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The Media and Their Advertisers: Exploring Ethical Dilemmas in Product Coverage Decisions

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Abstract Marketers are increasingly relying on promotional practices (variously labeled as stealth marketing, hybrid messages, covert advertising) based on the diffusion of product information by third parties that appear to be independent of advertisers. In this paper, we examine to what extent the media treat their advertisers favorably, providing these advertisers' products extra visibility in supposedly neutral editorial content. Empirically, we model the determinant of media coverage of Italian fashion products in an extended dataset of consumer magazines in Italy, France, Germany, UK, and the USA. Research findings show that advertising is an important determinant of product placements in editorial content, and this result is consistent across countries and publishers. Our results imply that resource-rich advertisers engaging in compensatory advertising (that is, advertising investments that compensate poor product quality) might bias media coverage in their favor. Consumers will consequently be exposed twice to favorable messages about those products, in both advertisements and media content, resulting in higher purchases and reduced consumer welfare.

Keywords Advertising ethics · Freedom of the press · Hybrid messages · Product publicity · Stealth marketing · Reciprocity · Editorial integrity

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> There is no duty more indispensable than that of returning a kindness.
> Cicero

Introduction

Scholars in business ethics, communication, and marketing have long been concerned with the unintended consequences of advertising on society and consumers (Pollay 1986). Frequently debated topics include advertising's contribution to the diffusion of materialistic consumer lifestyles (Belk 1985; Belk and Pollay 1985; Richins 1991), deceptive advertising (Attas 1999; Darke and Ritchie 2007; Gardner 1975; Treise et al. 1994), advertising to vulnerable consumers such as children (Bakir and Vitell 2010; Hudson et al. 2008; Moore 2004; Sharp Paine 1993), and the representation of women, seniors and sexual minorities in advertising (Carrigan and Szmigin 2000; Cohan 2001; Englis et al. 1994; Goffman 1976; Henthorne and LaTour 1995; Kates 1999; Lin 2008; Schroeder and Borgerson 1998, 2005).

In this paper, we contribute to the literature on advertising ethics by investigating whether and how corporate advertisers influence supposedly unbiased editorial content through their advertising expenditures, resulting in additional product exposure. Specifically, we report evidence of such phenomena, distinguish it from other similar but distinct corporate practices of information diffusion, and explain under what conditions advertisers' influence on media content might harm consumer welfare.

The political economy of the media scholarship (among others, see Bagdikian 2000; Baker 1994; Herman and Chomsky 1988; Herman and McChesney 1997; McChesney 1999; Mosco 1996) has long highlighted that media organizations' dependence on advertising revenue results in several negative consequences. Among these, the production of news that promotes a pro-business environment resulting in the self-censorship of news that may harm an advertiser's reputation is of paramount concern. Anecdotal evidence hints at various cases of advertisers threatening to withdraw or actually withdrawing their advertising budget from media organizations that published undesirable news about the company or its products (Richards and Murphy 1996). Surveys also show that journalists feel the pressure of corporate advertisers (Soley and Craig 1992). Recently, Rinallo and Basuroy (2009) found that advertising expenditure can influence media coverage of the advertiser, and offered various tactics through which advertising-generated media coverage can be maximized. Such studies elevate the importance of considering the ramifications of corporate advertisers' relationships with the media.

From a legal and public policy perspective, certain corporate advertising practices such as embedding promotional messages in what appears to be independent editorial content, are seen with suspicion and collectively referred to as "stealth" marketing (Goodman 2006; Martin and Smith 2008; Milne et al. 2008; Petty and Andrews 2008; Rotfeld 2008; Sprott 2008; Wei et al. 2008). Advertising scholarship holds a more positive view of these practices that result in messages which blur the distinction between advertising and product-related media coverage (also termed publicity).[1] Such hybrid messages consist of "all paid attempts to influence audiences for commercial benefits using communications that project a non-commercial character" (Balasubramanian 1994, p. 30). According to Balasubramanian (1994), audiences may be unaware of the underlying commercial motives and may process the information differently than they would interpret a more standard advertising attempt. Product placement in entertainment media such as movies and television shows is one such hybrid attempt that has raised significant ethical concerns (Gupta et al. 2000; Hackley et al. 2008; Stern and Russell 2004; Wenner 2004).

Our study is not about product placement in a strict sense, as advertisers do not pay separately for the inclusion of their products into editorial content. But like product placement, the resulting messages are hybrid, blurring the line between advertising and media content and are likely to be processed by consumers as though independent of advertisers' influence. Advertiser influence on the editorial coverage of advertised products is also different in significant ways from market-oriented public relations (Kotler and Mindak 1978; Shimp 2010). Both result in getting favorable product-related publicity. However, publicity is perceived as unpaid for and the public relations literature and profession, as a whole, is silent on the fact that advertising expenditures could be employed to influence the volume and tenor of product coverage in editorial content.

In sum, our paper speaks to the influence of advertisers over editorial content. This issue can be conceived as a form of stealth marketing about which very little is written. Our topic is distinct in important ways from product placement and marketing-oriented public relations. In particular, such practice raises ethical concerns because it is an instance of corporate influence on the freedom of the press and affects how consumers process product-related information based on the source credibility of advertising versus publicity.

Upon this premise, we empirically examine if, and to what extent, the media treat their advertisers favorably; specifically whether or not these advertisers' products receive more supposedly neutral editorial time is of paramount concern As a causal explanation of why media organizations might compromise their editorial integrity, we posit that such behaviors are a manifestation of the reciprocity norm, which obligates social actors to reciprocate on the basis of past relational behaviors (Becker 1956; Gouldner 1960) and may lead to unethical or even illegal activities (Palmer and Maher 2006).

Our empirical context consists of the product publicity of Italian fashion products and brands. We model the determinants of such visibility in editorial content in an extensive dataset of consumer magazines in Italy, France, Germany, UK, and USA. Our data include 291 large and small fashion companies based in Italy and the quantity of their advertising and product coverage in 123 publishers from Italy, France, Germany, UK, and USA in 2002 and 2003. Our study contributes to the political economy of the

[1] Advertising is a paid for commercial message originating by a sponsor that identifies itself as the source of the message. Publicity is instead product information in the form of editorial content, resulting from a firm's marketing-oriented public relations (Kotler and Mindak 1978; Shimp 2010). Unlike advertising, publicity is not paid for and does not identify the company as message source, resulting in greater credibility in the eyes of consumers. The media maintain in fact total control on whether and in what ways the message will be reported.

media perspective, which has often denounced the threat of advertising to media autonomy without supportive empirical evidence. Our study advances knowledge from previous studies conducted in the advertising discipline, which are generally anecdotal or based on journalist perception, as we analyze editorial content and provide a more objective view on media organizations' actual behaviors. Following Zitzewitz (2011), our approach may be termed "forensic," as it aims to provide evidence of behaviors that might be downplayed or exaggerated depending on the specific interests at play. Unlike previous investigations of this topic in the marketing discipline (Rinallo and Basuroy 2009), we look at this phenomenon from a business ethics perspective, focusing on issues like freedom of the press and consumer welfare.

