

White Paper #1 - February 2018

UNDER THE INFLUENCE:

UK CONSUMER ATTITUDES TO SOCIAL
MEDIA INFLUENCER MARKETING





INTRODUCTION

Prizeology does a lot of work with brands and influencers, especially around disclosure and compliance. Of course, most of our clients understand the importance of disclosure – that’s why they come to us for advice – but I and my colleagues also spend a fair amount of time convincing people that disclosure really is for the best, not just from a regulatory point of view, but from a transparency point of view as well.

So I was interested in what UK consumers know and feel about influencer marketing. I wanted to find out if UK consumers can tell when they’re being influenced and if they’re concerned whether influencers disclose or not. My instinct was that consumers wanted brands and influencers to be clear when they had a commercial relationship, because it would enable them to make informed

decisions about a promotion. My feeling was that a lack of transparency ultimately leads to a lack of trust, but I didn’t know that for sure and, it turned out, no one else really knew either.

So that’s why I’m introducing Prizeology’s first research report. It makes for interesting reading. I have the answers to some of my questions – and some of those answers are pretty striking – but I wanted to share our research more widely because it also raises a lot of questions about influencer marketing that are worth talking about. If that’s a discussion you’d like to have, do get in touch.

SARAH BURNS

Managing Director,
Prizeology

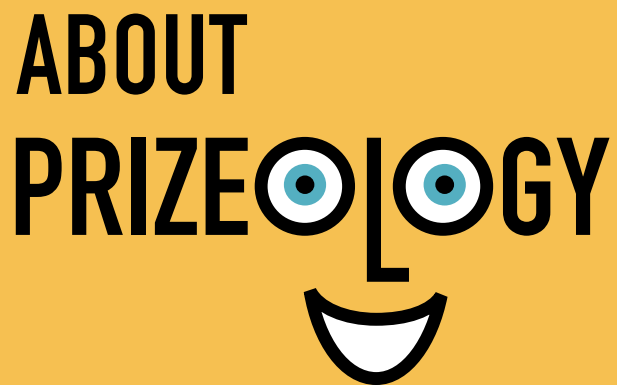


ABOUT THIS RESEARCH

This report is based on 2015 interviews conducted between 30 January and 2 February 2018 with a nationally representative UK audience using an online methodology. Respondents were a minimum of 18 years old and quotas were placed on age, gender and region to ensure an accurate representation of the UK public demographic. The research was carried out by Vitreous World on behalf of Prizeology.

Prizeology handles all aspects of prize promotions, with an emphasis on compliance and ensuring our clients' promotional marketing adheres to all UK and, where relevant, international regulations and legislation. We specialise in strategic solutions for brands, businesses and agencies to drive engagement and sales, and deliver maximum value for your budget. Our promotions are implemented with precision, and we combine logistical skills and technological expertise with creativity and innovation. So whether it's to retain or build your customer base, find followers or produce user-generated content, we work with you and your partners to ensure compliance and achieve your promotional objectives.

www.prizeology.com



ABOUT VITREOUS WORLD

Vitreous World is a leading consultancy delivering global data solutions to marketing and media industry stake holders. It offers a full range of research services and delivers data across a wide variety of platforms and methodologies. Champions of best practice, it is involved in several initiatives aimed at improving industry standards outside traditional research channels.

www.vitreousworld.com

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EXECUTIVE SUMMARY



Influencer marketing in the UK is primarily regulated by the Advertising Standards Authority (ASA), but over half of the UK public are not aware of this. Around half aren't aware of the hashtags and language that must be used to indicate that there is a commercial relationship between an influencer and a brand, and, again, over half also believe that influencers don't have to disclose that they have been paid to talk about a product.

However, despite a lack of knowledge about the regulatory landscape, the UK public does want to be informed about the commercial relationships between brands and influencers, and the vast majority believe that they should be told if people are being paid to promote products.

Over half of the UK public feel brands are not transparent about their use of influencer marketing,

but consumers do value transparency, because they want to understand exactly how they are being influenced by brands or influencers. What is highly significant for brands, though, as well as influencers themselves and the agencies they work with, is that over half of the public say their perception of a brand improves when the brand is transparent about its use of product promotions and influencer marketing.

In fact, the UK public has fairly pronounced views on those who breach influencer marketing regulations. A majority think the ASA should be doing more to enforce disclosure, and over half believe that brands and influencers should be punished if they don't disclose. There is also a strong feeling among a significant section of the public that influencer marketing has an adverse effect on society.

CONTEXT:

THE RISE OF INFLUENCER MARKETING

It's difficult – no, it's impossible – to quantify the current size of the influencer market in the UK. Estimates vary widely and are usually based on US dollar spends, although those dollars are going a long way, because social media channels have global reach. Crucially, of course, estimates are largely dependent on whether influencers disclose that they have been paid by using hashtags such as #ad, or language such as 'paid partnership'.

There are also multiple channels to consider, although along with blogging, Facebook, Twitter, YouTube, Instagram, Snapchat and even Pinterest are the principal vehicles for influencer marketing, and, with the exception of blogging and podcasts, the Prizeology research focused on users of these platforms.

