Data Protection Directive 95/46*¹⁹. As a consequence, advertising campaigns that use information about consumers in different member states must comply with all applicable national data protection laws. This requirement has led to significant obstacles for transnational businesses and hindered the full establishment of a Digital Single Market.

Against this background, the EU long envisaged full harmonisation of data protection law which ultimately resulted in the adoption of the *General Data Protection Regulation (GDPR)*. In January 2012, the EU Commission presented its proposed draft regulation to the European Parliament and the European Council.²⁰ An extensively amended version of this draft was adopted by the European Parliament in March 2014²¹ and, after lengthy discussions, the European Council presented its General Approach in June 2015.²² On 17 December 2015, representatives of the European Parliament, the European Council and the European Commission finally agreed on a consolidated version of the GDPR.²³

19 Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, Official Journal L 281, 23 November 1995, pp. 31–50.

20 Proposal for a Regulation of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation), 25 January 2012, COM/2012/011 final.

21 European Parliament legislative resolution of 12 March 2014 on the proposal for a regulation of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation), adopted on 12 March 2014, 1st reading/single reading, <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P7-TA-2014-0212> (last accessed on 21 March 2016).

22 General Approach of the Council of the European Union, agreed on 15 June 2015, <http://data.consilium.europa.eu/doc/document/ST-9565-2015-INIT/en/pdf> (last accessed on 29 November 2016).

23 Regulation (EU) No XXX/2016 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation); available at: https://iapp.org/media/pdf/resource_center/2015_12_15-GDPR_final_outcome_trilogue_consolidated_text.pdf (last accessed on 29 November 2016).

This version was adopted by the European Council and the European Parliament on 8 April and 14 April 2016. It entered into force on 24 May 2016 and will become effective from 25 May 2018.²⁴

Contrary to today's state of law, the GDPR will establish a single set of rules on data protection, which will be valid across the EU. This will, to a large extent, resolve the current fragmentation at national level. Further, the GDPR will leave little leeway for EU Member States to adopt stronger protection standards. The rules contained in the GDPR will apply to any company worldwide that provides its services in the EU, thereby enhancing fair competition in particular between US and European players in the advertising industry. The twin aims of the GDPR are to enhance the level of protection of personal data as well as to increase business opportunities in the Digital Single Market by providing a single set of rules for all businesses throughout the EU.²⁵ Against this background the legal assessment of the collection and use of information about consumers is based on provisions of the GDPR.

3.3 General Principles of Data Protection Law

3.3.1 Processing of Personal Data

The application of data protection law is triggered by any processing of personal data. Both notions of “processing” and “personal data” are construed very broadly, which results in a very broad scope of application of data protection law.

The notion of *personal data* encompasses “any information relating to an identified or identifiable natural person”, the so called “data subject” (Art. 4 (1) GDPR). *Processing* refers to “any operation or set of operations which is performed upon personal data or on sets of personal data, whether or not by automated means, such as collection, recording, organisation, structuring, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, restriction, erasure or destruction” (Art. 4 (2) GDPR).

²⁴ <http://www.consilium.europa.eu/en/policies/data-protection-reform/data-protection-regulation/> (last accessed on 29 November 2016); European Commission Joint Statement of 14 April 2016 on the final adoption of the new EU rules for personal data protection, available at: http://europa.eu/rapid/press-release_STATEMENT-16-1403_de.htm (last accessed on 29 November 2016).

²⁵ General Approach of the Council of the European Union, agreed on 15 June 2015, <http://data.consilium.europa.eu/doc/document/ST-9565-2015-INIT/en/pdf>, p. 1 (last accessed on 29 November 2016).

The compliance of the data processing with the requirements of data protection law must be ascertained by the *data controller*, i.e. “the natural or legal person, public authority, agency or any other body which, alone or jointly with others, determines the purposes and means of the processing of personal data” (Art. 4 (7) GDPR).

3.3.2 Substantive Guiding Principles

The processing of personal data is only legitimate if such processing complies with a number of general principles. According to the GDPR:

- personal data must be processed lawfully, fairly and in a transparent manner in relation to the data subject (“*lawfulness, fairness and transparency*”) (Art. 5 (1) (a) GDPR);
- personal data must be collected for specified, explicit and legitimate purposes and must not be further processed in a way incompatible with those purposes (“*purpose limitation*”) (Art. 5 (1) (b) GDPR);
- personal data must be adequate, relevant and limited to the minimum necessary in relation to the purpose for which they are processed (“*data minimisation*”) (Art. 5 (1) (c) GDPR);
- personal data must be accurate and, where necessary, kept up to date (“*accuracy*”) (Art. 5 (1) (d) GDPR);
- personal data must be kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which such data are processed (“*storage limitation*”) (Art. 5 (1) (e) GDPR); and
- personal data must be processed in a way that ensures *appropriate security* of such data (“*integrity and confidentiality*”) (Art. 5 (1) (f) GDPR).

For the collection and use of information about consumers, the principles of transparency, purpose limitation and data minimisation are of utmost importance. Therefore, the use cases identified above will have to be assessed with regard to their compliance with these principles.

3.3.3 Criteria for Making Data Processing Legitimate

Irrespective of whether or not it complies with the above general data protection principles, the processing of personal data is legitimate only if at least one out of six criteria is met. As such, the processing of personal data is legitimate if any of the below is given:

- the data subject has given *consent* to the processing of their personal data for one or more specific purposes (Art. 6 (1) (a) GDPR); consent thereby means any freely given, specific, informed and unambiguous indication of the data subject’s wishes by which he or she, either by a statement or by a clear affirmative action, signifies agreement to the processing of his or her personal data (Art. 4 (11) GDPR);
- the processing is necessary for the *performance of a contract* to which the data subject is party or in order to take steps at the request of the data subject prior to entering into a contract (Art. 6 (1) (b) GDPR);
- the processing is necessary for *compliance with a legal obligation* to which the data controller is subject (Art. 6 (1) (c) GDPR);
- the processing is necessary in order to *protect the vital interests* of the data subject or of another natural person (Art. 6 (1) (d) GDPR);
- the processing is necessary for the *performance of a task carried out in the public interest* or in the exercise of official authority vested in the data controller (Art. 6 (1) (e) GDPR); or
- the processing is necessary for the purposes of the *legitimate interests pursued by the data controller* or by a third party, except where such interests are overridden by the interests or fundamental rights and freedoms of the data subject (Art. 6 (1) (f) GDPR).

Both in general and with regard to the collection and use of information about consumers, the most important criterion for the legitimacy of data processing is that of consent. Given that advertising is usually just a first step on the sometimes long way to the conclusion of a contract, the criterion of necessity for the performance of a contract will hardly ever be met in the use cases that will be discussed below. The same holds true for the criterion of the legitimate interests pursued by the data controller since the interest of the consumers in the protection of their fundamental right to privacy will likely always be favoured over the interests of the data controller in targeting/customising its advertisements to an individual consumer.²⁶ Accordingly, the following analysis of the use cases will focus on consent.

Failure to comply with the GDPR has important consequences. First, everyone who has suffered material or immaterial damage as a result of an infringement of the GDPR has a right to receive a compensation from the data controller

²⁶ See ECJ Judgment of 13 May 2014, *Google Spain SL and Google Inc. v Agencia Española de Protección de Datos (AEPD) and Mario Costeja González*, C-131/12, n 80/81 and n 97, in which the European Court of Justice explicitly held that the fundamental right to privacy will “override, as a rule, (...) the economic interest of the operator of the search engine”.

for the damage suffered (Art. 82 (1) GDPR). In addition, heavy administrative fines can be imposed by the national supervisory authority which is responsible for monitoring the application of the GDPR (Art. 83 GDPR). Such fines, which must be “*effective, proportionate and dissuasive*” must take into account a number of factors, including whether the infringement was intentional and what action, if any, was taken to mitigate the damage.

3.4 Collecting Personal Information

3.4.1 Self-published Data

The mere fact that data subjects voluntarily publish their personal information online, e.g. on a website or on social media platforms, does not release an advertiser from its duty to comply with the requirements of data protection law. Accordingly, the advertiser may only collect and use such personal information for advertising purposes if the consumer has given his or her consent. Such consent cannot be derived from the mere publication of the data by the consumer since, as mentioned above, consent must be “specific, informed and unambiguous”.²⁷

Due to the consent requirement, it will hardly ever be lawful to use information published on a website by a consumer for advertising purposes. However, this assessment does not apply to the collection and use of information published on social media platforms, since the general Terms of Service (ToS) and the respective privacy policies of such platforms almost always contain provisions that authorise the social media platform providers to use the information published by their users for various purposes, including the display of personalised advertising.²⁸ Plainly, particularly from an ethical perspective, the legitimacy of such behaviour appears to be at the very least doubtful.²⁹ Even from a legal perspective, it is unclear to what extent the provisions of such platforms’ ToS and the respective privacy policies are valid, given that such ToS will be declared invalid in a trial if they cause a significant imbalance in the parties’ rights and obligations to the detriment of the consumer³⁰.

²⁷ See above 3.3.2.

²⁸ See for example Facebook Data Policy, <https://www.facebook.com/about/privacy/> (last accessed on 29 November 2016); Twitter Privacy Policy, <https://twitter.com/privacy?lang=en> (last accessed on 29 November 2016).

²⁹ See below No. 4.2.

³⁰ Art. 3 (1) Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts.

3.4.2 Monitoring Online Behaviour

As with the collection of self-published data, the collection of information about consumers through the monitoring of their online behaviour must comply with the requirements of data protection law. An important distinction to self-published data is that, in this scenario, consumers do not intentionally provide their personal information. Despite the public debate and the vast media coverage regarding the surveillance issue, particularly since the Snowden revelations, there are still consumers who appear to be unaware of the fact that their online behaviour is being monitored by Internet service providers, web publishers, social media operators and other online businesses. To make matters worse, even those who are aware of the ongoing monitoring activities do not have the means to know the exact extent to which data about them is being collected, what other data it will be combined with and for what purposes the data will be used.

Monitoring the online behaviour of consumers for advertising purposes is only lawful if the conditions of the GDPR are met. These conditions are twofold: First, the information must be collected in a transparent manner (i.e. an open and honest manner) and for specified, explicit and legitimate purposes and it must be limited to the minimum necessary in relation to these purposes.³¹ Second, the consumer must have given his or her informed consent to the processing of his or her personal data. As with self-published data, consumers are often required to consent by merely checking a box indicating their agreement with the ToS of a website or an Internet service provider and the respective privacy policy. However, the processing of data based on such consent is only lawful if the consumer has been informed about the collection and use of his or her personal data in a way that enables him or her to actually understand what the data is being collected and used for. Given that numerous privacy policies only provide very general and vague information about the use of personal data, the requirement of informed consent often fails to be fulfilled.

In addition to the general requirements of the GDPR, the EU *Directive on Privacy and Electronic Communications 2002/58 (E-Privacy Directive)*³² contains a specific provision regarding the *use of cookies*. According to this provision, the use of cookies is only allowed if the user concerned has given his or her consent after having been provided with clear and comprehensive information

³¹ See above No. 3.3.2.

³² Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications), Official Journal L 201, 31 July 2002 pp. 37–47, currently under revision.

about the purpose of the processing of his or her personal data.³³ Website providers most often attempt to fulfill this requirement through the use of a pop-up window that informs the Internet user about the intended use of cookies and requires the user to agree to such use by checking a box embedded in the pop-up window. In principle, if the user does not check the box, he or she is deemed not having given his or her consent to the use of cookies. However, even if the user does not, in effect, check the box accepting cookies, to the extent he or she is given a clear and unavoidable notice that cookies will be used and, on that basis, chooses to nevertheless access the website, website providers could, under certain circumstances, rely on so called “implied consent” in order to serve such user with cookies.

3.4.3 Data and Identity Theft

The term data theft describes the illegal transfer and storage of any personal and confidential information such as passwords, social security numbers or credit card information from a business or an individual. Identity theft is the use of someone else’s identity by using another person’s personal data. Data and identity theft may constitute criminal offenses. In addition, such acts will often fail to comply with the requirements of data protection law, namely if stolen data is disclosed to third persons and/or used for commercial purposes.

3.5 Using Personal Information

The use of personal information relating to consumers is subject to the same data protection requirements as the collection of such information. Accordingly, the following use cases will have to be tested with regard to their compliance with the general data protection principles and with regard to the consumers’ informed consent:

3.5.1 E-Mail Marketing

The e-mail addresses that advertisers require for the purpose of carrying out e-mail marketing can be collected from various sources.³⁴ If the e-mail address

³³ Art. 5 (3) Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications).

³⁴ See above 2.2.1.

consists of or contains the real name of an individual consumer or if the provider of the e-mail address otherwise allows the advertiser to identify the individual consumer, the acquiring of the e-mail address and the sending of an e-mail to this address qualifies as processing of personal data. If the e-mail address consists of a pseudonym, the sending of e-mails to such an address qualifies as processing of personal data only to the extent the owner of the email-account can be identified by other means, e.g. by using additional information that has been collected or is readily available. If a consumer can be identified, the sending of e-mails to this consumer must comply with the general requirements of the GDPR, namely the transparency principle and the requirement of informed consent. Accordingly, the consumer must be informed about the storing and use of his or her e-mail address for advertising purposes and he or she must consent to such use.

In addition to these general requirements, the *E-Privacy Directive* contains a specific provision to fight spam mail. According to this provision, the use of e-mail for the purpose of direct marketing is only allowed in respect of subscribers or users who have given their prior consent.³⁵ If a business has obtained electronic contact details, such as an e-mail address of its customer, the business may use such contact details for the marketing of its similar products or services, provided the customer is given the opportunity to object to the use of his or her electronic contact details free of charge and easily.³⁶ Accordingly, all e-mails sent to consumers for marketing purposes must include a button, a link, a reply-mechanism or the like that allows consumers to unsubscribe from the respective mailing list with only a few clicks.

3.5.2 Personalised Advertising

In order to target consumers and carry out personalised advertisements, advertisers must be in a position to distinguish individual consumers and identify their needs. In the offline world, such practices would generally require advertisers to identify individual consumers by their real name, e.g. in order to send personalised advertisements to their physical address. In the online world, however, consumers can be targeted with personalised advertisements if the advertiser is able to recognize an individual consumer as being the same

³⁵ Art. 13 (1) Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on privacy and electronic communications).

³⁶ Art. 13 (2) Directive 2002/58/EC.

consumer who engaged in a specific behaviour and/or expressed an interest in a specific product or service at an earlier stage, e.g. when visiting a website, searching for a product, or clicking on the link to an advertisement. As a consequence, personalised advertising is possible in an online environment without knowing the actual identity of an individual consumer.

From the perspective of data protection law, the fact that consumers can be recognized and retargeted in the online environment without knowing their real name or their physical appearance raises the fundamental question of how the notion of an “identified or identifiable natural person” is to be understood. Does this notion require that the natural person can be identified as a physical being, ultimately by knowing his or her real name? Or is it sufficient if an individual Internet user with individual characteristics can be distinguished from other Internet users without being able to actually link the profile of this individual Internet user to a physical being? Since this question is still being debated and since authorities tend to favour a broad understanding of the notion of identified or identifiable natural person,³⁷ advertisers should ensure that personalised advertisements consistently comply with the general data protection principles, particularly the principles of transparency, purpose limitation and data minimisation, and that personalised advertising campaigns are based on consumers’ informed consent.

3.5.3 Data Vending

The sale of personal data consists of at least two aspects. First, a sales contract is concluded pursuant to which the seller undertakes to transfer personal data to the buyer and the buyer undertakes to pay the agreed sales price. Second, the seller transfers the personal data and the buyer pays the agreed sales price. While the conclusion of a sales contract is irrelevant from the perspective of data protection law, the actual transfer of personal data or the granting of access to such data qualifies as data processing. More specifically, such acts qualify as a “disclosure by transmission” or a “making available” of personal data.³⁸

As a consequence, the sale of information regarding consumers must comply with the general data protection principles and be based on the consumers’ informed consent. Such consent is usually granted by way of having consumers

³⁷ The Article 29 Data Protection Working Party advocates that a person can be identified not only through the name but also through other identifiers that are used to single someone out, see Opinion 4/2007 on the concept of personal data, 14. See also Recital 30 GDPR.

³⁸ See above, 3.3.1.

agree to privacy policies that typically allow the data controller to transfer the data to third parties. If consumers have generally agreed to such transfer, the data controller is not required to obtain additional consent from the consumer when undertaking the actual sale and transfer of the data. In addition, since consumers do not “own” their personal data, they are not entitled to any share of the sales price that the buyer pays to the seller in consideration for the acquisition of the consumers’ personal data.

4 Ethical Aspects

4.1 Preliminary Remarks

The legal system provides for a basic framework of rules regarding the collection and use of personal data. This system is supplemented by ethics and ethical considerations, which evidently play a vital role in this context. Internet service providers must engage in behaviour that is generally perceived by Internet users as being ethical in order to (re)gain the users’ trust and their acceptance regarding the collection and use of their data. This matters in particular for personalised advertising since the success of such an advertising method is considerably premised on the users’ trust and acceptance of the activities underlying such advertising. Trust, which is a key success factor in the online environment,³⁹ is closely linked to ethical behaviour. Accordingly, the following sections will discuss the collection and use of consumer data from an ethical perspective.

4.2 The Foundation of Ethics

Stemming from the Greek word “ethos” that enshrines two different meanings, i.e. habit/custom and character/morals,⁴⁰ the term ethics is addressed in different contexts, for example: (i) in the context of reflecting the position of those affected by valid moral claims, (ii) with regard to the critical assessment of practical procedures and (iii) for highlighting issues of social responsibility and moral competences.⁴¹ By referring to the established conventions of social groups,

39 ALEXANDRE BLEIER/MAIK EISENBEISS, The Importance of Trust for Personalized Advertising, *Journal of Retailing*, pp. 390–409, 2015, p. 391.

40 PETER ULRICH, *Integrative Economic Ethics: foundations of a civilized market economy*, New York 2008, p. 31.

41 In more detail ROLF H. WEBER, *Law and Ethics on the Internet*, *Jahrbuch für Recht und Ethik*, Vol. 23, Duncker & Humblot 2015, pp. 95–111.

the notion of ethics encompasses the “socially valid moral rights, duties and behavioural norms deriving from a culture-specific tradition”.⁴² In a nutshell, ethics is about acting morally⁴³.

Ethics is also an academic discipline that evaluates normative claims from a transparent and unbiased perspective and thereby addresses principles or rules which discuss good human action.⁴⁴ In that regard, literature identifies three types of ethics,⁴⁵ namely (i) descriptive or empirical ethics which outlines the diverse appearances of existing morals and the customs of individuals, groups, institutions and cultures, (ii) normative ethics which analyses the existing attitudes towards morality and framing action-oriented norms, and (iii) meta-ethics which critically challenges existing ethical methods and develops more distinctive behavioural attitudes.

4.3 Ethics in Internet Governance and Social Networks

Despite featuring in recent discussions about Internet governance⁴⁶, the importance of ethics does not appear to be adequately reflected in the various materials relating to the issue of Internet governance. Indeed, only a small section of the examined declarations, guidelines, and frameworks refer to the necessity of implementing basic ethical rules with respect to the Internet and its use.⁴⁷ In addition, principles regarding the ethical component appear to be somewhat vague and disparate.⁴⁸ While some documents mention ethical issues in greater detail, others barely touch upon it.⁴⁹ Therefore, a more in-depth assessment of the core relevant ethical principles in the digital environment appears necessary. It should be noted that the fact that the ethics issue has been increasingly discussed in the past few years can be interpreted as a sign of its growing importance.

Social networks, such as Facebook, Twitter and LinkedIn, offer users worldwide the possibility to share (personal) information and participate in public

⁴² See the chapter of Kati Förster & Ulrike Weish in this book.

⁴³ WEBER (n 39), p. 1.

⁴⁴ See A. REIS MONTEIRO, *Ethics of Human Rights*, Springer 2014, pp. 22/23.

⁴⁵ See MONTEIRO (n 40), p. 21.

⁴⁶ JACQUES BERLEUR, *Ethical and Social Issues of the Internet Governance Regulations*, 2011.

⁴⁷ See ROLF H. WEBER, *Principles for Governing the Internet: A Comparative Analysis*, UNESCO Series on Internet Freedom, Paris 2015, p. 54.

