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A Study on Stealth Marketing in Japan



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ABSTRACT

In Japan, along with the spread of Social Networking Services (SNS), damage caused by stealth marketing (abbreviated as “STEMA” in Japan) is a growing occurrence. This is different in scale and nature from the traditional Japanese “Sakura” (decoy, fake customer) and “faked situation.” It is difficult to identify whether it is a crime because advertisements are included in individual word of mouth content on SNS. This paper introduces the characteristics of stealth marketing, case examples, current countermeasures, and the authors’ opinions.

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INTRODUCTION

Stealth marketing, also called undercover marketing, is one of the marketing techniques for spreading new products, services, movies, books, etc. in such a way that consumers do not recognize them as advertisements, or attempts to attract attention¹). Traditionally, in Japan, there were people called “Sakura” (decoys, fake customers, and fake consumers) who gathered people in front of the store in return for payment from the store. They urged people to buy by shouting about, showing interest in, complimenting, or buying unsold items (which were not purchased). Whether or not this method is illegal, it is malicious in that it does not allow calm judgment but manipulates human emotions with untrue information that is not neutral and is advantageous for the store. However, it was only face-to-face, no large-scale advertising was done, and it was a way to obtain only a small amount of income. In recent years, this method has changed, using Social Networking Services (SNS) such as blogging, Twitter, and Instagram. There is an increasing number of celebrities such as entertainers among those who use and promote this malicious method. The viewers of such celebrities’ blogs number in the millions, and the number of people deceived by them, and the amount of money spent, is likely to be considerable.

We have published previous complaints about the promotion of healthy food TV commercials by celebrities²). A celebrity hired by a company that manufactures and sells health foods appears in commercials and speaks about the benefits of the product as if it reflects their feelings. Simultaneously, the telop on the TV screen (text superimposed on a screen, such as captions, subtitles, or scrolling tickers) indicates that this is an individual opinion. Viewers who watch the commercial may mistakenly recognize the exact features of the product convinced that the statement is the person's thoughts and not that they are being paid. This telop has a double effect. It can be interpreted that the effects of health foods are individualized and do not necessarily act in the same way for everyone (even if they are not effective, there is no responsibility for the product); also, it could appear that the celebrity's remarks are based on their true thoughts (and not paid for and advertised).

This paper introduces the characteristics of stealth marketing, case examples in Japan and the world, current responses, and the opinions of the authors.

Features of stealth marketing

In Japan, stealth marketing is referred to as “STEMA.” The general method used by STEMA representatives in a company is to give products and services high evaluations on the SNS that appear to be written by fans and users. Occasionally, an entertainer or general influencer (a person who has a big influence on purchasing decisions) is asked to be introduced with a high evaluation¹⁾. A message intentionally attracting interest by sending false evaluations and information to true users generally is subject to exclusion if it is found to be advertising. The benefits of STEMA include: 1) It can be suppressed at a low cost. If advertisers themselves use word of mouth sites or advertise as fake users, they can control their level of evaluation and exposure, and this costs less than simply advertising. However, if you invite the participation of a celebrity or an influencer, it may be expensive. 2) It can easily lead to effective advertising. It is more influential than companies who place regular advertisements. Rather than paid advertising for unknown companies, it is quicker and cheaper for fans to buy if they have been introduced to the product or service by the word of mouth and blogs of highly respected celebrities. The formal definition of word of mouth is a spontaneous communication used between consumers, which is different from advertising. The original content comes from the information sender who has the freedom to decide whether and what to write (Table 1). 3) If a company uses buzz marketing, it may be even more useful. Buzz marketing is a technique for selling goods and services by generating many words of mouth communications artificially³⁾. By using buzz marketing instead of simply posting it on a word of mouth site, product information can be disseminated to many people, making it easier to lead to sales.

On the other hand, “STEMA” has the following disadvantages: a) Risk is very high after it is discovered that it is stealth marketing (considered high risk, low return); the user knows that the content is intentionally fake (higher evaluation or better information than the original) or that it is a STEMA advertisement to fool the consumer. If it is revealed, not only the product, but also the celebrities who are accomplices, and the company that enlisted their help are subject to blame, and there is a risk of loss of trust. b) It may negatively affect future promotions and may result in loss of revenue. The greater the flaming (a situation in which the marketing communication has been overwhelmed by criticism due to the discovery of scandals, disclaimers, and subterfuge on the Internet) after STEMA is detected, the more negative the reaction will be to future promotions. In the worst case, the product itself may be

stopped or withdrawn, resulting in significant damage to the company. c) A competitor detects STEMA and voices their criticism. Even if advertisers can deceive ordinary users, their efforts are often watched by competitors and can be criticized. d) Loss of industry confidence. If there is a human error in STEMA, the negative evaluation spreads quickly. It becomes difficult to correct it, and in the worst case, the reliability of the entire industry (companies that operate in the same industry) may be lost.

