In two studies, we examine consumers’ perceptions of covert personal selling in relation to their product evaluation and salespersons’ self-disclosure of the selling motive. Study 1 suggests that positive product evaluation can moderate the perceived deceptiveness of an overt selling attempt, but not that of its covert counterpart. Study 2 provides further evidence of consumer resistance against covert selling, even when the salespersons disclose their identities prior to consumers’ purchase decisions. This research sheds further light on the compelling negative ramifications of tactical deception in covert marketing communications.

Keywords: covert marketing; persuasion knowledge; deception; disclosure

To bypass consumer defenses against conventional persuasion techniques, marketers have developed surreptitious tactics known as ‘covert marketing’ (compared with ordinary ‘overt’ marketing practices). Milne, Bahl, and Rohm (2008, 58) define covert marketing as ‘an intentional omission and distortion of facts by marketers pertaining to the collection and/or dissemination of information by marketers’. For example, a company may hire trained actors who behave as ordinary customers to demonstrate a new product and converse about it at locations where the target consumers congregate, without disclosing the sales agenda (Carl 2008).

Many argue that covert marketing is devious, unethical, and even illegal in some cases (Kaikati and Kaikati 2004; Petty and Andrews 2008). The escalating controversy surrounding covert marketing is made apparent by an increasing number of scholarly studies (e.g., Martin and Smith 2008; Rotfeld 2008) and regulatory interventions (FTC 2005, 2006, 2008, 2009). Prior studies have documented that consumers have less favorable brand attitudes and lower purchase intentions when they realize that a product is marketed covertly (Wei, Fischer, and Main 2008; Ashley and Leonard 2009; Milne, Rohm, and Bahl 2009). Interestingly, research also indicates that covert marketing may provide useful information in an unobtrusive manner, and helps to minimize consumers’ cognitive dissonance (Milne et al. 2008). An intriguing question arises: to what extent can positive outcomes of covert marketing attenuate the negative ramifications of ‘going undercover’?

In the current research, we examine the extent to which the consequences of covert selling affect consumers’ perceptions of the persuasion tactic and attitudes toward salespersons. We test a set of predictions derived from the Persuasion Knowledge Model.
(PKM, Friestad and Wright 1994), which posits that consumers use tactic-specific knowledge to evaluate persuasion attempts and the agents of influence. Furthermore, recent studies suggest that marketers’ self-disclosure can reduce perceived manipulativeness of persuasion attempts (Carl 2008; Miyazaki 2008). We explore the potentially remedial effect of disclosure by simulating situations where covert salespersons unveil (vs. do not) the selling motive after the persuasion attempt but prior to consumer purchase decision.

We intend to contribute to the literature in three ways. First, we address a void in the literature by looking into the extent to which the outcome (i.e., the ‘end’) affects consumer perceptions of covert selling as a persuasion tactic (i.e., the ‘means’). To our knowledge, no existing studies have addressed this ‘means-end’ linkage in the context of covert selling, especially the potential recursive effect of the ‘end’ on the ‘means’. Second, although seemingly provocative and contentious, covert salespersons’ self-disclosure of the selling motive is practically feasible. We provide the first empirical test on the effect of ‘after-the-act’ disclosure on consumer responses. The findings extend the research on the disclosure effect to the context of consumer defensiveness against covert persuasion attempts. Third, this research demonstrates the mediation effect of tactical appraisals on consumer attitudes toward salespersons and sheds some light on the underlying psychological mechanisms.

**Conceptual background**

**Consumer persuasion knowledge**

Wright (1986) first introduced the concept of ‘schemer schema’, arguing that consumers develop lay theories about why and how marketers achieve persuasive goals. This idea was formally theorized in the PKM (Friestad and Wright 1994). The theory postulates that three types of consumer knowledge interact in shaping the outcomes of a persuasion attempt: (1) agent knowledge – beliefs about the traits, competencies, and goals of a persuasion agent; (2) topic knowledge – beliefs about the topic of the persuasion messages; and (3) persuasion knowledge – beliefs about a persuasion agent’s motives and tactics. Specifically, persuasion knowledge consists of ‘beliefs about marketers’ motives, strategies, and tactics; effectiveness and appropriateness of persuasion tactics; psychological mediators of tactic effectiveness; and ways of coping with persuasion attempts’ (Campbell and Kirmani 2000, 69).

The PKM specifies a set of cognitive structures and mechanisms that induce ‘change of meaning’ – a shift in interpretation that occurs when consumers focus on the persuasion tactic rather than the message. During the past two decades, researchers have explored: (1) the antecedents and consequences of PK (e.g., Campbell and Kirmani 2000; Kirmani and Campbell 2004; Williams, Fitzsimons, and Block 2004; Kirmani and Zhu 2007); (2) interactions between PK and situations (e.g., Ahluwalia and Burnkrant 2004); and (3) individual differences in PK (e.g., Boush, Friestad, and Rose 1994; Friestad and Wright 1995). Extant studies suggest that when it is accessible and diagnostic, consumer persuasion knowledge can lead to both positive and negative perceptions and judgments of the influence agents (Campbell and Kirmani 2008).