⁴⁸ WEBER (n 39), p. 7.

⁴⁹ For a detailed analysis of ethics in the Internet Governance declarations, guidelines, and frameworks, see WEBER (n47), pp. 54–57.

discourse. The rise and success of social media networks has been paralleled by the continuing growth of such networks' members and/or users. As such, for instance, the number of active users of Facebook has tripled over the last five years.⁵⁰

Given that ethical behaviour ultimately helps improve public perception, social networks have developed and published ToS that purport to protect their users' rights, particularly in respect of users' information privacy and intellectual property. Twitter, for instance, promotes tweeting in "real-time"⁵¹ on a network that supports free speech. In this context, the platform states its belief "that the open and free exchange of information has a positive global impact".⁵² However, interestingly, this statement with a seemingly noble goal is followed by a "guide to growing your business with Twitter"⁵³. This evidences the fact that ultimately any efforts to gain users' trust and preserve their loyalty, as well as become more attractive to potential new users, are in fact guided entirely by businesses' self-interest. In other words, ultimately, most companies follow the well-known formula: "There is one and only one social responsibility of business [...] (namely) to increase its profits."⁵⁴ This seems somewhat logical if one considers that social networks largely depend on advertising revenues. Attracting more users evidently increases such revenues. Accordingly, social networks' ToS are generally overly social network-friendly; in particular, they typically provide for the right of social networks to engage in unrestricted commercial marketing activities. Consequently, any claims of purported ethical behaviour by social networks can be criticised as being (possibly) true in theory but not in practice.⁵⁵ Hence, there is undoubtedly much room for improvement with regard to the ethical standards of social networks.

4.4 Ethical Considerations Related to Collecting and Using Personal Data

4.4.1 Collecting Personal Information

With regard to ethical or moral considerations, it is not possible to refer to specific regulations. At first glance, it could seem that the automatic collection

⁵⁰ <http://newsroom.fb.com/company-info/> (last accessed on 29 November 2016).

⁵¹ See <https://about.twitter.com/> (last accessed on 29 November 2016).

⁵² See <https://support.twitter.com/articles/20170926#> (last accessed on 29 November 2016).

⁵³ <https://business.twitter.com/> (last accessed on 29 November 2016).

⁵⁴ See MILTON FRIEDMAN, *Capitalism and Freedom*, 40th anniversary ed., 10th reprint, Chicago 2012, p. 133.

⁵⁵ See also above no. 3.3.1.

of self-published data and the monitoring of Internet users' online behaviour do not raise any ethical issues. This may be true in particular if the collection of (the intentionally/voluntarily and unintentionally provided) data serves a valid purpose, such as the protection of other Internet users or even the democratic order. But, the average consumer is not necessarily well-informed about the fact that any data that he or she provides or generates online, including his or her personal information such as physical addresses, pictures or IP-addresses, will potentially be stored "somewhere". Therefore, the stance taken here is that entities collecting such data should be required to take measures to sufficiently protect such data against data breach and theft.

Where data is collected primarily for advertising purposes, transparency is particularly crucial. Transparency requires that Internet users be informed in advance about the fact that their data is being collected so that they may use the Internet with full awareness of the consequences. The collection of (personal) data without appropriate prior information/disclosure to Internet users and particularly the use of cookies and other tracking mechanisms allowing the establishment of a user's profile (browsing and purchasing habits, demographic data, and statistical information, etc.) is ethically questionable.

4.4.2 Using Personal Information

While the issues raised by the collection of personal data may appear to be relatively contained, the use of such data inevitably raises difficult questions. The establishment of data profiles allowing corporations to provide data subjects with personalised advertising serves no other goal than that of financial gain. The pursuit of financial gain does not in itself raise ethical problems as long as the Internet user is duly informed about both the collection and the processing of his or her data. In this context, ethical behaviour requires transparency during the entire process, from the provision of adequate information regarding the storage of (personal) data through the compliance with the right of Internet users to be informed about the storage of their data to their right to object to the storage and transfer of their data.

From an ethical point of view, data vending deserves special attention. Indeed, trading Internet users' personal data inevitably raises numerous ethical questions, such as: Is the Internet user aware of the fact that his or her data is being traded, does he or she know what data is being traded, who obtains the data, is the data duly protected against data breaches, etc.? In addition, consent to store personal data does not automatically include the right to "sell" such

data. More importantly, the largely uncontrolled proliferation of data to a large extent undermines the right of Internet users to decide how their data shall or shall not be published.

4.5 Responsibility of Users

Given the fact that the Internet and all activities conducted online depend on the participation of users, it seems fair to demand that Internet users bear a certain responsibility while using the Internet. In this vein, Internet users should move from being passive to becoming active users by speaking out for their rights.⁵⁶ Internet users should start acting as responsible human beings and create a more citizen-driven information environment.⁵⁷

In addition, Internet users should hold the corporations behind the networks accountable for their regulatory decisions.⁵⁸ To improve transparency, companies must in particular be required to regularly and automatically inform the general public on how the gathered information is being used.⁵⁹ The more Internet users actively make use of their rights and freedoms, the more difficult it will be for governments and corporations to deprive them of such rights and freedoms.⁶⁰ In contrast, as long as only a few users insist on the compliance of collecting and using their data with their fundamental rights, there is a risk that these (few) voices are not taken seriously and that the respective individuals are practically deprived of the use of such services due to their disagreement with the respective privacy policies. Such a development would be ethically undesirable.

5 Outlook

The collection and use of information about consumers has become an essential tool of commercial communication. It is fair to assume that the techniques used to monitor and track consumer behaviour in order to serve consumers with personalised advertising will be further developed and increasingly used in the

56 REBECCA MACKINNON, *Consent of the Networked: The Worldwide Struggle for Internet Freedom*, New York: Basic Books, 2012, pp. 245/46.

57 See also THORSTEN BUSCH, *Fair Information Technologies. The Corporate Social Responsibility of Online Social Networks as Public Regulators*, Thesis, St.Gallen, 2013, pp. 126/127.

58 MACKINNON (n 56), p. 244.

59 MACKINNON (n 56), pp. 224/25.

60 MACKINNON (n 56), pp. 245/246.

future. Arguably, the processing of information about consumers by advertisers is not inherently problematic, as long as such processing is done in accordance with the applicable legal requirements and generally accepted ethical principles.

The success of personalised advertising will largely depend on whether the collection and use of information about consumers' behaviour is or is not accepted by Internet users. Such acceptance will require bringing back (user) trust in the Internet and particularly *(re-)building trust between advertisers and consumers*. Trust seems to have been broken as a result of users learning about the ongoing large-scale collection and use of their data by Internet service providers. It is now up to the providers to restore trust and to resolve at least in part the *current disinformation of Internet users by providing complete and accurate information on the processing of personal data*. For the (re-)building of trust, two elements seem to be key:

First, information about consumers should never be collected and used for advertising purposes without the *informed consent* of the consumers. Second, to enable a truly informed consent, advertisers will need to ensure *full transparency* with regard to the information they collect, the purpose(s) the information is used for, the time period during which the information is stored, and the identity of the third parties who may access the information or even receive a copy thereof. As such, transparency will be the decisive factor that enables users to make truly informed decisions. Today, the information provided to consumers hardly ever meets these criteria. Providing both more specific and more comprehensive information about the use of information about consumers would be a first and relatively easy step that advertisers could take in order to initiate the process of (re-)gaining the trust of consumers.


Otto Petrovic

3.3 The Internet of Things as Disruptive Innovation for the Advertising Ecosystem

Abstract: The connection of physical and virtual objects via the Internet, the Internet of Things (IoT), is one of the most up-and-coming technologies in the digital age. First signs show that the IoT will have a tremendous impact on the whole advertising ecosystem formed by media, agencies, advertisers, and the consumer. Analysing early implementations of the IoT in the health and fitness sector and their impact on the advertising ecosystem, the article shows fundamental alterations in the information-disinformation relation between the involved players and subsequently the impact on their business models. It should also give a guideline for consumers to exploit the new opportunities of the IoT to communicate with brands and products and to become aware of associated threads.

1 Introduction

In recent years the digital age has led to disruptive innovations in several sectors. Examples are media, telecommunication, and commerce. These innovations generate new markets and change existing ones radically. As a consequence, they have a high social impact as the mass production of automobiles had in the past. They start with weak signals, which are often ignored by established market leaders, end with a strongly changed market structure and have a much broader impact than expected in their early years. These disruptive innovations are mostly initiated and driven by new technologies like the invention of the steam engine, machines for mass production, or the Internet. For some years the Internet of Things (IoT), the connection of physical and virtual objects via the Internet, seems to be one of the most up-and-coming technologies with the potential to initiate such disruptive innovation in various sectors. In this article we will analyse how the IoT will transform the whole advertising ecosystem by bringing new players into the market as well as requiring fundamental changes in the business models of established market leaders. A special focus will be on the impact of the information-disinformation relationship on the advertising ecosystem.

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Generally such disruptive innovations begin with the first implementations of the new technology in a well-defined market sector addressing early adopters. The following article will show this phase with the help of Nike+ as an example of using the IoT to achieve the aims of advertising such as brand awareness and customer retention. Due to high adoption rates, technologies which drive a certain disruptive innovation will later become widespread in a whole sector. To illustrate this, the impact of implementations of the IoT in the health and fitness sector will be analysed. Exploring the relationship between the IoT and top-of-mind awareness, as one of the main elements of business models in the advertising ecosystem, helps to better understand this impact which leads subsequently to alterations in the information-disinformation relationship between the players involved, further driving the impact on established business models.

This article should present some ideas and guidelines that explore the new business opportunities of the IoT as well as how it will alter the business models of established players in the advertising ecosystem such as media, creative and media agencies, and advertisers. It should also help raise the awareness of consumers in understanding the new opportunities as well as the associated threads of the IoT.

2 Learning from Nike+ as an Early Example of Using the Internet of Things

2.1 The Beginning of the Internet of Things (IoT) in Advertising

For more than thirty years Nike has been a leading player in global marketing. The brand stands for leading edge athletic footwear and sportswear. During the 1980's the main focus of Nike's advertising campaigns was on iconic world-class athletes like Michael Jordan. The next step was the 'Just Do It' campaign, a first move towards the engagement of target groups, challenging consumers to use Nike products to achieve their own athletic goals. Thus, Nike became a leader in engaging consumers long before the rise of social media. In close cooperation with New York City based agency RG/A Nike opened in 2006 a new chapter in digital marketing: *Nike+*.

Nike+ defines how a brand can build a self-sustaining platform for customers to track their training progress by inserting a chip in their shoes that connects, in the early days to their iPod music player, and today to smartphone apps, smartwatches, and fitness wristbands. Nike+ runners have logged more than 100 million miles within the first three years, enough for more than 400 round trips to the moon. But Nike+ had already enabled the consumer at that time to

not only log their training progress but to also share and compare it with millions of other Nike+ athletes. Thus, the main innovations were implemented: the IoT by connecting the shoes with the iPod and social media and by offering an open platform to share own data with other athletes. RG/A's platform and related campaigns were pronounced as the 'campaign of the decade' and won the Titanium Lion in Cannes 2009 (Morrissey 2009).

2.2 The Main Disruptive Innovations Linked to Nike+¹

But what disruptive innovations (Anthony et al. 2008), from the point of view of the advertising industry, are linked to Nike+? Firstly, technology is no longer seen as just a means to implement the creative director's 'big idea' but also as the source of fresh creativity. The traditional process of briefing by the client, creative work, and implementing the creative idea by using different media is radically altered. New technologies like the IoT and platforms for sharing personal content are seen as new opportunities to fulfil client's goals in a totally new way. As a consequence, and also in agencies, creativity is no longer a monopoly of the creative department but also stems from the techies and the marketing people – something that has been common in other industries for decades.

Secondly, the *move from thinking in campaigns to thinking in platforms* is a further disruptive innovation linked to Nike+. An advertising campaign is a series of advertisement messages that communicate a central theme and message by using different channels such as print, TV, or online across a specific time frame, often ranging from six to eight weeks. Thus, most campaigns are short-lived and try to penetrate the theme and message in a one-way communication format. On the other hand, platforms are built for years or decades and are improved incrementally. They are used for different campaigns and enable two-way communication between the consumer and brands as well as among consumers. To build competitive advantages by using digital media, not only is the use of an existing platform necessary but also to own the technological competencies to develop innovative platforms as the backbone for campaigns and the engagement of the consumer. Otherwise competitors can do the same things and no sustainable competitive advantage is generated. Thus, the differentiation is not only generated by new ideas but also by new technical artefacts.

¹ The following analysis is based on author's work in the last decades as founder of several enterprises in the field of marketing technologies, consultant to international brands in changing their customer communication, and as judge in leading international competitions and awards for innovative marketing solutions. See also: Kotler, Armstrong 2016; Wind, Hays 2016.

As a consequence of the second disruptive innovation, a third is linked to the example of Nike+: the opportunity and need to bridge storytelling and systematic design. Storytelling aims to evoke strong emotions, a traditional core competence of advertising agencies. On the other hand, building platforms requires systematic design capabilities from the field of engineering. Normally, there is a big gap between these two worlds that require staff with different competencies, mentalities, and working styles. To bring together both in joint project teams and not falling back to the old model of briefing-creative idea-implementation, is probably the main challenge for agencies in the world of the IoT.

The fourth disruptive innovation connected with Nike+ as an example of using the IoT in advertising is the movement from generating emotional context by different advertising measures to the *use of already existing highly emotional situations* of the consumer. Traditional advertising tries to generate emotions by creative advertising in a low involvement context like reading a newspaper or watching TV. As shown by Nike+ the exploitation of the IoT takes advantage of highly emotional context like practicing sport to fulfill personal goals. The advertising tactic is no longer to interrupt the consumer by doing something he likes to do, like reading an article or watching a movie, but to support what he really likes to do: logging and sharing his fitness data during a run.

The first conclusion from analysing the advertising ecosystem regarding the impact of digital media in general and the IoT in particular is that we can observe a strong ongoing transformation process in the whole industry as is already witnessed in other industries such as media and banking. Digital innovations are changing more and more from an instrument to increase efficiency to the main enabler of new business models. Due to the strongly increased demand for technological competencies and high affinity to technology driven business models as well as for new ways of thinking there is an open window for the market entry of new players. We will discuss this using the example of the health and fitness sector in the next chapter.

3 The Role of the IoT as a Disruptive Innovation: the Example of the Health and Fitness Sector

3.1 The IoT's Characteristics for Disruptive Innovation

Generating new markets and radically changing existing ones are the main characteristics of disruptive innovations. As a consequence, they have a high social impact. Examples of this are mass production in the automotive industry or the

strong spread of smartphones. The driving force of disruptive innovations are usually players that don't yet exist, because current market leaders allocate their resources on hitherto successful business models based on traditional ways of thinking. Instead of the former market leader, new players enter the market with a fresh way of thinking, new business models, and without the burden of past success in an old market environment (Christensen 1997). As a consequence, market leaders for horse-drawn carriages didn't achieve a relevant role in the automotive sector and the transformation of the media sector with its dual-market of public audience and advertising was led by new players like Google. The IoT already has some of the characteristics of disruptive innovation and is currently spreading its impact to reach one of the most important criterions of a disruptive innovation: the strong *social impact*. The IoT can be defined as a network of physical objects like devices, vehicles, and buildings among others, embedded with sensors, software, and network connectivity that enables those objects to collect, store and exchange data. Due to the embedded electronics, those objects can also be controlled remotely across existing infrastructure like the Internet (International Telecommunication Union (ITU) 2013). International Data Corporation (IDC) estimates a growth of the worldwide Internet of Things market from \$655.8 billion in 2014 to \$1.7 trillion in 2020 with a compound annual growth rate (CAGR) of 16.9% (MacGillivray, Turner 2015).

A strong social impact of the IoT can be expected, and is already witnessed, in the sector of *health and fitness*. The new opportunities of technology together with people's altered attitude towards health and fitness leads to a global trend often called 'quantified self' or 'self measurement' (Choe et al. 2014). The basic idea is that electronic devices such as wristbands, smartwatches, smartphones, headsets, or chest belts are equipped with sensors that log bodily functions together with body movement to store, analyse, and share these data. The main data measured are heart rate, heart rate variability, brainwaves, power on bike pedals and body movement. From these measurements a lot of data is estimated, such as energy consumption, VO₂ max (maximal oxygen uptake), Total Stress Score, or degree of regeneration. Thus, the quantified self can be seen as a further development of the early Nike+ as described above, while the current version of Nike+ incorporates a number of quantified self functionalities.

If we look at the main characteristics of this global trend of the quantified self we can find many of the attributes of disruptive innovation. Firstly, a new market for self-measurement devices, data analysing, and sharing platforms is established. In Q4 2015, the shipments of smartwatches, introduced a couple of years ago, was already higher than for the world-famous Swiss watch manufacturer established by Abraham-Louis Breguet in 1775 (Mawston 2/18/2016). The year-over-year comparison shows for the smartwatch segment an increase

of 316% and for shipments of Swiss watches a decrease of 5%. Of course, the per-item value of one watch is still much higher in the Swiss segment. Showing the time is just one of many functions of a smartwatch, so as a consequence it's not in the same market as traditional watches but is instead building a new one. Secondly, none of the traditional strong players made this innovation but it was new companies from a different sector. The market leader in the sector for smartwatches is not a traditional watch brand, but is Apple with a market share of 65% at the beginning of 2016 (Mawston 2/18/2016). The leading platform to analyse and share fitness data was also not built by a traditional brand, but by Runtastic, an Austrian based start-up, acquired by Adidas for 220 million Euros in 2015. Thirdly, the quantified self already has a strong social impact. One example is the movement from the more passive 'beauty and wellness' trend back in the 1980's towards the emphasis on the active 'fitness' engagement. Another is the rise of more self-responsibility for one's health than compared to the past, where delegating decisions to doctors and beliefs in standards set by traditional authorities such as the WHO dominated.

3.2 Digital Native's Delphi D-Move Shows First Indicators for a High Social Impact of the IoT

A high social impact is one of the main characteristics of a disruptive innovation but to observe this requires long-term empirical studies which deliver insights only ex-post with limited usefulness for proactive innovation management. Thus, in this paper the first results from an Expert Delphi Study should be presented to identify early signs of the social impact of the IoT. The Digital Native's Delphi 'D-Move': (for a detailed description see: Petrovic, Lembeck 2016) is run on a bi-annual basis. As the participants are recruited every two years from the same population long-term changes in experts' opinion and their behaviour can also be analysed.

The basic assumption of D-Move is that digital natives are early adopters of digital innovations having grown up in the world of the digital and are closer to it than their parents' generation who are digital immigrants. At the same time, due to their adoption behaviour, they form the innovation environment for companies and individuals bringing those digital innovations to the market. Those characteristics of the adoption process of the innovation's early versions influence its further development and form the social environment for other disruptive innovations. The relationship between digital innovation and adopter's behaviour is not linear but more interdependent and circular. Thus, digital natives are at the same time the objects and subjects of digital innovations (for

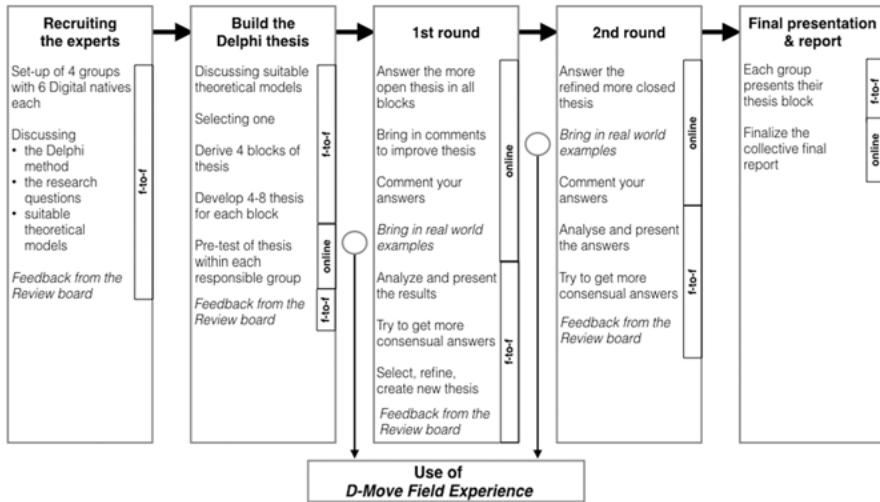


Figure 1: The D-Move Delphi environment and process

a basic elaboration of that dual role of the user see: von Hippel 1986; Rogers 2003).

