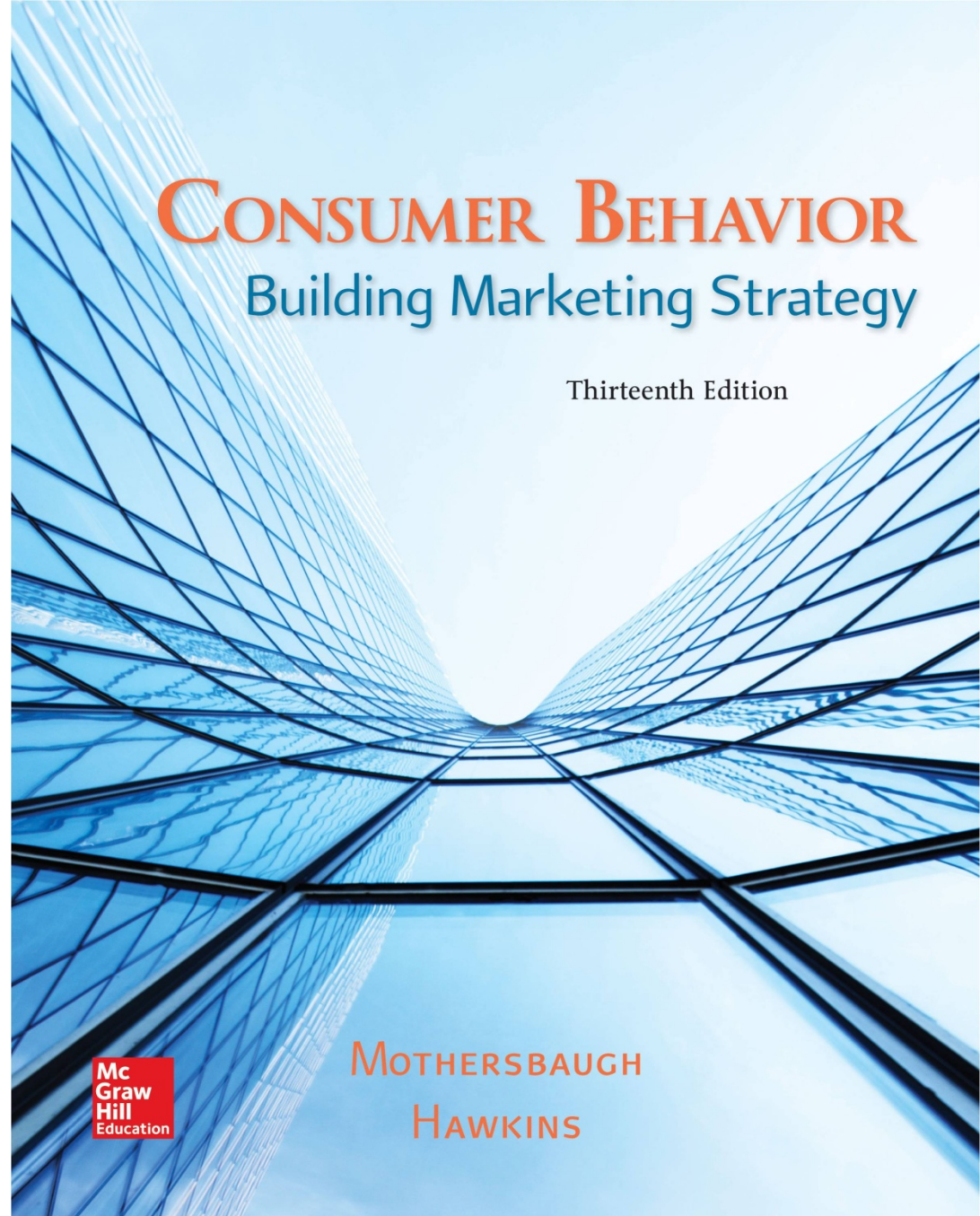


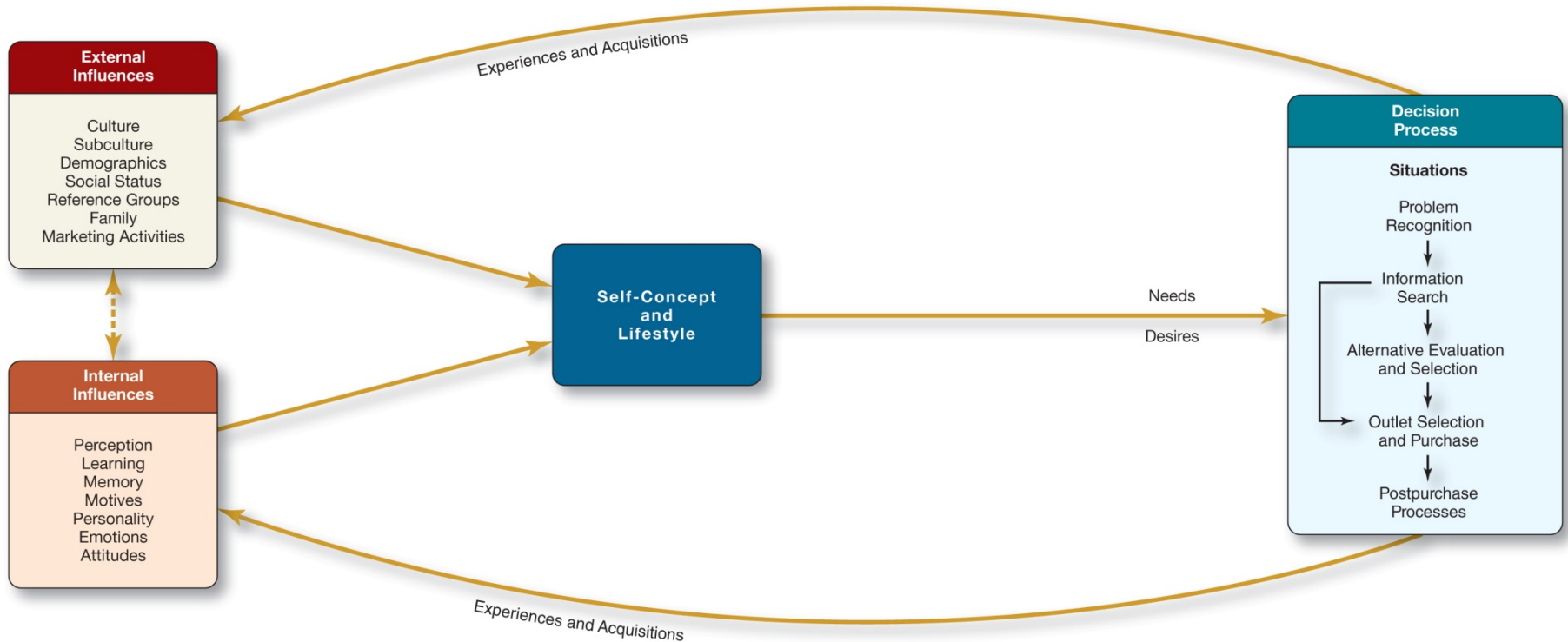
CHAPTER 20

Marketing Regulation and Consumer Behavior



PART VI: CONSUMER BEHAVIOR AND MARKETING REGULATION

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Regulation and Marketing to Children

- ***CARU – Industry Self-Regulation***
- ***Concerns about the Ability of Children to Comprehend Commercial Messages***
- ***Concerns about the Effects of the Content of Commercial Messages on Children***
- ***Controversial Marketing Activities Aimed at Children***
- ***Children's Online Privacy Issues***

Regulation and Marketing to Children

Self-Regulatory Body

The National Advertising Division of the Council of Better Business Bureaus is the primary *self-regulatory* body of the American advertising industry.

- The ***Children's Advertising Review Unit (CARU)*** is a special unit created by this body to review advertising aimed at children.

Junk Food Commercials Aimed at Children



YouTube Spotlight

Regulation and Marketing to Children

Comprehension Concerns

- ***Two Major Issues Relating to Comprehension:***
 - *Do Children Understand the Selling Intent of Commercials?*
 - *Can Children Understand the Words and Phrases in Commercials?*

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Information Processing–Related Guidelines of CARU

TABLE

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1. Whether an advertisement leaves a misleading impression should be determined by assessing how reasonable children in the intended audience would interpret the message, taking into account their level of experience, sophistication, and maturity; limits on their cognitive abilities; and their ability to evaluate the advertising claims.
2. Claims should not unduly exploit a child's imagination. While fantasy, using techniques such as animation and computer-generated imagery, is appropriate for both younger and older children, it should not create unattainable performance expectations nor exploit the younger child's difficulty in distinguishing between the real and the fanciful.
3. Advertisements should demonstrate the performance and use of the product in a way that can be duplicated by a child for whom the product is intended.
