Sponsorship Disclosure and Third-Party Revelation of Instagram Influencer Advertising:
Impact on The Brand and The Influencer

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Introduction. Influencer marketing refers to using individuals who have a large group of followers on social media to impact consumers' buying behavior (Evans et al, 2017). Influencer marketing is paid advertisements and thus would be deceptive if its paid nature was not disclosed (Wojdynski & Evans, 2016). In order to prevent consumer deception, Federal Trade Commission (FTC) guidelines require businesses and influencers to clearly and conspicuously disclose their monetary relationship ("The FTC's Endorsement," 2017). To enlighten consumers, some non-profit organizations such as "Truth in Advertising" investigate online advertisements and influencers' posts to catch deceptive advertisements and reveal them to consumers. However, influencers are also consumers and may sometimes post about their own product experiences without being paid by the company. Consequently, consumers may become confused whether an influencer is promoting a brand based on his or her own experience or the payment received from the brand. This study examines the effects of the self-disclosure and third-party revelation of the brand-influencer partnership on consumers' perceptions of brand sincerity and influencer credibility and brand attitude. Instagram is selected as the context for this study because it is the second most used social media platform ("Social Media Fact Sheet," 2019).

Literature Review. The credibility of a communication source is usually studied in three dimensions: attractiveness, trustworthiness, and expertise. Applying these to the influencer context, trustworthiness refers to confidence in the information provided by the influencer, attractiveness addresses appearance aspects of the influencer (Ohanian, 1990), and expertise reflects the influencer's knowledge and skillfulness (Hovland et al., 1953). Although contradictory views exist on the effect of disclosing a paid endorsement on endorser credibility, recent studies about a brand-influencer partnership disclosure in social media emphasize its positive effect because it can represent the brand's trust in the influencer (Carr & Hayes, 2014) and the influencer's honesty (Abendroth & Heyman, 2013). However, if consumers find out about the brand-influencer partnership through a third party revelation, instead of the influencer, they may feel deceived and lose trust in the influencer (Abendroth & Heyman, 2013). Therefore, we predict that *influencer credibility is perceived higher when the influencer post discloses (vs. does not disclosure) its paid advertising nature (H1); whereas it is perceived lower when the paid advertising nature is revealed (vs. not revealed) by a third party (H2).*

The disclosure versus revelation of the sponsorship relationship between the brand and the influencer may impact consumers' responses not only to the influencer but also to the brand. Brand sincerity refers to a personality trait that consumers imbue a brand with to symbolize an honest and responsible person behind the brand (Hoeffler & Keller, 2002). Influencers are

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considered as persons behind the brand, so dishonesty of the influencer reflects insincerity of the brand (Ouwersloot & Tudorica, 2001). Also, according to the guidelines published by FTC, businesses are responsible to notify influencers to disclose the paid partnership. Thus, we predict that *brand sincerity is higher when the paid advertising nature of the post is disclosed (vs. not disclosed) by the influencer (H3); whereas it is lower when the paid advertising nature of the post is revealed (vs. not revealed) by a third party (H4).*

Literautre shows that influencer credibility (Chu & Kamal, 2008) and brand sincerity (Eisend & Stokburger-Sauer, 2013) both impact brand attitude. Therefore, we propose that *consumers' brand attitude upon exposure to an influencer's Instagram post is positively influenced by their perceptions of (a) brand sincerity and (b) influencer credibility (H5).* Consumers' bond with a brand impacts their responses to any external information about the brand; when brand attachment is strong, the impact of negative information on brand evaluation is low (Chiou et al., 2013). Therefore, we predict that *prior brand attachment moderates the relationship between influencer credibility and brand attitude (H6).*

Method. A 2 (Disclosure: yes vs. no) × 2 (Revelation: yes vs. no) × 3 (Brand: GAP vs. Nike vs. Levi's) between-subjects online experiment was conducted. A convenience sample of 319 students from a southeastern university participated. Participants first completed the brand attachment measure and then examined a visual stimulus showing a fictitious Instagram post by a fictitious influencer, which was randomly assigned among 12 stimuli. In the yes-disclosure condition, the post stated conspicuously that it was a paid advertisement, whereas the no-disclosure post did not contain such a statement. In the yes-revelation condition, one of the user comments revealed the post was a paid advertisement, whereas the no-revelation stimulus did not include such a user comment. The image and caption used in the post were identical across the conditions within each brand. Multiple brands were used to enhance the generalizability of the findings. After examining their assigned visual stimulus, participants completed dependent measures, which were adapted from previous studies, as well as manipulation check items. All measures showed high internal consistency (Cronbach's αs > .80).

Results. To test H1 through H4, multivariate analysis of variance (MANOVA) was conducted. The results revealed that only the main effects of brand (Wilk's λ = .76, $F_{8,608}$ = 11.01, p < .001) and disclosure (Wilk's λ = .97, $F_{4,304}$ = 2.72, p < .05) were significant. Thus, H2 and H4, which predicted the revelation effects, were rejected. Follow-up univariate ANOVA revealed that disclosure significantly affected influencer credibility in the expertise ($F_{1,307}$ = 9.78, p < .005, partial $\eta2$ = .031) and trustworthiness ($F_{1,307}$ = 7.61, p < .05, partial $\eta2$ = .024) dimensions; however, these perceived credibility scores were higher when the influencer did not disclose the paid advertising ($M_{expertise}$ = 3.52, $M_{trustworthiness}$ = 3.48) than when she did ($M_{expertise}$ = 3.25, $M_{trustworthiness}$ = 3.25), rejecting H1. Disclosure did not affect brand sincerity, rejecting H3. A multiple regression analysis ($F_{4,314}$ = 51.95, p < .001, Adj. R^2 = .39) was used to test H5. Brand sincerity (β = .397, p < .001) was a significant predictor of brand attitude supporting H5(a); whereas only two of the three influencer credibility dimensions (attractiveness: β = .274, p < .001; trustworthiness: β = .224, p < .001) significantly explained brand attitude, thus partially

supporting H5(b). Finally, results from multiple regression run for each of the high and low brand attachment groups revealed that for the low attachment group, perceived influencer attractiveness (std. β = .35, t = 4.05, p < .001) and trustworthiness (std. β = .35, t = 3.80, p < .001) both significantly predicted brand attitude; but for only influencer attractiveness (std. β = .31, t = 3.26, p < .001) was significant for the high brand attachment group, which partially supports H6.

Discussion. Despite the strict guidelines regulated by FTC, some influencers and brands refuse to follow the guidelines and do not disclose the paid partnership. The findings of this study show influencer expertise and trustworthiness are lower when such paid partnership is disclosed on the post. This may be because consumers consider an influencer to be an expert and trustworthy when she represents her own style, not the style imposed by the brand. This study shows that the disclosure or revelation of the paid partnership does not hurt consumers' brand sincerity perception. Although this study showed non-significant effects of third-party revelation of the paid partnership, this result may change if the revealing party was with a higher authority in the matter, such as FTC, which warrants future research. It is recommended for businesses to have proper strategies to impact consumers positively and follow FTC at the same time.

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