

Business Model Prevalence in Influencer Marketing on Instagram

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CONTEXT, LITERATURE REVIEW & RESEARCH QUESTIONS

The monetization of user-generated content on social media platforms through advertising is a rising phenomenon. One of its expressions, integrating advertising in the actual content (also known as influencer marketing) led to a 9 billion dollar industry in 2019, and is projected to reach a worth of 15 billion by 2022.¹ The buzz around this trend has already led to a lot of market research ([7], [5]), and a lot of legal research on the standards applicable to the disclosure of advertising in various jurisdictions around the world ([2], [3]). In addition to existing rules, regulators seem to have caught on to the fact that through its nature, influencer marketing leaves room for more potential to mislead or deceive consumers. Influencers develop a relationship of trust and confidence with their followers because of their relatability as peers, yet depend on advertising supply chain to make a living out of this activity, as they sandwich commercial messages in their entertaining/informative content. Because of this, some regulators have enacted new, explicit rules. For instance, the review of two separate European directives (the Unfair Commercial Practices Directive and the Audio-Visual Media Services Directive) led to new obligations which are relevant for influencers: the first instrument blacklists the lack of advertising disclosures for sponsored content as an unfair commercial practice, while the latter sets out additional prohibitions or requirements for specific types of advertising (e.g. alcohol tobacco), especially targeting vulnerable groups (e.g. children). In addition, national rules add to the complexity of the legal frameworks by embracing different enforcement strategies. In the Netherlands, a lot of focus has been placed on self-regulation (e.g. the Sociale Code Youtube),² and national agencies intervened only in cases of extreme harm (e.g. deceiving children). Yet in Germany, some courts even went so far as to say that every post made by an influencer needs to have advertising disclosures, even if it may not as such contain advertising.³ While regulatory pressure is supposed to improve the standard of consumer protection,

influencer marketing remains a peer-to-peer industry defined by a plethora of business models. Computer science literature has already mapped **affiliate marketing** on platforms like Youtube and Pinterest ([8], [1]), as well as the diffusion of influence in social networks [6]. However, social media influencers also use classical **endorsements** (e.g. payment for tags and mentions), **barter** (e.g. hotel stays for tags and mentions), or **directly sell** their own merchandise [4]. So far, the exact prevalence of either of these business models is unknown, with some of the models often not recognizable (e.g. barter), and some recognizable because of explicit disclosures (e.g. Instagram paid partnership disclosures; hashtags).

Our research project brings together expertise from Natural Language Processing (NLP) and European Consumer Law and aims to make a gap-filling contribution focused on determining which particular influencer marketing business models can be identified on social media, and how influencers use them. To this end, we focus on Instagram, as the most popular social media platform for influencer marketing [7]. We gather all posts made by 60 selected influencers from 2 countries (Netherlands and Germany) distributed equally on the basis of size: between 10k-50k (nano-influencers); between 100k-500k (micro-influencers); over 1 mil (mega-influencers). We design a classifier (using annotation techniques for labeling if needed) to identify the recognizable business models (affiliate marketing; endorsements; and direct selling), and analyze their prevalence. To do so, we draw on existing theoretical models relating to the monetization supply chain in influencer marketing [3]. By comparing the results in the two selected countries, we hope to gain insights into whether influencers from countries with more stringent enforcement disclose more of their commercial activities than their counterparts in countries with less stringent enforcement. We also expect to see variances between how followers react to different types of disclosures (the more recognizable, the less likes/comments are expected or there might be a negative attitude). In addition to the empirical part of the project, we also describe the legal regime applicable to each business model according to European consumer protection, to contribute to the interdisciplinary development of computer science and consumer protection in ways which can inspire further research, vital for the interests of consumer enforcement agencies.

¹<https://www.businessinsider.com/influencer-marketing-report?international=true&USIR=T>.

²<https://www.desocialcode.nl>.

³<https://mediawrites.law/influencer-marketing-in-germany-courts-in-berlin-to-find-a-balance-between-practicability-and-marketing-laws/>.

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