An important limitation of our study is that we only examine the impact of advertising expenditures on the *volume* of advertised products' media coverage, and not on its tenor (i.e., whether it is positive, neutral or negative). Unfavorable media coverage might significantly affect consumer attitudes and purchase intentions.[2] Empirical studies modeling the financial impact of critical reviews (which are a specific form of media coverage) suggest indeed that negative media criticism harms financial performance (Basuroy et al. 2003). Advertisers could therefore exert their influence not only by increasing the volume of positive coverage but also by reducing the negative media criticism of their products. While both aspects (volume and tenor) are of theoretical and practical significance, this paper is mostly concerned with volume of media coverage because of practical considerations related to data availability and the empirical context of our study (see methods section).

[2] An exception to this general rule might be the case of lifestyle brands which rely on controversial promotional initiatives to attract media attention. A good example of such strategy is Benetton's early 1990s "United Colors" advertising campaign, whose subjects (unrelated to actual products sold by the company) addressed social issues such as racism, discrimination toward HIV-positive people, death penalty, and often employed shocking imagery that triggered public protest and complaints (e.g., a priest and nun engaging in a romantic kiss, a collage consisting of genitals of people of various ethnicities). Schroeder (2000) provides another example of how Calvin Klein garnered attention through scandal via his advertising campaigns using Brooke Shields. He suggests that in general, "publicity serves to alert the public of one's existence and fan the fuel of fame. Several contemporary advertising campaigns have honed the strategic use of scandal…" (p. 47). From a market segmentation perspective, by breaking socially sanctioned norms and polarizing public opinion, these iconic brands create identity value for consumers based on the principle that "the rebel sells" (see Rinallo et al. 2012, for an empirical study of consumer responses to luxury brand Dolce and Gabbana's controversial appropriation of religious symbols for promotional use). We are grateful to an anonymous *Journal of Business Ethics* reviewer for highlighting the fact that some brands can benefit from negative publicity.

Despite this limitation, our findings show that advertising is an important determinant of product coverage in editorial content; this finding is consistent across countries and publishers. In other words, well-advertised products receive greater media coverage. Based on research on the relative credibility of advertising versus publicity, it is possible to predict that extra visibility in editorial content will amplify the effect of advertising, resulting in higher purchases. From an ethical standpoint, however, the influence of advertising on media content is not necessarily negative for consumer welfare. Consumers will only be hurt in cases of "compensatory" advertising—that is, advertising that compensates for poor product quality (we further elaborate on this point in our discussion).

The rest of the paper is organized as follows. In the next section, we draw on social psychological research to support the view that consumers process publicity differently from advertising, resulting in greater credibility and persuasiveness. Next, we develop a theory explaining why media organizations reciprocate advertising expenditure with a more favorable treatment of their advertisers, and describe the key hypotheses of our study. We then describe the data, the methodology, and the results. Finally, we conclude with a discussion of our research findings and their implications for consumer welfare.

The Source Credibility of Publicity Versus Advertising: A Brief Literature Review

Consumer research has long highlighted that consumers engage in significant pre-purchase product information search (e.g., Bettman 1979), particularly under several circumstances including: high perceived risk (Dowling and Staelin 1994; Roselius 1971); new products or products with image-related attributes (King and Summers 1970); lacking or uninformative attribute information, as in the case of experience (as opposed to search) attributes (Hoch and Ha 1986); and experiential products valued for their sensory and emotional aspects (Holbrook and Hirschmann 1982). Under these circumstances, consumers will rely on myriad information sources, which are not all equal in terms of credibility. Jolson and Bushman (1978) were among the first to illustrate the sequence of consumer responsiveness to available purchase information sources (see Fig. 1). Using these scholars' terminology, advertising (which is a marketer-dominated source of information) will be relied upon only *after* information originating from the media and other expert third-party sources has been internalized.

This idea is consistent with long-held findings in social psychology, which state that information sources are more or less credible based upon the extent they are perceived by