Furthermore, the PKM proposes that consumers evaluate a persuasion tactic based on ‘fairness and manipulativeness’ (Friestad and Wright 1994, 5) as well as whether the tactic is “morally or normatively acceptable” (10). In the present research, we focus on two dimensions of consumer perceptions of covert selling attempts: deceptiveness and acceptability. Deceptiveness refers to the likelihood that consumers are misled as a result of a persuasion tactic. Acceptability reflects the tolerable range of violation of ethical and/or normative standards when a persuasion tactic is used.
Tactical deception in covert persuasion

In general, consumers have certain expectations about the appropriate behaviors of marketers, which are bounded by social norms at that time. As Heide and John (1992, 34) point out, ‘... relational exchange norms are based on the expectation of mutuality of interest, essentially prescribing stewardship behavior, and are designed to enhance the well-being of the relationship as a whole’. Such expectations are based upon the ‘agreements between social actors which shape and govern the interactions and perceptions of these actors’ (Deighton and Grayson 1995, 61). For instance, consumers usually expect salespersons to openly disclose their identities or affiliations prior to a product demonstration.

In common practices, marketers’ selling motives are either explicitly communicated or suggested by the immediate context. Consumers are often aware that marketers may use calculated tactics to charm, to attract, and to persuade them. Some practices are more straightforward and legitimate, such as smiling, expressing appreciation, and listening attentively (Brown 1990). Consumers realize that they are being marketed to so they can cope with such persuasion attempts in light of that (Kirmani and Campbell 2004; Reinhard, Messner, and Sporer 2006; Sengupta and Dahl 2008). In comparison, covert marketers often hide or disguise selling-related information such as commissions, sponsorships, and affiliations. Petty and Andrews (2008) argue that covertness is a kind of ‘misleading omission’ and creates a false sense of trust because marketers do not disclose qualifying information necessary for consumers to make well-informed decisions.

Prior research suggests that consumers are subject to the interpersonal influence from ‘marketing-free’ sources such as shopping peers (Mangleburg, Doney and Bristol 2004; Kurt, Inman and Argo 2011), friends (Main, Dahle, and Darke 2007), or even other customers (Herr, Kardes and Kim 1991; Laczniak, DeCarlo and Ramaswami 2001). In particular, Mcgrath and Otnes (1995) observed interesting dynamics between strangers in the retail stores – so called ‘unacquainted influencers’. They sometimes trust each other more than the salespersons when they do not consider a natural encounter with ordinary customers as a selling attempt.

Not surprisingly, when consumers do recognize marketers’ manipulative tactics, such persuasion attempts can become much less effective (Cotte, Coulter, and Moore 2005). Several recent studies have examined covert practices in the contexts of website sponsorship (Ashley and Leonard 2009), Internet cookie use (Miyazaki 2008), and online communities (Milne et al. 2009). The findings suggest that when covert persuasion practices are uncovered, the mere knowledge of hidden intervention can lead to negative consumer attitudes toward marketers.

Outcome versus rule-based judgment of covert persuasion

The consequences of being marketed to covertly are not necessarily adverse for consumers (Martin and Smith 2008). Indeed, some outcomes can be normatively neutral or even positive at times. For instance, consumers can be exposed to useful products in entertaining ways that they would not otherwise learn about. Some proponents argue that covert marketing should be evaluated not only in terms of the tactic-aspect but also the outcomes, or the ‘greater good’ (Petty and Andrews 2008). To date, it remains inconclusive as to what extent consumers consider the outcomes and to what extent the outcomes justifies the covert tactics.

From a consequentialist (i.e., outcome-based) view, consumers emphasize the overall benefit of the outcomes as a judgment basis of a persuasion tactic. Consequentialism
reflects a school of normative moral beliefs in which the rightness or wrongness of an act is determined by the consequences of that act (Beauchamp 2001). In contrast, the deontological (i.e., rule-based) view focuses on the act in question. The rightness or wrongness of an act is judged by the degree to which the act complies with specific norms, rules, and laws, regardless of outcomes (Hunt and Vitell 1993). Researchers have called for empirical studies addressing both perspectives in covert marketing (Martin and Smith 2008). The present research focuses on one type of conceivable outcome – consumer product evaluation. In this context, product evaluation can be more or less effective in influencing perceived deceptiveness and acceptability of covertness. We speculate that perceived deceptiveness depends more upon marketers’ mere actions (i.e., the act of deceiving), and therefore is relatively independent from the outcomes. After all, covertness violates the full-disclosure expectation/norm for legitimate selling practices.

In fact, consumers usually expect self-identified salespersons to make sales (Main et al. 2007). When they evaluate a salesperson’s persuasion attempt, product evaluation can become more important than the perceived selling motive in shaping consumer perceptions (Kennedy, Ferrell, and LeClair 2001). Decarlo (2005) finds that product quality is positively correlated with consumer perceptions of salespersons’ persuasiveness. Sparks and Areni (2002) demonstrate that high presentation quality positively influences audience perceptions of salespersons. We predict that an overt selling attempt is perceived as less deceptive when consumer product evaluation is more positive than negative, whereas its covert counterpart is perceived as deceptive regardless of product evaluation.

The same pattern holds for consumer attitude toward a salesperson, because perceived deceptiveness has a negative downstream impact on the overall evaluation of salesperson. Formally, we hypothesize that:

H1a: An overt selling attempt is perceived as less deceptive when consumer evaluation of the promoted product is more positive than negative; whereas its covert counterpart is perceived as deceptive regardless of product evaluation.