Therefore the main aim of D-Move is to understand digital natives' current behaviour as an indicator for future large-scale transformation processes with a high social impact. The implementation of D-Move offers four main characteristics: bring in examples of real world experiences into the Delphi process to explain one's own point of view to others, facilitation of interaction with peers, usage of familiar means of communication, and giving digital natives the role of experts in the Delphi process. To exploit these four features, a modified Delphi method is implemented with face-to-face as well as asynchronous dispersed forms of communication. The use of the *D-Move Field Experience Software* further supports the goals via functions like the capturing and posting of videos, pictures and textual description from smartphones directly to domain specific video blogs in a structural form. Figure 1 shows the main elements of D-Move's processes and functionalities.

Bringing in examples of real-world experiences as the first characteristic is achieved by using the *Field Experience Module* of the *D-Move Delphi environment* to explain and support the individual's position with annotated videos, pictures, and textual description. This material is collected in an information repository, mostly in the form of a collaborative video blog. The interaction with peers as the second characteristic is supported by interaction with other participants in the Delphi group, for example by discussing the research questions, building

the Delphi thesis jointly, trying to get more consensual answers, and preparing the final report. The third characteristic, use of familiar forms of communication, is fulfilled by using online questionnaires to answer the Delphi thesis, shared digital spaces to communicate and share documents within and between the groups, and the described digital capturing functionalities. Also the interaction with the review board, which gives methodological advice, is supported by digital communication. To obtain the fourth characteristic, digital natives take the role of experts; they are engaged in the development and refinement of the Delphi thesis in addition to giving their opinions. They can bring in their real-world expertise as digital natives to improve the quality of D-Move's outcome.

The aim of D-Move 2016 was to understand whether digital natives are any different to their parents with regards to healthy living and improving fitness *supported by the IoT and quantified self* or if this trend is similar across all generations. Twenty-five digital natives as experts for D-Move 2016 were recruited from a master's and a bachelor's class in information systems. The whole process as shown in figure 1 took four months. In the first step basic assumptions were discussed by the experts dealing with their own behaviour regarding this trend by using more open questions. Afterwards, results were aggregated to eight assumptions in a second step in the form of closed questions.

The two Delphi responses marked in red in Figure 2 show the most homogeneous results. They cover the topics of sharing fitness information (central

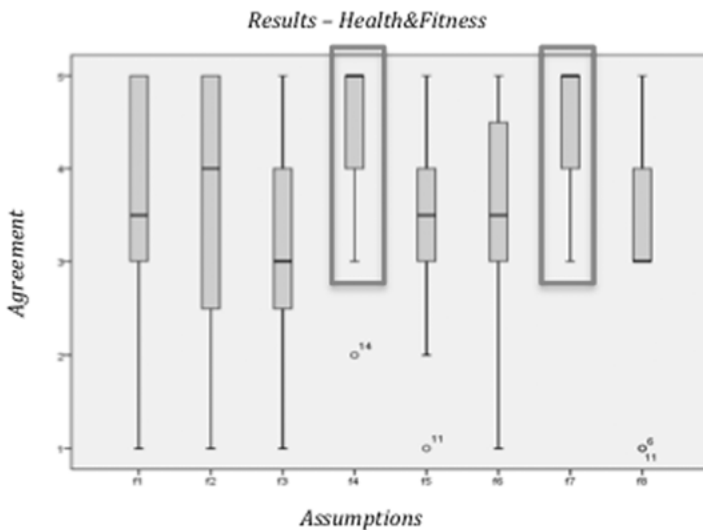


Figure 2: Sample results of the D-Move Delphi for the domain of health and fitness

tendency 5 and variance 0.889) and the usage of quantified-self-apps (central tendency 5 and variance 0.598). The digital natives think that they use app-based fitness programs more than older generations and share the results much more than their parents.

But at the same time, digital natives think that the trend of health and fitness has an emergent role in all generations. Particularly when it comes to awareness and personal responsibility for their own health, participants think that this is not a question of generations but much more of social stratum and education. In summary, the results show that health and fitness is a strong trend, not only within digital natives but across all generations. But the authorities setting the standards are quite different between digital natives and their parent's generation. Digital natives orientate themselves more towards their peers using social media and increasingly IoT technologies, whereas their parent's generation is more strongly oriented towards standards set by traditional authorities like the World Health Organization.

These results from D-Move 2016 show the first signs that there is already an on-going social impact of the IoT in such an important field as health and fitness – a main characteristic of a disruptive innovation. Due to this we can expect further development of the IoT in the field of health and fitness and as a consequence broader adoption in this domain due to the interdependent and reinforcing relationship of technological innovation and social adoption as discussed above. As shown in that example sector, there should be a sustainable impact of the IoT on basic assumptions in the business models of the advertising ecosystem. The following section discusses these impacts of the IoT with a special focus on top-of-mind awareness, as one of the most important elements in the advertising sector's business models.

4 The Impact of the IoT on Top-of-Mind Awareness

Top-of-mind awareness (TOMA) plays a central role for the different business models in the advertising ecosystem. A brand or product is characterized by a high TOMA if it comes first in consumers' minds, when thinking of a particular industry. High TOMA is shown when the brand or product is on the top of consumers' relevant set during a multistage buying decision and the probability is high of preferring that brand or product compared to alternatives within the relevant set (Karlan et al. 2016). Each player in the traditional advertising ecosystem has a specific role to support a brand or product by building a strong TOMA. The creative agency develops messages to strengthen the brand image and promote sales, the media agency uses different media such as the Internet,

radio, newspapers, television, magazines, and social media to communicate those messages and the media companies provide access to the target groups. As the business models of these players are strongly related to TOMA, any alteration in building and using TOMA would immediately impact them (Petrovic et al. 2015).

4.1 Impact One of the IoT: The Time Frame to Build, Influence, and Use the Relevant Set is Shortened or Eliminated

A basic assumption of TOMA is that there is a time gap between recognizing needs and having the opportunity to make the actual buying decision. Without this time gap keeping a certain brand for the following buying decision is not necessary as it is done immediately. An example is the gap between seeing an advertisement or noticing a need e.g. by looking in the fridge and the actual buying process at a grocery store. If a wife sees an interesting ad in a newspaper, she has to note down that she plans to consume that product and ask her husband to buy it. He has to remember where he put the note before he next goes shopping, and then, after mastering all these barriers, he will be in the shop making his final buying decision. TOMA is necessary to bridge the gap from noticing the need to making the buying decision. The wider the gap the stronger the impact of the ad on TOMA needs to be to fulfil the intended top level position in the consumer's relevant set. Thus, any alteration of that time spread will have impact on the role of TOMA and consequently on the business models of the whole advertising ecosystem.

Impact one of the IoT leads to a shortening or elimination of the time spread between noticing a certain need and making the buying decision. With 'Amazon Fresh', Amazon offers access to 500,000 grocery products and is from that perspective already the largest grocery store in the world. To bridge the physical and the virtual world, Amazon offers its clients the IoT device 'Amazon Dash'. It allows scanning of the barcode of any grocery item and putting it automatically into the shopping basket of Amazon's eShop. The Amazon Dash Button is a similar an IoT device. It is Wi-Fi connected and reorders your favourite item with the press of a button (Amazon 2016). Thus, the buying decision can be made immediately upon noticing a certain demand, e.g. after eating the last of the oatmeal in the kitchen. There is no longer a time span between noticing the need and putting the oatmeal into the shopping basket in the physical grocery store couple of days later. Due to that elimination of the time span there is no longer any space to build, influence, and use the relevant set by means of the traditional advertising ecosystem.



Figure 3: Amazon Dash Button (Amazon 2016).

Similar developments can currently be witnessed in the health and fitness sector. The fitness tracker on the wrist recognizes alterations in heart frequency, the number of daily steps, walking distance covered, calories burned, or floors climbed. Linked with a nutrition app, recommendations for the daily training schedule together with alterations in nutrition and lifestyle are given. As a consequence, the time span to build, influence, and use the relevant set is shortened or again eliminated. Further examples are an embedded direct link to a personal coach instead of advertising for a certain fitness centre, the automatic generation of a shopping list for a recommended nutrition strategy instead of remembering certain brands in one's relevant set or finally, the automatic replenishment of nutrition supplements instead of having to make additional buying decisions.

This first impact of the IoT is used for the same goal that has been pursued in the traditional advertising system for a long time: to increase customer retention. But the means are totally different. The traditional way is to raise the amount of advertising to boost top-of-mind and to increase switching costs by means such as long-time contracts or loyalty programs. On the other hand, the IoT melds the point of forming a certain want with making the actual buying decision.

4.2 Impact Two of the IoT: Not Only Humans but also the IoT's Machine Algorithm have to be Influenced

A second basic assumption of the advertising ecosystem is that the relevant set of people should be influenced, leading directly to the intended brand awareness and buying decisions or acting indirectly by impacting on human influencers.

The IoT also affects that assumption. More and more, the starting point for any research for a certain buying decision is a generic search with a search engine. 71% of B2B purchasers begin their research with a generic search and more than half of the decision process is finished by the time a certain brand is contacted directly e.g. via its website (Snyder, Hilal 2015). To be highly ranked in the organic search results of search engines, especially by the market leader Google, is at least as relevant as being highly ranked in the person's relevant set. To improve the ranking in Google's relevant set is the main aim of the new market for search engine optimization (SEO) with a lot of specialized agencies. SEO is quite different from search engine marketing (SEM), the use of different marketing methods based on search engines like Google AdWords. As details about Google's search algorithm are secret and often changed by Google, there is a kind of 'SEO race' between specialized agencies to obtain the best rankings within the organic search results for certain brands and products. Another strong impact on a person's TOMA bypassing the traditional advertising system comes from recommendation engines. Based on algorithms such as collaborative filtering and profiling, the consumer gets recommendations for other products linked to his behaviour in the past and the interests of other consumers with similar profiles. The third area of strong influence by algorithms on people is user reviews. The algorithm collects, stores, categorizes, and filters people's reviews and decides whether to offer them to consumers. Thus, user reviews are a kind of human-to-human influence but strongly intermediated and influenced by a machine algorithm. These three areas strongly cross link humans via machine algorithm. Specialised service providers like SEO agencies try to improve client's top-of-mind position in a machine algorithm like Google with the main aim of influencing a client's customers. That shows how important the move from traditional advertising to search engine optimization, recommendation engines, and the handling of user reviews is for a sustainable impact on a person's TOMA.

Again, the health and fitness sector shows the impact of the IoT on the traditional advertising sector regarding the rivalry in influencing the relevant set. Whereas Nike+ is born with the main aim of increasing customer retention for an established big brand and heavy advertiser, Strava (2016) is coming directly from the IoT field, with no advertising history and no physical goods to sell. Thus, the following section shows this example to have, along with Nike+, both aspects of the IoT's impact on the advertising sector: the traditional advertiser using more and more IoT technology and the IoT service provider becoming more and more an influencer of the advertising ecosystem. Strava is a leading social network for logging, analysing, and sharing running and bicycle data. It has more than 1.5 million active users. Its main innovation is to automatically

recognize certain parts of a route also logged by others (so called ‘segments’) and to compare their own performance data with those of others in the same segment. Strava acts as a platform to connect IoT devices with each other, as well as directly to runners and cyclists. Increasingly, Strava is also the main information point for this booming segment in tourism. As a consequence, it has become a competitor to traditional advertising methods for travel destinations such as brochures, online ads, tourism agencies, or recommendations given by the host. Each runner or rider can choose their travel destination and the route for a ride or run based on different criteria like weather conditions, elevation gain, road condition, or expected riding or running time. Additionally, Strava puts the user into a highly emotional environment without the traditional means of advertising such as movies, pictures, or advertising copy.

4.3 Impact Three of the IoT: A Machine Makes the Buying Decision

If the person no longer makes the buying decision but the IoT enabled device, raising TOMA does not concern the relevant set of a human being but that of a machine. From this perspective, unlike the other impacts, the IoT doesn’t influence the TOMA of a person, because this TOMA is no longer relevant. Instead, new forms for fitting into the relevant set of machines need to be developed, which are quite different from traditional advertising.

In the B2B sector, many grocery retailers have already implemented software that replenishes stock automatically (Myers et al. 2000). These solutions have been rolled out for many years and are implemented on a large scale. The main aim is to increase the availability of listed products on the shelf and to reduce procurement costs. Similar solutions for the B2C sector are still in an experimental phase. One example is LG’s smart fridge. It recognizes stored grocery by NFC chips or barcodes, makes proposals for recipes based on them, identifies a food’s expiration date, and makes replenishment decisions. The high potential of those IoT solutions reveals the estimate that more than 80% of all bought grocery is purchased just for replenishment². Another example with huge possible social impact – the main characteristic of a disruptive innovation – are self-driving cars like Google’s driverless car or Tesla’s electric cars, the latter already in regular use on public streets. Today, a lot of decisions by the car driver are made based on his relevant set. Examples are the selection of a certain route dependent on actual road conditions and the driver’s personal

² Internal estimations of leading grocery chains.

preferences, stops at a certain gas station to fill up on gas and to buy groceries, visits to preferred restaurants, or the willingness to drive to a certain store to buy a special offer advertised in a flyer. The IoT devices make all those decisions in a driverless car autonomously. Thus, as in the case of automatic replenishment, the main aim should be to fit into the relevant set of those IoT enabled devices. As a consequence, product development may become the most important aspect of market communication, as more and more communication tasks are transferred from the marketing department to certain functions of IoT devices.

Those three impacts of the IoT on the advertising system shown above can lead to sustainable change in the advertising sector, mainly based on changes in basic assumptions and elements of current business models of its player. The following chapter will analyse which changes in business models can be expected or are already witnessed due to impact of the IoT on the information-disinformation relation of the players in the advertising ecosystem.

5 The Impact of the IoT on the Information-Disinformation Relation in the Advertising Ecosystem

The following section shows changes in the information-disinformation relationship between the main players in the advertising ecosystem caused by the IoT. For this purpose, we understand disinformation as intentionally false or inaccurate information that is spread deliberately. Under this term we summarize traditional propaganda techniques to obtain certain emotional reactions as well as disinformation used to manipulate the audience at the rational level by either discrediting conflicting information or supporting false conclusions. Disinformation is often generated by mixing some truth and observation with false conclusions and lies. Another technique is to hide facts when channels of information cannot be completely closed or to make them useless by filling them with disinformation (Stahl 2006).

Figure 3 illustrates the main information-disinformation flows in the advertising ecosystem together with changes due to the implementation of IoT devices. It shows that the impact of the IoT is much broader and stronger, as well as much more complex, than privacy concerns on the consumer side that have been emphasized in scientific and popular publications and discussions in the last few years (for this discussion see: Groopman 2015).

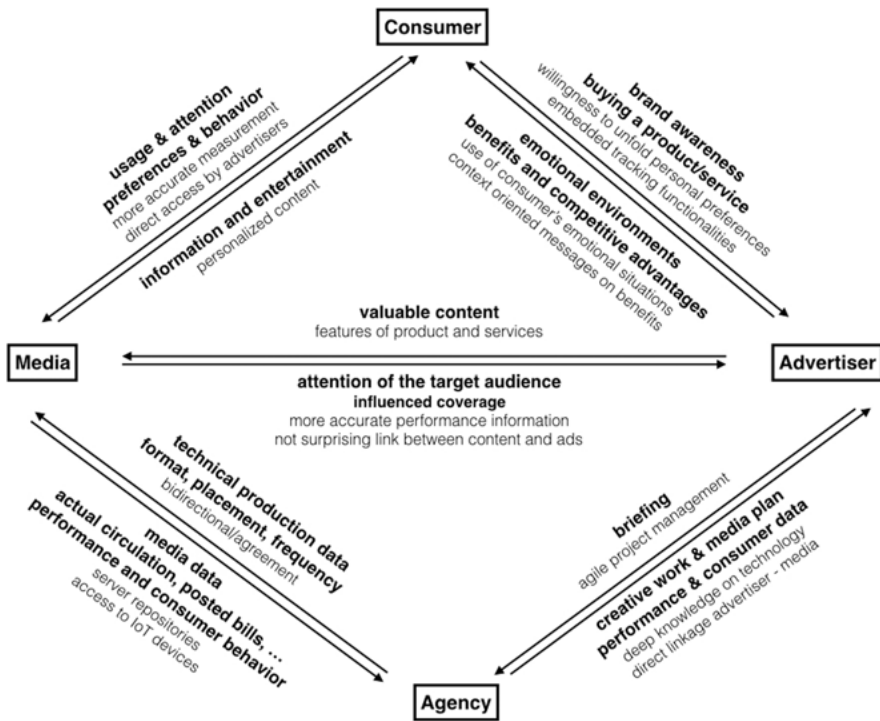


Figure 4: The impact of the IoT on the information-disinformation relationship in the advertising ecosystem

5.1 The Consumer-Media Relationship

The main information flow from traditional media to the consumer includes fact-based *information and entertainment*, sometimes inseparably mixed. The information flow in the other direction, from the consumer to the media, is twofold. Firstly, usage of the media and attention to its content determines media data such as reach or characteristics of the audiences and is the basis for the value of the media on the advertising market. The second information flow includes consumer’s personal preferences and behaviour, an information flow which strongly gained importance during the last years.

The use of media by IoT enabled devices, like smartwatches, tablets, or interactive TV, enables a much *more accurate measurement* of what content is used for what purposes at what time and at what location. As these devices are often very personal appliances, the mapping between its usage and a certain person can also be made. As a consequence, the media company has much

more accurate information about real consumer behaviour than in the traditional advertisement world, with copy tests as a part of marketing research. At the same time, the advertisers as clients of the media can use those data without any manipulation in real time. This direct connection eliminates inherent failures of traditional measurement methods like certain kinds of bias linked to copy tests as well as giving the opportunity to manipulate data about consumer behaviour by holding back certain data or manipulating data to increase the value of the media in the advertising market. Thus, on the one hand IoT devices can deliver more accurate data than traditional audience research due to direct measurement of real audience behaviour instead of conducting surveys. On the other hand, this direct measurement also has embedded limitations, mostly due to the use of IP addresses as an identifier, such as the difference between visits, unique visitors, and unique clients. But these limitations are well known and transparent and a lot of effort is invested to overcome them by elaborate methods of user research based on the observation of their recorded footprints in the digital world. Of course, there is an immanent trade-off between user research and privacy issues.

This enhanced information about consumer preferences and behaviour allows the media a much *more personalized offer of information and entertainment content*. It can be delivered via awareness of consumer's current location, the time of day, the device used, and personal preferences. This is possible with sophisticated customer insight techniques together with the option to divide digital data in small packages and reconfigure and distribute them as a function of consumer needs. Thus the greatly increased availability of information about the consumer gives media and advertisers a much better orientation on real customer needs and can also be used in conflict with consumer's privacy concerns (for a discussion of the security and privacy issues linked to the IoT see: Federal Trade Commission 2015) (see chapter 3.2 on the legal and ethical aspects of collecting and using information about consumers).

5.2 The Consumer-Advertiser Relationship

The information flow from the consumer to the advertiser is mainly based on the consumer's attitude, behaviour, and preferences in the form of brand awareness and buying of a certain product or service in relation to certain measures by the advertiser. Those measures include offering the consumer information on the benefits *and competitive advantages* of the product or service and creating *emotional environments* for the advertiser's branding aims. The main source for disinformation for the customer is to build brand and product images that are far removed from the real product properties.

Using IoT enabled devices the advertiser can recognize highly emotional situations of the consumer without any time delay. Examples are fitness trackers carried by the user 24 hours a day. Collecting data like GPS-based location, heart rate, or more advanced brain activities, the advertiser can recognize and *use activities of the consumer with highly emotional engagement* in real time and can use them for his aims instead of creating new ones in the traditional way through art work, advertising copy, and stories. An example in the field of health and fitness are different performance awards granted immediately after a bike ride linked to the advertiser's brand. Of course, due to the high proximity of any activity by the advertiser to the privacy of the consumer, much more orientation on real customer wants and needs is necessary before doing e.g. outdoor advertising. *Context awareness* can also be used to *communicate the benefits* of a product or service. For example, the smartwatch can propose a certain nutrition supplement linked to the morning run when the consumer enters a grocery store. Due to the increase in the advertiser's information about the consumer's actual context, he can strongly reduce the amount of inappropriate messages in regards to content as well as location and time where it is offered. On the other hand, while information from the advertiser may have more impact on consumer's attitudes and actions, disinformation can also influence the consumer more directly and immediately – at least for a certain period in the relationship between the consumer and advertiser until the consumer recognizes it.

