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June 18, 2007

Federal Trade Commission  
Office of the Secretary  
600 Pennsylvania Avenue, N.W.  
Room H-135 (Annex S)  
Washington, D.C. 20580

Re: ENDORSEMENT GUIDES REVIEW, PROJECT NO. P034520

The Word of Mouth Marketing Association (“WOMMA”) respectfully submits the attached Comments in response to the request by the Federal Trade Commission (“FTC”) for public comments on the overall costs, benefits, and regulatory and economic impact of its Guides Concerning the Use of Endorsements and Testimonials in Advertising (“the Guides”) and other specific endorsement-related issues. *See Guides Concerning the Use of Endorsements and Testimonials in Advertising: Request for Public Comments*, 72 Fed. Reg. 2214 (Fed. Trade Comm’n (Jan. 18, 2007) [hereinafter “COMMENT REQUEST”]. The purpose of this letter is to provide a brief introduction of WOMMA and to its substantive commentary on the Guides as they relate to “unmeasured” media.

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## OVERVIEW OF THE WORD OF MOUTH MARKETING ASSOCIATION

WOMMA is a leader in the marketing and advertising industries that focuses on word of mouth, consumer-generated and social media - - or marketing techniques that include buzz, viral, community, and influencer marketing as well as brand blogging.

It is committed to developing and maintaining appropriate ethical standards for marketers and advertisers engaging in such marketing practices, identifying meaningful measurement standards for such marketing practices, and defining “best practices” for the industry. WOMMA is a young organization, founded in 2005, and currently has over 385 members. It receives input from an Advisory Board that includes highly-acclaimed academics and authors.

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## THE COMMENT REQUEST

### A. Changes in Technology Since the Guides Were Issued

WOMMA submits that the marketing industry is in the midst of a shifting paradigm. Today, advertisers, marketers, consumers, and governmental regulators are witnessing:

- media fragmentation (such as the proliferation of new media devices);
- the development of consumer-generated media (such as YouTube and MySpace);
- the utilization of “search” in the consumer experience (that encompasses consumer-to-consumer communications about brands); and
- a shift in the nature of commercial discourse, whereby consumers are taking control over the content of advertising.

As a result, the nature and role of testimonials and endorsements as a marketing practice in this developing paradigm are being redefined.

**B. Endorsements and the Material Connections Between the Advertisers and Endorsers**

WOMMA submits that meaningful disclosure and transparency are essential to establish: (i) consumer interest and trust, (ii) respect for industry self-regulation, (iii) integrity in the commercial marketplace. As a result, WOMMA has established a Code of Ethical Principles, *see* <http://www.womma.org/ethics/code>, the fulcrum of which is that the communicator of commercial information should (i) identify for whom he or she is speaking; (ii) honestly state the belief that he or she has about the product or service; and (iii) not obscure his or her identity. These principles appear to be embodied in the current Guides.

WOMMA looks forward to assisting the Commission in evaluating the nature of “unmeasured media,” the utility of the current Guides, and the impact of any proposed changes to the Guides on the marketing practices relating to consumer-generated and social media.

DATED: Washington, D.C.  
June 18, 2007

Respectfully Submitted,

By:

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A Submission to the Federal Trade Commission

By the Word of Mouth Marketing Association

**“PUBLIC COMMENTS REGARDING THE USE OF ENDORSEMENTS AND  
TESTIMONIALS (THE GUIDES)”**

June 18, 2007

Submitted by:

Ed Keller, President  
Paul Rand, Vice President  
Pete Blackshaw, Member, Executive Committee Member  
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## **I. Purpose & Relevancy**

The Word of Mouth Marketing Association (WOMMA) is pleased to submit our response to the Federal Trade Commission's solicitation of public comments regarding the Use of Endorsements and Testimonials ("the Guides").

Our submission will include a broad overview of changes and trends in the marketing environment relevant to questions and concerns that have been raised by FTC staff and related to our specialized areas of expertise. We will also briefly address two specific questions put forth by the Commission:

1. Related to Category One (Regulatory Review Program), your inquiry as to what effect, if any, have changes in relevant technology, such as email and the internet, had on the Guides since they were issued?
2. Related to Category Three (Material Connections between the Advertisers and Endorsers), the relationship between the issues posed and the "Honesty ROI" principles (Honesty of Relationship, Opinion, and Identity), that are the centerpiece of WOMMA's Ethical Guidelines for word of mouth marketers.

