

———— INSTITUTE *for* ADVERTISING ETHICS ————

# PRINCIPLES *and* PRACTICES *for* ADVERTISING ETHICS

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## PREAMBLE

The explosion of new technologies is changing the marketing and advertising landscape both domestically and globally. New media, new ideas, new challenges, new cultural opportunities are swirling around the industry and impacting the way it does business.

The one constant is transparency, and the need to conduct ourselves, our businesses, and our relationships with consumers in a *fair, honest, and forthright manner*.

This is especially true in today's often hostile environment, with revelations of wrongdoing in particular industries and government programs resulting in an erosion of *public confidence and trust in all our institutions*.

It is particularly fitting in such times that we remind ourselves of the ethical behavior that should always guide our *personal and business conduct*.

The eight *Principles and Practices* presented here are the foundation on which the Institute for Advertising Ethics (IAE) was created. They are based on the premise that all forms of communications, including advertising, should always do what is right for consumers, which in turn is right for business as well. For while we are in an age of unparalleled change, this overriding *truth never changes*.

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## PRINCIPLE 1

**Advertising, public relations, marketing communications, news, and editorial all share a common objective of truth and high ethical standards in serving the public.**

### Commentary

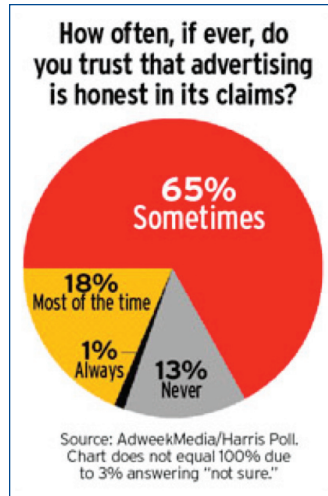
This principle is based upon [\*The Journalist's Creed\*](#), enunciated by [Walter Williams](#), first Dean of the Missouri School of Journalism. [Mike Fancher](#)—a veteran journalist from *The Seattle Times*—has done in-depth research regarding *The Journalist's Creed* as a Fellow of the Donald W. Reynolds Journalism Institute. He has concluded that Walter Williams believed that both journalists and people on the business side of a public journal share the responsibility to serve the public, and both must respect each other's important contributions. Fancher writes, "It's probably important to remember that Walter Williams was a country editor. That means he did a little bit of everything, including selling ads. That's one reason a single standard of public service was essential. He must have regarded advertising content as a public service, which explains his belief that 'advertising, news and editorial should alike serve the best interests of readers.'"

This conviction is held today by Jeff Levick, President, Global Advertising and Strategy, AOL, and a 2010 Inductee into the Advertising Hall of Achievement. Levick states, "It's critical for the industry to acknowledge and accept that advertising is commercial information that must be treated with the same accuracy and ethics as editorial information."

Advertising is extremely important to consumers and to our market place economy. It provides consumers with information about the products and services in which they are interested and it fosters competition. For these reasons government has brought legal actions to prohibit its restraint by private groups, and the Supreme Court has held that truthful commercial speech is protected under the First Amendment.

It is clear that consumers want and expect advertising to be held to high ethical standards. Research supports the high value that consumers place in honest and ethical advertising. For example, in [research](#) conducted by four student teams at the Missouri School of Journalism, "honest" advertising ranked as the number one factor that would make a company ethical. (See also, "Does Being Ethical Pay?" [The Wall Street Journal](#), May 12, 2008. )

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Advertising has long been committed to high standards of truth and accuracy in all forms of advertising, creating the [National Advertising Division \(NAD\)](#) of the Council of Better Business Bureaus, and the National Advertising Review Board (NARB), in 1971 to foster these standards across all forms of commercial messaging. Nevertheless, our industry must further enhance our advertising ethics if we are to build consumer trust for our profession and brands. The latest research from the [Adweek Media/Harris Poll](#) shows that only one in five Americans trust advertising most of the time and 13% say they never trust it.

Inspired advertising professionals will practice and benefit from enhanced advertising ethics.

