

The Hidden Revolution: Covert Marketing in Xiaohongshu and Tiktok

Yixin Zhang

Business School, Hong Kong
University of Science and
Technology, Hong Kong, China
yz4811@nyu.edu

Abstract:

Covert marketing on visual platforms such as Xiaohongshu and TikTok has become more noticeable because it reaches consumers who are tired of traditional ads. At the same time, questions about its ethical and practical challenges are still not fully addressed, especially in terms of transparency and the high similarity and repetition of contents. This paper looks at how covert marketing strategies work, what drives them, and the problems they may bring. The findings show that approaches like “grass-planting” and viral challenges work well by using algorithms and creating a sense of authenticity to attract users. Yet these strategies can weaken trust when disclosure is unclear, lead to fatigue from repetitive formats of contents, and raise concerns about manipulation. For these reasons, the paper points to solutions such as making algorithms more accountable to avoid uniformity, setting clearer rules for disclosure on the platforms, and encouraging brands to create content that feels genuine and fits cultural contexts rather than chasing short-term numbers.

Keywords: Covert marketing; Xiaohongshu; Tiktok; content homogenization

1. Introduction

Marketing is shifting quickly as social media grows and people place less trust in traditional ads [1]. In this environment, covert marketing has spread, using promotional content that blends into everyday posts. It is especially common on visually driven, algorithm-based platforms such as Xiaohongshu and TikTok, which dominate Chinese social media and influence global trends. These platforms allow connecting with users in indirect ways, including influencer collaborations and user-generated content. Audiences today prefer peer recommendations and authentic stories over direct commercials. Covert

marketing takes advantage of this by hiding sales messages into the user experience. The rise of this approach comes from a strong need for trust and authenticity. Younger users, who make up most of the audience on these platforms, are less willing to accept obvious ads and more likely to listen to friends or influencers. On Xiaohongshu, for example, 72% of people born after the 1990s say they look for shopping ideas in lifestyle posts and reviews, placing more trust in Key Opinion Leaders (KOLs) and Key Opinion Consumers (KOCs) than in brand advertising [2]. For companies, this provides a way to bypass ad avoidance and benefit from algorithms and the sense of peer influence.

Still, covert marketing raises important concerns. When sponsorship is not disclosed, the line between real and paid content becomes unclear, which can mislead users and break advertising rules [3]. The lack of transparency in how algorithms work can also give hidden promotions too much visibility, creating issues of manipulation and limiting consumer freedom. This paper looks at how covert marketing takes shape on Xiaohongshu and TikTok, reviews the main risks, and offers suggestions for how brands, platforms, and regulators can manage these practices responsibly.

2. Definition, Manifestations, and Underlying Logic of Covert Marketing

2.1 Conceptualizing Covert Marketing

Covert marketing is a strategy where the selling intent is hidden within content that seems focused on the user. Unlike traditional ads, which are easy to recognize and often feel disruptive, this approach slips past the natural resistance people have to advertising [4]. The goal is to present brand messages as helpful, authentic, or entertaining, so they feel like normal content rather than direct promotions. This helps reduce ad fatigue and the defensive behaviors many consumers now show.

Ducoffe's advertising value model, introduced in 1995, provides a useful way to understand this idea. The model states that an ad's value depends on how entertaining, informative, and irritating it is [4]. When the sense of interruption is lowered and the content is both fun and informative, people are more likely to see value in it. Covert marketing also works within the Stimulus-Organism-Response (S-O-R) framework. Here, the hidden ad acts as the stimulus, influencing how the consumer thinks and feels—particularly their sense of trust and authenticity—and encouraging actions such as engagement, sharing, or purchase [5]. The effectiveness of this process often relies on the reputation of both the platform and the creator who shares the content [6].