There is also a strong impact of IoT enabled devices on the information-disinformation balance in the information flow from the consumer to the advertiser. Firstly, the consumer's *willingness to unfold and share personal preferences* is much higher when this is closely linked to an instant benefit in using the product rather than just filling out a questionnaire or giving an interview. Secondly, measurement of consumer's real reaction to advertising measures regarding brand awareness and buying behaviour by tracking functionalities embedded in IoT enabled devices, allows for skipping any intended or unintended disinformation from traditional media or agencies.

5.3 The Media-Advertiser Relationship

The main function of media in this relationship is to offer advertisers access to their target audience. Access means to enable an information flow between the advertiser and the consumer to draw *consumer's attention* and to generate *information about his behaviour and preferences*. From an ethical point of view not so desirable but nevertheless something necessary to establish is the relationship between coverage of the media about a certain advertiser and the

advertising buying behaviour of that advertiser. Consequently, the information flow between the media and the consumer is *influenced by the behaviour of the advertiser*. In the other direction, advertisers deliver information about their products and services in the form of ads and emotional content for branding aims, both of which are potentially *valuable content* for the media.

One of the most disruptive innovations in the world of digital is the ability of brands to own and control their own media or at least to have direct real-time access to media used by the consumer. If we look at the example of Nike+ given above, we see that the digital platform developed by Nike is huge with high reach, clearly directed at Nike's target group and with very low wastage. The costs for designing, developing and using this platform are at least partly at the expense of advertising in the traditional media. As it is operated by the brand themselves, no disinformation about reach, target group, consumer behaviour and other performance information between media and the brand is possible, resulting in *more accurate performance*. On the other hand, if the brand owns the media, a relationship between content offered and the interests of the brand does not surprise the consumer. But there are some exceptions. A well-documented example is the car recommendation portal for an automotive company, which also proposes competitors' cars if they best fulfil a certain consumer need. The aim is to build as high of a degree of consumer trust as traditional media try to do (Urban, Hauser 2004). The information flow from the advertiser to the media is no longer limited to content in the form of artwork or advertising copy but also includes *features of the product and service to add value* on the media's platform. An example is a feature to measure one's own daily calorie consumption embedded in the content of the media with an application offered by the advertiser from the health and fitness sector.

5.4 The Media-Agency Relationship

The information flow from agencies to the media is twofold. Firstly, creative agencies develop advertising media and have to specify *technical production data* e.g. for printing. In the digital world, these data are much more complex due to a range of different devices and software used to consume the media. An example is an interactive banner ad where specifications for supported browsers, responsive design characteristics, or supported scripts for interactive features have to be agreed upon between the agency and the media. Secondly, media agencies have to specify *format, placement and frequency*, or in case of TV spots, the time of day to best reach their target group. In the reverse direction, from media to agency, there are important information flows before, during, and after the execution of a campaign. Before execution, the media inform the agency

about *media data* like circulation, reach, or characteristics of the audience. These data are relevant for the booking decision according to the media plan. During execution, data like *actual circulation*, *posted bills*, or *page impression* for a certain banner ad are communicated. After execution, data on campaign performance and user behaviour are very important for the agency.

The IoT alters the information between the media and the agency. Due to the high technical complexity of the IoT devices and their close integration with media platforms the information flow is *bidirectional* and more like an *agreement* between the media and the agency to obtain maximal performance rather than standards given by the media. The information on format, placement, or frequency can be changed by the agency during execution in real time instead of being tied to a contract before execution in the traditional advertising world. The consequence is an increasing risk of disinformation in the case of problems in execution such as the high loading time of banner ads or late or incorrect changes in format or placement. The impact of the IoT on information flow from the media to the agency is twofold. As a consequence, data from digital platforms, such as all media data and actual data of execution, performance, and consumer behaviour are measured and stored in *server repositories*, which can also be used directly by the agency in real time. Thus, the risk of disinformation due to the bias of participants in copy tests or of the media to obtain more value on the advertising market is reduced. The opportunity to obtain more accurate information on media data, actual execution, performance, and consumer behaviour is further strengthened in the case of *access to the consumer's IoT devices* directly by the agency. If all server requests of the IoT device, for example storing a run on a smartwatch, is rerouted first to the agency and then forwarded on to the media's platform, the agency can double check the information transferred by the media.

5.5 The Agency-Advertiser Relationship

The information flow from the advertiser to the agency mainly covers the *briefing*. This includes the creative brief based on brand values and corporate design as well as performance aims like brand image or an increase in sales. The information flow from agencies to advertisers is linked to *creative work* to obtain advertisers goals and to develop and implement an appropriate *media plan*. Another information flow from the agency to the advertiser that has strengthened in importance in the last few years is twofold. Firstly, information about the *performance* of the campaign closely related to business aims and secondly, *consumer data* on behaviour and preferences.

The information flow from the advertiser to the agency is altered in the IoT world. Due to the increasing complexity of advertised products and services as well as to the plurality of advertising media and other channels to reach the consumer, traditional campaign planning and execution can be rarely done by following the traditional process of brief/creative work/re-briefing/execution. Instead, *agile project management* with close cooperation between advertiser and agency, beginning with the development of a rough briefing and including all working steps is necessary. Thus, there is an ongoing information flow modifying the briefing during the whole campaign cycle, which requires a lot of changes in thinking and doing on behalf of all participants.

In the world of the IoT the creative agency's work plays a less important role in the field of advertising copy and art design than in the area of functionalities of the IoT application. This requires *deep knowledge* about technical characteristics and standards of the IoT platform that acts as the media and offers access to the target audience. The owner and/or operator of the IoT platform has better information about the framework conditions for designing IoT applications than the creative agency and can offer its services directly to the advertiser. Often the platform is even operated directly by the brand and the agency's work is limited or totally eliminated. Also the information flow starting from the media agencies is undermined by digital media in general and IoT platforms in particular. Due to the *high market concentration of digital media*, certain players like Google cannot be bypassed by media agencies. As a consequence, if a campaign uses media much less than in the traditional world, media planning and performance measurement can be done directly by the media or the advertiser themselves. This tendency is further enforced by the increasing ability of IoT devices to do the 'advertising' with their own embedded functionalities like viral dissemination of messages within their own peers. The capability to capture consumer data directly by advertiser-controlled devices and platforms makes data generated by the media and edited by agencies in the past increasingly just to a small part of the available consumer data. Thus advertisers will perform the business analytics work in-house more often or together with external specialists. This means that the media agency's work is limited or carried out by others and any opportunities for disinformation are also eliminated due to the *direct linkage between the media and the advertiser*.

6 Conclusion and Further Research Work

The Internet of Things (IoT) has many of the characteristics of a disruptive innovation. It generates new markets and changes existing ones radically and, most

importantly; it has the same high social impact like mass production in the automotive industry or the spread of smartphones. In the past, new players entered the market with a fresh way of thinking and new business models and they became the driving force, as they utilized the disruptive innovation much better than the former market leader. Currently, we can already witness the consequences of the IoT in the field of health and fitness with the strong social impact of IoT devices such as smartphones, fitness trackers, or heart rate monitors. The impact of the IoT on the advertising ecosystem could be much more far-reaching and sustainable than currently discussed with a strong focus on consumer's privacy in particular (see chapter 3.2 on the legal and ethical aspects of collecting and using information about consumers). Due to massive changes in the information-disinformation balance, traditional media, agencies, and brands have to change their business models and – much more challenging – their competencies and mind-sets.

The IoT's impact is most obvious in established mechanisms to build *top-of-mind awareness* (TOMA) and the relevant set as the basis for buying decisions. In particular, the current business models of traditional media and agencies are built around measures to increase TOMA for brands. Thus, a change of their linked mechanism hits these notably hard. IoT devices like the Amazon Dash Button enable the consumer to place an order immediately after recognizing the demand – shortening or eliminating the time span required to build and use TOMA. The human TOMA and the linked buying decision are increasingly influenced by the machine algorithms used in search engines. To compete in the 'SEO race', brands and their partners have to not only influence humans but also machines. If a machine makes decisions autonomously, like refrigerators with built-in self-replenishment functions or self-driving cars, the challenge is to optimize a machine's TOMA.

Due to changes in the information-disinformation balance between consumer, traditional media, agencies, and brands, further impact of the IoT on the advertising ecosystem can be expected or is already witnessed. The operator of the IoT platform carries over former value propositions from traditional media like reach in the target group with low wastage. At the same time he offers services like performance measurement directly to the advertiser. An example is the use of Google Analytics to analyse the impact of campaigns directly by the brand/advertiser in real time. The consequence is a much stronger direct linkage between the IoT platform and the brand/advertiser, increasingly *skipping creative and media agencies as well as traditional media*. Both not only suffer from a shifting advertising budget towards digital platforms but also from the fact that brands as former advertising clients will increasingly build and operate their own platforms which carry out the value propositions of traditional media,

among others, and can obtain more reach and less wastage than traditional media. In addition, the *linkage between brands and consumers, enabled by IoT devices*, is encouraged. This is not only obtained by strong digital platforms operated by the brand but also by communication features as part of the product/service as shown by Strava's or Garmin's IoT platforms. Thus, product development, especially specifying features, formerly a role of the traditional advertising system, could become the most important aspect of customer communication in the future.

One important further research aim is to foster empirical work on the topics presented in this paper. That could not only be done by using surveys as in the past but to a greater extent through observations utilizing the fact that consumers leave their footprints in the digital world automatically. Using this data, taking into consideration legal regulations of course, can provide many more insights into real consumer behaviour and demands. Identifying lead users or early adopters using means like social network analysis or Delphi studies with digital natives as experts will bring new insights into this very dynamic research field.

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4.1 The Rhetoric of Marketing Co-creation

Abstract: Co-creation, the idea that brands should work with consumers and other stakeholders as equal partners in order to collaboratively generate ideas about what they produce and how they should market it, appears to be currently enjoying an enthusiastic reception amongst marketing academics and practitioners. This chapter looks critically at the evolution of the idea of co-creation in marketing thought and practice by closely reading the texts that have provided the foundational thinking behind the perspective as well as investigating the way in which practitioners talk about its adoption and implementation. This exploration highlights serious tensions between traditional marketing's desire for control over consumers and co-creation's apparent surrender of control to them. Yet, these tensions are shown to be largely rhetorical in nature, serving to strategically position a 'new' egalitarian marketing that relies just as much upon the traditional marketing control-orientation as the old approach it has 'Othered'. Co-creation, therefore, can be viewed as a form of disinformation that aids marketing in misdirecting attention away from its moribund state and resulting crisis of relevancy.

The idea of co-creation is currently enjoying an ascendancy. Marketing practitioners have become obsessed with enlisting the creative efforts of consumers to provide content for their advertising campaigns and social network channels (Andrejevic 2011; Campbell et al. 2011; Fisher, Smith 2011; Kozinets et al. 2008). Consumer-generated reviews on Amazon.com, IMDB.com, Yelp.com, and eBay.com provide trust, insight, entertainment, and guidance that add significant value to these enterprises while 'crowdfunding' sites such as Kickstarter.com and Patreon.com aim to bring consumers more deeply inside the brand creation process than ever before. Such apparent collaborations between brands and consumers seem to be in marked contrast to the more traditional marketing dynamic of dictating value to consumers – laying your wares out in front of them and then persuading them to buy.

At the same time as marketing practice has been integrating consumer work into the brand creation process, academic marketing has been providing the theoretical foundations for the ascendancy of consumer creativity in contemporary business. Two academic discourse streams in particular can be seen to be the flash points for such research. Prahalad and Ramaswamy's (Prahalad, Ramaswamy 2004) study of the "Future of Competition" is subtitled "Co-Creating

Unique Value with Customers” and the DART model that they advance outlines the “basic building blocks of co-creation” between consumer and company. More directly in the academic marketing camp, Vargo and Lusch (Vargo, Lusch 2004) introduce the Service-Dominant Logic (S-D Logic), a summation of perspectives that they argue have been evolving in marketing research over the previous decades. One of these perspectives revolves around the idea of the co-creation of value and it is given a significant place in their eight “foundational premises” of S-D Logic (2004, p. 6). The influence that Vargo and Lusch’s view of the evolution of marketing discourse has had is considerable, generating a large amount of conferences, papers, journal special editions, and citations. That their formulation of the S-D Logic paradigm places such emphasis on the co-creation of value is a striking example of academic marketing proto-theory seemingly moving in tandem with marketing practice.

In this chapter I wish to interrogate the way in which the idea of co-creation has taken root in the discourses of marketing practitioners and marketing academics. I will argue that the discursive construction of ‘co-creation’ is a rhetorical strategy employed by both practitioners and academics in response to the empowerment of online, constantly-communicating, networked consumers which has threatened the effectiveness and identity of traditional marketing management approaches to consumer control. I hope to show that what is positioned as egalitarian, inclusive, and revolutionary is still deeply entangled in the control-oriented paradigm of traditional marketing. Consequently, the literature and practice around co-creation can be seen as a form of disinformation, designed to reassure clients and consumers that marketing has changed, evolved, stepped-up to the challenge of interactive, networked communication while in fact helping to disguise the fact that nothing much has changed at all. Cleverly, the central persuasive strategy that this campaign of disinformation rests upon is the characterization of traditional marketing communication methods as manipulative disinformation. As I will show, this ‘Othering’ serves to distract attention away from the continuing control orientation that is at the heart of contemporary marketing.

I will begin by outlining the roots of co-creation in the marketing literature, leading on to a more detailed investigation of Prahalad and Ramaswamy’s (2004) DART model of business strategy and Vargo and Lusch’s (2004) definition of the Service-Dominant Logic perspective to marketing. Next, I will examine the ways in which marketing practitioners are discussing co-creation tactics, demonstrating the ways in which the profession of marketing has used co-creation and co-production strategies as rhetorical gambits to give the appearance of egalitarian acceptance of consumer empowerment and entitlement whilst in fact constructing campaigns and communications policies which continue to be

focused around the hunt for control over consumers. Finally, I will conclude with a consideration of the inherent paradox in marketing's instrumentalisation of consumer co-creation.

1 The Roots of Co-creation in Marketing Theory

Academic engagement with the ideas behind the co-creation of value can be said to originate in the broader recognition emerging from the relationship and service marketing schools that consumers should be treated as long-term partners in mutually-beneficial relationships rather than targets of manipulative disinformation for short-term gain (Grönroos 1994; Svensson, Grönroos 2008; Ravald, Grönroos 1996). Part of this perspective includes a call for a move towards dialogic theories of marketing communication which emphasise exploratory conversation between equals rather than monological persuasive strategies (Grönroos 2000; Ballantyne 2004; Varey 2000).

Against this background, we can locate the initial investigations of the idea of the co-creation of value in two principal sources; the work of Peppers and Rogers (1993) and Normann and Ramirez (1993). Both sets of authors argue that “collaboration” with customers (in the case of Peppers & Rogers) or “coproduction” with them (in the case of Normann and Ramirez) is an essential tool of value creation for modern firms. Both also argue that constructions of value can no longer be imposed upon the customer. Instead, the goal of the firm “is not to create value for customers but to mobilize customers to create their own value from the company’s various offerings” (Normann, Ramirez 1993, p. 69). Additionally, both argue that their perspectives emerged from a realization that the old product-oriented value chain paradigms were unequal to describing the reality of vocal, empowered, and demanding consumers who see themselves as the center of the value creation process. Indeed, Ramirez (1999), in a slightly later solo study, argues that the coproduction of value framework has in fact been available to us intellectually “for some 300 years” (1999, pp. 49–50), but only recently has technology “liberate[d] us from the constraints of the industrial mode of value creation and its conceptualizations” allowing us to “consider value creation as synchronic and interactive, not linear and transitive” (1999, p. 50). In this sense, although both Peppers and Rogers (1993) and Normann and Ramirez (1993) outlined their approaches before the full commercialisation of the Internet, it is clear that the interactivity which is fundamental to the hypermedia computer-mediated environment of the Web would be a pivotal enabling technology in the widespread uptake of the idea of the collaborative coproduction of value.

Just before the millennium, Kambil et al. (1999) came up with the name that would stick. Their paper, published in the house journal of consultancy firm Accenture, uses a series of persuasive examples from manufacturers such as IKEA, Fiat, Dell, and Red Hat to demonstrate how firms were “partnering with their customers to *co-create* value” (p. 38). In straightforward terms, the authors describe how “seeing customers as partners in the creation of value widens the horizons of companies entering the eEconomy”, providing ways for firms to expand their “intellectual property and relationship assets” via customer involvement as well as potentially providing “lock in” of customers into their products or services (p. 43). Prahalad and Ramaswamy’s (2000) paper in the *Harvard Business Review* also describes customers as “cocreators of value” as part of their overview of how companies should begin to see customers “as a source of competence” (p. 81), which “is a function of the knowledge and skills they possess, their willingness to learn and experiment, and their ability to engage in an active dialogue” (p. 80). Finally, Thomke and von Hippel (2002) provide a slightly different spin (while using a similar set of examples) in another *Harvard Business Review* article that illustrates how some companies were managing to collapse the traditionally cumbersome and time-consuming R&D process by casting customers as innovators, abandoning “their efforts to understand exactly what products their customers want” and instead equipping them “with tools to design and develop their own products” (p. 5).

The studies above serve as the bedrock for the two pieces of work that have really cemented the co-creation of value at the foundations of contemporary academic marketing approaches to value – Prahalad and Ramaswamy’s (2004) book-length study of the DART model, and Vargo and Lusch’s (2004) article introducing the Service-Dominant Logic.

2 The DART Perspective

Prahalad and Ramaswamy’s exposition of the DART model (“dialogue, access, risk assessment, and transparency”, (2004, p. 23)) is a strong argument for the centrality of co-creation in any “search for new strategic capital” (2004, xi). They state that the role of the customer has changed “from isolated to connected, from unaware to informed, from passive to active” (2004, p. 2). The language here is telling – an isolated customer is a vulnerable one, an unaware customer is one who will believe your disinformation because they know no better, and a passive customer is easily manipulated, simply lead. Prahalad and Ramaswamy are reminding their readers of the good old days when their customers were ripe for the picking while at the same time calling their attention

to the reality of the new, powerful, engaged consumer who they will not be able to treat in the usual way. The rhetorical gambit is clear: to convince the business reader of the necessity of your solution you first need to get them worried and to do this you paint a picture of the consumer as out of their control. As Prahalad and Ramaswamy make clear, businesses have traditionally been able to manage the consumer. So, they are “accustomed to restricting the flow of information to consumers” (2004, p. 2), used to being free to “vary the price or quality of products from one location to another” (2004, p. 3). Their marketing communication has been premised upon the “traditional top-down pattern” where “claimed benefits” affected demand rather than customer word-of-mouth. Yet, now we have consumers who can talk to each other, research products across national and linguistic borders, and “as they network, they embolden each other to act and speak out” (2004, p. 4). The language is alarmist because that is how the authors seek to control the attention of their time-poor audience who have heard the call for change many times before. It is also alarmist because the authors know that the strategies they will outline are really very uncomfortable for the traditional manager, used to doing their jobs with “little or no interference from customers” (2004, p. 5). If they are to persuade businesses to adopt such difficult changes in managerial attitudes and practices then the danger of not changing needs to be made as vivid as possible.

The move to “an individual-centered co-creation of value between consumers and companies” (2004, p. 12) demands that firms stop seeing value as something that is dictated to consumers. Prahalad and Ramaswamy’s DART model codifies the essential building blocks that a firm needs in order to successfully adopt the new co-creation of value paradigm. Each one of the elements reflects the radically new power structure unfolding in the contemporary market. Instead of customizing “to suit the company’s supply chain”, the firm must satisfy “a consumer’s unique desires and preferences” (2004, p. 89). Instead of locating quality in “what the firm has to offer” the enterprise must realize that quality is established in “consumer-company interactions and co-creation experiences” (2004, p. 50). Instead of talking *at* consumers, firms must see communication as a “shared learning” process “between two *equal* problem solvers” (2004, p. 23). Instead of hiding risks to customers the enterprise needs to be full and honest with consumers, allowing them to judge for themselves the “trade-off between risks and benefits” (2004, p. 27).