Despite the lack of firm figures, though, it's safe to say that the marketing industry generally considers influencer marketing to be one of the fastest growing advertising categories.

To give just one example of an attempt to quantify the market, in March 2017 influencer marketing agency Mediakix estimated advertiser spend on influencer marketing on Instagram alone at over US\$1 billion per year.¹

It went on to predict that by March 2019 the annual spend could be almost US\$2.4 billion, again on Instagram alone, and it reported that by 2020 the influencer market as a whole could be worth \$5-10 billion. At present none of this seems implausible, given that, as of September 2017, Instagram had 800 million active monthly users, up from 600 million in December 2016.²

Even though measuring the impact of this rising spend is still an area for development, it is the potential for engagement and awareness offered by influencer marketing that is the draw for big brands and smaller businesses alike, particularly in an environment where engagement with traditional TV and print advertising is declining and the use of ad blockers is on the rise. Certainly, a 2017 survey by marketing agency Linquia found that 94% of marketing professionals who had used influencer marketing found it 'effective'.³

Not all social media users are directly influenced by paid-for content, but it seems reasonable to assume that the authenticity of influencer marketing resonates more for them than conventional advertising. The aim of this research was not to quantify the size of the influencer market or the measurable impact of influencer marketing, but to investigate how consumers themselves view influencer marketing and what it looks like from their side of the screen.

¹ <http://mediakix.com/2017/03/instagram-influencer-marketing-industry-size-how-big/#gs.BYITkY>

² <https://www.statista.com/statistics/253577/number-of-monthly-active-instagram-users/>

³ <http://www.linquia.com/insights/state-of-influencer-marketing-2017/>

FINDINGS:

WHAT CONSUMERS KNOW ABOUT INFLUENCER MARKETING

Influencer marketing is primarily regulated by the Advertising Standards Authority (ASA), via the UK Code of Non-broadcast Advertising and Direct & Promotional Marketing, which is known as the CAP Code.⁴ The rules about making sure material is clearly identifiable as marketing communications appear in section 2 of the CAP Code.

The ASA's guidance on influencer marketing says, "When the brand has control over the content of the post and rewards the influencer with a payment, free gift or other perk, the post becomes an ad. If the commercial intent isn't clear from the overall context of the communication, it should be labelled as an ad so as not to break the ASA's rules and mislead the influencer's audience."⁵

Via Consumer Protection from Unfair Trading Regulations 2008, influencer marketing also comes under the remit of the Competition and Markets

Authority (CMA), which says, "It's not illegal for businesses to pay people or publications to promote their products in blogs, vlogs, tweets or other online articles – but the people that publish such content, businesses that want to get their products endorsed and any media agencies that place endorsements all need to make sure that the consumer knows the endorsement has been paid for. If not, they risk breaking the law."⁶

The vast majority of the UK public (71%) do not realise that influencer marketing is regulated.

This clearly indicates that the message about regulation and the need for compliance is not getting through to the public, which has implications for brands, for influencers themselves and indeed for the ASA, CMA and other authorities, including the Office of Communications (Ofcom), which commissions the ASA to regulate advertising industry.

Over half of the UK public (61%) believe influencers don't have to disclose that they have been paid to talk about a product.

Almost half of the UK public (49%) are not aware of the hashtags and language that must be used to indicate that there is a commercial relationship between an influencer and a brand.

⁴ <https://www.asa.org.uk/codes-and-rulings/advertising-codes/non-broadcast-code.html>

⁵ <https://www.asa.org.uk/news/online-influencers-is-it-an-ad.html>

⁶ <https://www.gov.uk/government/publications/online-reviews-and-endorsements-advice-for-businesses/online-endorsements-being-open-and-honest-with-your-audience>

To test their knowledge of the compliance rules and regulations around influencer marketing, interviewees were given a series of six statements which they were asked to mark as 'true' or 'false'. These included statements such as 'Influencers must adhere to the CAP Code' and 'If influencers use #ad they have been paid to promote the product.'

Almost none (1%) of the UK public correctly identified all the true and false statements in this test.

It seems clear that there is a significant lack of understanding about the regulation of influencer marketing, including compliance with the rules around disclosure and the use of specific indicators to show that commercial relationships are in place. The public's knowledge of influencer marketing could be described as at best confused, at worst virtually non-existent. There are valid reasons for this. The regulators, particularly the ASA, work extremely hard to keep pace with developments, but the rise of the social star and the growth of influencer marketing has been rapid and exponential.

In recent months the ASA has upheld complaints from members of the public in cases involving several celebrity influencers with substantial numbers of followers who have failed to comply with the CAP Code and disclose commercial relationships, including Marnie Simpson ⁷ and Stephanie Davis. ⁸ It is highly likely that complaints about influencers, and also about micro-influencers with smaller but very committed niche audiences, will continue to rise. Indeed, ASA CEO Guy Parker recently signalled that in 2018 his organisation will be taking action, not only to clarify the rules for brands, influencers and agencies, but also to enforce those rules. ⁹ On the basis of Prizeology's research, it would seem there is a very strong case for raising public awareness of compliance and educating the public about the rules around influencer marketing as well.