2.2 Platform-specific Manifestations

The way that covert marketing is implemented varies depending on the platform's design of functions and culture. On Xiaohongshu, which focuses on lifestyle sharing and product discovery, the main method is called "grass-planting." In this approach, KOLs and KOCs post content that feels like personal stories, using everyday experiences to recommend products [2]. A skincare review, for example, would rarely look like a standard ad. It would more likely appear in a "day in my life" vlog, a box-opening video, or a casual "get ready with me" post. The commercial intent is hidden behind authenticity and peer advice. By recom-

mending these contents to users who have shown interest in relevant topics, the platform's algorithm further amplifies the effectiveness, making the promotion feel natural and personalized.

On TikTok, where content is fast-paced and trend-driven, covert marketing thrives through viral challenges and influencer integrations. A brand might post an engaging hashtag challenge to encourage users to create videos using their merchandise or music in a creative way. Instead of being the obvious center of the advertisement, the product becomes a prop for entertainment. Similarly, influencers seamlessly integrate products into their content. For example, a fashion video showing clothing from a brand, a cooking tutorial featuring specific ingredients, or a short comedic video where a product is used incidentally. The platform integrates the watching and shopping features together, which further blur the line by allowing immediate purchase without leaving the immersive content experience. This high-energy, creative format of advertisement effectively disguises the promotional message as pure entertainment [7].

2.3 The Driving Forces Behind

The broad use of covert marketing is not accidental. It is the result of a powerful combination of consumer psychology, technological capability, and strategic necessity.

A major reason covert marketing works is the lack of trust people have in traditional advertising. Younger groups, especially Gen Z, often scroll past banner ads or skip video commercials, but they pay more attention to peer recommendations [1]. Covert marketing uses this by copying the tone and style of peer-to-peer communication.

Algorithms also play a big role. Social media platforms promote content that drives high engagement. Posts that look authentic and keep users watching, liking, or commenting are pushed to larger audiences. This gives covert marketing an advantage, since it is designed to feel interesting rather than like a direct promotion, offering brands wide exposure that would otherwise require heavy spending.

Personalization also plays a central role. Users expect content that matches their interests. Covert marketing fits this by blending promotional material into formats that feel personal and relevant to the viewer. Big data analytics give brands the ability to comprehend complex customer preferences. By providing branded content that perfectly matches a user's interests as determined by the platform, covert marketing enables this data to be put into action [8,9]. This completes a potent cycle of stimulus, response, and conversion by making the advertisement feel less like a general broadcast and more like a relevant and valuable recommendation from a reliable source within their digital ecosystem.

3. Potential Challenges of Covert Strategies

3.1 Transparency Deficit

The primary and most urgent issue with covert marketing is its inherent lack of transparency. Users are unable to make fully informed decisions about the content they consume and the persuasive intent behind it when the distinction between paid promotion and organic content is purposefully blurred, which is against the principle of informed consent.

This absence of clear and conspicuous disclosure is a violation of advertising guidelines in many jurisdictions. According to the U.S. Federal Trade Commission, the public must be made aware of any significant relationship between an endorser and a brand [3]. Clear labeling is often missing in covert marketing. Brands may use tags such as “Thanks for the gift from” or integrate product introductions into vlogs without any disclosure, which can easily mislead viewers. The lack of clarity is not only a legal issue but also a psychological one. When caught by audiences, covert strategies can cause extreme annoyance, which can result in active avoidance and unfavorable brand attributions. Additionally, this lack of transparency takes advantage of the credibility transfer effect [6]. It is unethical to use the user’s trust in the platform or influencer for commercial gain without the user’s explicit permission.

3.2 Erosion of User Trust and Platform Authenticity

The core asset that platforms like Xiaohongshu and TikTok have built is authenticity. Because of their genuine peer recommendations and relatable content, users flock to them. Overuse or inadequate disclosure of covert marketing directly threatens this foundational element, leading to a dangerous erosion of user trust.