Such radical changes in paradigm are called for because of the “new realities” facing businesses today (2004, p. 241). These are not, in other words, theoretical or idealistic concerns – for the authors, “perhaps the single most important shift that companies and managers must make is to recognize the *centrality of the individual*” (2004, p. 237). The modern business network can no longer be

viewed as a matrix of institutionalised interests, segments and aggregations, but is instead a “nodal network” of individuals (2004, p. 238). Prahalad and Ramaswamy’s exposition of co-creation is, throughout, couched in revolutionary terms. Indeed, it finishes with a vision of co-creation ultimately ushering in “the emergence of a truly democratic global society in which human rights, needs, and values are predominant – not the demands of institutions” (2004, p. 238). Businesses can share in the co-creation of such a future if they attend carefully to the principals of the DART model.

Prahalad and Ramaswamy present the co-creation of value as a necessity for the evolving business. Throughout their work, in tables, diagrams and exposition, they constantly contrast aspects of the “traditional theory of the firm” with those of the new, “emerging reality” (2004, p. 238). As already seen, they present traditional strategies as manipulative, controlling, and based upon an assumed inequality. Yet, while presented using negative and critical language, this is not enough to make the reader recognise the inadvisability of such practices. Instead, Prahalad and Ramaswamy need to make it clear that this approach to dealing with customers will no longer work. So, the argument is not initially an ethical one at all – it is a practical one. Customers will no longer be manipulated, they can no longer be spoken at, and you will not be able to hide information from them. Co-creation of value is a strategic response to a re-balancing of power. While the final moments of their study find Prahalad and Ramaswamy in humanitarian, universalist visionary mode, the bulk of the book uses two principle forms of argumentation; inculcating fear in the manager-reader at the prospect of enlightened, powerful customers and then using a large number of examples of companies which have used co-creative practices to succeed. These case studies act as the carrot to the stick of the portrait of the evolved customer and are collected from across many different industries from cosmetics to automobiles and from farming equipment to fashion retail. The majority are not in-depth analytic studies, however, but quick descriptions of how the firm in question uses one aspect of one of the DART components to achieve some form of differentiation or disruption. The heaping up of such ‘nutshell’ narratives constructs the impression that everyone but the reader is already implementing this new approach. The visionary ending to Prahalad and Ramaswamy’s book provides yet another argument for the necessity of the co-creative paradigm; not only is it the only way to connect with the evolved customer, and not only is it a strategy that has already been adopted by thought-leading successful firms, but it is also a recipe for how businesses can contribute to a freer, more democratic tomorrow. And how could any manager not want to be responsible for a freer and more democratic tomorrow? In a telling sentence from the book’s final page, the authors state that co-creation can

“help to create a new basis for the social legitimacy of all large institutions in our society” (2004, p. 238).

3 The S-D Logic Perspective

Unlike Prahalad and Ramaswamy’s (2004) study, which is aimed at an audience of enlightened business readers, Vargo and Lusch’s (2004) article for the *Journal of Marketing* is constructed for a more strictly academic readership. However, there are striking similarities in the rhetorical and argumentative strategies that both sets of authors use. This, in turn, suggests that the *value* of the co-creation of value concept might be being constructed from similar motivations across these two sources and audiences.

Vargo and Lusch’s (2004) article has around 7390 citations indexed on Google Scholar at the time of writing. This is an astounding number of citations for a single article in the academic marketing field and gives an indication of the considerable influence the paper has had in (what is in academic terms) such a short time. Its reception amongst marketing academics has gone a long way to habituating this audience to the co-creation of value concept. As I have argued elsewhere (Miles 2014), Vargo and Lusch’s article is a carefully constructed persuasive document. It falls into two major parts – an initial historical overview of the development of marketing theory and then an exposition of what the authors call the eight “foundational premises” of the new emerging logic that they identify in recent marketing research. The historical overview is, like any other historical overview, a carefully constructed narrative designed to lead the reader to a particular conclusion. This conclusion is that marketing has evolved over the years in distinct steps. This was important for the original audience of the 2004 paper because in the 1980s and 1990s marketing theory seemed to have devolved into a series of (sometimes adversarial) splinter groups with little sense of common purpose – any overall evolution of the discipline had appeared to stop. Emphasising the sequential movement from one paradigm of marketing to another in their historical overview constructs an expectation that marketing needs to continue in this way – it generates a feeling of inevitability. This prepares the way for the principal argument of the paper, namely that where we had before seen chaos and disagreement there was in fact, right beneath our noses, harmony and unity. Vargo and Lusch (2004) point out that the 1980s and 1990s in fact contain many voices saying the same things with different terminologies and, if only we were to stop and consider their common assumptions, we would find that there is an emerging “dominant logic” behind these voices, that can “unify

disparate literature streams in major areas such as customer and market orientation, services marketing, relationship marketing, quality management, value and supply chain management, resource management, and network analysis” (2004, p. 3). So, the emerging logic that the authors will delineate in the second half of the paper is presented as a salvation to the perception of late-twentieth century marketing as constituted by alarmingly “fragmented thought, questions about the future of marketing, calls for a paradigm shift, and controversies over services marketing being a distinct area of study” (2004, p. 1). Using the rhetorical framing of Darwinian evolution and Kuhnian paradigm shifts, Vargo and Lusch construct a narrative that appeals to marketing academics concerned at the moribund state of their discipline – the apparent discovery of the next stage of marketing evolution allows us to breathe a great sigh of relief. In this sense, Vargo and Lusch’s Service-Dominant Logic is presented in a very similar manner to Prahalad and Ramaswamy’s DART model – the audience is first reminded of how bad things have become for them and then they are handed their salvation. Let us now look at the place that co-creation plays within this new emerging logic.

The sixth “foundational premise” of the new logic is “the customer is always a coproducer” (2004, p. 10). Vargo and Lusch point out that “in using a product, the customer is continuing the marketing, consumption, and value-creation and delivery processes” (2004, p. 11). It is, therefore, unreasonable for the firm to act as if they construct and fix value – the value-in-use experienced (indeed, produced) by the user is just as, if not more, important. As they further note, “the customer becomes primarily an operant resource (coproducer) rather than an operand resource (‘target’) and can be involved in the entire value and service chain in acting upon operand resources” (2004, p. 11). Certainly the promotion of customers from targets to coproducers is a good example of the way in which marketing theorists have integrated the apparent empowerment of networked customers into new vocabularies of egalitarianism. On the other hand, the extension of the terminology of ‘resources’ to include the customer threatens to place them in a passive (done *to*) and manipulated position which is in opposition to such egalitarianism. The distinction between operant and operand resources is central to the S-D Logic framework. Operand resources are the focus of traditional marketing – they are resources “on which an operation or act is performed” (2004, p. 4). Operant resources are resources “that produce effects” (*ibid.*) and are the primary focus of the new service perspective in marketing. Examples of operant resources are knowledge and skills. Accordingly, Vargo and Lusch see both employees and customers as operant resources who will help the enterprise “to make better value propositions than its competitors” (2004, p. 5). There is a certain awkwardness in Vargo and Lusch

continuing to use the very concept of resources, though. If employees and consumers are resources they are still resources *used by* the enterprise. While they might be formulated as resources that produce effects (on each other), these effects are themselves managed (and taken advantage of) by the enterprise. The enterprise takes on a strange flip-flopping level of agency in S-D Logic – it is both working *with* or alongside its operant resources but at the same time working *upon* them, trying to produce effects as a result of its successful management of them. This terminological inconsistency reflects a larger issue with the co-creation of value as it is formulated in Vargo and Lusch (2004). How can consumers ever be equal partners in a relationship with the firm when the practice of (service) marketing is directed at *managing* operant resources (which, of course, includes consumers)?

The service perspective portrays the firm as embedded in a complex network of partners all of whom need to be continually negotiated with and ‘related’ to as each one represents an operant resource for the firm. This complexity has to be managed and it is this, according to Vargo and Lusch, which represents the real utility of the marketer in the service-oriented enterprise. Marketing becomes the “predominant organizational philosophy” (2004, p. 13) in the firm. Yet, how exactly can the co-producing consumer be organised? The intention of egalitarianism is clear in such phrasings as the firm’s mission being the “the application of competences for the benefit of the consumer” (2004, p. 14), its communication focus being “characterized by dialogue, asking and answering questions”, and the service-centered view of marketing requiring “collaborating with and learning from customers” (2004, p. 6). However, behind this persuasive talk are clear indications of the consumer remaining the same old “target”.

If the co-creation of value depends upon constant dialogue with consumers what happens when consumers do not want to talk to a firm? Vargo and Lusch (2004), along with most co-creation thinkers, tend to assume that consumers will want to engage in conversation with all the firms that want to talk with them. Indeed, in their description of the service-oriented approach they include a vision of the new marketer as a selling and “buying agent” who “on a long-term, relational basis” can “source, evaluate, and purchase the skills (either as intangibles or embedded in tangible matter) that the customer needs, wants, or desires” (2004, p. 13). This depiction rather implies that the firm is the more passive partner, acting as skilled intermediary for the (active) demands of the consumer. The further implication is that the consumer initiates contact with the firm when they need something, the firm remaining like some mute, Gothic butler until required. Yet, in their description of an idealized new service-centered marketing curriculum, they describe the revised study of marketing communications as covering “the means and mechanisms for initiating and

maintaining a continuing dialogue with the consumer and for enhancing the relationship by using tools such as branding” (2004, p. 14). So, clearly, the consumer is still a “target” in the sense of having to have dialogue *initiated upon* them. Persuasive gambits will be necessary to open conversations with consumers, to make the prospect of such conversations appear valuable to them, to maintain engagement in the face of competition. Now the firm is the active element in the partnership, constructing value propositions of such attractiveness and logic that the consumer will be persuaded to choose them as their co-creation partner. This scenario is, surely, not so very different from those familiar in traditional marketing communication. While an emphasis on one-to-one, networked communication in the new servicescape might very well mean that consumers can be approached within a one-to-one, conversational framework, nevertheless they will remain as targets for manipulative gambits which try to persuade them to adopt one firm as marketing agent over another.

4 Co-creation and the Search for Marketing Relevance

The co-creation of value is a vital strategic element in the overall theoretical framework of Service-Dominant Logic. It underlines the customer-centricity of the approach, instantiates the ‘customer as operant resource’ perspective, illustrates the primacy of dialogue for service marketing, and provides a clear response to the prospect of connected, empowered (even entitled) consumers. Just as the Service-Dominant Logic functions rhetorically as an inevitable, evolutionary, unifying answer to the fragmentation effecting marketing theory at the end of the twentieth century, so too is the co-creation of value functioning within it as an answer to the creative power that consumers already have.

As marketing’s relevance has begun to be increasingly questioned in the faculty lounge and the boardroom (Anderson 1994; Clark et al. 2014; Katsikeas et al. 2004; Kerin 2005; Park et al. 2012; Sheth, Sisodiam 2005), so academic marketing has had to seek signs of such relevance and embed them within its formulation. By adopting into the firm’s strategy something that consumers have already been doing (discussing, loving, hating, adapting and re-purposing products and services) the service perspective’s formulation of the co-creation of value can be seen as actively responding to the change in the balance of power (and in the location of value). Yet, it can also be seen as constructing a pose wherein consumers are ‘allowed and encouraged’ by the firm to co-create value. The truth is that they have *always* co-created value – marketing is simply now

theorising how a firm can take advantage of this (by treating the consumer as a resource working for the health of the enterprise).

The possibility here is that Service-Dominant Logic uses the co-creation of value as a way of re-asserting control over the consumer, using terminological re-direction to valorise the firm's management of the co-creation process as a service response which at the same time claims ownership over the management of the process. The 'new marketer' cannot organise and manage co-creation for the benefit of the firm (even though that might be rhetorically defined as for the benefit of the consumer) without falling into the trap of managing the consumer as a target.

In the final part of this chapter I will look at a number of examples of marketing practitioner discourse around the practice of co-creation in contemporary interactive marketing communication and examine the way in which practitioners' 'professional talk' reflects similar tensions and strategies to those that I have outlined above in the academic literature.

5 Marketing Practitioners and the Discourse of Co-creation

Marketing practitioners and marketing academics might not necessarily listen to each other, let alone see eye-to-eye on a wide range of topics. While many of the top marketing journals, for example, profess themselves to be concerned with issues of relevance for practitioners there is little evidence that the majority of marketing practitioners ever read those journals. After all, the marketing profession has its own professional or trade press in such publications (and their related websites and blogs) as *Advertising Age*, *Ad Week*, *Brand Republic*, and *Direct Marketing News* in the USA and *Campaign* and *Marketing Week* in the UK, for example. While research from academic marketing journals does sometimes find its way into the pages of the trade press even a cursory review reveals that the bulk of the latter's content relates to the dissemination of practitioner news and practitioner wisdom and experience. In the end, though, the foundational academic writing on the co-creation of value relies for much of its argumentative weight upon examples of successful co-creation strategies in business. The marketing practitioner trade press does the same thing, holding up cases of co-creation as examples of best practice that all can learn from.

A *Brand Republic* piece by Matthew Gidley (2012), then Director of Strategy and Insight at agency Momentum UK, exemplifies the typical trade press discourse on co-creation. It starts off with the bad news ("The consumer is bored")

designed to provide the persuasive context for its message. We have seen similar gambits in Prahalad and Ramaswamy (2004) and Vargo and Lusch (2004) – remind the reader that their jobs are on the line, that the consumer is out of control and dissatisfied. As Gidley puts it, “in Adland, brands are having to work harder than ever to engage this modern consumer” (2012). The cause of this is to be found in “modern technology”, which has given consumers the ability to be “the heroes of their own story” and to reach out by themselves to “many different audiences”. They have become empowered, in other words, and seek more “empowerment to participate and empowerment to make better choices”. Gidley states that the only way to get “true buy-in” from such consumers is with co-creation, which he describes as “one of the most fashionable ideas to enter our repertoire for a long time”. Despite its powerful hold on marketing practitioners, Gidley argues that the idea of co-creation is often misunderstood and misapplied. It cannot be simply equated with “crowdsourcing” but instead has to focus on “harnessing the right people, whether they are consumers, partners or specialists, to create the right social currency”. Gidley’s point here is interesting. It prioritises expertise, not just in the sense that it suggests brands might need to use specialists to co-create with, but more generally in the sense that a brand needs expertise (i.e. the expertise of the marketing agency) to ‘harness’ the correct resources in the most effective way possible. The approach is deeply redolent of Vargo and Lusch’s (2004) conception of consumers (and partners) as resources that need to be organised. For Gidley, “crowdsourcing” is meant to clearly imply a disorganised, unmanaged, almost anarchic opening of the gates to the mob. True co-creation, on the other hand, needs to be done with the “right people”.

It seems strange that Gidley can state that consumer expectations of empowerment and participation are the drivers behind the need for co-creation strategies and yet then advise practitioners that to co-create effectively they need to find the “right people” (who might not even be the consumer) to ‘harness’ in a co-creation relationship. Indeed, this tension is heightened even further at the end of the piece when he reminds the reader that the great achievements of history, “from the momentous task of erecting Stonehenge to the challenges of the industrial revolution” (2012), have all been achieved through co-creation. Surely, this makes of co-creation something entirely meaningless? If the industrial revolution can be characterised as an example of co-creation what cannot? Perhaps Gidley means that these projects (or emerging structures) depended upon the co-ordination of many experts, specialists and managers, as well as faceless, unskilled workers. Certainly, we can say that the prospect of the ‘crowd’ being allowed into the firm’s design, distribution and operational decision-making is not what Gidley understands as co-creation.

A *Marketing Week* article investigating the “secrets of commercial co-creation” (Allchin 2010) outlines the thoughts of Ben Hayman, then Deputy Manager of Promise agency. In a similar opening gambit to Gidley’s, the article stresses the fashionability of the “ill-defined term”, while noting that there is often “a lack of understanding about the realities of the approach”. While Hayman’s approach is more inclusive than Gidley’s (he states that “we are all experts in something” and explicitly notes that consumers should not be treated as a resource) his approach to commercial co-creation is just as focused upon the need for management of the consumer as Gidley’s. Commercial co-creation requires a “dedicated space” run by “focused, skilled and objective facilitators who are able to interpret, analyse and help to develop the information that is being developed during co-creation activities”. The marketer becomes a “strong facilitator” who is able to empower the consumer by encouraging their creativity and their inclusion into the community of the brand. As Hayman says, “co-creation is about empowering consumers to contribute, providing a platform and then following up with them.” This sounds very egalitarian until one recognises that the assumption here is that power is entirely in the hands of the marketer – the (chosen) consumer is given power by the facilitator, given a platform by the facilitator, and then kept within certain defined “parameters” by the facilitator.

The tension involved in practitioner understandings of the co-creation of value is perfectly summed up in a piece from WPP’s online ‘reading room’, written by Andrew Welch (2014) from Young&Rubicam. Welch notes that co-creation can often mean “letting go to take control”. So, the marketing practitioner allows, indeed encourages, a certain combination of the right outsiders inside the firm so that they can be given access to internal resources and led through just the right pathways to help produce insights and suggestions that can then be fed into the design team (“Don’t present co-created ideas to a design team as a *fait accompli* – nothing will alienate the team faster”). Once again, this is a tightly ‘harnessed’ and ‘facilitated’ process – Welch expects marketers rather than consumers to build the community, and also expects them to manage the type of creation that it produces (“ask your co-creators to make people”, he directs).

A repeated complaint here is that practitioners do not understand the *real* nature of the co-creation of value and instead rely upon ersatz versions such as crowdsourcing and consumer-generated advertising which fail to capture the visionary re-balancing of structures and controls that the paradigm promises. Indeed, such failure might also be leading to the early abandonment of the whole approach. Pete Blackshaw (2010), a co-founder of the Word-of-Mouth Marketing Association, notes in an article for *Advertising Age* that even the

agency excitement around such *manqué* forms of co-creation as consumer-generated advertising has rather chilled, being replaced with “a pivot back to the reality of brand control”. Certainly, both practitioner and academic discourses around co-creation have found it difficult to disengage from rhetorics of control even when they might be appearing to celebrate the prospect of a more egalitarian balance of power between consumer and brands. So, while consumer-generated TV advertising might only have found a foothold in a few, celebrated places (such as Doritos’s yearly ‘Smash the Superbowl’ competition), the use of consumer feedback, insight, and creative impulse certainly seems to be rampant across the digital landscape. Encouraging consumer communities to engage in an ongoing dialogue with you, whether that dialogue is made up of a flutter of images, 140-character signal bursts, or comments on a blog post, would superficially seem to be congruent with the conversational emphasis to co-creation found in the academic descriptions. Yet, even conversations and communities, it seems, need to be managed. As Richard Bates, European Consumer and Market Insight Director for Samsung, states, consumer community engagement needs to be carefully shepherded by a brand, “You have duty of care, otherwise as a resource it becomes overused and its value can ultimately decline” (Chahal 2015). The language here is, once again, suffused with assumptions of control over the consumer as a resource, and it is interesting that Bates effectively uses his communities as expanded focus groups and test kitchens rather than full-fledged partners in the creation of the brand. Indeed, the full surrender of control that the co-creation paradigm demands is perhaps innately antithetical to the marketing practitioner, whose job it is to manage engagement, organise communication, and navigate the creation and maintenance of brand identity.

6 Conclusion

The academic and practitioner discourses around the concept of the co-creation of value are reactions to similar threats. In the case of practitioners, digital platforms and online consumer communities have the potential to wrest control away from brands and make traditional marketing management models ineffective. For the marketing academy, the threat takes the form of irrelevance – whether that is situated in the dangerous lack of unity that faced the discipline in the 1980s and 90s or the increasing distrust of marketing at the boardroom level. For both discourse communities, the co-creation of value represents one component in a matrix of strategies designed to reinvigorate marketing by (re-)asserting control over an expanded realm of resources.

