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**INFLUENCER: AN ENTREPRENEURIAL VIEW.**  
**An analysis of the actual value for brands and future regulatory evolutions**

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## Methodology

The first part of this work, referred to the first two chapters, is represented by the literary review of the central studies regarding reputation and influencer marketing. Due to the novelty of the topic, I also included some studies made before the social media age regarding the influence power of individuals. Aim of those chapters is to get an overview of how influencer marketing works, answering to the question, “What is the work of an Influencer? How does he create value?”

In chapter three, I’ve analyzed the present rules affecting influencer’s practices, from the customer code and provided by the “Istituto di Autodisciplina della Pubblicità Commerciale” in the Digital Chart. Since there is not yet a legal history, trying to clarify the practical legal effect of those rules, I’ve referred to a couple of existing sentences.

The second phase of my thesis’ work is represented by a research, conducted at the beginning of 2020, on a sample of 1605 individuals. Data and opinions were collected through a quantitative survey. This survey was sent through Instagram stories, using the “swipe up” function, published by five influencers profiles (between 10.000 and 150.000 followers). Stories were republished on my Instagram profile.

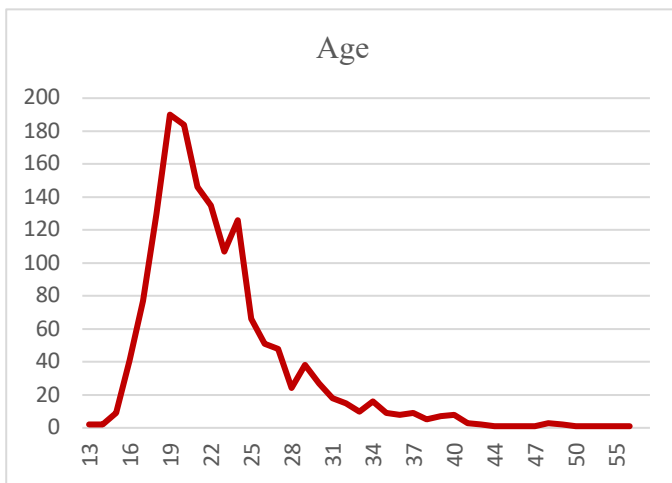
The research is composed of three main sections:

- Respondent personal data regarding age, the region of residence, and gender, aiming at defining the population of the sample.
- Users’ internet and social networks usage habits. This section is composed using some of the questions of a study conducted on 10 June 2018 on a sample of 6,031 respondents by Silvia Fasciano. Data were collected through the same medium (a Google Form questionnaire sent on Instagram stories). The comparison aims to confirm users’ habits across years or underling any significant difference.
- Users’ level of knowledge about influencer marketing practices and influencers’ business model and their feeling regarding future regulatory evolutions.

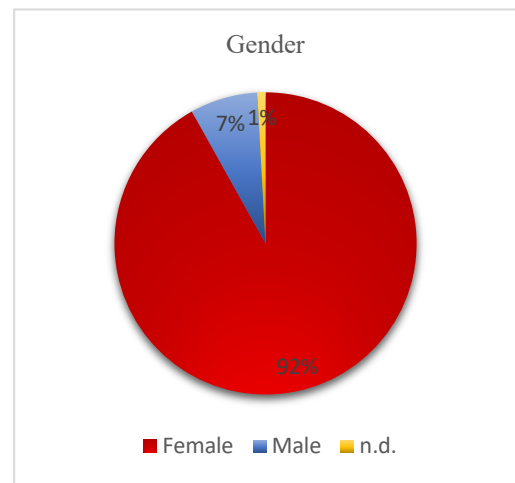
In the last chapter, analyzing research data through the information gathered into the first part, I indicate some implications for influencers, companies, and the legislator.

## Research respondent's data

The respondents of the questionnaire are mainly aged between 17 and 27 years old; 92% of the responses come from a female audience. These data derive from the method used for sending the questionnaire: it has been sent by social network profiles; hence the public is generally young [Graph 1.1]. The target audience of these profiles is mainly female, hence the high participation of women in the questionnaire [Graph 1.2]. The age frame is valid for this study, representing the average audience present on social media. Regarding the female prevalence of the sample, it would be interesting and could be a starting point for further researches, to obtain data on the male audience, to note differences, if any.