H1b: Consumer attitude toward an overt salesperson is more positive when consumer evaluation of the promoted product is more positive than negative; whereas consumer attitude toward its covert counterpart is negative regardless of product evaluation.

In contrast to perceived deceptiveness, consumers may evaluate the acceptability of a covert selling attempt differently. From a rule-based view, acceptability should be negatively correlated with deceptiveness (Boush, Friestad, and Wright 2009). From an outcome-based standpoint, however, consumer responses may be contingent upon the outcomes of being marketed to in a covert fashion. Some anecdotal evidence suggests that positive outcomes can mitigate the negative perceptions of covertness. In a CBS 60 Minutes documentary about a covert marketing campaign for a video game device, some consumers who were interviewed afterwards appreciated the ‘cool factor’ of the promoted products and did not think the covert persuasion was a big concern.

We speculate that perceived acceptability of covert selling depends upon consumers’ positive or negative evaluations of the promoted product. If the promoted product is favorable, the positive heuristic may direct consumers to pay more attention to the positive benefits, which attenuate the negative ramifications of covertness on perceived acceptability. Further, in line with the earlier discussion of the PKM, we predict that suspicion of salespersons’ ulterior selling motives influences consumer attitudes toward salespersons. The effect is mediated by consumer perceptions of deceptiveness and acceptability of the persuasion tactics. Formally, we hypothesize that:
H2a: A covert selling attempt is perceived as more acceptable when consumer evaluation of the promoted product is more positive than negative.
H2b: Perceived deceptiveness and perceived acceptability of a salesperson’s persuasion attempt mediate the effect of consumer suspicion of the salesperson’s ulterior selling motive on consumer attitude toward a salesperson.

Disclosure of covert persuasion

In personal selling, disclosure means ‘sharing personal or private information about oneself to others that might not otherwise be obvious’ (Carl 2008, 226). Carl (2008) finds that marketers’ self-disclosure (e.g., telling consumers that they work for a for-profit organization) in ‘organized word-of-mouth’ campaigns may reduce perceived deceptive-ness of persuasion tactics. When marketers and their conversational partners have existing personal relationships, self-disclosure of the marketing objectives increases the agents’ credibility and reduces negative feelings. Moreover, Miyazaki (2008) demonstrates that consumers’ negative reactions to the use of Internet cookies can be reduced by a prior disclosure from the visited website.

In practice, it is feasible for covert marketers to act first and disclose the selling objectives after the act. Some salesclerks in retail stores do not always wear uniforms and carry name tags. Customers may occasionally confuse them with other shoppers until their actions suggest otherwise (e.g., restocking, cashiering). The opposite is likely to occur as well. A customer may ask another customer about product information, assuming he or she is a salesclerk. Covert marketers can take advantage of such ambiguity by interacting with customers for a while, and then disclosing their affiliations with companies. They can initiate contact without any self-introduction (e.g., talking about their impressions about a product as ordinary customers sometimes do), exert some kind of influence (e.g., help customers to experience new features that are not usually used otherwise), and then bring up their affiliations naturally (e.g., telling customers that they are in-store sales representatives, and they can take further questions).

It is important to clarify the difference between pre- and post-act disclosure. If self-disclosure occurs prior to any marketer–consumer interaction, the practice is not covert by definition. The current research focuses on after-the-act but before-the-sale disclosure (i.e., after information dissemination or persuasion attempts), covert salespersons inform the consumers of their intentions to promote a product or service. Meanwhile, consumers have the opportunity to mentally discount the influence before they make purchase decisions.

We predict that self-disclosure influences perceived deceptiveness and perceived acceptability differently. The reasoning hinges again on outcomes. If the selling motive is disclosed before the purchase, consumers can re-evaluate the information provided by a covert salesperson. Therefore, the risk of a negative outcome (e.g., making a poor decision) decreases. As a result, perceived acceptability may increase. Self-disclosed covert selling could be seen as a trick, but not a vicious one. In contrast, given that the act of covert selling is deceptive in itself, perceived deceptiveness is not affected by lessening the risk of a negative outcome. Formally, we hypothesize that:

H3a: In a covert selling attempt, disclosing the sales agenda after the act is perceived as deceptive as not disclosing it.
H3b: In a covert selling attempt, disclosing the sales agenda after the act is perceived as being more acceptable than not disclosing it.
Study 1

The purpose of study 1 is to test the hypotheses that consumer product evaluation moderates consumer perception of an overt selling attempt but not that of its covert counterpart. We compare the same persuasion attempts of covert and overt salespersons in order to pinpoint the difference in consumer expectations for salespersons to explicitly disclose the business role. Study 1 employs a 2 (influence agent: ordinary salesperson vs. covert salesperson) × 2 (consumer product evaluation: positive vs. negative) between-subject experimental design. A total of 180 undergraduate students (99 male and 81 female) participated in this laboratory study to receive partial course credits at a west coast university in the United States.