## PRINCIPLE 2

**Advertising, public relations, and all marketing communications professionals have an obligation to exercise the highest personal ethics in the creation and dissemination of commercial information to consumers.**

### Commentary

The role of professionals is central to the practice of high ethical standards by their companies. These principles are meant to serve as guideposts for professionals in carrying out their professional responsibilities. The importance of advertising to consumers and the economy stimulates our professionals to practice the highest levels of ethics. When you believe in what you do—when you know how important your work is—you want to do your best in carrying out your responsibilities. Adam Werbach, Chief Sustainability Officer, Saatchi & Saatchi, and 2010 Inductee into the Advertising Hall of Achievement, believes in the day to day importance of advertising and high ethics. He states, “As new professionals enter the advertising world it is imperative they are aware of the importance of high ethics to their consumers and their careers.” More and more companies will be including the issue of ethics in their evaluation of performance. The first mission of the Institute for Advertising Ethics is to educate our professionals as to the importance of truthful, ethical advertising; to reinforce that they are “professionals” in the clearest sense of the word.

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The Institute also will educate our industry and professionals as to the competitive opportunities afforded by consumers to those companies practicing enhanced ethical advertising. Also, recognition will be provided to companies and individual professionals practicing enhanced ethics by national awards presented at the annual national conference of the [American Advertising Federation \(AAF\)](#).

## PRINCIPLE 3

**Advertisers should clearly distinguish advertising, public relations and corporate communications from news and editorial content and entertainment, both online and offline.**

### Commentary

This addresses an ongoing issue where the line is being blurred between commercial communications on the one hand, and news/editorial and entertainment, on the other. If consumers are unaware the “news” or “entertainment” they are viewing actually is advertising, they are being misled and treated unethically. First, consumers could attach more credibility to the content if they believe it to have been written as a news story. Second, they will not have their minds set in a “business mode” to evaluate the claim, as they would do if recognizing it as a paid for, persuasive ad.

Walter Williams, Dean of the Missouri School of Journalism (1908–1935), denounced this unethical practice in a speech given on October 22, 1919, to the Associated Advertising Clubs of Iowa as he stated, “A newspaper cannot be independent in the opinion of the public if it carries advertising disguised as editorial comment or news. It is a species of dishonesty—no less because it is sometimes practiced—for a newspaper to express pay opinions in disguised advertising and thereby deceive its readers. The readers have a right to demand frankness, as opposed to deception. Honesty convinces permanently. Deceptive advertising lowers the standing of a newspaper.” (Collection 2533, Williams Speeches, folder 627, Western Historical Manuscript Collection—Columbia)

Unfortunately with the dramatic explosion of media sources, blurring of commercial and editorial content is more of an issue today than it was in Walter Williams’ time. The concerns continue to this day with advertising in the form of news articles, unsubstantiated claims in press releases, and unattributed commercial content on social networking sites, all of which have been the subject of regulatory or self-regulatory activity.

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## PRINCIPLE 4

**Advertisers should clearly disclose all material conditions, such as payment or receipt of a free product, affecting endorsements in social and traditional channels, as well as the identity of endorsers, all in the interest of full disclosure and transparency.**

### Commentary

The explosion of word of mouth marketing and blogging about commercial products and services creates special concerns about the blurring of advertising and editorial content. “Of particular concern is the need for advertisers to be transparent about the conditions for creating online endorsements, for example through bloggers or social media. It is often not clear whether people are endorsing on their own, or if they are being compensated by a brand/company or are even part of the brand/company organization. The anonymity of the online world requires extra efforts for practicing ethics,” said Marc Pritchard, Global Marketing Officer, Procter & Gamble. “This area is going to get even more complicated in the months and years ahead,” said Peter Blackshaw, Former Chairman, Council of Better Business Bureaus. “Disclosure with bloggers may well be the easy part. How do you responsibly disclose when 140 million global members of Twitter are restricted to 140 characters per tweet, and any attempts at disclosure gets lost in the first pass-along? Acknowledge—forcefully—that responsible advertisers must be extremely proactive on this front, and perhaps even over-compensate.”

Recently, the [National Advertising Division \(NAD\)](#), the industry’s self-regulatory arm, and the [Electronic Retailing Self Regulation Program \(ERSP\)](#) have taken a number of self regulatory actions when a company is either sponsoring a site or paying for product review by bloggers without a clear, conspicuous and meaningful disclosure of that fact.

The Federal Trade Commission, the chief federal regulator of advertising, has also amended its [Endorsement and Testimonial Guides](#) to require bloggers to disclose when they are paid by a company, and when they work for the company whose product is being blogged, also when they are given the product free of charge.