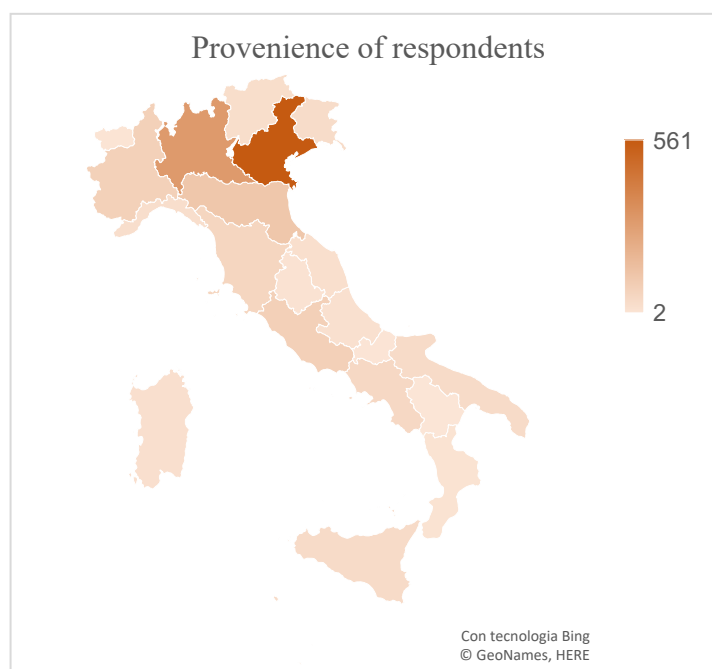


Graph 1. 2 – Age of respondents



Graph 1. 1 - Gender of respondents

Respondents mainly come from North-East Italy (Veneto, 561 answers, Lombardia, 304 answers, and Emilia Romagna, with 124 answers). Lazio (86), Piedmont (84), and Tuscany (64) follows [Graph 1.3]. 30 respondents come from out of Italy.



Graph 1. 3 Provenience of respondents (region)

Results will be presented as follows:

- In the first two chapters will be presented data related to users' habits towards the Internet and social networks, making a comparison with data collected by Silvia Fasciano, in her 2018 research. This data comparison will be presented related to the relative literary theory. For this section, regarding my results, were considered only respondents deriving from the link to the questionnaire posted on the *silvia.fascians* Instagram profile, which was the same method used in 2018, keeping 1064 respondents out of 1605. This choice was made to keep the comparison as clean as possible from external factors even if there were no significant differences with the other results. The research of Silvia aimed to study three macro topics: an approach to the digital world and the use of social networks, the relationship of users with companies operating online, and the role of influencers (Fasciano, 2018). The subject of the data analyzed here in the first part focuses mainly on the first two points of the previous research. Graphically, Fasciano's research is indicated as Fasciano 2018, in red, while my results are indicated as Ravanetti 2020, in blue.
- Results regarding the second section of the questionnaire will be analyzed in chapter 2. Expanding the responses considered to all 1605 participants will be presented data related to users' knowledge of the influencers' business model, as well as some information relating to users' reaction to sponsored posts. As told in previous chapters, we'll confirm that users are not always aware of the mechanisms that regulate social networks advertising and businesses and are not always aware of how those new entrepreneurs work. Iconic was the question of Sen. Orrin Hatch to Mark Zuckerberg during his audience: "How do you sustain a business model in which users don't pay for your service?", and the sequent reply "Senator, we run ads," (Ireland, 2018), underlying that digital business models are still not clear.
- Finally, the third section of the questionnaire will be presented in chapter 4, aiming to understand: users' interest in a rule that protects them from influencers' advertising; their feelings towards the rules that are emerging; the possible effects that these rules will have on the credibility of the influencers themselves. The main question of this last section, that will be also analyzed in the implications for influencers (chapter 5), is if the business of influencers will be affected by new rules, and how.



## Introduction

We are becoming more connected, time after time. In Europe (Eu-28)<sup>1</sup>, 89% of households have internet access (around 29% point higher than ten years ago). Countries, where this access is not well provided, are rapidly adjusting their infrastructures. 85% of individuals in EU-28, aged 16-74, used the internet at least once in the previous three months of the survey date (Eurostat, 2019). They are using digital communications to keep in touch with friends and acquaintances, to make new relationships, to gather information.

Internet is increasingly becoming an alternative to traditional shopping, pushing big traditional malls to change their business models. (Naidu-Ghelani, 2019). The proportion of individuals aged 16 to 74 in the EU-28 who ordered or bought goods or services over the internet for private use continued to rise: in 2018, it stood at 60 %, an increase of 13 percentage points when compared with 2013 (Eurostat, 2019). Services between individuals (as accommodation booking) are still at lower percentages but are growing. Inside the growth of internet usage, we can find another trend: the rise of social networks. In January 2019, Facebook reached 2.271.000.000 of unique active profiles, WhatsApp is around 1.500.000.000 and Instagram has reached 1 billion active users. In Italy, active social media penetration is around 59% (35 million users), and social media users are spending an average of 1h 53m every day on them [Figure 1.1]. (We are Social & Hootsuite, 2019)



Figure 1. 1 – Active users on social media platforms  
Source: Hootsuite Report “We Are Social”

