

## Web Appendix A: Tracing the Evolution of Masked Marketing Practices

1873	Jules Vern names shipping and transportation companies in <i>Around the World in 80 Days</i> , an early instance of product placement in a novel. <sup>1</sup>
1880's	Advertorials become common in print media. <sup>2</sup>
1900-1930's	Public relations (PR) is established as a business function. <sup>3</sup> Public relations evolves to be both reactive and proactive, with proactive public relations focused on having content created for clients disseminated by media outlets. <sup>4</sup>
1920's to 1959	Until a scandal in 1959 prompts industry change, program sponsorship becomes the dominant form of advertising support with advertising agencies exerting significant control over the radio and television content. An entire TV genre, the 'soap' opera," is named after the dominance of companies that manufacture popular detergent brands, such as Proctor & Gamble and Lever Brothers. <sup>2</sup> <b>Error! Bookmark not defined.</b>
1980's	Paid product placement emerges in TV and movies. <sup>5</sup>
1996	Keyword search advertising begins. <sup>6</sup>
1999	Websites enabling consumers to write online reviews are launched. <sup>7</sup>
Late 1990's	Marketer use of incentivized or paid consumer word-of-mouth becomes popular. <sup>8</sup> The tactic causes outcry in some cases. <sup>9</sup>
Early 2000's	Use of the term 'influencer marketing' emerges. <sup>10</sup>
2003	Sponsored content (or content marketing <sup>4</sup> <b>Error! Bookmark not defined.</b> ) surfaces as an alternative to banner ads. Ford and L'Oreal are early adopters of the new ad form. <sup>11</sup>
2009	Social media influencers begin being hired by marketing firms. <sup>12</sup>
2011	Bloggers and influencers begin hiring agents. <sup>13</sup>
January 2013	The Atlantic runs an article-style native ad on Scientology, prompting one of the first outcries over the ad format. <sup>14</sup>

<sup>1</sup> <http://insights.pulsepoint.com/insight/is-that-our-product-placement-a-brief-history-of-native-advertising>

<sup>2</sup> Oberholzer-Gee, Felix (2014), "BuzzFeed – The Promise of Native Advertising," Harvard Business School Case 714-512, [available at: <http://www.hbs.edu/faculty/Pages/item.aspx?num=47578>].

<sup>3</sup> Sandler, Dennis M. and Eugene Secunda, (1993), "Point of View: Blurred Boundaries - Where Does Editorial End and Advertising Begin?" *Journal of Advertising Research*, 33 (3), 73-80.

<sup>4</sup> Andrews, Craig J. and Terence A. Shimp (2018), *Advertising, Promotion and Other Aspects of Integrated Marketing Communications, 10th edition*, Mason, OH: Cengage.

<sup>5</sup> Balasubramanian, Siva K. (1994), "Beyond Advertising and Publicity: Hybrid Messages and Public Policy Issues," *Journal of Advertising*, 23 (4), 29-46.

<sup>6</sup> <https://searchengineland.com/google-adwords-turns-15-a-look-back-at-the-origins-of-a-60-billion-business-234579>

<sup>7</sup> <http://www.nytimes.com/2011/08/20/technology/finding-fake-reviews-online.html>

<sup>8</sup> Dye, Renee (2000), "The Buzz on Buzz," *Harvard Business Review*, 78 (6), 139-146.

<sup>9</sup> Petty, Ross D. and J. Craig Andrews (2008), "Covert Marketing Unmasked: A Legal and Regulatory Guide for Practices that Mask Marketing Messages," *Journal of Public Policy & Marketing*, 27 (1), 7-18.

<sup>10</sup> Brown, Duncan and Nick Hayes (2008), *Influencer Marketing: Who Really Influences Your Customers?* Boston, MA: Elsevier.

<sup>11</sup> Becker-Olsen, Karen L. (2003), "And Now, A Word from our Sponsor: A Look at the Effects of Sponsored Content and Banner Advertising," *Journal of Advertising*, 32 (2), 17-32.

<sup>12</sup> <http://www.nytimes.com/2009/11/22/business/22ping.html>

<sup>13</sup> <http://www.nytimes.com/2011/09/29/fashion/fashion-bloggers-get-agents.html>

<sup>14</sup> <http://www.adweek.com/digital/after-scientology-debacle-atlantic-tightens-native-ad-guidelines-146890/>