Manipulation

We adapted the written scenario in Campbell and Kirmani’s (2000) experiment 1 to simulate the marketer–customer interaction. In particular, we manipulated the influence agent and product evaluation by different descriptions. The influence agent was ‘Pat’ (i.e., a salesperson) or ‘a couple’ (i.e., customers). Participants were randomly assigned to one of the four conditions to read a 12-line (about 230 words) shopping scenario on computer screens from the target’s perspective (i.e., you’re shopping at the store). The scenario is about looking for a jacket in a department store and having a conversation with a salesperson or a couple in a retail store (see Appendix). The salesperson or the couple initiates the contact and flatters the consumer by saying ‘that’s a great jacket. I think it looks better on you than the other one did’ before the purchase decision.

In the covert salesperson condition, a close friend’s comment was added after the purchase: ‘Your close friend, Mike, is working in the store. He has good taste in clothing and is very honest with you. Mike tells you that the couple is being paid to promote the wool–silk blend jacket. He also says the jacket is high (vs. low) quality, looks great (vs. doesn’t look great) on you, and is (vs. not) worth the money.’ In the ordinary salesperson condition, participants read the same scenario except that a self-identified salesclerk, Pat, is working at the store. Mike’s feedback about ‘the couple’ was removed. After reading the scenario, participants answered the perception questions about Pat or the couple.

A couple was chosen as the influence agent rather than a single customer in order to retain as much realism as possible, specifically: (1) a couple can have a natural conversation with other customers and look less suspicious (e.g., when a guy flatters a girl in the women’s section, the ulterior motives may be more complicated); (2) a young couple can show up in the male or female section, which matches well with either gender of the participants; and (3) covert salespersons work more easily by acting together than alone in this context. A couple can appear to be talking to each other, looking around, and lingering for a longer time in the store. In the Sony-Ericson 2002 ‘faked tourist’ covert marketing campaign, for example, the hired actors often worked as young couples.

A pretest compared consumer perception of a couple vs. a single customer in the same shopping scenario. The purpose was to rule out the single vs. dual influencer effect. Although it is likely that two influence agents are perceived as more trustworthy or influential than a single agent, we predicted that this issue does not influence perceived deceptiveness or perceived acceptability of the selling practice. The influence agent was described as either ‘a couple about your age’ or ‘another customer about your age, Jamie.’ Sixty-seven undergraduate students were randomly assigned to one of the two conditions in a survey in a regular classroom. The independent variable was categorical (i.e., Jamie vs. a couple), and the dependent variables were perceptions of the influence agent as being
'sincere/insincere, honest/dishonest, deceptive/not deceptive, manipulative/not manipulative, purposeful/not purposeful, reasonable/not reasonable, acceptable/not acceptable, pushy/not pushy, manipulative/not manipulative' on 7-point scales. One-way ANOVAs suggest that none of the between-group mean differences were significant at \( p = 0.05 \) level, ranging from 0.18 to 0.87. The single vs. dual influence agents did not confound these perception measures in this context.

**Measures**

Deceptiveness was measured by the average score of four 7-point scales: sincere/insincere, honest/dishonest, deceptive/not deceptive, and manipulative/not manipulative. Factor analysis using an oblique (promax) rotation extracted a one-factor solution (Cronbach’s \( \alpha = 0.81 \)). Acceptability was measured by a single-item on a 7-point scale (1: not acceptable; 7: acceptable). In addition, participants reported their overall evaluation of the influence agent, ‘Your attitude toward the couple (vs. Pat) is:’ on a 7-point scale (1: extremely negative; 7: extremely positive). As manipulation checks, participants were asked about their suspicion of the influence agent’s selling motive: ‘Pat (vs. the couple) said the jacket looked great because she/he was (vs. they were) trying to make a sale’ (1: completely disagree; 7: completely agree) and an overall product evaluation: ‘You are satisfied with the purchase (1: completely disagree; 7: completely agree).’

**Results**

**Manipulation check.** As expected, suspicion of the salesperson’s ulterior selling motive was not significantly different between the ordinary \( (M = 5.9, SD = 1.2) \) and covert salesperson conditions \( (M = 6.0, SD = 1.3, F (1,178) = 0.12, p = 0.73) \). In both conditions, the ordinary salesperson \( (t (99) = 16.5, p < 0.001) \) and the covert salesperson \( (t (79) = 14.0, p < 0.001) \), the means were significantly higher than the scale neutral point (4) in the 7-point scale. Participants realized that either ordinary or covert salespersons had ulterior sales motives when they flattered the customer. Also, consumer product evaluation was more positive when a friend gave positive feedback \( (M = 4.8, SD = 1.5) \) than negative feedback \( (M = 2.5, SD = 1.1, F (1, 178) = 142.6, p < 0.001) \). The manipulations were successful.

**Deceptiveness.** A \( 2 \times 2 \) ANOVA suggests that perceived deceptiveness in the covert salesperson condition \( (M = 5.3, SD = 1.0) \) was significantly higher than the ordinary salesperson condition \( (M = 4.4, SD = 1.0, F (1, 176) = 42.8, p < 0.001) \). The main effect of product evaluation also was significant: the influence agent was seen as more deceptive \( (M = 5.0, SD = 1.0) \) when the product evaluation was negative than positive \( (M = 4.6, SD = 1.1, F (1, 176) = 6.5, p = 0.01) \). The interaction was also significant \( (F (1, 176) = 8.3, p = 0.004) \). The ordinary salesperson (Pat) was seen as more deceptive when the product evaluation was more negative \( (M = 4.8, SD = 1.0) \) than positive \( (M = 4.0, SD = 0.8, F (1, 98) = 19.2, p < 0.001) \). In comparison, covert salespersons were seen as equally deceptive despite product evaluation \( (F (1, 78) = 0.04, p = 0.84) \). H1a is supported (see Figure 1).