⁷ <https://www.asa.org.uk/rulings/unleashed-pr-ltd-a17-395923.html>

⁸ <https://www.asa.org.uk/rulings/convits-ltd-a17-396044.html>

⁹ <http://www.independent.co.uk/news/business/comment/internet-advertising-standards-social-influencers-youtube-newspapers-reality-tv-a8151081.html>



FINDINGS:

WHAT CONSUMERS WANT FROM INFLUENCER MARKETING

Consumers may lack knowledge of compliance and the regulatory framework, but that doesn't mean they don't want to know about the commercial relationships between brands and influencers – they do.

The vast majority of the UK public (88%) believe that they should be informed if people are being paid to promote products.

Clearly, given that a regulatory framework does exist, this prompts a question about whether influencers and the brands they work for are actually informing the public of their commercial relationships, even if consumers don't recognise that information. A relatively quick search on Instagram – or arguably any social media platform – might suggest that they are not.

Given the daily volume of posts it's extremely hard to assess levels of disclosure and transparency,

but last year, in the wake of stern guideline reminder letters sent in April to almost a hundred influencers and brands by the Federal Trade Commission (FTC), the organisation which protects and educates consumers in the States,¹⁰ marketing agency Mediakix set out to assess the extent of the problem. It found that 93% of endorsements by the top 50 Instagram influencers were likely to be breaches of FTC regulations.¹¹ In other words, only 7% of posts were compliant, contained disclosures and were transparent about commercial relationships. In the nine months since, the situation may well have improved, but transparency remains an issue for consumers.

Over half of the UK public (61%) feel brands are not transparent about their use of influencer marketing.

It is received wisdom that the power of social media influencer marketing is based on authenticity and trust. The connection between influencer and audience is unmediated and direct, so an influencer's followers therefore perceive it as authentic. That apparent authenticity and the personal nature of the connection enhances the perception that it is a relationship of trust. The Prizeology research found that although authenticity and trust were indeed important to consumers, they valued transparency most of all.

Over half of the UK public (57%) want to understand exactly how they are being influenced by brands or influencers.

It may be that the public takes authenticity and trust for granted. Presumably an individual tends



to follow a particular influencer because they find them real and relatable – in other words they like them. When compliance is in place and a commercial relationship between an influencer and brand is acknowledged, it may confirm that the influencer is as honest and as authentic as they appeared to be, and that the trust the individual has placed in the influencer is justified. The brand then benefits from these associations. This is positive news for brands – it is, after all, the fundamental rationale for influencer marketing – and a strong argument for compliance.

Over half of the UK public (60%) say their perception of a brand improves when the brand is transparent about its use of product promotions.

¹⁰ <https://www.ftc.gov/news-events/press-releases/2017/04/ftc-staff-reminds-influencers-brands-clearly-disclose>

¹¹ <http://mediakix.com/2017/05/celebrity-social-media-endorsements-violate-ftc-instagram/#gs.oYQQoYs>

FINDINGS:

FURTHER
OBSERVATIONS

The Prizeology research did uncover some distinct regional differences of opinion. Those in Wales (97%) and the North East (95%), for example, are particularly adamant that they should be informed if influencers are being paid to promote a product, and those in the North East are, again, less likely to be aware of the hashtags and language which indicate a promotion (69% versus 49% nationally).

As might be expected, younger people are more likely to be aware of the rules and regulations surrounding influencer marketing, as well as the relevant hashtags and language. The majority of millennials (81%) do want compliance and do want to be told when influencer marketing is being employed, but

they are less concerned about being informed than other age groups and they are more likely than other age groups to purchase an item as a direct result of a promotion (26%).

In terms of what the UK public think more generally about influencer marketing, when asked about its impact, almost half (44%) feel influencer marketing is damaging to society. This drops for millennials, but is still relatively high (36%). In fact, the UK public seems to be feeling fairly militant about influencer marketing and those who don't comply with the regulations, and is looking to the Advertising Standards Authority (ASA) to rectify an unsatisfactory, although to be fair to the ASA a fast-moving and ever-developing, state of affairs.

The vast majority of the UK public (71%) believe the ASA should be doing more to enforce disclosure.

Over half of the UK public (56%) believe that brands and influencers should be punished if they don't disclose.



BE AN INFLUENCE FOR GOOD!

Prizeology specialises in making sure your influencer marketing relationships are effective and comply with the CAP Code.

JOIN US

- WE OFFER
A RANGE OF
SERVICES
AND CAN:**
- ensure the correct disclosures are made on social media
 - recommend CAP Code-compliant wording
 - monitor paid-for online content for compliance
 - negotiate with bloggers, vloggers, micro-influencers and celebrities

**Increase sales, engage customers and build awareness.
We help brands, agencies and businesses do exactly that
- it's the art and science of prize promotions.**