

FTC plans to monitor blogs for claims, payments

June 21 2009, By DEBORAH YAO , AP Business Writer

Savvy consumers often go online for independent consumer reviews of products and services, scouring through comments from everyday Joes and Janes to help them find a gem or shun a lemon.

What some fail to realize, though, is that such reviews can be tainted: Many bloggers have accepted perks such as free laptops, trips to Europe, \$500 gift cards or even thousands of dollars for a 200-word post. Bloggers vary in how they disclose such freebies, if they do so at all.

The practice has grown to the degree that the [Federal Trade Commission](#) is paying attention. New guidelines, expected to be approved late this summer with possible modifications, would clarify that the agency can go after bloggers - as well as the companies that compensate them - for any false claims or failure to disclose conflicts of interest.

It would be the first time the FTC tries to patrol systematically what bloggers say and do online. The common practice of posting a graphical ad or a link to an online retailer - and getting commissions for any sales from it - would be enough to trigger oversight.

"If you walk into a department store, you know the (sales) clerk is a clerk," said Rich Cleland, assistant director in the FTC's division of advertising practices. "Online, if you think that somebody is providing you with independent advice and ... they have an economic motive for what they're saying, that's information a consumer should know."

The guidelines also would bring uniformity to a community that has shunned that.

As blogging rises in importance and sophistication, it has taken on characteristics of community journalism - but without consensus on the types of ethical practices typically found in traditional media.

Journalists who work for newspapers and broadcasters are held accountable by their employers, and they generally cannot receive payments from marketers and must return free products after they finish reviewing them.

The blogosphere is quite different.

"Rules are set by the individuals who create the blog," said Lee Rainie, director of the Pew Internet and American Life Project. "Some people will accept payments and free gifts, and some people won't. There's no established norm yet."

Bloggers complain that with FTC oversight, they'd be too worried about innocent posts getting them in trouble, and they say they might simply quit or post less frequently.

Between ads on her five blogs and payments from advertisers who want her to review products, Rebecca Empey makes as much as \$800 a month, paying the grocery bill for a family of six. She also has received a bird feeder, toys, books and other free goods.

Now the 41-year-old mother of four in New Hartford, N.Y., worries that even a casual mention of an all-natural cold remedy she bought herself would trigger an FTC probe.

"This helped us. This made us feel great. Will I be sued because I didn't

hire a scientist to do research?" Empey said.

Empey, whose blogs include New York Traveler and Freaky Frugalite, said she discloses compensation arrangements on a page on her blogs or through a "support my sponsor" logo. She said most of her readers understand that she sometimes gets compensated.

By contrast, a mommy blogger on Double Bugs praised Skinny Cow low-fat ice cream sandwiches and thanked a Web site called Mom Central for the chance to try them. But there's no clue that Nestle SA's Skinny Cow division was giving bloggers coupons for free products.

Some bloggers believe more uniform disclosure and practices would help instill trust and make advertisers more comfortable working with bloggers. To them, the question becomes whether the FTC should be the one crafting standards.

"It would always be better for bloggers to self-police," said Robert Cox, president of Media Bloggers Association in New Rochelle, N.Y. "We have laws on the books. They apply to everybody, not just people who write blogs."

Yuli Ziv, who writes a fashion blog from New York, is working on one such effort at self-regulation, helping craft an ethics policy for about 15 Web sites as part of the Style Coalition started in January to help bloggers become more professional.

"It's been an issue, regardless of the FTC," she said. "It's about trust."

Existing FTC rules already ban deceptive and unfair business practices. The proposed guidelines aim to clarify the law and for the first time specifically include bloggers, defined loosely as anyone writing a personal journal online.

"It's sort of a recognition that word-of-mouth marketing in whatever form, whether electronic or not, is a significant part of the marketing strategy of modern companies," Cleland said. "Because it's new, I think it is imperative that we provide some kind of guidance."

If the guidelines are approved, bloggers would have to back up claims and disclose if they're being compensated - the FTC doesn't currently plan to specify how. The FTC could order violators to stop and pay restitution to customers, and it could ask the Justice Department to sue for civil penalties.

Any type of blog could be scrutinized, not just ones that specialize in reviews.

So parents keeping blogs to update family members on their child's first steps technically would fall under the FTC guidelines, though they likely would have little to worry about unless they accept payments or free products and write about them.

But they would need to think twice if, for instance, they praise parenting books they've just read and include links to buy them at a retailer like Amazon.com Inc.

That's because the guidelines also would cover the broader and common practice of affiliate marketing, in which bloggers and other sites get a commission when someone clicks on a link that leads to a purchase at a retailer. In such cases, merchants also would be responsible for actions by their sales agents - including a network of bloggers.

Amazon declined to comment.

Cleland said the FTC would likely focus on repeated offenses that continue after a warning to stop.

Still, the agency has a big job ahead as new communications channels continually emerge. Advertisers now are paying some Twitter users to post short items through the increasingly popular messaging service. The FTC says the guidelines would cover such arrangements, regardless of the medium.

Even before the FTC commissioners vote on the final guidelines this summer, some in the blogging world have taken pre-emptive measures.

In May, IZEA, an Orlando, Fla.-based firm that matches advertisers with 265,000 bloggers, began sending reports to advertisers on whether hired bloggers are disclosing compensation arrangements, as IZEA requires. Such bloggers are paid as much as \$3,000 for a 200-word post.

Over the holidays, IZEA ran a campaign in which bloggers who don't normally shop at Sears Holdings Corp.'s Kmart stores were given \$500 gift cards and encouraged to write about their experiences in the stores. To reduce the chance of a bad review, the retailer said it avoided bloggers who previously made negative remarks about the company.

Meanwhile, a blogger on TravelingMom was whisked away on a free Disney cruise in January. She stayed in an ocean-view stateroom, where she was greeted by Champagne on ice and a plate of cheese and fruit. Later in the trip, she and other bloggers basked in the sun on Castaway Cay, Disney's private island.

"I've been on cruises before, but never like this one. The Disney Wonder (cruise ship) is ... well ... wondrous," she gushed on her blog.

She did disclose the free trip.

Mandatory disclosures could change how reviews are perceived online because many Internet users might never imagine that bloggers get

compensation.

"I don't think, for the average reader of a [blog](#), it immediately comes to mind that they actually have a relationship with the company," said Sam Bayard, a fellow at Harvard's Berkman Center for Internet & Society. "You think about (blogs) as personal, informal, off the cuff and coming from the heart - unfiltered, uncensored and unplanned."

On the Net:

Proposed guidelines:

[www.ftc.gov/os/2008/11/P034520 ... ndorsementguides.pdf](http://www.ftc.gov/os/2008/11/P034520...ndorsementguides.pdf)

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Citation: FTC plans to monitor blogs for claims, payments (2009, June 21) retrieved 23 April 2024 from <https://phys.org/news/2009-06-ftc-blogs-payments.html>

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