In submitting these comments, WOMMA would point to our own credibility in that:

1. No other organization possesses greater expertise related to the juncture of word of mouth and traditional & online marketing, consumer-generated media, and social media.
2. Our fervent commitment to ethical standards is deeply rooted in the conviction that word of mouth marketing (womm) *requires* high levels of transactional honesty and transparency if it is to be effective.

Lastly, WOMMA notes with great pleasure that the FTC is focusing on some of the key issues that were instrumental to our founding. It is WOMMA's sincere hope that the FTC will find this information to be germane, practical, and useful to your broader deliberations. We stand ready and willing to provide any further expertise or assistance that you might need as you address these issues in the weeks, months and years ahead.

## **II. Overview of the Changing Role of the FTC / Marketplace**

### **II A. The Changing Role of the FTC**

The FTC generally focuses on the relationship between marketers and consumers revolving around the use of print, broadcast, and cable – platforms in which the marketer is in sole control of message, channel, frequency, and targeted audience.

However, the emergence of online marketing – initially through bulletin boards and websites, but later expanding to embrace email, search engine optimization, blogs, online ratings and reviews, and other newly emergent and non-traditional forms – began to reduce levels of marketer control. The explosive growth in popularity of the internet also represented a sea change in the ways that Americans communicated, entertained ourselves, engaged in commerce, met and formed associations with one another, and more.

As online marketing gathered credibility, power, and adherents, it rapidly evolved from a stand-alone and often ancillary set of marketing techniques, to new and creative forms of integration with television, radio, and even print. Content producers in the offline world soon synergized their offerings with the online world (and vice versa). Where content producers in informational services and entertainment went, producers of marketing information soon followed.

The media and communications landscape that lies before us today is markedly different from that which prevailed from the FTC's creation in 1914 until little more than a decade ago.

### **II B. The Changing Marketplace**

Today, we are witnessing vast and rapid changes in the marketplace, including:

1. **Unprecedented Media Fragmentation:** In addition to enormous growth in the worlds of publishing, radio, cable, and, of course, online resources (websites, blogs, bulletin boards & forums, etc.), we are also witnessing a proliferation of new media devices and technologies ranging from mobile phones to MP3 players to other small screen instruments. Even as these changes empower consumers and provide them with greater media choices, they are also dramatically changing the dynamic of advertisers reaching mass audiences at once.
2. **Migration of Content to the TV/Web:** We are seeing a very important migration of television-style content to the web in largely on-demand formats. Importantly, what's powering this development is consumer-generated media (CGM). Sites like YouTube and MySpace, among others, are heavily enabled by video and are among the most popular sites on the web.

3. Growth of Search: Search is continuing to grow in importance as a foundation of the consumer experience. Search is not only a central part of consumer research and purchase behavior, but it's also becoming a "broker," if you will, of online word-of-mouth. Consumer experiences with products, whether expressed on boards, forums, blogs or video sites are finding permanent residency in search results, and other consumers are discovering this content in a highly targeted manner. Aided by this digital trail of consumer opinion, we are witnessing a heightened trust factor of consumer-to-consumer communications over more traditional forms of marketing.
4. Impact of Word of Mouth, Social Media, and Consumer-Generated Media on Consumer Trust: Consumer skepticism is rampant today: about government, politics, social institutions, and businesses alike. Nowhere has this been more evident than in consumer distrust of advertisers and traditional ad formats. Against this, you see *rising trust* in consumer-to-consumer interactions – the marketplace equivalent of the age-old political polling question about whether a candidate cares about "people like me." Whether online or offline, consumers are looking to other consumers for commentary, perspective, recommendations about products and services.

Such developments are putting a high premium on word of mouth strategies / techniques as consumers take greater control of advertising content, and promote products and services they believe in.