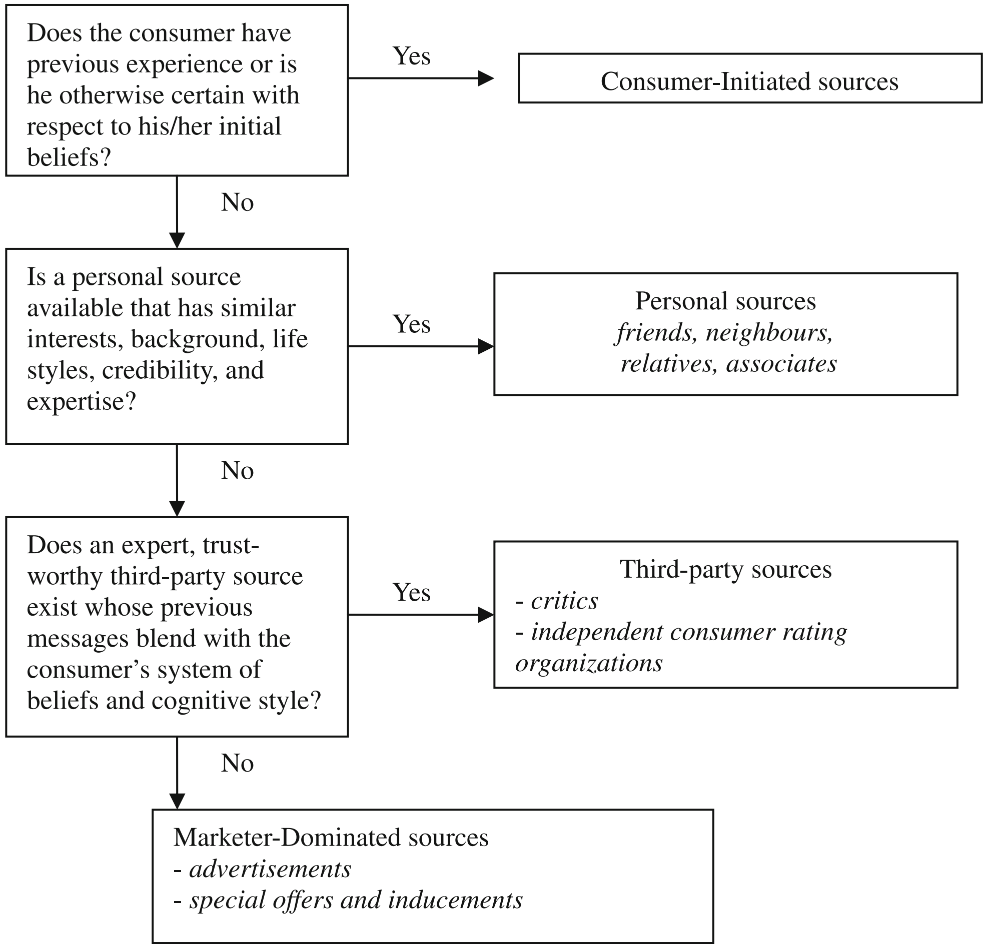

Fig. 1 Hierarchy of responsiveness to purchase information sources *Source* Adapted from Jolson and Bushman (1978)

their audiences as more expert and trustworthy (Hovland and Weiss 1951; Hovland et al. 1953).[3] Expertise refers to the source's "perceived ability to know the correct stand on the issue." Trustworthiness refers instead to the degree to which the audience perceives the assertions made by a communicator to be ones that the speaker considers valid (Hovland et al. 1953, p. 22). Trustworthiness is thus related to the honesty and believability of the source (McGinnies and Ward 1980). Research has consistently shown the existence of a positive relationship between source credibility and persuasion (Hass 1981; McGuire 1969; Sternthal et al. 1978).

Attribution theory (Kelley 1967) provides additional insights on the cognitive processes activated by advertising versus independent sources of product information such as the media. According to attribution theory, individuals who are exposed to a message act as naïve scientists, since they try to assess whether the message provides an accurate representation of reality and/or whether the source of the message lacks credibility. When the source has external reasons to account for a given opinion, recipients of the message will consider such opinion as less credible than when such reasons do not exist. This so-called discount principle suggests that in presence of doubts about the true reasons behind a source's opinion, the opinion will be discounted toward the condition of disbelief. Advertising is thus less credible than publicity as advertisers obviously have commercial reasons for diffusing favorable messages about their products. Independent sources such as the media are more credible, as they (appear to) lack vested interests in the diffusion of product-related information, and are therefore more diagnostic.

Based on a meta-analytic structural equation modeling of research findings reported in 30 studies on the relative persuasiveness of advertising versus publicity in the period 1971–2009, Eisend and Küster (2011) find that publicity is superior to advertising "for products about which

[3] We acknowledge that source credibility is just one of the determinants of consumer responses to messages, which are the result of the interplay of different factors, including for example the presence of celebrity endorsers, advertising creative strategy, and countless others.

consumers lack prior knowledge and are in need of reassurance that is more likely provided by a high credibility source." Conversely, for known products, advertising becomes more persuasive than publicity. An interpretation of their findings is that advertising's positive messages enable consumers to avoid the cognitive dissonance that might arise from the contradictory messages coming from neutral sources of information such as the media.

The vast majority of study on advertising versus publicity has exposed subjects to advertising or publicity independently of one another. This is convenient for research purposes, but unrealistic as real consumers are exposed to product-related information from both advertising and publicity. The limited research examining the impact of a combination of the two sources over advertising only suggests that when present together, advertising and publicity affect each other's credibility. For example, Loda and Coleman (2005) found that a publicity-then-advertising sequence is more credible and impactful than advertising alone. Other studies also found evidence of synergistic effects between advertising and publicity.

As a whole, the literature reviewed in this section provides support to the long-held conviction that publicity outperforms advertising in terms of source credibility and consumer response to messages, and particularly so in situations when consumers lack previous product knowledge. Studies examining publicity and advertising in combination also support the view that publicity furthers the effect of advertising on consumers. Taken together, such empirical literature supports the view that advertisers who use their resources to obtain extra publicity are likely to significantly affect consumer behavior. The effect of mere message repetition on message recall and purchase intention is further amplified by the greater source credibility of publicity. In the next section, we develop a theory and propose several testable hypotheses.

Theory and Hypotheses Development

In exploring media organizations' ethical dilemmas in product coverage decisions, we rely on the theory of norms of reciprocity (Becker 1956; Gouldner 1960). The mechanism of reciprocity suggests that a social actor should help (and specifically not harm) those from whom they have received help (Perugini et al. 2003). Pfeffer and Salancik (1978) define the social norm as a sanction of behaviors that set shared expectations among social actors. In our situation, the norm of reciprocity reflects the shared expectations of social interactions between a publisher and a corporation (Jap and Ganesan 2000; Palmatier et al. 2006, 2009). Thus, the norm may lead parties to establish relations primarily with those who can reciprocate.

When a publisher and a corporate advertiser are involved in a social interaction, both the publisher and the corporation will set the behavioral expectations and impose the obligation of reciprocity on each other. For instance, if a corporate advertiser knows that a greater proportion of the publisher's revenue comes from their own advertisements, then the corporate advertiser may expect reciprocal behavior from the publisher to cover more of its products in the magazine. So long as the publisher's response meets the established expectation within the dyadic relationship, the chain of reciprocity between two parties will exist (Simmel 1950). In addition, the goodwill of the dyadic relationship can develop the reputation of the party in the industry (Fombrun and Shanley 1990; Grewal and Dharwadkar 2002). If a fashion magazine publisher earns a bad reputation among fashion firms by not returning a favor to corporate advertisers, then the publisher's reputation in the advertising market could be damaged. Since media organizations obtain most of their revenues from advertisers, rather than from consumers (Mantrala et al. 2007), their survival would be at risk if their reputations were damaged. Thus, the reciprocity ensures that the social actors who provide favorable treatment can trust that the debt will be repaid (Deckop et al. 2003).

Abundant anecdotal evidence exists regarding pressures from corporate advertisers that actually resulted in changes in media content in both television and print media (Richards and Murphy 1996; Steinem 1990). Empirical studies based on surveys from journalists have found strong support of advertising-related media bias in newspapers (Soley and Craig 1992) and TV networks (Price 2003). Reuters and Zitzewitz (2006) found that mutual fund recommendations are correlated with past advertising in three personal finance publications in the United States. They conclude that the most plausible explanation is the causal one, namely, that "personal finance publications bias their recommendations—either consciously or subconsciously—to favor advertisers" (p. 198). In our preliminary study, we found that corporate advertisers expect a "favorable treatment" from publishers as far as coverage of their products is concerned. Rinallo and Basuroy (2009) also document the corporate influence of advertisers. Hence, based on the theory of norms of reciprocity and supporting evidence, we propose the following hypothesis regarding the reciprocal relationship between publishers and corporate advertisers:

H1a The higher the level of advertising by a company in a given publisher, the greater will be the coverage of that company's products by that publisher.