## Web Appendix B: Summary of Recent FTC Actions Related to Native Advertising

<b>Date of FTC Press Release</b>	<b>Title of Press Release</b>	<b>Summary of Allegations</b>	<b>Type of Deception Related to Native Advertising</b>
May 31, 2017	FTC Stops False Advertising, Phony Reviews by Online Trampoline Sellers <a href="https://www.ftc.gov/news-events/press-releases/2017/05/ftc-stops-false-advertising-phony-reviews-online-trampoline">https://www.ftc.gov/news-events/press-releases/2017/05/ftc-stops-false-advertising-phony-reviews-online-trampoline</a>	Two online trampoline sellers created false consumer and professional reviews.	Source omission (employee reviews)
April 19, 2017	FTC Staff Reminds Influencers and Brands to Clearly Disclose Relationship <a href="https://www.ftc.gov/news-events/press-releases/2017/04/ftc-staff-reminds-influencers-brands-clearly-disclose">https://www.ftc.gov/news-events/press-releases/2017/04/ftc-staff-reminds-influencers-brands-clearly-disclose</a>	The FTC sent reminder letter to 90+ influencers that they are obligated to disclose any commercial relationship associated with a post.	Source omission (paid influencers)
November 21, 2016	FTC Approves Final Order Requiring Warner Bros. to Disclose Payments to Online Influencers <a href="https://www.ftc.gov/news-events/press-releases/2016/11/ftc-approves-final-order-requiring-warner-bros-disclose-payments">https://www.ftc.gov/news-events/press-releases/2016/11/ftc-approves-final-order-requiring-warner-bros-disclose-payments</a>	The FTC alleges that influencers paid by Warner Brothers to gameplay videos failed to disclose their paid relationship.	Source omission (paid influencers)
May 23, 2016	FTC Approves Final Lord & Taylor Order Prohibiting Deceptive Advertising Techniques <a href="https://www.ftc.gov/news-events/press-releases/2016/05/ftc-approves-final-lord-taylor-order-prohibiting-deceptive">https://www.ftc.gov/news-events/press-releases/2016/05/ftc-approves-final-lord-taylor-order-prohibiting-deceptive</a>	The clothing brand Lord & Taylor created a native advertising article and hired 50 online influencers. In both cases disclosure was absent.	Source omission (paid editorial content and paid influencers)
September 28, 2015	FTC Sues Marketers Who Used “Gag Clauses,” Monetary Threats, and Lawsuits to Stop Negative Consumer Reviews for Unproven Weight-Loss Products	The FTC alleges that a diet supplement company failed to disclose that they compensated positive online reviews. The firm is	Source omission (incentivized consumer reviews)

	<a href="https://www.ftc.gov/news-events/press-releases/2015/09/ftc-sues-marketers-who-used-gag-clauses-monetary-threats-lawsuits">https://www.ftc.gov/news-events/press-releases/2015/09/ftc-sues-marketers-who-used-gag-clauses-monetary-threats-lawsuits</a>	also alleged to have threatened to sue consumers who posted negative reviews or filed Better Business Claims.	
September 2, 2015	Xbox One Promoter Settles FTC Charges That it Deceived Consumers With Endorsement Videos Posted by Paid 'Influencers' <a href="https://www.ftc.gov/news-events/press-releases/2015/09/xbox-one-promoter-settles-ftc-charges-it-deceived-consumers">https://www.ftc.gov/news-events/press-releases/2015/09/xbox-one-promoter-settles-ftc-charges-it-deceived-consumers</a>	Online influencers hired by a marketing agency failed to disclose that video endorsements of the Xbox One and several games were paid endorsements.	Source omission (paid influencers)
April 20, 2015	FTC Approves Final Order Barring AmeriFreight from Deceptively Touting Online Consumer Reviews and Failing to Disclose Incentives It Provided to Reviewers <a href="https://www.ftc.gov/news-events/press-releases/2015/04/ftc-approves-final-order-barring-amerifreight-deceptively-touting">https://www.ftc.gov/news-events/press-releases/2015/04/ftc-approves-final-order-barring-amerifreight-deceptively-touting</a>	An automobile shipment broker failed to disclose that they compensated consumers for posting positive reviews.	Source omission (incentivized consumer reviews)
November 25, 2014	Sony Computer Entertainment America To Provide Consumer Refunds To Settle FTC Charges Over Misleading Ads For PlayStation Vita Gaming Console <a href="https://www.ftc.gov/news-events/press-releases/2014/11/sony-computer-entertainment-america-provide-consumer-refunds">https://www.ftc.gov/news-events/press-releases/2014/11/sony-computer-entertainment-america-provide-consumer-refunds</a>	As part of a larger complaint, Sony and its agency failed to instruct employees to properly disclose their paid relationship in social media posts promoting a game console.	Source omission (employee social media posts)
March 6, 2014	Home Security Company ADT Settles FTC Charges that Endorsements Deceived Consumers	Spokespeople hired by ADT to promote their products on TV and in online reviews failed to	Source omission (paid endorsers)

	<a href="https://www.ftc.gov/news-events/press-releases/2014/03/home-security-company-adt-settles-ftc-charges-endorsements">https://www.ftc.gov/news-events/press-releases/2014/03/home-security-company-adt-settles-ftc-charges-endorsements</a>	disclose their paid relationship.	
March 15, 2011	Firm to Pay FTC \$250,000 to Settle Charges That It Used Misleading Online "Consumer" and "Independent" Reviews <a href="https://www.ftc.gov/news-events/press-releases/2011/03/firm-pay-ftc-250000-settle-charges-it-used-misleading-online">https://www.ftc.gov/news-events/press-releases/2011/03/firm-pay-ftc-250000-settle-charges-it-used-misleading-online</a>	Affiliate marketers of a guitar-lesson DVDs seller posted reviews falsely purporting to be from consumers or independent reviewers.	Source omission (employee reviews)
August 26, 2010	Public Relations Firm to Settle FTC Charges that It Advertised Clients' Gaming Apps Through Misleading Online Endorsements <a href="https://www.ftc.gov/news-events/press-releases/2010/08/public-relations-firm-settle-ftc-charges-it-advertised-clients">https://www.ftc.gov/news-events/press-releases/2010/08/public-relations-firm-settle-ftc-charges-it-advertised-clients</a>	A PR agency hired by a game developer had employees post reviews online without disclosing their relationship to the developer.	Source omission (employee reviews)