The service and relationship perspectives in academic marketing research have tended to support the idea that manipulative, asymmetrical, and control-oriented approaches to marketing management are generally counter-productive and inappropriate in an increasingly networked market. Calls for a marketing based upon mutually beneficial, constructive dialogue between brands and consumers have moved from the periphery in marketing theory towards the center. However, there has been little attention paid in these discourses to the very deep level at which assumptions of control over consumers inform the fundamental enterprise of marketing. These assumptions appear to be endemic to the marketing enterprise, reproducing themselves even within the ostensibly egalitarian discourses of co-creation. Marketing academics, even when very aware of the rhetorical power of word choice and framing, have difficulty with ‘following-through’ in discourses encouraging the surrendering of control and find themselves constructing persuasive narratives designed to offer hope in the face of adversity. Practitioners have similar problems with the ramifications of the co-creation of value – often adopting the construct as a rallying flag for an industry nervous about the loss of control to consumers and often betraying in their resulting ‘professional talk’ the continuing search for lines of control, organisation, and management of the consumer. As some practitioner voices have noted, the ‘management’ of co-creation is a difficult and time-consuming task even when the concept is understood clearly. It is, perhaps, not surprising that while the term remains popular in professional marketing discourse its practical adoption has been far from universal and its interpretation has become somewhat fluid.

More than anything, then, the co-creation of value works as a rhetorical rallying point for both academics and practitioners. Its egalitarian figuration, emphasising dialogue, mutual respect, the flattening of hierarchies, and transparency of operation serves to make a ‘new’ marketing which is discursively constructed to counter the old marketing management paradigm of consumer targeting and manipulation. However, that old marketing management paradigm continues to exert a powerful influence on both the language and reasoning of academics and practitioners. The visionary, almost millenarian, tone with which Prahalad and Ramaswamy close their presentation of the co-creation of value is perhaps the clearest indication of the status of the construct, offering up a salvatory hallucination of “a new basis for the social legitimacy of all large institutions in our society” (2004, p. 238), a bright, cleansed future for business as the handmaiden of truly participatory democracy.

I would argue that contemporary marketing (both academic and professional) is subject to the heavy demands of the “attention economy” (Lanham 2006, p. 7). Marketing theorists and agency marketing managers need to

compete for the attention of their various consumers. The co-creation of value is a discursive strategy aimed at positioning the discipline of marketing in front of audiences who are distracted by issues of consumer empowerment, changing communication habits, and fears of irrelevancy. As such, it is fundamentally paradoxical in its formulation: if all firms entered into co-creative relationships with their consumers, consumers would never have the time to do anything else other than create with firms, and so in order to apportion their attention effectively they would have to make decisions as to which firms they will enter into such time-consuming relationships with, and as a result those firms will have to engage in persuasive strategies in order to compete for that attention, but this is against the spirit of co-creation as it will lead us back to the 'old' marketing of manipulative communication games. Yet, while this paradoxical structuring is highly problematic when considering co-creation as a workable basis for a future marketing it is entirely inconsequential for the co-creation of value's role as a rhetorical construct. In this sense, much of the discourse around co-creation serves as disinformation – it distracts consumers and clients from the unchanging control-orientation of marketing practice and theory, misdirecting attention towards a supposed egalitarian epiphany in the discipline and constructing a frothy, feel-good, yet deeply paradoxical version of marketing which bears little resemblance to the manufacturing of interest and desire that is at the root of marketing's disciplinary identity. Seen in this light, co-creation itself becomes a 'traditional', short-term marketing strategy of disinformation, designed to stimulate waning demand for the discipline and its practitioners through an appeal to the fears and hopes of its consumers and clients.

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Maria Elena Aramendia-Muneta

4.2 Spread the Word – The Effect of Word of Mouth in e-Marketing

Abstract: Word of mouth (WOM) is an extraordinary mechanism with which to spread information and disinformation. There is an interaction between WOM and eWOM, creating different channels for the dissemination of information. However, this information cannot be controlled by marketers; at least this is seldom the case. Positive and negative comments are found in eWOM and they have a powerful influence on credibility, trust and persuasiveness, where influencers play a main role. Brand reputation is shaped by the flow of information and disinformation on the Internet. Social networks are a real tool with which to create and place information. A comment may greatly benefit consumers, preventing uncertainty and boosting sales. eWOM disseminates both information and disinformation, and so internet users and marketers are faced with the problem of how to turn this to their own benefit.

1 Introduction

Word-of-mouth (WOM) is “an interpersonal communication in which a sender spreads a message to receivers” (Bao, Chang 2014, p. 21). The same idea when applied to the Internet becomes electronic word of mouth (eWOM), a 21st century phenomenon.

The power of WOM is so well known that in 2004 the Word of Mouth Marketing Association (WOMMA) was founded in order to lead the WOM industry through advocacy, education, and ethics. According to WOMMA (2014), WOM is the driving force behind 13% of sales, while paid marketing in total accounts for 20-30% of sales.

Online consumers have more power than do other consumers and this difference may even be increasing. In fact, thanks to the Internet, the relation between firms and consumers has changed dramatically and now this relation is more favourable to consumers (Kucuk, Krishnamurthy 2007). Everyone, anywhere, at any time is able to express their opinion.

Above all, WOM has a huge impact on the service industry, where the potential customer needs information in order to choose which service to purchase. The tourist industry is one of the main sectors where WOM has proved its potential, as a service, people need opinions so that they can choose a hotel, a restaurant or cruise.

Electronic WOM (eWOM) plays an important role in electronic marketing (e-marketing) nowadays because comments can evoke emotion and affect behaviour. The real motivation to generate information on the Internet (Ho, Dempsey 2010) is the need: to be part of a group, to be individualistic, to be altruistic and for personal growth. Being part of a group and being altruistic are more relevant to the benefit of the group, and being individual and personal growth are more related to personal values. Consumers generate and distribute information and disinformation, which can lead to a response from other consumers or enterprises.

In this scenario, the purpose of this chapter is to clarify the main points for both parties (companies and consumers) and to provide a holistic perspective on the eWOM world that affects marketing strategies. Firstly, by means of a comparison between WOM and eWOM so as to comprehend the differences and relationships between offline and online channels and how information is conveyed. Secondly, the role of influencers through online comments is shown, as well as the value of positive and negative comments. Thirdly, the three key variables (trust, credibility and persuasiveness) are examined together with their interconnection in eWOM. Fourthly, the impact of eWOM in brand reputation is outlined, where disinformation is highlighted as well as the use of social networks. Finally, an insight is provided into how information is presented in eWOM and the benefits derived.

2 Comparison between WOM and eWOM

User-generated content is an ensemble of positive or negative comments (Cheong, Morrison 2008; Gretzel, Yoo 2008). Overall, WOM is the provider of this content.

It can be argued that there are two different ways of spreading information and we can classify them into two distinct groups: WOM in-group (close friends or family) and WOM out-of-group (actors near a person's social, familial, work and collegial circles) (Brown, Reingen 1987). Moving one-step forward, eWOM could affect the WOM out-of-group in a more extensive way, because it has evolved in reaction to technology, and an individual has access to any information written by any other individual in the world. Actually, eWOM out-of-group also makes reference to contact with people whom the individual does not know (Abrantes et al. 2013).

The number of internet users is sharply increasing as well as the number of connections between them. The possibilities of augmenting eWOM out-of-group is more relevant because of its much larger audience. The mathematical relation is that of one individual to the population at large.

The media used to spread information is different between WOM and eWOM. The main channel involved in eWOM is social media. In contrast, WOM favours face-to-face connection as direct interaction rather than more distanced means of spreading information.

In the study “Global Trust in Advertising” by Nielsen (2015), consumers respond more to “recommendations from people I know” as a first choice. In second place comes “the branded websites” and in third “consumer opinions posted online”. As table 1 shows, among the top six trusted ways of advertising, only the fifth affects WOM directly, while eWOM solely applies to the second, third and sixth positions.

Table 1: Top Six Positions in Trust Advertising

Position	Type	WOM or eWOM
1	Recommendations from people I know	WOM and eWOM
2	Branded websites	eWOM
3	Consumer opinions posted online	eWOM
4	Brand sponsorships	WOM and eWOM
5	Editorial content, such a newspaper articles	WOM
6	Emails I signed up for	eWOM

Keller and Fay (2012) reinforced Nielsen’s results regarding “recommendations from people I know”. As human beings, interpersonal relationship is the key to WOM. However, 90% of conversations are offline (WOM through face-to-face conversations) and only 8% online (eWOM). Is it possible to confirm that eWOM has a deeper impact than WOM?

WOMMA (2014) asserted that offline WOM is responsible for 2/3 of the impact, while online only accounts for 1/3. However, they both amplify the effect of paid media by 15%. Compared to traditional advertising, WOM has an immediate impact, especially in the first two weeks. In the movie industry, eWOM particularly affects the first week’s box-office revenues and after the second week both WOM and eWOM have a direct influence on revenues (Bae, Kim 2013).

The “go viral” effect is higher in eWOM than WOM. As mentioned before, the huge number of users on the Internet is a useful means of spreading information and thus the “go viral” has a higher potential in eWOM than WOM. However, it is worth noticing the close interconnection between WOM and eWOM, where the omnichannel is latent, because a face-to-face comment can be included on a website and online information can be broadcast in a TV programme. The same information and disinformation may be spread through diverse channels.

If there is a trend to use omnichannels, how can enterprises keep track of where information concerning them is located? Unfortunately, there is no direct tool for marketers to control both online and offline channels (Allsop et al. 2007). In the case of eWOM, there are several social media monitoring bodies such as e.g. Netvibes, Datashif, UberVU. Unfortunately there is no consensus on which is the most appropriate tool to receive feedback and various companies, marketers and researchers have tackled the problem without any relevant success.

Both WOM and eWOM studies on communication agree that a favourable comment increases the probability of purchase and unfavourable word of mouth has the opposite effect (Arndt 1967; Ho, Dempsey 2010). Reading comments is a mean to reducing uncertainty. As a general rule, in the off and online world, the principle of saving time is of paramount importance, consumers try to cut down on the time spent on searches by using the comments of other like-minded users or by asking for information.

Communication through both channels has the same direction: one-to-one, one-to-many and many-to-many. While in face-to-face communication, information assumes an oral format, in electronic communication information is written and enduring (Barreto 2014). However, written communication is more effective because it leads senders to describe products and brands more accurately through a self-enhancement effect (Berger, Iyengar 2013).

Several researchers agreed that anonymity is a unique characteristic in eWOM (Breitsohl et al. 2010; Cheung et al. 2008). However, in WOM the sentence “someone told me”, also implies anonymity, and this feature is made even clearer on the Internet. It is also worth noticing that anonymity provides a greater opportunity to formulate misleading information, because the source is anonymous and so cannot be verified.

Besides, people often make their decisions after consulting online information (Lee 2009). Therefore, eWOM affects not only online purchases, but also those in the real world (figure 1). The opposite effect is also well known by companies and mostly affects local commerce, being detrimental to their sales. It is common practice for consumers to visit a small retailer only for the purpose of seeing a product recommended online or offline physically and then to purchase it online.

Although eWOM is gaining in popularity, marketers should not believe that eWOM has replaced WOM (Fulgoni, Lipsman 2015). Offline and online communications are complementary and marketers need to see both channels in a holistic way. Enterprises are adapting themselves to the present situation because consumers use cross-channel information. Years ago, business focused on developing multi-channel selling approaches and now they are turning into omnichannel

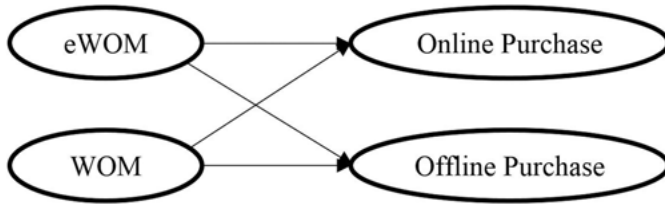


Figure 1: Relation between eWOM, WOM, and purchase

strategies, where consumers check information on offline and online channels and then they decide where to buy. The IBM Omnichannel Capability Index (2015) pointed out the need of providing a shopping experience independent of the chosen channel. In that case, the interconnection of eWOM and WOM is crucial to consumers due to their omnichannel behaviour.

3 eWOM: Negative vs Positive Comments

Negative comments are more persuasive than positive reviews, particularly, among females (Bae, Lee 2011a; Jeong, Jang 2011). Negative reviews have a great impact on consumer-based brand equity. Contrary to popular belief, a bad comment not only deeply affects a small company's equity, but also that of renowned enterprises (Bambauer-Sachse, Mangold 2011). Thus the size of a company does not render it immune to this effect.

Negative eWOM (eNWOM) postings have a greater linguistic impact on users. This language normally expresses anger on the part of the poster and connects more to their frustrations (Gheorghe, Liao 2012). Negative emotional expressions tend to have less of an impact than might be expected because consumers believe that those expressions are based on an irrational disposition (Kim, Gupta 2012). eNWOM is sometimes perceived as disinformation, especially when it is placed among numerous positive eWOM (ePWOM).

Negative eWOM has a more significant effect on experience goods than on search goods and even more so if the website's reputation is taken into account. These negative comments are more reliable on established websites (Park, Gretzel 2007; Park, Lee 2009).

The real problem with eNWOM is the fact that enterprises do not perceive a negative comment as a chance to improve. The geniality will transform an eNWOM into an ePWOM and create a real asset for the company. Kikumori and Ono (2013) identified that an eNWOM may have a positive impact.

However, if ePWOM appears together with information connected to a promotion, it is more persuasive than negative eWOM (Zhang et al. 2010). Positive expression in a single positive comment does not lead to positive impact (Kim, Gupta 2012).

A basic human motive (self-enhancement) guides consumers to create ePWOM, while NWOM is merely transmitted (De Angelis et al. 2012). Statistically speaking an ePWOM occurs three times more often (3 to 1) than an eNWOM (East et al. 2007). Customers spread eNWOM when there is a serious failure (Wang et al. 2014). A satisfied consumer is more prone to writing a positive comment than an unsatisfied customer is prone to writing a negative comment. However, in the study by Cheung et al. (2007) cultural differences were found: Chinese eNWOM is based on venting anger and punishing the business organization, while US eNWOM will seek compensation and the correction of a bad situation.

Through positive comment, the sender has a deep influence on the receiver. The two-step flow communication (Katz 1957) also applies to eWOM. In this case, there is a push communication relation (figure 2), where the aim is to spread information through intermediaries and to push consumers to buy or even to get them to advise other consumers to do so. Both manufacturers and producers need to find the best influencer with the best impact on potential customers (Arenas-Gaitan et al. 2013). When influencers really believe that a service or product could benefit consumers, their comments improve the credibility of the brand and increase purchase intention. Fashion bloggers are well known as a best influencer. A good example is Chiara Ferragni with more than three million followers on *Instagram* and 500,000 unique visitors of her renowned blog “the blonde salad” every month. Each time she recommends a certain product it sells out in a very short space of time. Harvard Business School wrote a business case based on Chiara Ferragni’s success.

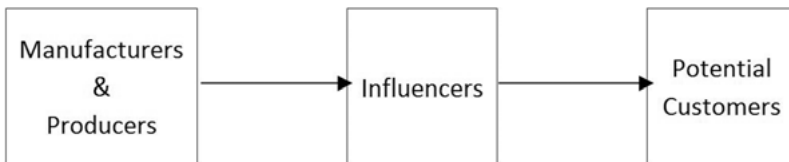


Figure 2: Push relation between positive comment, credibility, and purchase intention

Such influencers are on the whole considered as leaders. When their messages are accurate and comprehensive, followers react more strongly to this information (Bao, Chang 2014; Godes, Mayzlin 2009). Influencers have the role of leadership and that is why manufacturers and producers should find a leader to spread their information so as to profit from it (return on investment in e-marketing) or generate a multiplier or ripple effect. Overall, an authoritative

opinion maker entices future customers or fosters a behavioural outcome. However, it remains unclear whether influencers have been paid by the enterprise to write positive comments. The market rate for influencers is around €6,000 to promote a product or a brand.¹

A problem with the influence of eWOM arose when it was discovered that some hotels created fake comments, which is an illegal practice and forbidden in Britain, Ireland, France, Italy and Germany. This malpractice continues because the average payment for hiring somebody willing to make such comments is around €8 per comment. Li et al. (2014) demonstrated some patterns that reveal the authenticity of a message. A fake comment may include excessive use of superlatives and a lack of detail and description.

To sum up, eWOM is created through comments, where the information can constitute eNWOM or ePWOM. Both can affect purchases, eNWOM reduces the percentage of sales, whereas ePWOM has the opposite effect.

4 eWOM and Variables

The key elements to effective persuasion on the Internet are credibility and trust (Teng et al. 2014). Credibility, trust and persuasiveness are variables that are closely interconnected (figure 3). Although some researchers have tried to focus

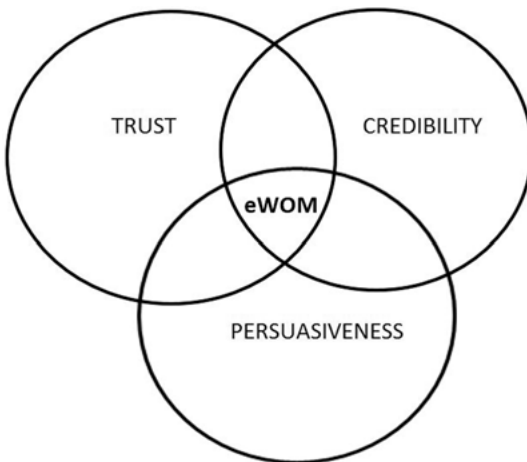


Figure 3: Interconnection between trust, credibility, and persuasiveness

¹ The blond Salad by Anat Keinan, Kristina Maslauskaitė, Sandrine Crener and Vincent Dessain available at <http://www.hbs.edu/faculty/Pages/item.aspx?num=48520>

their studies on one variable (Cheung et al. 2009; Pan, Chiou 2011), their findings proved that one variable cannot survive without the other. If a comment is credible, readers rely on it and the message can persuade them to react by following its recommendation, as for example, encouraging the buying of a product or just improving the brand's reputation. That way, the overlap of the three variables is shown and they act as a chain of events.

4.1 eWOM and Credibility

As a rule, there is a push relation between positive comments, credibility and purchase intentions. A positive comment has a positive impact on credibility and influences purchase intention (see figure 4, Chih et al. 2013). However, this simple model has some moderators that enhance or temper credibility.

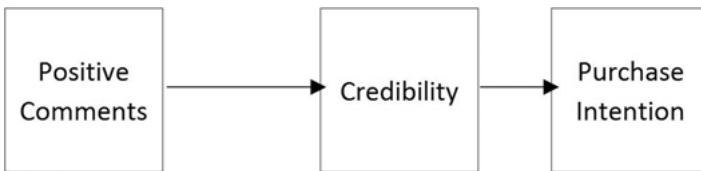


Figure 4: Push relation between positive comment, credibility, and purchase intention

On the Internet, the credibility of the creator of any information might suffer due to lack of face-to-face contact. The more positive comments are presented on a website, the higher its potential to undermine the credibility of the site, although it may result in higher scores (Doh, Hwang 2009; Reichelt et al. 2013). Not only negative, but also positive comments could be detrimental to the credibility of the source.

However, if eWOM is customized (visual cues, numbers), it becomes more trustworthy, due to the fact that consumer experiences are relevant (Ha 2002; Teng et al. 2014). Users' acceptance of online reviews as reliable increases for comments if the user perceives the post as useful or recognises social ties with the poster (Teng et al. 2014).

Another variable affecting credibility is product type. A review of an experience product is most credible when it appears in an online community and is given more credit than a search product comment when it appears in a consumer-developed review site (Bae, Lee 2011b).

The previous experiences of participants as well as the quantity and articulation of posts are major factors. Readers of information may give it more credit when they are able to compare different opinions, as in that way they have the opportunity of choosing which is more convincing (O'Reilly, Marx 2011).

The initial model in figure 4 has moderators that affect credibility and the final decision (figure 5).

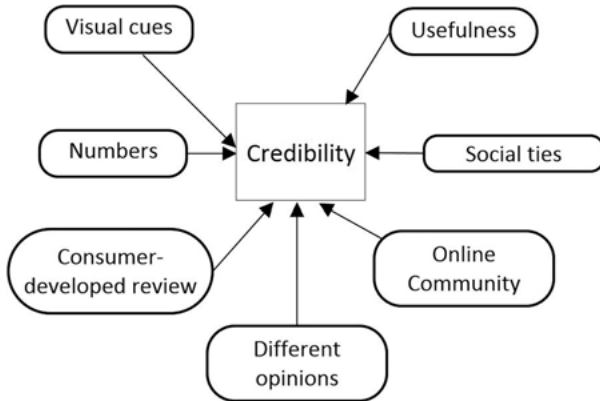


Figure 5: Moderators affecting credibility

4.2 eWOM and Trust

Gender is a moderating factor in online trust and the intention to shop online. Women attach more value to responsive participation (e.g. a real conversation, where there are interactions between comments), while men give more value to the ability to post online content (Awad, Ragowsky 2008).