4. All disclosures and disclaimers material to children should be understandable to the children in the intended audience, taking into account their limited vocabularies and level of language skills. For young audiences, simple words should be chosen, e.g., "You have to put it together." Since children rely more on information presented in pictures than in words, demonstrative disclosures are encouraged.
5. Program personalities, live or animated, should not be used to advertise products, premiums, or services in or adjacent to a television program primarily directed to children under 12 years of age in which the same personality or character appears.

Source: *Self-Regulatory Program for Children's Advertising* (Children's Advertising Review Unit, Council of Better Business Bureaus, Inc., 2009).

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Concerns about the Effects of the Content of Commercial Messages on Children

- *Health and Safety*
- *Values*
- *CARU Guidelines*

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TABLE

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Examples of Specific Guidelines of the Children's Advertising Review Unit

1. Advertising should not urge children to ask parents or others to buy products. It should not suggest that a parent or adult who purchases a product or service for a child is better, more intelligent or more generous than one who does not.
2. Advertisers should not convey to children that the possession of a product will result in greater acceptance by peers or lack of a product will result in less acceptance by peers.
3. Advertisements should not portray adults or children in unsafe situations, or in acts harmful to themselves or others. For example, when activities (such as bicycle riding or skateboarding) are shown, proper precautions and safety equipment should be depicted; when an activity would be unsafe without adult supervision, supervision should be depicted.
4. Advertising should not portray or encourage behavior inappropriate for children (e.g., violence or sexuality) or include material that could unduly frighten or provoke anxiety in children; nor should advertisers targeting children display or knowingly link to pages of a website that portray such behaviors or materials.