The rule of reciprocity also implies that higher levels of commitment in a relationship may result in higher expectations in terms of reciprocating behavior. In our context, it seems logical to assume that a corporation increasing its advertising expenditures in a given media outlet might expect to receive greater levels of coverage for its products. Following this argument, the same corporation would not be surprised if a decrease in its advertising expenditures would result in its product receiving reduced visibility from that publisher. Based on the norm of reciprocity, an advertiser's product visibility in the media should adjust to changes in advertising investments. We thus propose that:

H1b The greater the increase (decrease) in the level of advertising by a company in a given publisher, the greater (lower) will be the coverage of its products by that publisher.

An organization can gain power by the possession and control of resources that are valued by the other party (Stern and El-Ansary 1992). Within the context of reciprocity between publishers and corporate advertisers, corporate advertisers often have greater power than publishers since advertising is such an important source of revenue. However, prestigious publishers may be better suited than others to maintain their autonomy from advertisers for at least two reasons. First, prestigious media outlets might want to maintain their reputation among consumers and other stakeholders, thus applying more stringent journalistic standards in the coverage of products of both advertisers and non-advertisers. Second, advertising in prestigious media outlets provides advertisers access to a valuable audience (i.e., more affluent or knowledgeable consumers) and, as a consequence, threats of withdrawing expenditures might be more consequential for the advertiser than the media organizations. Reuters and Zitzewitz (2006) found that media mention in prestigious publications such as the *Wall Street Journal* and the *New York Times* are not correlated with corporate advertisers. Similarly, An and Bergen (2007), in a survey of advertising directors at US daily newspapers, found that newspapers with reduced market powers were more willing to compromise editorial integrity to please or refrain from offending their advertisers. Based on these arguments, we propose:

H2 Prestigious publishers, compared to other publishers, will exhibit less influence from corporate advertisers.

The rule of reciprocity is not a specifically western construct. According to evolutionary psychologists there is growing evidence to suggest that, globally, human beings have evolved to become more inclined to exhibit reciprocity over time (Fehr et al. 2002; Friedman and Singh 2004; Hoffman et al. 1998). Similar studies have empirically tested the applicability and the tolerance of the norm of reciprocity in various countries (Hwang 1987; Parzefall 2008; Perugini et al. 2003). For example, Hwang (1987) argues that the norm of reciprocity, or *guanxi*, is not derived from western cultural contexts, but is institutionalized in the everyday lives of the Chinese because of Confucianism. In a Finnish context, Parzefall (2008) finds that the perceived reciprocity of employees mediates the relationship between contract fulfilment and affective commitment.

In cross-cultural studies, the fundamental belief that a person is perceived to repay the equivalent value after accepting favors is found to be universal, even though forms and functions of reciprocal behaviors are to varying degrees influenced by the local culture (Ashforth 1993). For example, Perugini et al. (2003) found that Italians are more willing to engage in both positive and negative reciprocal behaviors than the English. They believe that the cross-cultural difference is mainly caused by the socialization process and the prevailing social norms in the two countries. Thus, we believe that patterns of reciprocal relationships between publishers and advertisers in all different countries would exist. Hence, we propose:

H3 The pattern of corporate advertiser influence on publishers will be similar across countries.

In the next section, we describe the data, the econometric methodology, and the results.

Data, Methodology, and Results

Our study is empirically situated in the fashion industry. In this context, a significant share of advertising expenditures is devoted to consumer magazines such as *Vogue*, *GQ*, *Men's Health*, *Marie Claire*. Product publicity in these magazines has a visual nature, since it consists of photo spreads realized by fashion photographers (Jobling 1999), usually depicting models wearing branded clothing and accessories which are provided for free by fashion companies (Milkie 2002). Products employed for this purpose are identified in the brief texts that accompany the photo spreads, and similar to fashion advertising they can be internalized by consumers in their ongoing search for information about products (Bloch et al. 1986; Phillips and McQuarrie 2010). For example, the photo spread in Fig. 2 below indicates that the model is wearing a leather jacket and a knitted blue scarf (see lower right corner); both items were provided by Emporio Armani. Most photo spreads are composed of clothing from different brands, creatively mixed and matched by the magazine's editorial staff to convey fashion trends and highlight noteworthy items from the latest fashion collections.

We collected data on 291 Italian companies, in a sample of 123 publishers from different companies (61 publishers from Italy, 15 from France, 15 from Germany, 16 from the United Kingdom, and 16 from the United States). From

Fig. 2 Fashion publicity in consumer magazines: an example

this, we determined their advertising expenditures and the volume[4] of coverage their products received in 2002 and 2003. We obtained our data from Visual Box srl, an Italian market-research company specializing in the global fashion industry. Since our unit of analysis is the company–publisher dyad, our dataset is composed of 35,793 cases (i.e., 291 × 123). Companies were included in the sample on the basis of the availability of financial data, which we employed as control variables, from secondary sources. With a few possible exceptions, all Italian companies for which such data are publicly available were included in the sample. From the publishers' side, we included almost all Italian media organizations active in the period under investigation. Given our interest in a cross-national examination of norms of reciprocity, we also gathered data about key publications of interest for Italian fashion advertisers in selected foreign markets, both in Europe and in North America. While there might be a "liability of foreignness" in the volume of coverage received abroad and country-specific differences in the way Italian fashion is appreciated in, say, France versus the United States, our interest here is in replicating our findings in different geographical contexts. Even if a French publisher favors Italian advertisers, it seems unlikely that it would specifically *not* favor French advertisers or those coming from other countries.

In this study, we rely on data from a single industry because of a unique opportunity to obtain data about both advertising and media coverage in consumer magazines in that industry. This prevents us from testing the influence of advertising over editorial content in different industries. There are three contextual characteristics of our empirical setting that impact the generalizability of research findings.