However, if it is widely known that the product/service is sponsored, such as by an athlete, it is not considered STEMA.

Examples of past incidents in Japan and overseas

The Penny Auction scam¹⁾: This scam occurred on a website called Penny Auction in 2012. The site operated on the concept that high-priced products could be sold cheaply. It started auctioning high-priced products at a low price such as 0 yen and a bid was not successful unless it reached 10 million yen. It was extracting fees from bidders by tricking them. It was discovered that celebrities wrote on their blogs that they had made a successful bid at a low price, and we're recommending it to users (though it was not a successful bid). It is said that management did not intend to sell the successful bid item. After the deception was discovered, some entertainers were forced to cease their activities.

The Taberogu (Tabelog) high rating case^{1, 4)}: In 2012, a word of mouth evaluation agency in a restaurant ranking website, "Taberogu," charged money from several restaurants to raise their ratings. The excluded restaurants that received the sales activity discovered and reported the scam. A survey revealed that there were as many as 39 fake information contributors, and STEMA was popularized in Japan for the first time. After this incident, Taberogu was forced to take measures such as changing the algorithm for calculating the evaluation score of a restaurant.

The following are examples of overseas cases.

The Sony David Manning Incident⁴⁾: David Manning is a fictional film critic who was created by Sony Pictures. This non-existent film critic wrote favorable reviews of the company's films for more than a year starting around July 2000, even sometimes appearing in a synthesized speech in radio program interviews, until it became impossible to hide and was exposed as a forgery of Sony Pictures. Some viewers have filed claims for damages against

Sony Pictures because they watched the movie as a result of fake advertising. The company had to pay \$50,000 for each successful claimant. The company apologized, and some executives were suspended.

Sony Ericsson mobile phone campaign¹⁾: The most famous example of STEMA in the world is Sony Ericsson's marketing campaign for their camera-equipped mobile phone. Sony Ericsson hired 60 actors who pretended to be a tourist and asked other tourists to take a picture with a camera-equipped mobile phone instead of taking a picture with their original camera. The purpose of STEMA this time was to impress people and promote the camera-equipped mobile phone as a good product for general users. Sony was later criticized for having fraudulent elements in their campaign.

The contents of the movie *The Devil Wears Prada*¹⁾: This is one example of using STEMA successfully in movies overseas. This particular example was not legally punished for fraud, even though it was thought to be STEMA (which seems obvious from the brand name in the title). However, because of differences between Japanese and other cultures, it may be difficult to do the same in Japan, even if this method is praised as a good thing overseas. In this movie, the fashion brand Prada and the fashion magazine Vogue appeared with their real names, and the audiences who saw the movie or the movie promotion were left with the memory impression of the brand name.

Responses in Japan and other countries

Currently, there is no clear standard for STEMA in Japan, and there is no law that directly encourages self regulation^{1,3,4)}. However, the views of specialist institutions and experts are that STEMA efforts generally violate the law. In recent years, the Consumer Affairs Agency has added supplemental explanations (legal interpretation) so that they can respond. Specifically, STEMA may conflict with the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation, the Unfair Competition Law, the Health Promoting Law, Pharmaceutical Affairs Law, and the Medical Treatment Law depending on the type of industry. In 2011, the Consumer Affairs Agency announced the Guidelines for the Law for Preventing Unjustifiable Extra or Unexpected Benefit and Misleading Representation: "Problems and considerations in the law for advertising display on internet consumer transactions." In the description, word of mouth information is defined, and it is assumed that a business person may post information on a word of mouth website or blog, or

ask a third party to post it. It is assumed that the word of mouth information is misunderstood by the general consumer as being significantly better or more advantageous than the feedback from actual purchasers or competing business persons regarding the content or transaction conditions of the product/service. In that case, it is considered to be an "illegal indication" according to this law. Also, the act of posting word of mouth communication on a website or a blog that is not actually purchased but falsely posted is said to be "advertised with facts that deceive or mislead people." This may conflict with the Minor Offenses Law¹⁾.