Source: *Self-Regulatory Program for Children's Advertising* (Children's Advertising Review Unit, Council of Better Business Bureaus, Inc., 2009).

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Controversial Marketing Activities Aimed at Children

- *Mobile Marketing and Children*
- *Commercialization of Schools*
- *Internet Marketing and Children*

Regulation and Marketing to Children

Mobile Marketing and Children

Sometimes referred to as the “Third Screen,” cell phones are an increasingly integral part of our lives.

Marketers see younger children as the next big growth market.



@JGI/Jamie Grill/Blend Images LLC

Mobile Marketing Efforts

- *ringtones*
- *mobile games*
- *text-in contests*
- *mobile advertising*

Regulation and Marketing to Children

Commercialization of Schools

There has been ongoing concern and controversy around the commercialization of elementary and high schools.

The following are commercialization activities as classified by the Consumers Union:

- *In-school Ads*
- *Ads in Classroom*
- *Corporate-sponsored Educational Materials and Programs*
- *Corporate-sponsored Contests and Incentives Programs*

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Internet Marketing and Children

Children are major users of the Internet, and marketers use the Internet to communicate with kids.

Two major concerns have emerged:

1. Invading children's privacy
2. Exploitation of children through manipulative sales techniques, e.g., adver-games.

Regulation and Marketing to Children

Children's Online Privacy Issues

Children's Online Privacy Protection Act (COPPA)

- Online privacy relates to collection and use of information from websites
- COPPA passed by Congress in 1998
- FTC issued Children's Online Privacy Protection Rule (a.k.a. The Rule) in 1999



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Key Provisions of The Rule under COPPA

TABLE

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The Rule applies to (a) operators of commercial websites or online services directed to children under 13 that collect personal information from children, (b) operators of general audience sites that knowingly collect personal information from children under 13, and (c) operators of general audience sites that have a separate children's area and that collect personal information from children. Nonprofits are not covered.

Privacy Policy—Post privacy policy on the homepage of the website and link to the privacy policy everywhere personal information is collected.

Parental Notice—Provide parents notice about the site's information collection practices and, with some exceptions, get verifiable parental consent **before** collecting personal information from children.

Parental Consent—Give parents the choice to consent to the collection and use of a child's personal information for internal use by the website, and give them the chance to choose not to have that personal information disclosed to third parties.

Parental Access—Provide parents access to their child's information, and the opportunity to delete the information and opt out of the future collection or use of the information.

Conditional Access—Do NOT condition a child's participation in an activity on the disclosure of more personal information than is reasonably necessary for the activity.

Confidentiality—Maintain the confidentiality, security, and integrity of the personal information collected from children.

Source: *You, Your Privacy Policy and COPPA* (Washington, D.C.: Federal Trade Commission).

Regulation and Marketing to Adults

- ***Consumer Privacy***
- ***Marketing Communications***
- ***Product Issues***
- ***Pricing Issues***

Regulation and Marketing to Adults

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New FTC Privacy Protection Framework

TABLE

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Part 1: Privacy by Design: Companies should promote consumer privacy through their organizations and at every stage of the development of their products and services.

- Companies should incorporate substantive privacy protections into their practices, such as data security, reasonable collection limits, sound retention practices, and data accuracy.
- Companies should maintain comprehensive data management procedures throughout the life cycle of their products and services.

Part 2: Simplified Choice: Companies should simplify consumer choice.

- Companies do not need to provide choice before collecting and using consumers' data for commonly accepted practices such as product fulfillment.
- For practices requiring choice, companies should offer the choice at a time and in a context in which the consumer is making a decision about his or her data.

Part 3: Greater Transparency: Companies should increase the transparency of their data practices.

- Privacy notices should be clearer, shorter, and more standardized, to enable better comprehension and comparison of privacy practices.
- Companies should provide reasonable access to the consumer data they maintain; the extent of access should be proportionate to the sensitivity of the data and the nature of its use.
- Companies must provide prominent disclosures and obtain affirmative express consent before using consumer data in a materially different manner than claimed when the data was collected.
- All stakeholders should work to educate consumers about commercial data privacy practices.

Source: *Protecting Consumer Privacy in an Era of Rapid Change* (Washington, DC: Federal Trade Commission, December 2010).

Regulation and Marketing to Adults

Marketing Communications

- *Advertising and Values*
- *Consumer Information Accuracy*
- *Adequacy of Consumer Information*

Regulation and Marketing to Adults

Information Accuracy and Deception

- ***Deception can occur even though a direct false claim has not been made***
 - ***Direct claim***
 - ***Logical implication***
 - ***Pragmatic implication***
- ***Firms can be held liable for false logical and pragmatic implications they create***
 - ***Example: Weedex fights weeds – many would understand “fight” to mean “kill”***
 - ***If Weedex does not kill weeds, then the pragmatic implication (fight = kill) would be false***