Trust is the foundation of success in the banking sector, where consumers have to entrust their own money to a specific institution. A positive word of mouth has a positive effect on electronic banking use and enhances trust in a particular bank, while a negative comment influences the consumer, creating risk and potential mistrust (Ashtiani, Iranmanesh 2012).

What really undermines the trust of a firm when it receives eNWOM is their failure to take immediate action (Audrain-Pontevia, Kimmel 2008). Users are wary of those firms that do not act in a proactive manner.

Researchers generally show a connection between levels of trust and credibility. In fact, the variables present in credibility also affect trust. Cheung et al. (2009) showed that consumers are more likely to trust eWOM when comments are more credible.

4.3 eWOM and Persuasiveness

When it comes to persuasiveness, influences play a major role. In fact, the reputation of a reviewer directly affects followers and laggards' purchase behaviour due to their trust of expertise.

The information given by residents is more persuasive in the accommodation, food and beverage sectors than travellers' experiences, whose opinion has more influence in the destination category (Arsal et al. 2010).

Evaluating a product with a promotion goal has a positive impact on the target reader. Actions that are more negative tend to generate negative effects, whereas positive actions tend to have positive effects as a response (Zhang et al. 2010).

Without trust in the credibility of a comment, there is no persuasiveness. Persuasion relates closely to consumer beliefs. The conclusions of the study by Teng et al. (2014) found that credibility (trustworthiness) is a main characteristic of persuasion in eWOM messages.

5 eWOM and Brand Reputation

In social discussion eWOM is an indicator of the reputation of a brand, be it a company or the author of a book, and it even affects complementary goods (Amblee, Bui 2011).

In the banking sector, loyalty and ePWOM derive from user-friendly web development and satisfaction on the part of the customer (Casaló et al. 2008). However, several researchers have drawn similar conclusions regarding the relationship between technology readiness and eWOM (Chen 2011).

Gender is a variable that directly affects brand reputation, because women are more willing to post brand-related content on *Facebook* than men (Choi, Kim 2014).

In an eWOM group, if there is a strong connection between the stakeholders, they react less aggressively when their brand receives eWOM and tend to downplay criticism, because they regard the brand as if it were an integral part of the group (Chang et al. 2013).

Dissatisfying product or service experiences produce eWOM, which is strongly detrimental to the company's reputation and sales when the company does not take immediate action to solve the problem of unsatisfactory product or service experiences (Nyer, Gopinath 2005; Burton, Khammash 2010). However, if the company treats the complaint adequately, this rapid reaction increases consumer loyalty and satisfaction level (Hong, Lee 2005). After eWOM, prompt feedback reduces the overall impact on the brand (Shimabukuro Sandes, Torres Urdan 2013).

The better known and bigger a company is, the higher the number of anti-brand sites that appear, which are deleterious to the brand image (Krishnamurthy, Kucuk 2009). In those anti-brand sites, the language used has a marked ideological and transactional component.

Post-purchase reviews written by e-communities can create harmful rumours. Thus, companies have to pay particular attention to negative feedback and eNWOM in order to safeguard both their brand and their online reputation.

Brands really need to promote e-interactivity with their potential consumers or potential eWOM senders to protect their image. Harmful rumours might be prevented if the brand automatically reacts reasonably. Otherwise, the snowball effect (Brooks 1957) may impact them and disinformation can increase in a way that the brand cannot control.

6 eWOM and Social Networks

Social networks can be considered as a broadcast medium and, of course, they play a main role in eWOM and create consumer-to-consumer communication (C2C). However, there is a difference in the way information is presented: in the typical way as on *Facebook* or *Twitter*, and discussion communities such as e.g. *TripAdvisor*. Researchers consider the first group as a provider of information in a social context while the second is considered a source of information (Arenas-Gaitan et al. 2013). The main difference is the interconnection among readers on *Facebook* (replies are possible) and this is not the case on *TripAdvisor*.

There has been much debate (de Cristofaro et al. 2014) regarding recent practices where a company is able to buy e.g. 10,000 likes for around €36, which is why even the comments a potential customer may find within a social network make them wonder whether they have been bought.

Individuals are primary actors in social networks (SNs) and, they construct online communities around their opinions and contributions where they can identify themselves as part of a group (Brown et al. 2007).

Social networks provide the likelihood of expanding social circles, but when community members use the fan page its main purpose is to collect information to be used by enterprises. *Facebook* collects personal data from users which they then sell to attract advertisers. However, users tend to express their preferences by clicking on “Like” rather than sharing the information within their social circle (Chen 2011).

What happens with those social networks such as *Facebook* where the user can only “Like” or do nothing? *Facebook* users tend to be more positive than negative (Chen et al. 2013), because they do not have the possibility to express

a simple “Not Like” when they do not agree. They only have the chance to express “Like” to a negative comment.

In SNs like *Twitter*, those users who are motivated by the brand, the so called “brand followers”, serve as role models and tweet or retweet brands’ links (Chu, Sung 2015). In fact, the information on a SN has higher impact on intention and trust than the information included on a firms’ website (Meuter et al. 2013).

However, up to now there are a number of questions left unanswered which presents challenges for new research: how can a company monitor each fan in terms of revenue? What is the best way of measuring social networks? How can thousands of fans be converted into profit?

7 eWOM and Information

As a rule, eWOM is based on recommends, shares, likes and comments. However, comments can be classified not only according to positive or negative information, but also according to their content. After analysing information on numerous conversations in discussion forums, Andreassen and Streukens (2009) considers that, they can be divided into four main categories:

- a) Information request
- b) Usage experience
- c) Business practice issues
- d) Comments pertaining to new product launches.

As can be seen, these four main categories relate to a final business purpose. Information request aims at a prospective purchase, usage experiences and comments relating to new products are a response from buyers and can encourage potential consumers. Finally, business practice issues are closely related to the image of the enterprise and can boost sales.

Other researchers such as Hung and Li (2007) have highlighted four categories for the responses found in virtual communities:

- a) Sources of social capital
- b) Brand choice facilitation
- c) Persuasion knowledge development
- d) Consumer reflexivity.

There is not much consensus about how to generalize information in eWOM. It seems apparent that a comment can facilitate the choice of brand and product and is the driving force behind consumer persuasion. In this process, experience is used as a mediator as well as business practice.

eWOM has changed the buying environment. The amount of information that a consumer can access has developed new ways of organizing information and specialized sites such as e.g. *TripAdvisor*, where the buyer can compare prices, evaluate other visitors' opinions and classify a service not only according to the price variable. e-marketing strategists see the need to identify more variables in order to be able to apply the best strategy. An example might be the motivation behind the creation of fake comments that create disinformation (Levine et al. 2010).

8 eWOM and Benefits

Who really benefits from the information on the Internet?

On the one hand, individuals transmitting information satisfy self-needs such as being part of something noticeable. They also increase their social needs and intentions, such as helping the community and bonding socially (Alexandrov et al. 2013). By helping out another member of a virtual community the communicator enhances their self-worth (O'Reilly, Marx 2011).

Consumers use eWOM because they need to avoid uncertainty and risk in their purchases (Chan, Ngai 2011; Goldsmith, Horowitz 2006; O'Reilly, Marx 2011).

In contrast, customer participation through eWOM influences behavioural outcomes, which also affects firms' outcomes by increasing efficiency and generating higher revenues (Bolton, Saxena-Iyer 2009). When a product receives a positive evaluation from consumers, as for example on *Amazon*, it is more likely to be purchased (Leskovec et al. 2007).

eWOM has been recognized as a powerful driver of purchaser intention that really benefits enterprises. In fact, virtual communities foster attitudes and purchase intentions (Huang et al. 2012). As various researchers have confirmed purchases, as well as brand image and reputation, are much influenced and enriched by eWOM (Jalilvand, Samiei 2012).

Regarding the relation between consumers and firms, eWOM helps to enhance conative and action loyalty levels (Roy et al. 2014). The largest benefit of loyalty is an increase in long-term sales as well as the fostering of repurchases.

9 Conclusion

Although there are several factors that influence eWOM, this chapter tries to take a holistic approach, because ultimately the various effects are interconnected and it is very difficult to assert that any single factor is the trigger in eWOM.

EWOM creates both information and disinformation, because as consumers we cannot clearly identify valid information, and firms cannot reliably identify whether a comment is genuine or a fake.

In eWOM, influencers have a leading role and are a mediator between enterprises and potential customers, but they can also create disinformation because some may be paid to assert something positive even when they themselves are not convinced of it.

ENWOM needs to be followed and attended to, because it directly affects e-reputation. A prompt response may prevent a potentially undesirable snowball effect. However, too much ePWOM is also suspicious and can project a distorted image of a company.

Virtual communities are very relevant to companies and they can be a crucial asset for them in critical situations. Social networks can be a tool to promote such virtual communities.

The information within individual comments is difficult to classify, because the amount of information on the Internet is so huge and there are few studies in this area.

There are many unknown factors in this field which need to be examined and clarified that are fundamental for companies in order for them to convert the information into a source of revenue. Although there are several studies of eWOM, there remain gaps that require further research.

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4.3 User-Generated Internet Memes as Advertising Vehicles: Visual Narratives as Special Consumer Information Sources and Consumer Tribe Integrators

Abstract: Internet memes – highly evolutive iconic, yet topical contents with shared meanings replicated and spread by and to the Internet folk – have become a prevalent Internet phenomenon (Figure 1). Embedded in a culture of consumption, Internet memes often employ branded contents in the expression of personal messages, which often could not be farther from the contexts originally intended by organizations. Yet, there is little business insight into memes. The following chapter introduces the concept of memetics and its connection with Internet memes as a cultural phenomenon and a social communication channel. The prospects for using Internet memes as marketing vehicles are then evaluated.

1 Introduction

Internet memes may be described by the characteristics of face-to-face gossip: being very fresh and up-to-date, while transmitting information in a very peculiar way. A ridiculous mistake on the Internet by a celebrity, or even by an unknown user is good enough for it to become the target of the mischievous Internet folk. If one is lucky enough, the online joke will only last for a short period of time and result in less loss of face (e.g. stars occasionally falling over on the red carpet), if not they will become part of online conversations or even the vernacular (e.g. the Streisand effect¹). Successful memes on the other hand can even lead to the creation of a whole business (e.g. Grumpy Cat). As memes become part of

¹ The Streisand effect describes “the process leading to a greater diffusion of information that would be kept confidential on the Internet in the case of no manipulation” (Liarte 2013, p. 103). It is named after American entertainer Barbra Streisand, whose 2003 attempt to suppress photographs of her residence in Malibu, California, published in the framework of an unrelated project, inadvertently drew further public attention to it.

the everyday vocabulary and part of consumer culture, they turn out to be sources of consumer insight as well as advertising vehicles in their own right. As such, they need to be included as a part of the corporate and advertising vocabulary.

Despite the extraordinary growth of user-generated contents (UGC) Internet memes being among them, advertisers and advertising agencies still remain hesitant to venture into this unproven context (Krishnamurthy, Dou 2008). Their concerns stem from a fear of intruding on a “consumer” environment, a lack of understanding of UGC users and their behavior, and a lack of control over the context in which their advertising is exhibited. However, a sustained corporate presence in social media could legitimize the role of UGC as a full-fledged medium and therefore contribute to integrating it into the marketing (communications) toolkit. To do so, advertising needs to learn about memes’ ecosystem, cultural role, values and its own place therein and furthermore to be able to handle their lack of control in marketing communications, and therefore the spontaneous appearance of information and disinformation.

2 From the Concept of the Meme to Internet Memes

The foundations of meme theory can be traced back to evolutionary biology. The concept was introduced by biologist Richard Dawkins (1976), who develops Darwinian evolutionary theory to state that while biological selection works at the level of individuals, genes are the replicators that enable variation, which is the precondition for evolution. Genes contain the genetic information material and at the same time serve as the transmission channel for them. According to the final thoughts of Dawkins’ (1976) book, the complexity of the human mind is enabled by the fact that genes are complemented by other information replicators in its evolution. These latter are referred to as memes by the author. Memes are conceptualized as the units of cultural transmission, and replicators of the human cultural environment (Dawkins 1976, p. 192). Memetics are introduced into the social domain by Dennett (1995), while Sperber’s (1996) definition of culture welds it to the field of epidemiology (cultural epidemiology). Memes can be easily conceptualized as viral, for minds “are typically massively infected” (Dawkins 1993, p. 20) by the highly flexible information carriers that are memes, which makes them easily inherited through the recoding of the cerebral nervous system, without requiring a full generational turnover (instead of spreading vertically from parents to children, they often spread laterally across peer groups). A limitation to the epidemiological metaphor is that while cultural



Figure 1: The archetype of an Internet meme: “Imminent Ned”, aka “Brace yourselves, winter is coming”: A widely recognized and highly customizable image and motto

Source: <http://knowyourmeme.com/memes/imminent-ned-brace-yourselves-winter-is-coming>

memes are indeed contagious and do mutate, they are not pathological for individuals (while they can still be so for organizations that venture into trying to use them in their communications).

In their working mechanism (e.g. diffusion patterns and evolutionary traits) memes operate similarly to genes, while in form, they are memorable units of the human mind, the evolution and diffusion of which take place through interpersonal communications and various human artifacts as channels (e.g. pictures, books, narratives, written and digital data storages, etc.). While memes themselves are ideas and therefore are invisible, meme-carriers, i.e. the “physical” tools that contribute to spreading them are observable. Their forms and representations can be most varied: a jingle², a thought, a password, fashion, a procedure or an architectural style can become a meme, as well as blind faith³,

² The memetic diffusion of music can explain in part, for example, the often heard accusation of musicians “stealing” their biggest hits, or parts of these (e.g. guitar riffs) from others musicians. While sometimes these loans can indeed be voluntary, in many other cases, they can be the result of music writers being so influenced by a tune that “it sticks in their heads” (see “stolen riffs” in any online search engine).

³ Religions, for instance, can be considered as memes (Dawkins 1976). One can, for instance, argue that religions are interpretations of natural anomalies as observed by ancient communities that were later stylized and structured (and re-structured [see e.g. the Reformation]) in a continuous process of transformation.



Figure 2: Extent of the “Charlie bit me” meme: example of a completely modified context
Source: <http://knowyourmeme.com> (2009)

tolerance, freedom of speech, conspiracy theories, but also e-mail chain lists or funny Internet images (Veszelszki 2013).

According to meme theory, memes’ evolution is the effect of blind chance and natural selection. During diffusion they continuously transform, and natural selection can be observed through the proliferation of the most successful variants. Limitations of the human mind force memes to compete in order to reach as much attention through as many minds as possible. Success therefore in the case of a meme means that it outperforms other similar communication messages both in lifetime and diffusion dynamics (Williams 2000). A successful meme can thus be considered an artifact of shared social norms, world views, common perceptions and user preferences (Shifman 2013). In this sense memes fall short of genes in terms of replicating fidelity and blind obedience.

It is important to note that the current, colloquial use of the term meme is different from the traditional, scientific construct. While the traditional approach to memes has abstract and often controversial subjects, the colloquial interpretation refers to very specific contents (and to their derivatives). Moreover, while memetic studies focus on cultural entities that are successful over the long term, Internet memes are creations with high topicality and sudden success, that may or may not become successful in the long term (Shifman 2013). In order to ensure a seamless transition between the academic and colloquial meaning,

Wiggins and Bowers (2015, p. 11) offer a three-stage hierarchical system of the process of memetization. According to this, successful contents are initially in a (1) maintenance mode, to then become (2) emergent memes and then (3) (genuine) memes.

On the way to becoming a meme content first needs to be spreadable (Green, Jenkins 2011), i.e. to be interesting enough in some respect to be disseminated by users in its original form. Having reached the stage of spreadable media, the content is in a maintenance mode. At this stage, the content is viral, yet still is not a meme. Success triggers imitation and creative reinterpretation: active bricoleurs add new context and creative content to the original idea, leading to emergent memes. Emergent memes are topical, and can somehow be related to the original context and message. An idea then can become a genuine meme when it reaches a critical mass⁴. In this meme status, an idea becomes universal, while cultural reinterpretation and potential subcultural aspects are replaced by mass audiences and mass usage (Williams 2000).

At the meme stage the original message and context are largely lost and the meme becomes self-serving. An advantage of a meme status is to have a mass cultural awareness. It also bears the paradox of a lack of context while being multicontextual: in the case of Internet memes, modification as a core phenomenon allows for the overstepping of social and cultural boundaries set by the original (intended) meaning, thus broadening the profile of the original idea (Bauckhage 2011).

⁴ The evolutionary character of a meme can be illustrated by the triumphal march of the “Charlie bit me” video (https://youtu.be/_OBlgSz8sSM). The video had spent six months unnoticed in the clutter of user-generated contents until noticed and featured, in November 2007 by a comedy website (Collegehumor.com) with a large audience. The video quickly went viral (the original video has had 840 million views as of April 2016), but only became an emergent meme when inspired users started producing, uploading and sharing their own versions of it. Remixes and mimicries appeared, ranging from users reinterpreting the original video (e.g. by adding background music – see e.g. <https://youtu.be/pOle1AnPOc4>) or by replaying the scene, typically with adults performing the roles of the two main child characters (even to the extent of producing politically incorrect reinterpretations, such as horror versions – e.g. <https://youtu.be/RIH5aMng7mo> [explicit content]). Note that a few years later a (now unavailable) commercially licensed version equally appeared (with a moderate success), produced by baby food giant Gerber to help promote the company’s new line of finger foods (Shifman 2014). One can call the phenomenon a genuine meme as the phrase “[Charlie] bit me” has become proverbial among the Internet folk – and has since been used in contexts often utterly different from the original (see e.g. Figure 2).

3 Internet Memes as Consumer Tribe Integrators

While the term meme has become a “catchall for freely copied and amusing content online” (Murray et al. 2013, p. 329), one can, based on the above, conceptualize them as a pool of variants of iconic, yet topical visual/audio/textual contents generated and spread by and to the Internet folk that have already undergone transformation, yet still bear a number of common properties and shared meanings for a given community, and that often originate from unwitting sources (Csordás 2015, p. 101). As such, memes “are often created by anonymous persons [...] without anything marking the identity of the original creator” (Patel 2013, p. 237). Moreover, successful memes can be interpreted as the result of user agency, i.e. of intentional choices made by a large number of users to disseminate and/or rework a text (Green, Jenkins 2011).

The process of memefication is greatly facilitated on the Internet by so-called meme templates (often referred to as image macro memes), thanks to which users can generate new meanings and new messages to the most renowned audiovisual contents with a minimum of required effort and added creativity. Indeed, as a form of “parasitic art” (Katyal 2010) Internet memes use original texts and images as tools to communicate. They convey information framed in a peculiar way, giving way to expressing personal understandings as well as more complex, somewhat related or associated values.

The spreading of such a message can occur “because it is funny, profound, carries a good message and/or otherwise speaks to a large volume of people” (Freund 2013, p. 128). But, more than just funny images on the net, memes are successful cultural artifacts that represent topical and/or universal ideas that occupy the Internet folk’s minds.

As a form of free Internet speech image macro memes are powerful proxies as they often tend to essentialize, oversimplify and exaggerate the themes and topics they address, while they offer self-contained arguments with open-ended interpretation depending upon recipients’ context. Internet memes are the imprint of a peculiar (simple, yet extremely expressive) representation of their creators’ realities: they are the anonymized reflection of their creators’ thoughts, desires, fears and concerns, without the weight of the layers of censorship peculiar to traditional, mainstream media. As such, humor (ranging from quirky through offbeat and bizarre to potty (Knobel, Lankshear 2007)) and/or irony are primordial elements of Internet memes. As a feat of the web 2.0 along with sensationalism, they act as a “megaphone” (Zittrain 2014, p. 389) and contribute to getting and keeping the limited attention of the masses in the high clutter of such images.