Individual companies have developed specific disclosure codes for use in their endorsement advertisements and by bloggers on behalf of their products.

The Word-of-Mouth Marketing Association (WOMMA) also has developed an ethics code that covers this principle.

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## PRINCIPLE 5

**Advertisers should treat consumers fairly based on the nature of the audience to whom the ads are directed and the nature of the product or service advertised.**

### Commentary

This includes advertising to children, who have been stated by the advertising industry's [Children's Advertising Review Unit \(CARU\)](#) to be especially vulnerable by virtue of their inexperience, immaturity, susceptibility to being misled or unduly influenced, and lack of cognitive skills to evaluate the credibility of advertising. Children's understanding depends on the manner in which the ad is designed and disseminated.

Advertisers should always practice the highest ethics when advertising to children. Today, children are connected to products on TV, radio, print and the internet. This includes ads on cell phones, G-rated DVDs and when playing computer games and video games on company websites where the products are featured. As provided in the CARU Guidelines and reported self regulatory actions, advertising should be clearly distinguished—in the eyes of children—from news content and from entertainment and games. For example CARU has found the content and presentation of certain print ads in children's magazines to mimic articles, and children's TV ads to be structured like a newscast segment.

[The Children's Food and Beverage Advertising Initiative](#) is an outstanding illustration of how the food industry modified its advertising directed to children under twelve to encourage healthier dietary choices and healthy lifestyles. Begun in 2006 with ten participating companies, today seventeen food and beverage marketers have agreed voluntarily to advertise to children 12 and under only "better-for-you" products. This is a demonstration of advertising ethics by the industry that is monitored by the Council of Better Business Bureaus.

Advertising also should treat consumers fairly based on the "nature" of the product or service. Products that should be advertised in a highly ethical manner include alcoholic beverages. An illustration of industry ethical efforts are the self regulatory codes adopted by the [Beer](#), [Distilled Spirits](#) and [Wine](#) industries that, among other things, limits all alcoholic beverage ads on television to programs with 70% adult audiences.

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Prescription drug advertising directed to consumers (DTC) also is a prime example of advertising requiring high ethics. This is a major category of television and print advertising that—while providing beneficial information to consumers about medical products and procedures—is getting considerable attention from regulators and lawmakers. The pharmaceutical industry has published a code on DTC advertising: [PhRMA Guiding Principles Direct to Consumer Advertisement About Prescription Medicines](#).

## PRINCIPLE 6

**Advertisers should never compromise consumers’ personal privacy in marketing communications, and their choices as to whether to participate in providing their information should be transparent and easily made.**

### Commentary

This principle relates to “Behavioral Advertising” an online marketing innovation that promises great benefits for advertisers and consumers by delivering advertising relevant to the consumers’ interest. Consumers are segmented via their computers according to the interests they express in online activities, such as search queries, ads they click on, information they share on social sites and products they put in online shopping carts. Advertisers use this data to direct more relevant ads to the consumer. This cuts down ad costs—and also elevates the effectiveness to consumers in getting the products and services they want.

Yet, research data shows that consumers fear that behavioral advertising infringes on their personal privacy. Also, many consumers may not even be aware that commercial information is being collected when they are online. This has caused great concern from the government, with both Congress and the Federal Trade Commission threatening to take regulatory steps such as creation of a proposed [Do Not Track](#) program.

In response to these concerns, marketing and media trade associations are launching a new online self regulatory initiative that will give consumers enhanced control over the collection and use of Web viewing data. The [program](#) promotes the use of a new “Advertising Option Icon” and

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accompanying language—to be displayed in behaviorally targeted ads and on Web pages where behavioral data is collected. By clicking on the Icon consumers will receive a clear disclosure regarding the use of their online data and also be able to easily opt-out of such collection.

By participating in this new self-regulation program advertisers have an outstanding opportunity to build consumer trust in regard to the company’s behavioral advertising. Bill Cella, chairman and CEO at the Cella Group and veteran media expert, counsels that “Advertisers should encourage suppliers to follow the Advertiser’s guidelines and make sure their individual medium is also not compromising the Advertiser’s customer’s personal data/habits.”