- First, fashion is an esthetics-based and symbol-intensive industry, where innovation is mostly based on style rather than functional quality (Cappetta et al. 2006). Editorial coverage decisions are less the result of "objective" quality measurement, and more a matter of the editorial staff's personal tastes. Because of the lack of "objective quality" measures for fashion products, we could not test the impact of advertising's influence over editorial coverage in the case of high versus low quality products. In our discussion, we deal with this problematic aspect by speculating about the consumer welfare implications of advertiser influence over media coverage decisions for both high and low quality products. Lack of objective quality indicators might also make media organizations more susceptible to advertiser influence compared to industries where product performance can be evaluated on the basis of more measurable characteristics, and where more favorable treatment of advertisers might be more easily spotted, thus affecting media reputation.
- Second, the innovation rate of fashion is more accelerated than in most other industries, with at least two

4 In fashion, media coverage of new products does not contain the explicit evaluations or recommendations that are normally found in other industries (e.g., the recommendations to buy or sell securities issued by financial analysts; or the 1-to-5 stars or similar evaluations issued by movie, wine or restaurant critics). This means that as a dependent variable, we can only use the volume of exposure, and not its tenor (i.e., whether it is positive or negative).

collections per year (i.e., spring/summer and fall/winter) comprising hundreds, if not thousands, of new products. Under these circumstances, research suggests that publicity is superior to advertising in terms of source credibility and other measures of consumer response. As a consequence, advertisers might have more inducements to exert pressures over the media to obtain favorable product coverage compared to industries with slower innovation rates.
- Finally, ethical decision-making is influenced by the professional and industrial environment (Hunt and Vitell 1986, 1993). Fashion journalism, similar to other specialty journalisms (e.g., wine, motors, travel, tourism, software, videogames), is more focused on entertainment value than public interest (on this distinction, see van Zoonen 1998). Product coverage decisions regarding fashion products might be thus less influenced by norms of objectivity and editorial integrity. As a result, our research findings might exaggerate advertiser influence compared to certain other product categories (e.g., pharmaceuticals).

In this study, our dependent variable is the total volume of company-specific product publicity included in a publisher's magazines in the period under investigation. Media bias in favor of advertisers may thus be detected by investigating the presence of abnormal volumes of product publicity. We used two different but highly correlated measures of product publicity: (1) the number of product placements in editorial content, and (2) the number of equivalent pages corresponding to those placements, which takes into consideration the presence of other products and the placement's relative size with respect to others in the same page. For example, if a one-page fashion spread features a model wearing a Dior t-shirt over Armani pants and Gucci shoes, each company will be attributed one placement and 1/3 equivalent pages each. Both measures of media coverage are currently employed in the fashion industry in Italy and elsewhere (e.g., Plazzotta 2004).

We measured advertising as a company's total number of advertising pages in each publisher's magazines in the period examined. This variable, which is a proxy for the company's total advertising expenditures, is frequently employed in the marketing literature (Reddy et al. 1998; Wang et al. 1999; Manchanda et al. 2006) in cases (like ours) when total expenditures are not available. The variable, Δ *advertising* is the difference in the number of advertising pages from 2002 to 2003. It is positive if in 2003 a company increased its advertising pages in a given publisher; it equals 0 if there were no changes in the number of advertising pages and negative if the company decreased its advertising pages. Both "*advertising*" and "Δ *advertising*" data were provided by Visual Box srl.

To test hypothesis 2, we created a *Prestige* dummy variable. In our empirical setting *Condé Nast*, the publisher of *Vogue* magazine, is considered to be the most prestigious publisher of fashion magazines in the world (David 2006; Oliva and Angeletti 2006). Therefore, the variable, *Prestige* gets a value of 1 if the publisher is Condé Nast and 0 otherwise. To test hypothesis 3, we also code separate country dummies for publishers located in Italy, France, Germany, UK, and USA.

Given our interest in detecting abnormal levels of media coverage of advertisers' products, we included in our model several control variables likely to capture "normal" levels of product publicity. *Fashion shows* is the total number of fashion shows within Fashion Weeks that a company organizes in the period 2002–2003. Data about the number of fashion shows (haute couture and prêt-à-porter, male and female) in Paris, Milan, Rome, London, and New York for each of the companies in the sample were obtained from the official calendars of the organizing institutions for 2002 and 2003. Since fashion shows are used to maintain relationships with fashion journalists, we assume that shows are likely to influence both present and future product coverage in fashion services.

Mean placements (Mean equivalent pages) is the mean coverage of a company's products by other publishers within the same country in 2003. When other magazines are covering a given company's products, these products are deemed newsworthy and another publisher will feel pressure to cover them as well. In previous studies, this variable captures the baseline coverage of other publishers (Hayward and Boeker 1998; Rinallo and Basuroy 2009).

Finally, control variables regarding company age (*Company age*), size (*Number of employees*, *Turnover*, *Total assets*), and profitability (return on equity or *ROE* and return on sales or *ROS*) were also gathered from secondary sources. To investigate the behavior of publishers and how they respond to corporate advertising, we test the following model:

$$\begin{aligned}&\text{Media coverage}_{\mathrm{ij,2003}} = f\,(\text{advertising}_{ij,2002};\\&\Delta\ \text{advertising}_{ij,2003/2002};\ \text{mean coverage}_{i};\ \text{fashion shows}_{i};\\&\text{prestige publisher; country dummies; interactions;}\\&\text{control variables}_{\mathrm{i.}})\end{aligned}$$

More precisely, in order to verify the relationship among dependent and independent variables, we employed a multiple linear regression based on ordinary least squares (OLS).

Results

Table 1 presents descriptive statistics for the full sample of company–publisher dyads. A subset of the correlation

Table 1 Descriptive statistics for the full dataset

Variable	Min.	Max.	Mean	Std. deviation
No. of placements in 2003	0	1,078	4.362	26.082
Mean placements in other publishers in 2003	0	105	4.232	10.021
No. of equivalent pages in 2003	0	333.210	1.1000	7.216
Mean equiv. pages in other publishers in 2003	0	31.537	1.067	2.732
Prestige	0	1	.04	.197
No. of fashion shows in 2002–2003	0	16	1.171	2.725
Advertising pages in 2002	0	172	.7953	5.033
Δ Advertising 2002–2003	−73	101	.082	2.350
Turnover in 2002 (Euros)	0	1,922,570,000	66,219,000	148,074,685.20
Total assets in 2002 (Euros)	17,961	1,975,631,000	72,607,000	174,069,896.26
Number of employees in 2002	1	14,452	221.820	967.661
Return on sales (ROS) in 2002	−.628	.491	.033	.103
Return on equity (ROE) in 2002	−8.743	3.961	.051	.664
Company age in 2003	1	166	276.090	24.232

$N = 35{,}793$ cases (i.e., 291 companies × 123 publishers)

matrix is reported in Table 2. We make a few preliminary notes with reference to the correlations found among those variables that measure the same constructs. For example, it is not surprising that the two dependent variables (i.e., *number of placements* and *number of equivalent pages*) are highly correlated ($r = .980$, $p < .001$), as is also the case of *ROS* and *ROE* ($r = .555$, $p < .001$) along with *turnover* and *assets* ($r = .916$, $p < .001$). Consequently, we use only one of the dependent variables at a time. As far as the control variables are concerned, it is worth noting the fact that *number of employees* is not correlated in a statistically significant manner with the two dependent variables. Moreover, and curiously, *company age* is negatively but significantly correlated to media coverage, although in a weak way. Possibly, in fashion there may be a "newness bias" in favor of new companies and products.