The success of any marketing strategy, especially personalized ones, depends heavily on trust [8,9]. Users lose faith in the ecosystem as a whole when they keep seeing “authentic” evaluations that turn out to be sponsored ads. This leads to a situation the individual actions of multiple brands degrade the shared resource of platform credibility for everyone. In Xiaohongshu, where trust is the foundation of the entire “grass-planting” culture, this degradation can be very harmful. Consumers may develop a general sense of skepticism, which makes it more difficult to trust all creators, even those genuine ones. The fact that these platforms primarily target Generation Z, a group that is extremely sensitive to inauthenticity, makes this situation worse. Marketing messages can deceive vulnerable audiences and lead to negative psychological outcomes when

they are hidden behind content that appears to be genuine and encouraging, further transgressing ethical boundaries.

3.3 Algorithmic Opacity and Homogenization of Content

Beyond the clear ethical problems of transparency and trust, the way algorithms work on platforms like Xiaohongshu and TikTok creates another challenge, where content becomes repetitive and formulaic. Since these systems reward engagement above everything else, they push creators toward patterns that limit the variety of expression. Over time, this results in tons of branded posts that look alike rather than offering fresh or authentic perspectives.

The issue comes from the dual role of the algorithm as both distributor and director. When a certain type of content, such as a “get ready with me” video or a hashtag challenge, performs well, the system treats it as a winning formula and boosts similar posts. Creators then copy these patterns to gain visibility, filling Xiaohongshu with nearly identical themes and formats. A space for diverse and genuine recommendations becomes crowded with repeated messages that drown out unique voices [2].

For brands, this sameness creates a strategic problem. Using popular styles can bring quick exposure but weakens brand identity over time. If every company relies on the same formats, customers have little to differentiate one brand from another aside from price. Seeing the same content over and over again leads to boredom, lowering customer engagement in the long run. In this way, these algorithms not only raise ethical concerns, but also foster a marketing environment that is less creative and less effective.

4. Recommendations for Sustainable Covert Marketing

4.1 Enhanced Disclosure and Transparency Protocols

Ethical covert marketing depends on clear disclosure. To keep consumer trust, transparency must go beyond the bare minimum and become an active commitment.

Right now, many covert marketing posts use tags like “Collab” or “Thanks to” which are easy for users to miss or misinterpret. A better system would be one that is standardized, enforced by the platform, and not easy to overlook. This would require clear labels like #PartnershipWith or #Ad, placed at the very start of a caption instead of hidden at the end. The Federal Trade Commission already provides useful guidelines, but platforms need to go further by creating stronger enforcement tools [3]. For example, lowering the visibility of posts that fail to meet

disclosure rules.

Education also plays a role on these platforms. Pop-ups or short tutorials can help explain what these labels mean, giving users the ability to tell apart organic posts from sponsored ones. When audiences understand the difference, they are less likely to feel tricked or annoyed. This shift turns them from passive viewers into informed participants, reducing irritation and protecting brand credibility [10].

4.2 Platform Governance and Algorithmic Accountability

Platforms are not neutral. Their algorithms actively shape the visibility of content. Therefore, they must take significant responsibility for governing the ecosystem they have created, moving from algorithmic opacity toward greater accountability.

A key recommendation is the development and public communication of ethical AI frameworks for content recommendation. Platforms should audit their algorithms to ensure they do not disproportionately amplify covert marketing content that violates disclosure rules. As Wedel & Kannan suggest, marketing analytics must be both responsible and effective in the age of data-rich surroundings [11]. One possible step is for platforms to give creators “trust scores” that reflect how often and how clearly they disclose sponsored content. Higher scores could help posts reach wider audiences and motivate creators to act responsibly. At the same time, platforms should do more to support organic content. Algorithms need to focus on meaningful engagement, such as saves and thoughtful comments, rather than plain metrics like likes, which polished ads can easily manipulate.