However, the Commission must recognize that word of mouth marketing often represents a complex "business-consumer-consumer" (B2C2C) exchange-process in that the marketer may initially share information, participate in discussions, or in other ways make it easier for people to talk about their products; but that in most cases, the "C2C" exchanges lie outside of the marketer's control. This lies in sharp distinction from traditional embedded advertising.

### **III. An Introduction to Word of Mouth Marketing**

People talk – they always have.

What is new today in word of mouth *marketing* is the ability of the marketer to be involved and participate in this powerful form of communication and engagement.

This reality strikingly sets forth the inherent power of word of mouth marketing: *New strategies and tactics to achieve historically-proven ends – the power of people's*

*recommendations to their friends, or to other people they interact with whom they feel are “just like me.”*

Properly executed, word of mouth marketing invites companies, nonprofit organizations, and even government agencies to engage with the public by offering remarkable products, services, or ideas; encouraging them to share perspectives with each other and with the marketer; and to do so in an ethical and transparent fashion.

At a practical level, savvy marketers are focusing increasingly on leveraging their investments in traditional media, online marketing, social media and CGM to produce the most powerful and effective form of marketing ever conceived: Word of Mouth!

### **III A. Defining Word of Mouth Marketing**

WOMMA defines word of mouth as “The act of consumers providing information to other consumers.” We define word of mouth *marketing* as “Giving people a reason to talk about your products and services, and making it easier for that conversation to take place.”

In this sense, we generally define word of mouth largely as an *outcome of marketers’ efforts to make themselves worthy of attention* -- i.e., the public speaking about them. Word of mouth marketing encompasses dozens of marketing techniques that are geared toward encouraging and helping people to talk to each other about products and services.

## **IV. Who is the Word of Mouth Marketing Association?**

### **IV A. Mission**

WOMMA began accepting members in October 2005 as a 501.C6 organization committed to:

1. Fight for high ethical standards in WOMM;
2. Drive effective measurement; and,
3. Define “best practices” in the fluid, fast-moving and rapidly evolving word of mouth marketing industry.

In the short time of our existence, WOMMA has grown into a broad coalition representing a range of brand marketers, public relations and advertising agencies, word of mouth specialty firms, market research and measurement firms, nonprofit organizations and more. (See member list here: <http://www.womma.org/members/>)



## **IV B. Contributions & Execution**

WOMMA has made a significant difference in its little more than 2 ½ year existence. This includes:

- **Building an industry:** Forging cooperation between leaders in a variety of industries and professions; while linking top talent in the United States with their counterparts in over 21 other nations.
- **Fighting for High Ethical Guidelines & Principles:** Drafting the first ethics code for the womm industry (<http://www.womma.org/ethics/code/>); promoting high ethical standards as being critical to business success; and, developing the WOMMA Ethics Toolkit (distributed for free at <http://www.womma.org/ethics/>).
- **Evangelizing & Educating:** Inviting hundreds of speakers at our own conferences (as well as other in the US, Europe and Asia) to share their expertise; linking reporters from myriad mainstream media and trade press with industry experts; and, sharing enormous archives of information at [www.womma.org](http://www.womma.org) to business, nonprofit, and academic users (107,000+ non-duplicated viewers in the last six months alone).
- **Driving Measurement Standards:** Launching the first efforts to measure WOMM, while convening two conferences and publishing two volumes on the topic.

In the coming months and years, WOMMA will launch new public affairs initiatives; expand programming to educate the corporate world as to ethical standards and best practices for engaging in word of mouth marketing initiatives; create training opportunities to better help small businesses and nonprofit organizations (generally lacking specialized womm expertise and resources) become even more successful; and continue to expand timely benefits and valuable services that will help our own members achieve their goals.

## **V. Response to: Category One Questions Related to Technological Changes and New Media**

Today we are witnessing a radical transformation of the communications landscape from one in which the marketer is always “in control,” to one in which marketers exercise vastly different forms of influence and participation.

These developments, which bear significant implications for both marketers and consumers alike, are the result of advances in technology, shifting patterns of consumer behavior (both online as well as offline), and the emergence of technologically-empowered consumers.