**Attitude.** The main effects of influence agent and consumer product evaluation were significant: Consumer attitudes were more positive toward the ordinary salesperson \( (M = 3.8, SD = 1.2) \) than the covert salesperson \( (M = 3.0, SD = 1.1, F (1, 176) = 24.1, p < 0.001) \); and they were more positive when product evaluations were more positive \( (M = 3.9, SD = 1.2) \) than negative \( (M = 3.0, SD = 1.1, F (1, 176) = 28.6, p < 0.001) \).
The interaction was also significant ($F(1,176) = 7.8, p = 0.006$). The attitudes were more positive toward the ordinary salesperson when the product evaluations were more positive ($M = 4.4, SD = 1.0$) than negative ($M = 3.2, SD = 1.1; F(1, 98) = 38.8, p < 0.001$). In comparison, attitudes toward covert salespersons were not significantly different between the positive evaluation ($M = 3.2, SD = 1.1$) and the negative evaluation condition ($M = 2.8, SD = 1.0, F(1, 78) = 2.8, p = 0.10$). In the negative evaluation condition for covert persuasion, the attitude was lower than the neutral point, $t(38) = -7.2, p < 0.001$. The result was similar for the positive product evaluation condition, $t(40) = -4.5, p < 0.001$. H1b was supported (see Figure 2).

**Acceptability.** The persuasion attempt was less acceptable when the influence agent was the covert salesperson ($M = 3.9, SD = 1.0$) rather than the ordinary salesperson ($M = 4.5, SD = 1.0, F(1, 176) = 20.0, p < 0.001$). Further, the persuasion attempt was more acceptable when consumer product evaluations were more positive ($M = 4.4, SD = 1.0$) than negative ($M = 4.0, SD = 1.1, F(1, 176) = 6.6, p = 0.01$). The interaction was not significant ($F(1, 176) = 2.1, p = 0.15$). Perceived acceptability was not significantly different between product evaluation conditions ($F(1, 78) = 1.7, p = 0.20$). H2a was not supported.

**Mediation analysis.** A mediation analysis was conducted following the Baron and Kenny procedure (1986). The results show that suspicion of influencers’ selling motives alone predicted consumer attitudes toward the influence agent ($\beta_{\text{Suspicion}} = -0.41, t(178) = -6.0, p < 0.001$). Suspicion also predicted deceptiveness ($\beta_{\text{Suspicion}} = 0.56, t(178) = 8.9, p < 0.001$), as well as acceptability ($\beta_{\text{Suspicion}} = -0.23, t(178) = -3.2, p = 0.002$). When both deceptiveness and suspicion predicted attitude, the standardized coefficient of suspicion was not significant ($\beta_{\text{Suspicion}} = -0.01, t(177) = -0.15, p = 0.88$), but that of deceptiveness was significant ($\beta_{\text{Deceptiveness}} = -0.72, t(177) = -11.65, p < 0.001$). A full mediation effect was significant ($Sobel t = 7.56, p < 0.001$). When both acceptability and suspicion predicted attitude, the standardized
The coefficient of acceptability was significant ($\beta_{\text{Acceptability}} = 0.45$, $t (177) = 0.73$, $p < 0.001$). The standard coefficient of suspicion was also significant but reduced in magnitude ($\beta_{\text{Suspicion}} = -0.32$, $t (177) = -5.12$, $p < 0.001$). A partial mediation was significant ($\text{Sobel } t = 3.01$, $p = 0.002$). H2b was supported.

**Discussion**

Study 1 demonstrates that consumers’ product evaluations can moderate consumers’ negative perceptions when the selling motive is implied by the context (i.e., ordinary salesperson) but not intentionally hidden (i.e., covert salesperson). When the selling attempt is overt, positive product evaluation can reduce perceived deception and increase positive consumer attitudes toward the ordinary salesperson. However, positive product evaluation does not attenuate deceptiveness, acceptability, or attitude toward covert salespersons. Tactical deception appears to have a negative downstream impact on both perceived acceptability of covertness and consumer attitudes toward covert salespersons. Note that although two persuasion tactics (i.e., flattery and covertness) may affect consumer evaluations, flattery is equally applied across conditions and accounted for by the mean differences. In short, consumers do not approve of the use of covert persuasion due to its tactical deception.

Study 1 represents a situation where the covert salespersons do not disclose their identities. The results suggest that the perceived acceptability does not vary with product evaluation. In study 2, we intend to investigate whether consumer product evaluation has any effect if covert salespersons disclose their selling motives after the influence. We also explore the extent to which consumers jointly weigh self-disclosure and product evaluation. It is plausible that positive product evaluation functions as a corrective cue that moderates the negative effect of covertness when the covert persuasion is self-disclosed compared to when it is not self-disclosed.
Study 2

The purpose of study 2 is to test the hypotheses that a covert salesperson’s self-disclosure moderates consumer perception of tactical acceptability but not deceptiveness. Study 2 employs a 2 (Consumer product evaluation: positive vs. negative) × 3 (Disclosure: self-disclosure vs. no-disclosure vs. control) between-subject experimental design. A total of 126 undergraduate students (58 male and 68 female) participated in this study to receive partial course credits at a west coast university in the United States.