4.3 Brand Responsibility and Authenticity-Centric Strategies

To break away from the sameness created by algorithm-driven formats, brands need to take the lead in building content that carries real brand cultural meaning. This goes beyond showing products and moves toward storytelling that highlights a brand’s history, values, and unique vision. On platforms crowded with similar contents, it is this sense of cultural depth, not the marketing style itself, that sets a brand apart and creates lasting connections with consumers.

The real goal is to stand out by providing value rather than blending into the noise. Content should be built around the audience’s interests, with the brand woven naturally into the story. In this way, the focus shifts from selling to offering something useful or entertaining. When users see the ad as a resource, it feels less like an interruption and more like an experience, which helps reduce irritation [4]. This approach is especially important for reaching Gen Z.

As Ameen et al. point out, Gen Z does not passively accept marketing messages but instead looks for brands that show authenticity and cultural relevance [12]. Working with influencers becomes effective not just for their reach but also for their ability to co-create content that fits both their own style and the brand’s identity. This approach helps brands create cultural value that would last for long-term instead of relying on temporary algorithmic gains and focus only on short-term performance. It also changes how a brand is seen, from just an advertiser to an active part of culture, giving it a stronger identity that holds up even as platforms and trends keep shifting.

5. Conclusion

In conclusion, covert marketing on Xiaohongshu and TikTok is both effective and risky. It takes advantage of algorithm-driven systems and the demand for authenticity to capture attention, but it can also weaken trust when transparency is lacking and content becomes repetitive. A long-term approach needs clearer disclosure rules, more accountability, and brand strategies that focus on cultural meaning rather than quick visibility. The future of covert marketing will depend not on hiding ads more skillfully, but on winning attention through real value and honest practices.

References

- [1] Balaban D C, Mustatea M. Users’ perspective on the credibility of social media influencers in Romania and Germany. *Romanian Journal of Communication and Public Relations*, 2019, 21(1): 31-44.
- [2] Zhao Y. Assessment and optimization of social media marketing strategies: A case study of Xiaohongshu. In *Proceedings of the 1st International Conference on Engineering Management, Information Technology and Intelligence*, 2024: 679-684.
- [3] Federal Trade Commission (FTC). Disclosures 101 for social media influencers. Federal Trade Commission, 2019.
- [4] Ducoffe R H. How consumers evaluate advertising: The role of perceived advertising value. *Journal of Current Issues & Research in Advertising*, 1995, 17(1): 1-18.
- [5] Jacoby J. Stimulus-organism-response reconsidered: An evolutionary step in modeling (consumer) behavior. *Journal of Consumer Psychology*, 2002, 12(1): 51-57.
- [6] Zha X, Li J, Yan Y. Advertising value and credibility transfer: attitude towards web advertising and online information acquisition. *Behaviour & Information Technology*, 2014, 34(5): 520-532.
- [7] Dwinanda B, Syaripuddin F A, Hendriana E. Examining the extended advertising value model: A case of tiktok short video ads. *Mediterranean Journal of Social & Behavioral Research*,

2022, 6(2): 35-44.

[8] Bleier A, Eisenbeiss M. The importance of trust for personalized online advertising. *Journal of Retailing*, 2015, 91(3): 390-409.

[9] Bleier A, Eisenbeiss M. Personalized online advertising effectiveness: The interplay of what, when, and where. *Marketing Science*, 2015, 34(5): 669-688.

[10] Sharma A, Dwivedi R, Mariani M M, Islam T. Investigating the effect of advertising irritation on digital advertising

effectiveness: A moderated mediation model. *Technological Forecasting and Social Change*, 2022, 180: 121731.

[11] Wedel M, Kannan P K. Marketing analytics for data-rich environments. *Journal of Marketing*, 2016, 80(6): 97-121.

[12] Ameen N, Cheah J H, Kumar S. It's all part of the customer journey: The impact of augmented reality, chatbots, and social media on the body image and self esteem of Generation Z female consumers. *Psychology & Marketing*, 2022, 39(11): 2110-2129.