[Tim Armstrong, Chair and CEO of AOL](#), commenting at our on campus ad ethics forum at the Reynolds Journalism Institute, stated that the impact of the “broadband” expansion is very positive for consumers because it provides them with so much more information and connections, and it is positive for advertising to be able to reach more consumers effectively. He said the keys to ethics are better transparency and that consumers be able to easily make choices. Tim Armstrong believes that ethics can be established “online” through thousands of “one on one” dialogues with consumers where the person is “helped.”

## PRINCIPLE 7

**Advertisers should follow federal, state and local advertising laws, and cooperate with industry self-regulatory programs for the resolution of advertising practices.**

### Commentary

Principle 7 is based on the Council of Better Business Bureau’s [Code of Business Practices](#) that also provides specific information bearing on ethical practices. The platform for all ethical advertising is that the claims must be truthful and non-misleading. The [Federal Trade Commission](#), the principle federal regulator of advertising, requires that advertisements must be substantiated by a prior “reasonable basis” of fact. Further, ads cannot omit “material facts”—the inclusion of which would render the ads false and misleading. The FTC’s Website contains cases and [guides](#) that provide a [statement](#) of important legal principles. The Food and Drug Administration regulates [prescription drugs advertising](#) directed to consumers.

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The advertising industry also has created an outstanding self-regulatory program covering both adult and children's advertising. This [program](#) has earned the respect of the Federal Trade Commission. In the commentary to the IAE's principles and practices certain of the government and industry self-regulatory cases will be discussed.

## PRINCIPLE 8

**Advertisers and their agencies, and online and offline media, should discuss privately potential ethical concerns, and members of the team creating ads should be given permission to express internally their ethical concerns.**

### Commentary

It is clear that we can only enhance advertising ethics if our professionals—from the very top and throughout the account, creative and media teams—all practice the highest ethical standards. There should always be the expectation that ethics will be considered proactively—before the ad campaign is disseminated to consumers. The driving consideration must be that we need to do what is best for the consumer. And, the belief must be cherished that by doing so we are doing the right thing for ourselves and our careers and our company will be rewarded by consumers. Ad professionals will not be rewarded for ads that offend our consumers.

Wally Snyder, Executive Director of the Institute for Advertising Ethics, in his teaching at the Missouri School of Journalism, has the occasion to “role play” in regard to advertising ethics. For example, in discussing a Public Service Advertising (PSA) campaign with the goal of getting young people to vote, he asked creative classes their views on the ethics of a print ad showing a young woman silenced and tied up with duct tape. Several expressed concerns that the ad depicted violence against women. This, in fact, is what women expressed in social networking sites. When Snyder asked the students if they would express those concerns to him, as the account executive who would be taking the proposed ad to the client—the answer was “Yes, if you give me permission.”

Holding ethics discussions and giving permission is essential. And the mandate must be from the top down and run all through the company. Denis Beausejour, former Vice President of Advertising for Procter & Gamble, states, “It boils down to people being responsible and a key part of this is to encourage every practitioner to feel safe in speaking their conscience.”

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The discussion and consideration of ethics has to take place in the fast paced and competitive world of advertising creation and placement. Yet, we must take the time to resolve ethical dilemmas. Rushworth Kidder in his [book on ethics](#) states, “You’ve got to think about it, reason it through, get the mind in gear and grapple with the tough issues. In other words, you’ve got to be mentally engaged.” (*How Good People Make Tough Choices*, p. 59, by Rushworth H. Kidder, Harper 2003)

Ethicists who have worked within the world of Journalism, advise that internal processes must be established with companies to ensure that time is taken to make the right ethical decisions. This includes educating the professionals as to the company’s ethical standards. The IAE is collecting illustrative practices now being conducted in the industry to share on this website.

Ketchum has a certification goal that all of its colleagues are aware of its disclosure and ethics policies. Further, they must pass an annual test on the company’s ethical standards.

The Institute also has conducted and will conduct research regarding the importance and meaning of advertising ethics to consumers. The high impact of advertising ethics was [reported in consumer research](#) conducted by four Capstone student teams in 2009 at the Missouri School of Journalism. The primary research consisted of online surveys with follow-up interviews.

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\*These Principles and Practices for Advertising Ethics—and the underlying commentaries—will be updated on an ongoing basis for use by advertising professionals in their discussions and resolution of ethical questions. [American Advertising Federation](#) and at the [Reynolds Journalism Institute](#).