Manipulation

The study 1 scenario was modified to describe an interaction between a couple and a customer only. The couple flattered the customer before the purchase decision. Participants in the control condition were not informed about the couple being covert salespeople. This condition reflects the baseline perception of ordinary customers. In the self-disclosure condition, participants read one more sentence that said the couple themselves disclosed their identities after the influence but before the customer decided to purchase the jacket (i.e., ‘they talk about why the second jacket looks better. At the end of the conversation, they tell you they are paid actors to promote the wool–silk blend jacket. After thinking for a little while longer, you decide to get the jacket made of the wool–silk blend’). It is noteworthy that participants had a chance to discount covert persuasion given the prepurchase disclosure.

In the no-disclosure condition, a friend, Pat (‘who is working in that store’) told the customer that ‘the couple were paid actors to promote the jacket’. The label of ‘no-disclosure’ was used rather than ‘friend-disclosure’ to highlight the fact that the covert marketers hide their true identities, and do not self-disclose. At the end of the scenario, participants were also told ‘a few days later a close friend says the wool–silk blend jacket looks good on you’ or ‘a few days later a close friend says the wool–silk blend jacket does not look good on you.’ Next, all participants were asked ‘based on the scenario, I’m satisfied with the jacket I bought: (1: completely disagree; 7: completely agree).’ Deceptiveness and acceptability scales remained the same as those in study 1.

Results

Manipulation check. Consumer product evaluation was significantly more favorable when a close friend gave positive feedback (**M** = 5.2, **SD** = 1.5) than when he or she gave negative feedback (**M** = 3.4, **SD** = 1.8, **F** (1,124) = 37.9, **p** < 0.001). Suspicion of ulterior selling motive was significantly different across the three disclosure conditions (**F** (2,123) = 50.8, **p** < 0.001). Post hoc analysis shows that suspicion was significantly lower in the control condition (**M** = 3.1, **SD** = 1.6) than in either the self-disclosure (**M** = 6.0, **SD** = 1.3) or the no-disclosure condition (**M** = 5.7, **SD** = 1.5, **p** < 0.001). The mean difference between the self-disclosure and the no-disclosure condition was not significant, **p** = 0.31. Participants realized that the covert salespersons had selling motives when they flattered the customer (higher than the neutral point, **t** (80) = 11.9, **p** < 0.001), while ordinary customers did not have such motives (lower than the neutral point, **t** (44) = −3.7, **p** = 0.001). The manipulations were successful.

Deceptiveness. A **2 × 3** ANOVA shows that the main effect of consumer product evaluation was significant: perceived deceptiveness was significantly higher in the negative product evaluation condition (**M** = 4.7, **SD** = 1.6) than in the positive product evaluation condition (**M** = 4.0, **SD** = 1.4, **F** (1, 117) = 12.5, **p** = 0.001). As expected,
the mean differences across the three disclosure conditions were significantly different ($M_{\text{self-disclosure}} = 5.0, SD_{\text{self-disclosure}} = 1.1$ vs. $M_{\text{no-disclosure}} = 5.0, SD_{\text{no-disclosure}} = 1.4$ vs. $M_{\text{control}} = 3.0, SD_{\text{control}} = 1.1$, $F(2,117) = 42.8, p < 0.001$). But the interaction was not significant ($F(2,117) = 2.2, p = 0.1$). Post hoc analysis between the disclosure conditions shows that perceived deceptiveness was significantly lower in the control condition than in the other two conditions, $p < 0.001$ (see cell means in Table 1). Deceptiveness was not significantly different between the self-disclosure and the no-disclosure conditions, $p = 0.84$. H3a was supported.

**Acceptability.** The main effect of consumer product evaluation was significant: perceived acceptability was higher in the positive product evaluation condition ($M = 4.5$, $SD = 1.6$) than the negative product evaluation condition ($M = 3.9$, $SD = 1.6$, $F(1, 120) = 6.4, p = 0.01$). The main effect of disclosure was also significant across the three disclosure conditions ($M_{\text{self-disclosure}} = 3.8$, $SD_{\text{self-disclosure}} = 1.8$ vs. $M_{\text{no-disclosure}} = 3.6$, $SD_{\text{no-disclosure}} = 1.6$ vs. $M_{\text{control}} = 5.1$, $SD_{\text{control}} = 1.1$, $F(2,120) = 14.4, p < 0.001$). The interaction was not significant ($F(2,120) = 1.0, p = 0.37$). Post hoc analysis between disclosure conditions shows that acceptability was significantly higher in the control condition than that in the other two conditions, $p < 0.001$. However, perceived acceptability was not significantly different between the self-disclosure and the no-disclosure conditions, $p = 0.38$. H3b was not supported. In addition, perceived acceptability was significantly higher in the positive product evaluation and self-disclosure condition ($M = 4.4$, $SD = 1.6$) than in the negative product evaluation and self-disclosure condition ($M = 3.2$, $SD = 1.7$, $p = 0.03$) (see Table 1).