Table 2 Correlations between independent variables and their predictors

Predictor	Number of placements in 2003	Equivalent number of pages
No. of fashion shows in 2002–2003	.219***	.229***
Advertising pages in 2002	.748***	.744***
Δ Advertising 2002–2003	.122***	.128***
Mean coverage in other publishers in 2003	.344***	.340***
Turnover in 2002 (Euros)	.079***	.060***
Total assets in 2002 (Euros)	.082***	.066***
Number of employees in 2002	.007	.006
Return on sales (ROS) in 2002	.032***	.031***
Return on equity (ROE) in 2002	.014*	.014*
Company age in 2002	−.019**	−.017**

The double value for mean coverage and variance in coverage refers to the two measures of the variables (i.e., number of placements and number of equivalent pages)

*** $p < .001$; ** $p < .01$; * $p < .05$

Tables 3 and 4 present the results of the OLS multiple regression analysis employed to test hypotheses H1a and H1b for dependent variables *number of product placements* and *equivalent number of pages*. It provides evidence of the effects of the independent variables on the volume of media coverage the products of a focal fashion company (corporate advertiser) receive. Model I includes only the control variables, Model II adds the *number of fashion shows* variable, model III adds the variables capturing the influence of other journalists (*mean placements/mean editorial pages*), and model IV finally includes the *advertising* variables.

Since the two dependent variables, *number of product placements* and *equivalent number of pages* are highly correlated, unsurprisingly the OLS estimates of the model estimates are quite similar in terms of magnitude, sign and level of significance, with a few exceptions for control variables only. The full model containing all predictors has an R^2 of .424. For both dependent variables, each additional set of predictors increased the overall model's R^2. The larger increase in R^2 occurs with Model IV that adds the variables capturing the force of the *rule of reciprocity* that favors the coverage of advertisers' products.

Although we present several nested models, we will focus on Model IV. As expected, companies that present their collections in the context of Fashion Weeks receive more coverage as a consequence of more intense relationships with fashion journalists. Also, the variable

Table 3 Effect of variables on media coverage in 2003 (dependent variable: no. of product placements)

Variable	Model I	Model II	Model III	Model IV
Intercept	3.288***	.960***	.189	−.477
	(.232)	(.234)	(.226)	(.162)
Turnover in 2002	2.950E−08***	2.235E−08***	4.49E−09***	−2.46E−09*
	(.000)	(.000)	(.000)	(.000)
ROS in 2002	2.793*	8.118***	1.588	−.929
	(1.414)	(1.385)	(1.339)	(.957)
No. of employees in 2002	−3.516E−05	4.084E−07	−4.46E−07	1.74E−04*
	(.000)	(.000)	(.000)	(.000)
Company age in 2002	−4.715E−02***	−2.962E−02***	−.006*	−.002
	(.007)	(.007)	(.007)	(.005)
No. of fashion shows in 2002–2003	–	1.994***	.397***	.407***
		(.054)	(.062)	(.045)
Mean placements in other publishers in 2003		–	.829***	.396***
			(.018)	(.013)
Advertising pages in 2002	–	–	–	3.460***
				(.023)
Δ Advertising 2002–2003	–	–	–	2.331***
				(.042)
R^2	.012	.062	.133	.557
ΔR^2 over previous model	–	.050***	.071***	.424***

Standard errors in parentheses

*** $p < .001$; ** $p < .01$; * $p < .05$

Table 4 Effect of variables on media coverage in 2003 (dependent variable: no. of equivalent pages)

Variable	Model I	Model II	Model III	Model IV
Intercept	.803***	.139*	.028	−.207***
	(.064)	(.065)	(.063)	(.049)
Turnover in 2002	7.607E−09***	5.566E−09***	1.14E−09**	−1.06E−09***
	(.000)	(.000)	(.000)	(.000)
ROS in 2002	.779*	2.298***	.447	−.241
		(.384)	(.372)	(.266)
No. of employees in 2002	−1.574E−05	−5.596E−06	−1.06E−06	4.51E−05*
	(.000)	(.000)	(.000)	(.000)
Company age in 2002	−1.126E−02***	−6.262E−03	−.001	5.42E−04
	(.002)	(.002)	(.002)	(.001)
No. of fashion shows in 2002–2003	–	.569***	.113***	.123***
		(.015)	(.018)	(.013)
Mean equivalent pages in other publishers in 2003			.828***	.394***
			(.019)	(.014)
Advertising pages in 2002	–	–	–	.952***
				(.006)
Δ Advertising 2002–2003	–	–	–	.691***
				(.012)
R^2	.010	.063	.130	.554
ΔR^2 over previous model	–	053***	.067***	.424***

Standard errors in parentheses

*** $p < .001$; ** $p < .01$; * $p < .05$

capturing competitive peer pressures to cover a given company's products (*mean placements/mean editorial pages*) is positive and statistically significant. Most of the other control variables (i.e., *turnover*, *ROS,* and *company age*) are statistically not significant in Model IV.

As a whole, the OLS parameter estimates support the hypotheses H1a and H1b. *Advertising* is the predictor with the largest magnitude ($\beta = 3.460$ in Table 3 and .952 in Table 4, both with $p < .001$). This means that the planning of an additional page of advertisement in a publisher's portfolio of magazines in 2002 leads to an additional 3.460 product placements (.952 equivalent pages) in 2003. The rule of reciprocity appears to be a reality in the sample examined: one page of advertising results in almost one page of coverage (Table 4). Furthermore, it appears that publishers are sensitive to yearly changes in the media planning of their advertisers (H1b): the impact of one more advertising page is estimated in 2.3 more product placements, for an equivalent of approximately .69 pages. Therefore, incremental advertising by corporate advertisers has a significant impact on the reciprocity. Reciprocity is evidenced by incremental coverage the corporation receives.