Figure 3: An intertextual meme linking fantasy movies *The Lord of The Rings* and series *Game of Thrones*, requiring the receiver of the message to be acquainted by both works to grasp its meaning and pun

Source: (Jadhav 2014)

Most memes “might sound nonsensical to those unfamiliar with internet culture, they do have meaning and purpose to those [communities] they inhabit” (Freund 2013, p. 134). Memes construct and fuel affinity spaces (Gee 2007) of shared knowledge and meanings (Figure 3): the majority of topical successful Internet memes are more likely to spread through homogenous communities (in the form, for example, of inside jokes or intertextuality) and social networks rather than through the Internet at large (Bauckhage 2011).

At the same time, as proxies, images used in memes to express a message often (ever more in higher stages of memefication, mutation being a necessary trait of a meme) supersede the image’s original meaning and “flow takes primacy over origin” (Nooney, Portwood-Stacer 2014, p. 249). Internet memes are thereby used to divert original information to express an often utterly different new message. However through an intended resemblance in content or in form to the original message, these new messages have the capacity to complement or supplement (e.g. diffuse, condense, popularize) the original information, but also to piggyback on it to give new meaning and even to contradict or dispute it in its own form, therefore leading to potentially diffusing disinformation.

4 The Role of Internet Memes in Marketing

As corporate communications begin to follow the audience's consumption patterns, Internet memes are increasingly becoming an interesting ground for corporate marketing (communications) activities, and companies have recently shown an increased interest in exploiting the potential economic value of the channel. The major challenge in doing so is the question of control, as the “creations” of the Internet folk may not represent the very same intended message that was set by corporate representatives in strategic planning. Still, these internet memes serve as a new and authentic representation of brand and product communication.

Indeed, memes are a potential manifestation of consumer experience outside of the domain of the core service, and completely in the domain of the consumer, embedded in their context, activities, and experiences. According to the meaning-based approach (Mick, Buhl 1992) audiences attach different meanings to messages within their personal contexts (interest, cultural background, etc.). Mass personal representations through memes then are ideal tools for monitoring users' perceptions of topical societal issues, as well as brands.

While memes are based on seized, spontaneous, unsolicited moments, they are also authentic representations of the creators' feelings. This embeddedness is all the more important that “many things consumers value do not inhere in tangible products but increasingly derive from images, cultural texts, and mediated experiences” (Fisher, Smith 2011, p. 332). By acknowledging that consumption is a form of self-expression in postmodern society, cultural artifacts are then supposed channels for carrying brand-related user manifestations, at least in small-scale consumer tribes. Memes can also be considered artifacts of culture. First, users invest much of their time into creating, disseminating or simply consulting them, thus transmitting their sense of self into these cultural products (Gehl 2014).

Mining popular memes is key to applying a cultural strategy model to branding. Consumers' associative networks of memory, and thus the meaning that they carry about a brand can be studied throughout these cultural representations. Internet memes can then be used by marketers as an alternative research tool, to map and audit how their brands are positioned in the minds of consumers (“semantic DNA”) (Marsden 2002).

As a quantitative tool, the number of available Internet memes makes it a task of big data analysis to identify and sequence how brands are positioned in the minds of consumers. As a qualitative tool, meme mapping can be used to identify second- or third-order meanings associated with a brand (e.g. through intertextual references) and thus to identify market niches and/or brand stretching opportunities (Marsden 2002). Mind maps can be drawn from the various

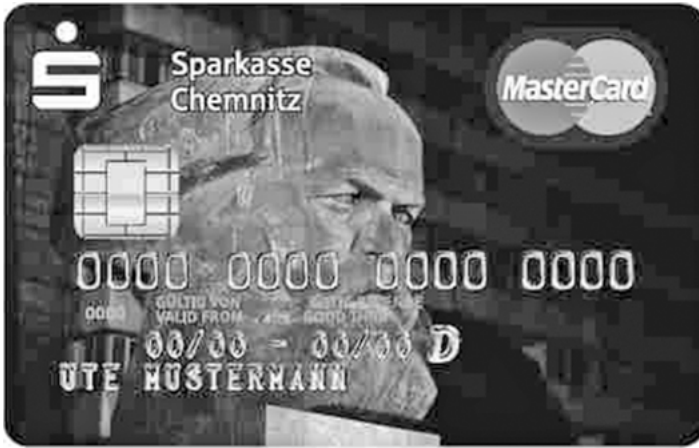


Figure 4: The Karl Marx Credit Card

Source: www.npr.org/sections/money/2012/06/15/

topics addressed in memes, leading to a result similar to a biological “tree of speciation”, where the evolution of meanings can be observed and studied (Freund 2013).

While it is questionable whether marketers have the possibility of memetically modifying their brands in order to better appeal to their consumer (as the underlying “carpet bombing” advertising tactic would require serious marketing communications efforts with questionable returns on investment), they can nevertheless study the perceived flaws of the brand with an aim to correct them (e.g. the perceived service gaps related to the product, apparent enough to be represented in memes and shared among consumers (Csordás 2015)). Moreover, brand mapping can help determine whether a brand’s position is suitable for user-generated advertising campaigns. Negative double jeopardy theory (Kucuk 2010) postulates that strong brands might also have some disadvantages over weak brands in the sense that consumer meanings associated with them can transcend their marketing performance, even at a societal level (e.g. Coca-Cola perceived as a euphemism for capitalism), thus making them an easy target for user-generated antibranding.

5 Internet Memes as Advertising Vehicles

Memes can be considered as advertising assets for brands “because, like celebrities, they have an audience that recognizes and appreciates them” (Sax

2012, p. 69). In form, their commercial exploitation can take shape in a traditional approach of the licensing of a popular content for advertising reasons or in a more subtle approach, where companies embrace the fact that in the many-to-many context of the interactive, digital, user-generated environment, anyone can be the “user”. Thereby company-generated messages begin to take an ever more similar form to user-generated content (a corporate practice referred to as stealth marketing), making it literally impossible to correctly identify the true source of a piece of content, as well as determine whether a brand-related content was paid- or unpaid-for (Katyal 2010). However, the Internet folk in many instances have been shown to enforce the grassroots and authentic nature of user-generated contents as a norm. As such, fakes or apparent corporate contents are hardly tolerated, leading to simple indifference⁵, community disdain or exclusion (Kozinets et al. 2010).

In the study of electronic word-of-mouth (of which meme diffusion is part – for more detail, see chapter 4.2 on the effect of word-of-mouth in e-marketing), Armelini and Villanueva (2010) distinguish between (1) organic, (2) amplified and (3) exogenous contents. This classification can help in understanding the role of corporate content in the viral diffusion of Internet memes.

(1) Organic content is the most powerful form, accounting for the greater part of online word-of-mouth (Bughin et al. 2010). As such, Internet memes are equally predominantly organic. In this case, the creation and diffusion of content is voluntary, based on actual user experiences.

The diffusion of content is (2) amplified when an external (corporate) trigger is involved. For instance, organizations can build upon the popularity of other memes to spread their own corporate messages. The use of popular imagery for a corporate goal raises the issue of copyright, where an otherwise fair use practice (that of cultural exchange) can quickly become an infringement (commercial exploitation of intellectual property) if not handled (i.e. licensed) or if discovered by the originator. Even if it is not discovered, this activity can be considered piggybacking. In a best-case scenario, the audience winks together with the brand, and may embrace the association of image (i.e. that of the brand with an external source) as a shared cultural reference (e.g. a restaurant using names in reference to popular TV shows on their menus or boards, targeting a “geek” audience (Csordás 2015). However, there is always a

⁵ e.g. brands trying to connect to their community using various memes. Such a topical meme is the “Chill out lemur” (aka “Everybody calm the f*** down”) meme template, where organizations resorting to the meme are still often reluctant to include the f-word into the texts of their message for being offensive, thereby also eliminating a core authentic element of the meme. Also see e.g. note nr.4 on the failed commercial exploitation of the “Charlie bit me” meme.

danger of community disapproval or even rejection if done in ways that go against the community's (target group's) values. Thus, exploiting memes in such ways equally becomes a community management issue.

(3) Intentional or exogenous contents are expressly company-generated sources. Here a company, e.g. as part of a marketing communications campaign, encourages consumers to share contents on its behalf. Investing in generating intentional word-of-mouth for an organization is risky because of the uncertainties related to the execution of such campaigns and the relative loss of control, while the effects are difficult to measure (Bughin et al. 2010).

Creating memes for advertising purposes is a delicate corporate endeavor. Memes as part of a planned marketing communications campaign seldom become genuine memes, or even emergent memes. When they do it is rather by a combination of a deep understanding of the target audience (engendering a valuable consumer insight and a tailored communication message), a serious media budget (to ensure high reach/coverage), and (mostly) blind luck⁶.

For instance, contrarily to traditional advertising, memes account for a very unique genre (Wiggins, Bowers 2015) with attributes known to members of the Internet culture, but needing to be mastered by the advertiser (for the rhetoric of marketing co-creation, see chapter 4.1). Moreover, certain attributes of memes, such as immediacy and free dissemination are in direct contradiction with corporate structures. The momentum, i.e. rapid uptake (and often: fall) of Internet memes requires quick responses which rigid corporate policies (e.g. control procedures, authorizations to publish, etc.) do not offer. Moreover, meme dissemination does not work in plannable ways. Memes gain their power from derivatives born through an organic growth. The purpose of the idea of memes is easy recreation (Patel 2013), which by definition cannot happen in a centralized, corporate-controlled environment. From then on, however, the organization has no control over the channel and a corporate-message-become-meme spreads. In the case of successful diffusion, the message inevitably reaches a wider audience than the fan base or the original target group (Patel 2013), whereby it is exposed to a general meaning manifestation (and further meaning-making) of the larger public. By reaching various and diverse communities of affinity, the message is left grounds for possible societal critique if the brand is predisposed (cf. negative double jeopardy).

A reason why company-generated messages often fail to become genuine memes is their lack of authenticity and organicity: while on the surface they

⁶ See e.g. Dos Equis, later in the chapter.

may appear to be memes, with the cessation of marketing agency (i.e. funding), the “wannabe-meme” equally ceases. Such was the case with meme campaigns building on the popular “photo fads” genre (see e.g. planking) such as “razorbombing” (backed by Schick razors) or “shamrocking” (by McDonald’s) (rYANrULZ01 2011).

In early 2012, McDonald’s started a Twitter campaign soliciting users to share pleasant stories about Happy Meals using the hashtag-named McDStories. While McDonald’s had paid for having their hashtag promoted on the Twitter homepage, users hijacked the hashtag to turn it against the corporation. While the campaign itself was suspended within two hours, the hashtag is still used by users to sign antibranding messages (Hill 2012).

The most important facet of the presence of corporate messages in the digital sphere is the role of consumers as transmitters. If we accept that advertising images are a top-down, overly exaggerated reflection of society, then Internet memes can be conceptualized as the grassroots counterparts of these images. Internet memes are a mocking mirror of society, and within, of the consumer culture most represented by brands and advertising.

In general, consumer-generated advertisements (CGA), as a special type of user-generated content, can vary from the modification of elements of a company’s advertising material (e.g. by distorting the meaning, the imagery, etc.) through the uploading of original variations on a theme of a company’s advertising material (e.g. humorous, subversive variations or spoofs) (thus creating emergent memes) to proposing original materials. Berthon et al. (2008, p. 8) define “consumer-generated ads” as “any publicly disseminated, consumer-generated advertising messages whose subject is a collectively recognized brand”. Even though consumers may create ads about almost anything (themselves, their favorite TV shows, etc.) consumer-generated advertisements by definition are specifically targeted at collectively recognized brands. The nature of a brand as an asset makes the issue of consumer-generated brand ads so critical. Berthon et al. (2008, p. 14) offer a typology of consumer-generated advertisements, a categorization equally useful for the assessment of Internet memes as advertising vehicles. The authors distinguish between four categories: (1) concordant, (2) subversive, (3) contrarian and (4) incongruous.

A lampoon of a brand’s ad might be categorized as (1) “concordant” in the case that the message is not necessarily negative and deteriorating and both the audience and the responding firm wink and nod, the firm accepting a criticism on the one hand and carrying on with their own brand building. Moreover, many fan-generated Internet memes fall into the concordant category as they often praise the brand (even through a slightly critical tone idiosyncratic to the

genre) while placing them in consumer associated (usage) contexts. This way, Internet memes about popular TV series may often contain brand mentions or imagery as illustrations of a given activity as a whole.

A case of a traditional (TV-focused) advertising campaign become meme – partly due to being well-recognized and acted upon by the advertiser – was the 2010 “The Man Your Man Could Smell Like” campaign for Old Spice by ad agency Wieden+Kennedy. It featured former NFL player Isaiah Mustafa reciting a monologue about how anything is possible if a man uses Old Spice. The ad’s creative hook was so strong, that it inspired numerous (and fairly positive) consumer reinterpretations in the social media. Old Spice did manage to leverage the traditional media campaign on the meme scene by supplementing it with an interactive online marketing campaign, e.g. by offering numerous short reply videos based on the original creative hook, but varying in content. This proactive strategy made it possible for the brand to stay in control of the advertising idea and message to a certain extent by providing constant, massive and dynamic social media presence, in direct competition for the attention of viewers with the user-generated variants.

In the case that consumer-generated material is inevitably deleterious to the firm (e.g. by ridiculing the brand using its own messages or style) the firm should classify it as (2) “subversive” and respond accordingly. The occurrence of such antibranding and consumer protest (see chapter 1.1 on advertising critique) is more likely in the case of renowned brands (cf. negative double jeopardy), where consumer brand meanings go beyond the brand itself and take on a societal level, leading to the practice of culture jamming.

For example, a common conception related to McDonald’s can be that of unhealthy food, while Coca-Cola can often be considered as an allegory of capitalism on a societal level: common conceptions that antibranding memes are keen to put into a visual form (Kucuk 2015).

MasterCard’s advertising campaign tagline since 1997 has been “Priceless”. The slogan associated with the campaign is “There are some things money can’t buy. For everything else, there’s MasterCard”. The slogan, and especially its last chunk, contains a massive creative hook with a widely universal yet very brand-specific message. This universality caused the slogan to become a successful meme among consumers, as it offers wide possibilities of intertextuality, while the Priceless campaign offers a structure for creative user-generated reflections, similarly to meme templates. MasterCard’s strategy to keep the slogan for many years equally contributes to sustaining the meme, offering at once repeated user-generated brand exposure. Yet, as the phrase is part of a registered trademark, the company has considered derivatives as subvertising – mainly because of the contexts it can appear in – and through the years it has taken legal action



Figure 5: A mash-up of Mastercard’s motto and the motto of a house in the *Game of Thrones* series

Source: (Game of laughs 2012)

against various parodies for trademark violation and dilution. While such legal action may be conceivable against institutional media outlets and partners⁷ (even though fairly weakly defensible), such uses in consumer-generated media can be considered as fair use (Patel 2013) (Figure 5). As such, if no commercial exploitation is intended, it is strategically unwise for the organization to take legal action considering the potential social impact (e.g. Streisand effect).

(3) “Incongruous” and (4) “contrarian” types of CGA are (respectively: positive and negative) off-message to the original meaning. As such, they are less of a direct threat to the firm in the sense that although the message conveyed is not in accordance with the official communication and messages of the firm, it cannot be directly retraced to and tallied with by the audience and therefore follows a route on its own as an advertising or anti-advertising message. More-

⁷ E.g. A bank in a town in former East Germany, Sparkasse Chemnitz (formerly: Karl-Marx-Stadt) ran an online poll in 2012 letting customers vote for images to place on their credit cards, where the image of Karl Marx won. As the bank is associated with MasterCard’s services, the potential appearance of the logo of this former with the latter image could even have engendered corporate tensions for the subsequent image association (Figure 4), all the more that such promotions’ appearance in international mass media might favor new consumer associations and user-generated derivatives (Figure 5).



Figure 6: A user-generated association of Nike's logo with the concept of laziness
 Source: <http://realfunny.net/picture-4506-lazy-sloth-advises-you-to-just-do-it-later-.html>

over, Horváth and Mitev (2016) state that as opposed to brand value (a long-term concept), the organizational outcome of company-relevant Internet memes that we can refer to as meme value is rather temporary: it can rapidly escalate then drop just as quickly.

Most brand-related Internet memes fall into these two categories, as even though a brand's message or a brand-related sign becomes a meme, it will do so in a user-generated context, and this context is going to become an online convention, without necessarily reflecting the original (brand-intended) meaning (Freund 2013). This process is ever accelerated by mutation, a necessary trait of a meme, which forecasts the limitations of a direct use of memes as advertising vehicles.

For example, the meme template called "The Most Interesting Man in the World" is an interesting case of an advertising campaign becoming a meme (Ulrik 2010). The template is a memefied version of a campaign for the Dos Equis beer brand. It is a message hijacked by users for its strong creative hook (in the original: "I don't always drink beer, but when I do, I prefer Dos Equis"). The ad's message has thus survived, however deprived from the brand, in the general form "I don't always... But when I do...". At the same time, a widely-used image macro of the meme is still based on a screen from the original ad, the product itself can still be seen on the image macro, and thus on every new

variant based upon it. This way, the brand wound its way into the everyday lives of the Internet folk.

According to Kucuk (2015, p. 4) the idea behind consumer antibranding is to create noise in the corporation-consumer communication processes. However, it can be argued that a fundamental aspect of the Internet-enabled user-generated communications is the creation of a large quantity of noise/clutter, independently of users positively, negatively, or otherwise interpreting and intending messages. The reason behind this is that one simply cannot expect user-generated media to be resource-optimized, as users are not economically interested in doing so while they have effortless and costless access to the communication channels. In this ecosystem, all brand-related contents (including memes) are in direct competition with organizational marketing communications goals and effort for users', and potential customers' attention (Weng et al. 2012). All the more important for organizations is to map the relevant communications ecosystems and evaluate the importance thereof in relation to their own organizational communications efforts.

6 Conclusion

As oversimplified and exaggerated creations, Internet memes are authentic pieces of online culture. For being predominantly user-generated, it is hard to judge on the truth of the information they bear. Indeed, everyday users, creators are not bound by corporate rules, ethics or copyright laws, instead they can use any means they deem necessary for sending their own messages. As successful brands and their advertising can be considered part of consumer culture and brand messages as widely recognized cultural products, they may contribute to visually sending messages more easily, which can explain their inclusion in user-generated messages on the Internet, even in ways and contexts that could not be farther from the contexts originally intended by the organizations. As users' motivations to include a brand's message go well beyond the nurturing of brand image in traditional advertising, the "authenticity" of a message is likely to prevail over the "truth" of brand information presented within.

Still, in a sense, users are creators of pieces of advertising and/or subvertising, and in this way become a potential source of unlawful competition for slower-moving firms' communication efforts. As pieces of advertising, this grey area can equally be used by corporations themselves (in the form of peer users among many others), and have recourse to stealth marketing or to creative piggybacking on successful topics (i.e. Internet memes) for their own sake. By doing so they risk (if discovered) being prosecuted for it (legal consequences)

and/or facing the disdain of a community of users seeking authentic contents while rejecting fakes (social consequences).

This brings about the idea of control, which for memes is minimal. Memes (e.g. because of meme templates) are an easy-to-access visual channel of communication. As such, while Internet memes (alone, or in the form of an ad campaign) are less likely to succeed as a voluntary piece of corporate advertising, they could be used instead as a marketing forecasting and planning tool. Indeed, they represent, illustrate and magnify consumer opinions in a brief, catchy and highly accessible way.

Moreover, most visible memes (e.g. in search engine findings, online articles, etc.) are arguably those that have gone through the memetic selection process and can be presumed to be the most successful pieces. Therefore these representations might be considered as a target group's genuine representations of a brand or product. Of course, it is important to proceed with caution with the use of memes as a marketing research tool, and to avoid a new type of marketing myopia not to project user voices to the whole consumer base.

As veracity becomes of secondary importance in Internet memes, they can be channels – often simultaneously – of both information and disinformation. As we saw above, this phenomenon seems to be a core characteristic of the genre. Therefore organizations can either embrace and include the loss of control in their strategies by various techniques (such as humor, or explicitly using distinguished channels for passing verified corporate information) and thereby take away the edge of potentially harmful messages – and disinformation –, or they can endeavor to educate – together with policymakers or platform operators – the audiences to information literacy regarding this channel as a mass medium.

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