**Discussion**

Consistent with study 1, study 2 suggests that covert selling is perceived as deceptive and unacceptable, even if it is self-disclosed before the sale in time to be discounted. The ‘after-the-influence’ self-disclosure does not attenuate perceived deceptiveness or perceived acceptability of the covert selling tactic, compared to when the covert salespersons make no disclosure at all. Interestingly, perceived deceptiveness in the negative product

<table>
<thead>
<tr>
<th>Product evaluation</th>
<th>Covert selling</th>
<th>Overt selling</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Control condition</td>
<td>Self-disclosure</td>
</tr>
<tr>
<td><strong>Deceptiveness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Negative</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Study 2</td>
<td>2.9 (1.2)</td>
<td>4.4 (0.9)</td>
</tr>
<tr>
<td>Positive</td>
<td>3.1 (1.0)</td>
<td>5.7 (0.9)</td>
</tr>
<tr>
<td>Negative</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Acceptability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Negative</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Study 2</td>
<td>5.1 (1.1)</td>
<td>4.4 (1.6)</td>
</tr>
<tr>
<td>Positive</td>
<td>4.9 (0.8)</td>
<td>3.2 (1.7)</td>
</tr>
</tbody>
</table>

Table 1. Mean differences across conditions.
evaluation with disclosure condition was higher than perceived deceptiveness in the positive product evaluation condition with or without self-disclosure. A possible explanation is that the covert salesperson loses credibility by hiding his or her true selling motive and identity in the first place. With or without self-disclosure, covert salespersons are untrustworthy. Rather than attending to salespersons’ self-disclosure, the friend’s feedback about the product is more relevant when participants evaluate the influence agent. As a result, self-disclosure does not reduce perceived deceptiveness nor does it increase acceptability of the covert tactic. However, the corrective effect of positive product evaluation is very limited. Consumers are only slightly more accepting of the self-disclosed covert marketers when the product evaluation is positive rather than negative or neutral.

The results in the control condition suggest that consumers use easily accessible agent knowledge (i.e., one’s explicit identity) to infer whether the influence agent has an ulterior sales motive. If covert marketers act as well-disguised ordinary customers without identities being disclosed, suspicion of selling motives is substantially lower than otherwise. The same act (i.e., flattery) is considered much more sincere and acceptable because consumers do not expect ordinary customers who they meet in a retail store to carry out hidden sales agendas. When such an expectation is violated by a covert marketers’ self-disclosure, consumers respond negatively and the effect is strong enough to wipe out the potential positive correction of self-disclosure.

General discussion
The present research examines the effects of consumer product evaluation and salesperson self-disclosure on consumer perceptions of personal selling attempts. Two studies provide compelling evidence that there is strong consumer resistance to covert marketing in a context where disguised salespersons flatter a customer to promote a product. Study 1 compares overt and covert persuasion attempts. The results suggest that positive product evaluation reduces perceived deceptiveness of overt but not that of covert selling attempts. When overt selling attempts (i.e., ordinary salesperson), the feedbacks appear to be effective in influencing the consumer perceptions of the salesperson. For its covert counterpart, the feedbacks are not as relevant and do not mitigate negative consumer reactions. The findings are consistent with Darke and Ritchie (2007), Darke, Ashworth, and Main (2010) in that consumer defensiveness reflects an automatic processing of distrust. The heuristic of ‘feeling like I’ve been duped’ leads to negative carry-over effects that make a potentially valid message more deceptive.

Study 2 suggests that consumers do not forgive covertness when marketers disclose their sales intentions before purchase decisions. The ‘after-the-act’ self-disclosure does not make the covert practice more or less acceptable, compared to no-disclosure at all. When marketers self-disclose their previous covert actions, these actions remain. In other words, telling consumers that covert tactics were used does not take away the fact that marketers were being less than honest. Simply put, the potentially ‘remedial effect’ of self-disclosure is not strong enough, at least to the sample population.
Implications

The present research contributes to a broader theoretical inquiry on consumer persuasion knowledge. Study 1 demonstrates that tactical deceptiveness and acceptability mediate the effect of perceived sales motives on consumer attitudes toward the sales agents. These findings support the PKM with regard to the role of tactical appraisals on consumers’ overall evaluations of an influence agent. Study 2 shows that once such persuasion knowledge leads to perceived deception, covert marketers’ self-disclosure is largely ineffective. In short, the covert persuasion tactic provides a unique context to extend the PKM when the default expectation for marketers’ full disclosure of their identities is violated.

From a managerial standpoint, the consequence-based view does not appear to be applicable in this context. When marketers consider using covert tactics, they should keep in mind that the negative consumer reactions can be so strong that tactical deception may outweigh the potential positive gains. In addition, once the hidden sales intention is revealed, marketers may have a hard time restoring trustworthiness by informing consumers about their true identities. We acknowledge that the generalizability of these findings is limited by the specific sample and product category. Nonetheless, the results serve as a warning sign for practitioners. Marketers should seriously consider the high risk of consumer resistance and negative backlash. In that sense, we advocate marketers’ self-regulation to stay away from covert practices.

This research also provides some useful public policy implications. Some social and cultural environments encourage open and friendly interactions among customers, even if they are strangers. Covert marketers take advantage of that good will, in order to gain commercial benefits. As demonstrated in study 2, once the basic trust is jeopardized, the effort to restore credibility falls short. Neither positive product evaluation nor self-disclosure can substantially moderate consumer negative perceptions of covert persuasion.