To convincingly deal with the issue of causality, it is necessary to rule out the alternative explanation that "advertising follows coverage," and not vice versa as we hypothesize.[5] Support for the proposition that it is advertising that causes coverage is provided by the fact that our dependent and independent variables are time-dependant (i.e., we model media coverage in 2003 as determined by advertising investments in 2002, based on the principle that effects cannot precede causes). To deal statistically with the issue of reverse causality, we run a two-stage least squares (2SLS) estimate. Potential reverse causality can lead to endogeneity which, in turn, causes OLS estimates to be biased. A standard remedy for such reverse causality is to run instrumental variables regression (see Stock and Watson 2007; Wooldridge 2003). The key instrument we use is the amount of advertising of the specific company with other publishers. Our 2SLS estimates are virtually similar to the original results. Thus, our results pass a key robustness check as we are able to control for reverse causality.

Hypothesis 2 proposes that powerful and prestigious publishers are immune to the influences of corporate advertisers and hence we should expect to see negligible evidence of reciprocity. However, results reported in Table 5 do not support H2. Table 5 results show that prestigious publishers are significantly more influenced by corporate advertisers than their less prestigious counterparts: the interaction of advertising levels and the

[5] We thank an anonimous *Journal of Business Ethics* reviewer for suggesting us to address this important point.

Table 5 Effect of variables on media coverage in 2003 by prestigious publishers (dependent variable: No. of equivalent pages)

Variable	Model I
Intercept	−.205***
	(.045)
Turnover in 2002	−1.01E−09***
	(3.72E−10)
ROS in 2002	.239***
	(.266)
No. of employees in 2002	4.41E−05*
	(.000)
Company age in 2002	.001
	(.001)
No. of fashion shows in 2002–2003	.122***
	(.013)
Mean equivalent pages in other publishers in 2003	.399***
	(.013)
Advertising pages in 2002	.917***
	(.008)
Δ Advertising 2002–2003	.678***
	(.013)
Prestige publisher	.101
	(.132)
Prestige publisher × advertising pages in 2002	.087***
	(.013)
Prestige publisher × Δ advertising 2002–2003	.043
	(.031)
R^2	.555

Standard errors in parentheses

*** $p < .001$; ** $p < .01$; * $p < .05$

prestigious publishers is positive and significant. However, the interaction of the prestigious publisher and Δ *advertising* is not significant: in other words, prestigious publishers do not react differently from other media organizations to increases/decreases in advertising expenditures. A finer-grained, ad hoc analysis in a sub-sample of Italian publisher (see Table 6) shows that the effect of advertising on magazine coverage is even more sizeable in Condé Nast (*Vogue's* publisher) than elsewhere. When a publisher is deemed prestigious, corporate advertisers are perhaps more eager to influence editorial choices by all means at their disposal. Another explanation for this unexpected behavior is that unlike the general news, prestigious publishers specializing in a given industry are dependent on that industry since they cannot rely on a diversified advertiser pool to maintain their revenues and profitably (see Sutter 2002).

Hypothesis 3 explores patterns of national variation of reciprocal behaviors among publishers and their corporate advertisers. Table 7 shows the results of multiple linear

Table 6 Individual differences in the effect of predictor on magazine coverage in selected Italian publishers (dependent variable: no. of pages equivalent)

Variable	Condé Nast Italy	Mondadori	RCS Periodici	Hachette Rusconi	Gruppo Editoriale L'Espresso
No. of fashion shows in 2002–2003	n.s.	1.192***	1.143***	.570***	.223*
		(.314)	(.235)	(.258)	(.093)
Mean placements in other publishers in 2003	6.772**	11.347***	8.132***	8.268***	2.555***
	(.911)	(.751)	(.631)	(.669)	(.207)
Advertising pages in 2002	.452***	.134**	.147***	.372***	.144***
	(.040)	(.045)	(.034)	(.053)	(.019)
Δ Advertising in 2002–2003	.357***	.131**	n.s.	.369***	.191***
	(.072)	(.046)		(.074)	(.029)
R^2	.936	.911	.967	.920	.918
Fashion advertising pages in 2002	8,882	7,947.50	7,432	4,919	4,322

Control variables (mostly non significant) were omitted to increase readability

regression analyses in order to explore such national variations. The dependent variable is *number of equivalent pages*. As we explained in the data section, we interacted the country dummies (France, US, UK, and Germany with Italy as the default) with the *advertising* and the Δ *advertising* variables. For the *advertising* variable, we find that all interactions are negative and with the exception of France, are all significant. These negative signs imply that the impact of advertising on product coverage is less than that in Italy, since Italy is used as the default. Thus, the impact of reciprocity or reciprocal behavior is less pronounced in these countries compared to Italy. The interaction effect in France, while negative, is not significant. This means that advertiser influence over media content in France is less compared to Italy, but not in a statistically significant way. We also see that all the interactions with Δ *advertising* are also negative, but only that of USA and France are significant. This implies that reciprocal behavior with respect to incremental advertising has significantly less of an impact in these two countries compared to that in Italy. Overall, the prevalence of negative and significant interactions support the view that Italian advertisers still receive extra editorial visibility for their advertising expenditures in export markets, but are treated more favorably by fellow Italian publishers. There might thus indeed be a "liability of foreignness" penalizing advertisers from abroad.

In the next section, we discuss the results and their ethical implications.

Discussion and Conclusion

As one of the most visible aspects of marketing, advertising is the subject of substantial criticism for its impact on consumers and society. In this paper, we contribute to the business ethics literature on the topic with an empirical study about the influence of corporate advertisers on the coverage of their products in consumer magazines. This phenomenon, which can be considered a form of "stealth" marketing, has so far received scant attention in the marketing ethics literature, which as a whole is more focused on other typologies of practices that blur the line between advertising and publicity.

Our study may also be seen as a contribution to the political economy of the media perspective, which addresses among other issues, how news is shaped by the fact that advertising is the primary income source for the mass media. Specifically, our study refers to the body of literature that examines how advertisers might shape product-related media content and specify how this may be related to the enforcement of norms of reciprocity. Unlike previous examinations of this issue, in our study we rely on a forensic approach, which we consider more appropriate when examining behaviors that might be under-represented when investigated through journalist self-reported data. For example, in their survey of editors at daily newspapers, Soley and Craig (1992) found that only 37 % of their informants had capitulated to advertiser pressure. The existence of the rule of reciprocity is in fact often denied in public. A recent article published by a leading Italian newspaper targeting the fashion industry opened with the following comment[6]: "*Editorial content sold in exchange for a massive media planning? Pas du tout. The unwritten rule 'so much advertising investments, so much services' is often proven to be wrong by data*" (Plazzotta 2004, p. f5). In the context we explore, we believe that we documented advertising's influence on media coverage in a more

[6] Translated by the first author from the original Italian.