**The current Guides stipulate one uniform standard being relevant for both embedded advertising and non-traditional (or “unmeasured”) marketing alike. In considering changes, WOMMA urges the FTC to be fully cognizant of the shifting and asymmetrical capabilities for control / influence exercised by the modern marketer using non-traditional techniques.**

## **V A. Marketer Influence & Types of Word of Mouth Marketing**

You will readily comprehend the vastly different levels of control / influence that a marketer can exercise when using these common types of word of mouth / non-traditional marketing techniques. Such word of mouth marketing techniques are being embraced by a growing number of companies as they seek new ways of encouraging enthusiasts to champion their products, services, and offerings.

- **Buzz Marketing:** Using high-profile entertainment or news to get people to talk about your brand.
- **Viral Marketing:** Creating entertaining or informative messages that are designed to be passed along in an exponential fashion, often electronically or by email.
- **Community Marketing:** Forming or supporting niche communities that are likely to share interests about the brand (such as user groups, fan clubs, and discussion forums); providing tools, content, and information to support those communities.
- **Grassroots Marketing:** Organizing and motivating volunteers to engage in personal or local outreach.
- **Evangelist Marketing:** Cultivating evangelists, advocates, or volunteers who are encouraged to take a leadership role in actively spreading the word on your behalf.
- **Product Seeding:** Placing the right product into the right hands at the right time, providing information or samples to influential individuals.
- **Influencer Marketing:** Identifying key communities and opinion leaders who are likely to talk about products and have the ability to influence the opinions of others.
- **Cause Marketing:** Supporting social causes to earn respect and support from people who feel strongly about the cause.
- **Conversation Creation:** Interesting or fun advertising, emails, catch phrases, entertainment, or promotions designed to start word of mouth activity.
- **Brand Blogging:** Creating blogs and participating in the blogosphere, in the spirit of open, transparent communications; sharing information of value that the blog community may talk about.
- **Referral Programs:** Creating tools that enable satisfied customers to refer their friends.

While most of these techniques predate recent technological advances, the reality is that technology now enables both marketers to engage in such practices on far-larger scale;

and consumers to more easily participate. Further, they have sparked a growing desire on the part of consumers to interact with each other, and with brands.

## **V B. Promoting High Standards of Ethical Marketing**

**WOMMA strongly recommends that the Commission recognize in the development of possible amendment to the Guides the vastly different levels of control that can be exercised by marketers using embedded advertising versus word of mouth and non-traditional (unmeasured) media.**

However, that is not to say that WOMMA is not extremely concerned and highly motivated by the need to promote and secure high standards of ethical marketing in word of mouth and its related formats.

Our motivation is rooted in our earlier-stated conviction that womm *requires* high levels of transactional honesty and transparency if it is to be effective. Our concern stems from unscrupulous companies that engage in a host of dubious practices that are minimally questionable, and maximally highly unethical. We work diligently to assist our members in educating their organizations on the most ethical ways to engage in word of mouth marketing.

## **VI. Category Three: Questions related to Material Connections between the Advertisers and Endorsers**

The Commission seeks commentary on questions related to celebrity endorsements. This issue speaks directly to our Honesty ROI, which forms the heart of WOMMA's Ethics Code.

WOMMA developed our Honesty ROI based on our appreciation for the power derived from frank and honest exchanges between consumers regarding personal opinions and experiences related to products, services.

The goal is to safeguard the production of the one thing most valued by marketers: one person speaking to (or directly communicating with) a family member, friend, or colleague about some product, service, cause, or idea. We also wish to protect word of mouth when it appears in the alternative form of "consumer-generated media" (CGM). In CGM, consumers create comments based on knowledge or personal experience about products, services, organizations or brands that the consumer posts on internet forums, blogs, Usenet newsgroups, or in other online venues. In either case, the resultant "word of mouth" is highly-prized by marketers that recognize the potency and effectiveness of such communications. To continue to be effective for marketers, it must continue to be honest and trusted by consumers.

## **VI A. The Honest ROI (Relationship, Opinion, Identity)**

As this code evidences, WOMMA is strongly committed to trust and transparency in soliciting consumer interest, support, or commerce. Such trust can only be established in an atmosphere of full and ready disclosure.

