Ethical Issues in Advertising with examples of Red Bull, Hyundai, Kelloggs

Lesson Notes

**Ethical Issues in Advertising**

A branch of social science called Ethics is a subject that tries to answer what is correct and what is incorrect. Advertisers have to show good and true ads. Only genuine facts about the merchandise should be displayed, and distortions and inaccuracies must be avoided.

**Forms of Unethical Advertising**

1. **Exaggeration**
   
   Advertisers brag about their products in ads. They “puff up” a commodity to make it look greater than it actually is.

   **Example – Axe**
   
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2. **Pressure Tactics**
   
   Some businesses use “pressure tactics” to influence customers to purchase from them.

3. **Misrepresentation**
   
   It is drawing customers to a product by giving out wrong information through advertisements

4. **False Statistics**
   
   Some ad agencies use fake numbers to say that their products are the best.
5. Poor Taste

Some advertisers use vulgar scenes that have nudity, double meanings, and sexual innuendo.

6. Complete Lies

- A few advertisers lie to their customers to fool them.
- The gel-cream, touted to reshape and slim the body by shedding up to 3 centimeters on targeted areas.
- The U.S. Federal Trade Commission reached a settlement with Beiersdorf, ordering the company to stop claiming it that it can significantly reduce consumers' body size.
- It was fined $900,000 (U.S.) over misleading advertising including one television commercial that featured a woman squeezing into her old favorite jeans after using the cream on her stomach and thighs.

Example: Nivea

Nivea said about its body lotion that “its regular use significantly reduces body size.”

7. Unhealthy Brand Comparisons

A few advertisers use brand comparisons. These may confuse consumers about what product they should buy.

DHL making fun of competitors

Their poster which says “Fed up” is making a mockery of both FedEx and UPS. This poster is implying that if you are fed up with the poor service provided by FedEx and UPS, then make DHL your go-to shipping Courier.

In response to this, FedEx came back with its own marketing campaign that mocked DHL. The image below shows FedEx’s van with a bit of a paint job. It sends a message to DHL that FedEx is always one step ahead.

8. Surrogate advertising

This is used for advertising products that have been banned. This is done by advertising another product that has the same brand name.
Example – Unethical Advertising

Dannon Activia Yogurt

- Ads for Dannon’s popular Activia brand yogurt landed the company with a class action settlement of $45 million in 2010, according to ABC News.
- The Activia ad campaign claimed that the yogurt had special bacterial ingredients.

Red Bull

- Red Bull was sued in 2014 for its slogan “Red Bull Gives You Wings.”
- The company settled the class action case by agreeing to pay out a maximum of $13 million — including $10 to every US consumer who had bought the drink since 2002.

Kellogg Rice Krispies

- Kellogg said Rice Krispies could boost your immune system.
- The Federal Trade Commission ordered Kellogg to halt all advertising that claimed that the cereal improved a child’s immunity.
- The case was settled in 2011.
- Kellogg agreed to pay $2.5 million to affected consumers, as well as donating $2.5 million worth of Kellogg products to charity, according to Law360.

New Balance

- New Balance said its shoe could help wearers burn calories.
- New Balance was accused of false advertising in 2011 over a sneaker range that it claimed could help wearers burn calories, according to Reuters.
- On August 20, 2012, New Balance agreed to pay a settlement of $2.3 million, according to The Huffington Post.

Hyundai

- Hyundai and KIA over-advertised their cars’ horsepower.
- Hyundai agreed to pay more than $85 million in a settlement in 2004, after it overstated the horsepower (by ~10%) of cars imported to the US, according to Consumer Affairs.
- The class-action lawsuit was on behalf of around 840,000 people who bought the 1996 to 2002 models of the Hyundai Elantra sedans and the Tiburon sports coupes.
Importance of Truth in Advertising

- The standard of ethics should be high for the long-term benefits of advertising.
- Advertisers can build confidence among consumers by saying correct things about their products. They will also build goodwill.
- Advertising firms that use ethical methods have a competitive advantage in the long run.
- Ethical advertising makes consumers loyal.
- Ethical ads allow the brand image to grow.
- The increasing value of a brand is brand equity. It is more than its physical assets.