The current U.S. Federal Trade Commission (FTC) guidelines state that ‘...the failure to disclose the relationship between the marketer and the consumer would be deceptive unless the relationship was otherwise clear from the context’ (FTC 2006, 4). In theory, covert marketers can manage to get away with the regulations if sponsorships and affiliations are disclosed in some way. We argue that it is important for the regulators to look into the process of disclosure. Study 2 examines the ‘after-the-act’ disclosure as one of the possible scenarios. The results suggest that when the disclosure is made after the influence attempts, the covert practices are deceptive and not acceptable from the consumer’s perspective. One potential improvement of the FTC disclosure guideline is to specify when and how disclosure must be made. For instance, marketers should make explicit upfront disclosures of their identities or affiliations prior to personal selling encounters, so that the consumers understand that they are being marketed to from the very beginning of marketer-consumer interaction.

Limitations

This study is subject to common limitations of laboratory experiments using the vignette-based approach. First, an interpersonal covert influence is often iterative. In written scenarios, the richness of real-world interactions is under-represented by simplified descriptions. However, this method has been proven a powerful tool to create effective manipulations in order to discover the isolated effects with high-internal validity (e.g., Warlop and Alba 2004; Main et al. 2007). Second, the findings must be carefully interpreted to avoid over-generalization. Two studies adapted a specific context using one
particular form of covert influence. Other types of covert influence may lead to different observations, reflecting the effects of additional factors. Third, the samples consist of college students, so the results may not be directly applicable to other demographic groups. Nonetheless, it is important to note that college students are legitimate samples for theoretical inquiries (Calder, Phillips, and Tybout 1981, 1982, 1983). These limitations not only curb the extent to which the findings of the research can be generalized but also, more hopefully, provide useful hints for future research.

Future research
Future research can use more naturalistic manipulations of product evaluation and disclosure. For instance, consumers may have existing knowledge and attitudes toward the promoted products, which can be measured rather than manipulated. Researchers can also test the moderators to explore the boundary conditions of the observed effect, such as product need (e.g., strong vs. weak needs), salesperson characteristic (e.g., professional vs. unprofessional demeanours), temporal effect (e.g., immediate vs. lasting effects), and brand equity (e.g., reputable brands vs. unknown brands).

Another interesting direction is about the extent to which the effect of self-disclosure is more or less salient. For instance, will consumers become more accepting of self-disclosure when it is expected or well-justified? Researchers can prime subjects with statements that some professionals view covertness coupled with self-disclosure as legitimate (vs. not). The priming could put subjects in a mindset to expect covert persuasion in a subsequent task, according to the accessibility-diagnosticity model (Feldman and Lynch 1988). When such an expectation carries over, the priming task might take away the surprise element of self-disclosure and shape the perceptions of covertness to fit with market norms. It is likely that consumers may be less stunned by the self-disclosure and respond less negatively.

To conclude, covert marketing is evolving, as is consumer persuasion knowledge. Some covert tactics can be more unobtrusive, subtle, creative, and even entertaining. Meanwhile, consumers become savvier about covert marketing tactics, which may either increase or mitigate their defensiveness against such persuasion attempts. The constant changes make covert marketing communications an especially interesting and fruitful area for future research.

Acknowledgements
The authors sincerely thank the deputy editor and the anonymous reviewers for their comments and suggestions. The authors also thank Mallory Roman for proofreading an earlier draft of this paper.

Notes on contributors
Guang-Xin Xie (PhD, University of Oregon) is an Assistant Professor of Marketing at the College of Management, the University of Massachusetts Boston. Dr Xie’s current research focuses on consumer persuasion knowledge and marketplace deception.

David M. Boush (PhD, University of Minnesota) is a Gerald B. Bashaw Professor of Business and the Associate Dean for Administration at the Lundquist College of Business, the University of Oregon. Dr Boush’s research interests centre on the relationship between consumer behaviour and marketing management decisions. His recent studies have focused particularly on the way consumers respond to advertising and on the way consumers use brand image in the process of choosing products.
Raymond R. Liu (PhD, University of Oregon) is an Associate Professor of Marketing at the College of Management, the University of Massachusetts Boston. Dr. Liu’s research interests include customer value, complaint behaviour and relationship management, marketing and financial performance, country image and branding, and cross-cultural consumer behaviour.

References


Appendix: Study 1 scenario (adapted from Campbell and Kirmani (2000))

Influence agent: covert marketer (influence before purchase decision)

Imagine that you’ve gone to a department store to buy a jacket for a job interview. You’ve looked at a few other stores, but haven’t found what you really want.

Picture yourself walking into the section of the store with suits and jackets and seeing a wide array of choices. A couple about your age is talking and trying jackets. You walk by. They see you and say hello. Imagine yourself responding – you say hello to them. Imagine that you begin looking around.

Imagine that after looking at a few jackets, you narrow it down to two choices. The first is a nice, fairly standard wool jacket. The second is a wool-silk blend and costs quite a bit more than the first. You walk over to one of two three-way mirrors and try both jackets on.

Imagine looking at your reflection in the mirror. As you try on the second jacket, the couple walks by and one says, ‘That’s a great jacket. I think it looks better on you than the other one did.’ You begin to chat with them. They talk about why the second jacket looks better. [Manipulation inserted].

After thinking for a little while longer, you decide to get the jacket made of the wool-silk blend. [Manipulation inserted].