WHY REPUTATION MATTERS? DISINFORMATION, ONLINE ADVERTISEMENT AND PRIVATE COMPANIES.

Author: Vanessa Maderová, Project Assistant, Prague Security Studies Institute

The Internet has brought seemingly unbridled opportunities for communicating messages of all kinds to mass audiences. This explosion of unregulated information space has created a plethora of challenges to the healthy functioning of democratic societies. The public debate has become riddled with conspiracy theories and disinformation leading to rising political polarisation and "us" v "them" hatred. Meanwhile, with democracy under assault, many malevolent actors make profits out of the chaos they helped create. However, the tide may be turning as more consumers and companies, concerned about their reputation, refuse to fund disinformation websites fueling these divisions.

Globally, according to a study by the Global Disinformation Index, a non-governmental organization based in the United Kingdom, around 20,000 disinformation websites generate annually an estimated 213 million euros in revenues solely from online advertising. In the Czech Republic alone, PSSI has determined that disinformation websites earn some 190,000 CZK monthly. It is not because companies paying for their ads wish to support these websites, but rather that the digital advertising industry is opaque and non-transparent.

Two-thirds of the overall spending on digital advertising in 2019 (totaling some 76 billion euros) was channeled into the so-called "programmatic advertising". This type of advertising is driven by a software-directed auction of advertising space across the internet based on consumer data. This means that ads are not necessarily placed on specific websites but follow individual consumers wherever they go. As a result, many advertisers find their ads on sites spreading disinformation, enabling them to thrive and profit.

This advertising model represents a potential risk to the companies' reputation. The concept of "commodity activism", developed by Sarah Bannet-Weiser, professor of media and communications at the London School of Economics, describes the practice of merging consumer behavior with political and social goals. Issues ranging from challenging social injustices, questioning status quo beauty norms, or condemning the explosion of disinformation and fake news in our political culture, are all incorporated into branding that extends beyond business considerations. Since individual consumers now consider purchasing a particular brand over another in a competitive marketplace as bona fide "political action," specific brands become more closely aligned with socio-political goals.

According to a study by Aflac, an American insurance company with a strong record of corporate philanthropy, 92% of millennials are more likely to buy products from companies they deem "ethical." Moreover, brand reputation is an important intangible value that defines up to 84% of the company's market value. Equally important, "a strong reputation has yielded 2.5 times better stock performance for companies when compared to the overall market." These numbers are staggering and their implications for marketing strategies of firms are vast. Increasingly more companies wish to lead with positive precedent to bolster their reputation, which, in the end, is reflected in spikes in their revenues.

One of the most commonly cited examples of "commodity activism" is Nike's 2018 campaign that featured Colin Kaepernick, an NFL player-turned-activist who protested racial inequality and police brutality in the United States by kneeling during the national anthem. Following this campaign, Nike's stock rose by 5%, overall valuation increased by 6 billion dollars, and in the year following the launch of the campaign Nike saw a 31% boost in sales.

In the Czech Republic the same logic of commodity activism is likely to work in relation to disinformation as 52 % of Czechs consider disinformation a serious issue as revealed in a 2019 study by the Ministry of Internal Affairs. This means that Czech companies can rather easily translate social action into a marketable commodity. In other words, the risk potentially associated with publicly distancing one's company from advertising on disinformation websites should be outweighed by the gains from the solidification of the brand's image as socially responsible.

However, there is an alarming lack of awareness of the issue. PSSI conducted a series of interviews with the expert community, including the advertising industry and Czech businesses. It became evident that these key actors usually do not consider the ethical implications of their ads in evaluating and configuring their advertising strategies. Despite the efforts of Czech initiatives like Nelež and Fair Advertising, which seek to demonstrate to companies that their reputation matters, the experts agreed that there is no adequate forum for communicating the issue.

The key takeaway here is the pressing need for establishing effective partnerships between the civic society and the private sector. NGOs need to facilitate open discussion between companies, consumers and marketing agencies and stress the importance of incorporating non-advertising on disinformation sites into the companies' and media agencies' binding ethical codes.

Disinformation websites are here to stay and are likely to continue to profit from companies that do not carefully pursue their socially responsible image. Nevertheless, with the right tools and ever-more conscious consumers, firms, supported by the non-governmental sector, will likely align their marketing strategies with the growing ethical pressure. And, as a bonus, those firms will undoubtedly also be rewarded financially.