In the United States, the Federal Trade Commission (FTC) announced in 2009 the Guides Concerning the Use of Endorsements and Testimonials in Advertising, clearly regulating STEMA^{1,4,5)}. This shows the case where a company offers goods and services to recommenders (celebrities and bloggers) free of charge and pays for posting articles. In the guideline, such a connection between the business person and the recommender is regarded as a material connection. In this legally described connection, if the recommender makes a false or unsupported expression and does not disclose the relationship between themselves and the business person, it is considered illegal as per "the deceptive acts or practices" described in the FTC Act. In the UK, on the other hand, the law of Consumer Protection from Unfair Trading Regulations 2008 was enacted in May 2008 to protect consumers from unfair trade, and STEMA is illegal and banned there^{1,4,5)}.

SUMMARY

Even now when STEMA is regarded as a problem, the power of word of mouth over the internet remains strong, which is why STEMA will not disappear. If a business is so unattractive to users that advertisers have to resort to STEMA, the business person should improve the fundamentals to attract more customers.

If a business person wants to provide a service that continues to generate revenue, he needs to be serious about his users and reflect what they want in the service. He should think about how to build a good relationship with users and get them to use the service continuously, without being fooled by temporary benefits.

People do not trust TV commercials and word of mouth on SNS immediately, but they often trust and purchase after obtaining information from various sources. In our view, reports such as celebrity blogs have a lot of content that seems to be STEMA promotion of products.

Originally, SNS was intended to be like a diary, exposing private life and preferences to people with close relationships such as family and friends. In the case of celebrity SNS information, a fan may be interested in the exposed information and accept what the celebrity is saying without questioning. Fans seem to want to shop in the same store as celebrities or wear the same clothes.

In modern Japan, when good information about restaurants is written on Facebook, the question is often raised whether it is STEMA, and people wonder how much money the person who posted is getting from the restaurant. The person who wrote the post liked the restaurant they used for lunch and just posted on Facebook to share it, but it seems to have a shock effect. A person may want to tell his friends and family if he had a good impression or experience, and post comments such as “delicious,” “mood is good,” or “the restaurant staff is kind to you.” Word of mouth is born from this natural feeling. However, no matter what you say, if you are suspected of stealth marketing, you can no longer speak credibly on SNS. Similar to what happened on Facebook, the result may be a society where everything is suspected of being fake. In such a situation, the grounds on which social media exists is lost. The reliability of conversation is an important element that not only forms social media but also society. Word of mouth in itself is not bad. However, the uncertainty of word of mouth information remains, whether it is on the internet or not. Word of mouth information is sometimes criticized as being uncertain, but that is its nature. On the contrary, it is also true that fake ads that undermine trust in word of mouth have been mistakenly called “word of mouth” (Bear in mind that word of mouth and advertising are different).

The Word of Mouth Japan Marketing Association (WOMJ)'s word of mouth guidelines set forth the principles of explicit relationship (Table 1)⁶. About word of mouth, “businesses must be able to help consumers understand what relationships are involved and what marketing is in place,” and the “relationship is assumed to be established in principle on the provision of money, goods, and services.” From July to September 2018, WOMJ conducted a survey of general consumers and advertisers on the degree of publicity of word of mouth guidelines and influencer marketing (where companies find people – influencers – who have strong word of mouth influence and use them to promote products and services). As a result, it became clear that most consumers feel uncomfortable with STEMA, but companies view it positively⁷.

A method for searching for STEMA in advertising text is described by Mikami et al. (2011)⁸. However, it is still in the research/report stage and it cannot yet be judged accurately. Even if this is used as indicated in the paper, false negatives and false positives are generated, and it is difficult to immediately determine whether a violation of the law has occurred. Inevitably, there will still be a gray area between advertisements and word of mouth. When an event is held to be word of mouth, the impressions that event participants record on their blogs, Twitter, and Facebook become word of mouth, but they are voluntarily involved in marketing activities. Whether this is a criminal act or not is likely to become more complex and difficult to discern in the future, and consumers may need to acquire the skills to make a proper judgment.

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Table No. 1: WOMJ's view on the difference between word of mouth and advertising

	Can it be recognized as an advertisement?	Is there total freedom to write or not to write?	Is there any freedom to write? *1	WOMJ's view
Word of mouth		Yes	Yes	Acceptable
Neither	No	Yes	No	Should be excluded *2
		No	Yes	
		No	No	
Advertisement	Yes	-	-	Acceptable

Based on Reference 6).

WOMJ: Word of Mouth Japan Marketing Association.

*1: It may be difficult to determine whether the content that corresponds to the advertisement is partially included.

*2: Whether it is an advertisement or not is a gray area. It may contain STEMA content.