Table 7 National differences among publishers on media coverage (dependent variable: no. of pages equivalent)

Variable	Model 1
Intercept	−.359***
	(.051)
Turnover in 2002	−9.11E−10***
	(3.66E−10)
ROS in 2002	−.315***
	(.262)
No. of employees in 2002	4.38E−05*
	(.000)
Company age in 2002	7.07E−06
	(.001)
No. of fashion shows in 2002–2003	.096***
	(.013)
Advertising pages in 2002	.471***
	(.014)
Δ Advertising 2002–2003	.749***
	(.013)
Prestige publisher	.096
	(.131)
Prestige publisher × advertising pages in 2002	.115***
	(.013)
United States	.329***
	(.078)
United Kingdom	.292***
	(.079)
France	.201***
	(.080)
Germany	.362***
	(.080)
US × Ad. pages in 2002	−.484***
	(.018)
UK × Ad. pages in 2002	−.348***
	(.024)
France × Ad. pages in 2002	−.042
	(.029)
Germany × Ad. pages in 2002	−.178***
	(.030)
US × Δ advertising 2002–2003	−.477***
	(.044)
UK × Δ advertising 2002–2003	−.081*
	(.049)
France × Δ advertising 2002–2003	−.153***
	(.057)
Germany × Δ advertising 2002–2003	−.053
	(.059)
R^2	.570

Standard errors in parentheses

*** $p < .001$; ** $p < .01$; * $p < .05$

faithful manner than if we had relied on a survey of fashion editors. By examining the relationship between the advertisers and product coverage with secondary data, we are able to avoid the "social desirability bias" that can often mar ethics research using survey methods (Randall and Fernandes 1991).

In this paper, we investigated three research items concerning the ethical challenges of media organizations relying on advertising as a main source of revenue: (1) the inclination of both publishers and corporate advertisers to engage in mutually beneficial reciprocal behaviors, (2) the extent to which prestigious advertisers are better suited to maintain their editorial integrity, and (3) the variation of norms of reciprocity among five different countries.

Advertising is the most predictive indicator of magazine coverage, the one that contributes the most to explaining variance in a focal publisher's coverage of a given company's products. Moreover, publishers also react to the decrease or increase in advertising from 1 year to the other, and are likely to reward those companies that increase their advertising budgets with them by providing greater coverage and visibility.

We are surprised to find the large degree of influence that advertisers have on prestigious publishers. The directly interested parties routinely deny in such public influence. In a recent interview, Italian *Vogue* director Carla Sozzani, when explicitly asked about fashion advertisers in the editorial content of her magazine, reported that because of its prestige and reputation in the field *Vogue* was able to maintain editorial integrity[7]:

> We are a magazine different from the others because we create trends… Therefore, many designers who are now emerging in the fashion market must absolutely be in Vogue because in the moment you're in Vogue you are recognized – at least in the fashion field – as qualified for being in that magazine. This is why they advertise in Vogue. It's not that by advertising in Vogue you get into the editorials. I'm absolutely independent from advertising. That's it, it's not that we don't give editorial visibility to the big designer. But there are people, or companies, that advertise even more than certain designers, and get less editorial visibility. How do we explain this? (Bignardi 2007)

Despite this heart-felt defense, our data contradict the assertion that prestigious publishers and magazines like *Vogue* are exempt from the rule of reciprocity.

As far as advertising is concerned, in all the countries investigated the "rule of reciprocity" that prescribes a

[7] Transcribed by the first author and translated from the original Italian.

favorable treatment of advertisers seems to be enforced. Whether in Italy or USA, advertisers get better coverage of their products, in ways that are roughly proportional to their advertising expenditure. From a political economy of the media viewpoint, such results are hardly surprising. Scholars in this perspective have long denounced the global diffusion of an oligopoly of profit-driven media organizations relying on advertising as their major source of revenue. The norm of reciprocity has also been empirically found to be a universal aspect of human behavior that exists across national cultures. A finer-grained analysis of individual publishers or magazines might have enabled us to find instances of media coverage independent of advertising investment. However, as an empirical generalization, our findings support the view that globalization has entailed greater homogeneity in media responses to corporate advertiser pressures.

A key question arising from our research findings is to what extent does advertising's influences on editorial content harm consumer welfare? If, as we found, advertising impacts media coverage, it might be that some companies could use their promotional investments to compensate for inferior product quality (see Tellis and Fornell 1988 for a synthesis of the literature on the controversial issue of the relationship between advertising and product quality). Unfortunately, the characteristics of our empirical settings prevent us from empirically investigating issues of product quality. Future research might shed light on this important issue.

Our study yields ethical implications for other media industries besides publishing such as television. US hospitals were recently criticized for sponsoring health segments that are aired in the evening television news narrated by the station's news anchors but written by the hospitals' public relations staff (Lieberman 2007). HCA hospitals in Kansas City paid $1.5 million for a 3-year partnership with CBS affiliate KCTV that included commercials and news segments featuring doctors from their hospitals. In response to the rise in the hospital–media partnerships, the Association of Health Care Journalists and the Society of Professional Journalists released guidelines in 2008 stating that newsrooms should not favor sponsoring hospitals on story topics or sources. Such practices may in the long run harm public trust toward the media. We believe that a forensic approach like the one we adopted in our study may be instrumental in detecting infractions to editorial integrity, particularly when objective quality indicators are available (e.g., hospital care).

We conclude by discussing the limits of our study and suggesting directions for future research. First and foremost, we only investigated advertising's influence over the volume of media coverage, not its tenor. Since negative information has a more disproportionate effect than positive information on attitudes toward products (Basuroy et al. 2003), concerns over consumer welfare would be greater if advertisers were found to use their promotional expenditures to curb media criticism. Second, we situated our empirical study in the field of fashion, whose contextual characteristics (an esthetics-based and symbol-intensive industry lacking objective product quality ratings; accelerated innovation cycle; limited public interest in media ethics) may converge in exaggerating the impact of advertising over editorial content. Future research based on multi-industry samples may test hypotheses on advertiser influence over media content in different contexts. We would be surprised to find that in certain industries advertisers have no influence at all—however, we certainly expect variations in the degree of influence advertising has over the media coverage of fashion as opposed to say, cars (objective product performance measures) or health-related products (specialized journalism stressing public interest).

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