Essentially, these principles, which form the core of our ethics code, require complete honesty, openness, and transparency in ensuring that consumers are aware of any material relationships that may exist between endorser and endorsee; that endorsers' opinions are their own; and that people do not misrepresent their identities (which is particularly relevant in the online world) by creating artificial identities to endorse products, or, alternatively, degrade those of a competitor.

WOMMA believes that concealing the relationship between an endorser and advertiser is never justified. We further believe that when such concealment ultimately becomes known (as it so often does thanks to the blogosphere), that the damage will prove detrimental not only to the advertiser and endorser in question, but that the damage will redound to further undermine public trust in marketers and the information they share to the detriment of honest marketers, and, ultimately, the American public (<http://www.womma.org/ethics/code/>).

## **VII. Conclusion**

With the growth of word-of-mouth, and its power to engage consumers in open, transparent, and honest relationships, come new challenges. While putting a premium on the power of the independent consumer voice is obviously a positive development, less appetizing in the eyes of some is what is perceived as marketer manipulation of the consumer voice. Important questions have been raised about transparency and disclosure of word-of-mouth.

Today there is great confusion over (or inappropriate conflation of) terms like buzz, stealth, undercover, and shill marketing. In fact, we believe that even the Commission has used such terms imprecisely.

Distilling these issues accurately, and addressing them effectively, becomes more important by the day as an increasing number of marketers, from all sectors of society, turn to word of mouth marketing strategies, practices, and tools.

For example, when WOMMA was founded, the blogosphere was still its very early state of development. Today the blogosphere is an unmistakable word of mouth driver; with over 80 million blogs. MySpace alone has over 90 million home pages.

Moreover, the nature of expression has shifted to multi-media elements. Word of mouth is now being expressed in audio, photo, and video formats, and the same difficult questions of disclosure and transparency are being asked on those fronts as well. Who's behind the content: just the consumer? The marketer? Or a blend of both? Moreover, if it appears to be a consumer, is the spokesperson real?

WOMMA has always acknowledged the fast-moving and dynamic nature of this industry; and this is why we worked to hard to develop an ethics policy that is adaptive, inclusive, and flexible against this rapidly changing word-of-mouth backdrop.

There are a host of emerging areas where we are carefully reviewing and assessing the most appropriate ethical standards based on our ethical guidelines of word-of-mouth marketing processes. We believe many, if not all, of these issues have the potential to serve as reference points in your broader deliberations about advertising policy.

- **WOM Payment / Compensation:** The issue of paid WOM operatives is one of considerable debate, and in some cases controversy. The biggest areas of sensitivity revolve around disclosure. WOMMA has consistently maintained the importance of disclosing any prior relationship with a marketer. This is evident in the blogosphere, where many companies and brands with varying levels of understanding of appropriate / inappropriate practices are now reaching out to bloggers. We also see new business models emerging that directly compensate bloggers for favorable endorsements or mentions of brands, products, or services. At a time when millions of Americans read blogs regularly, the question of how and whether viewers of such content understand that there is a prior or compensated relationship that may be influencing opinions expressed becomes increasingly important.
- **Posting to Ratings & Review Sites:** Although research has demonstrated that WOM is most effective when it is trusted, some marketers are tempted to “stack the deck” on key online review sites. A WOMMA Task Force is now looking into best and appropriate practices.
- **Disclosing Source of Content:** In recent months, we have witnessed headlines made by companies posting viral video or creating faux blogs or websites that are misrepresented as being independent offerings by consumers. We take strong exception to such models, and we are deeply concerned they risk compromising the integrity of the WOM space.

WOMMA recognizes that the kinds of issues we have been called on to address – and those that are still emerging -- are complex and likely to get more so as social media become increasingly more fragmented. We are nonetheless pleased that our ethics policy has provided early guidance and direction. We look forward to future expansion of the Ethics Code as circumstances dictate.

In closing, we thank the Commission for addressing important issues related to changes in the marketplace due to technological advances assisting marketers, consumer practices, media fragmentation, and the technological empowerment of consumers.

WOMMA would again like the FTC to know that we stand ready and willing to provide any further expertise or assistance that you might need as you address these issues in the weeks, months and years ahead.