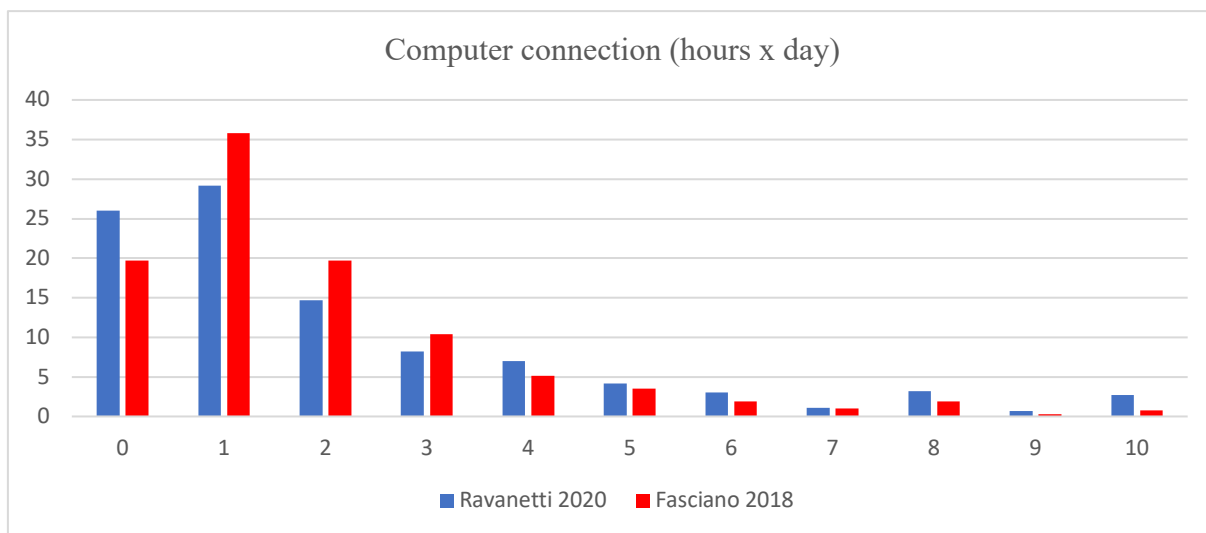
Those users have an average of 7,4 accounts each and are mainly active on YouTube (87%), Facebook (81%), and Instagram (55%). Individuals are spending a significant amount of time on social media. On average, individuals are active 6 hours a day on the internet, representing almost 1/3 of their wake-up time, and more than doubling the time spent watching tv and similar contents (We are Social & Hootsuite, 2019). It is worth nothing to consider that time spent on social media is not always exclusive: people often watch videos and Instagram stories while they are doing other things.

<sup>1</sup> European Countries at 1 July 2013 (Eurostat, 2019)

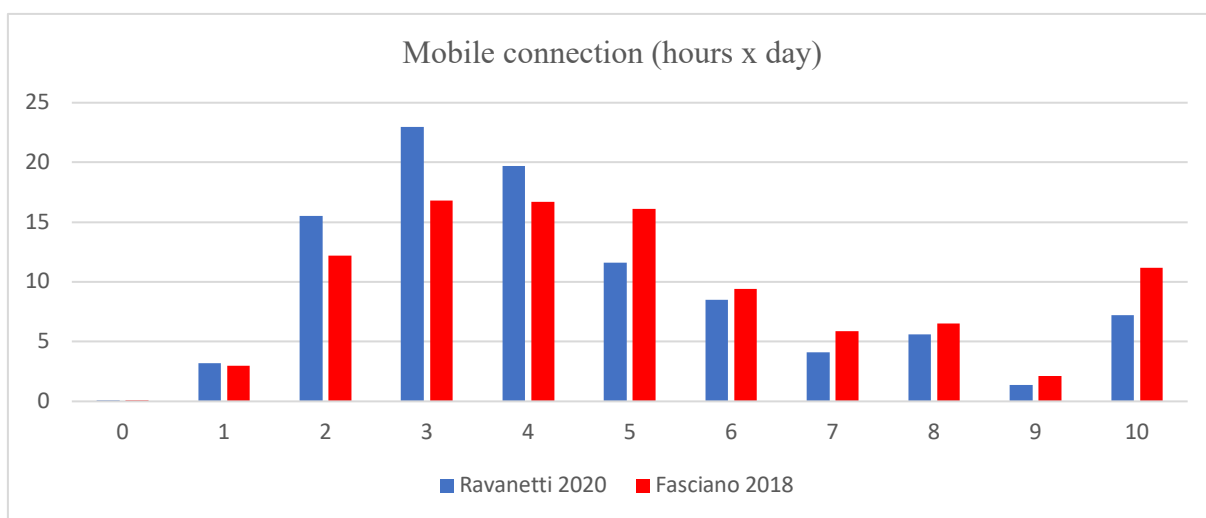
The use of the internet increasingly passes through mobile devices (especially smartphones). In 2018, 52.2 percent of all website traffic worldwide was generated through mobile phones, up from 50.3 percent in the previous year (Clement, 2019).

Our researches confirm this trend and the two-year comparison, highlight an increase of 7 percentage points in users who do not use the computer regularly at all. According to our data, individuals spend an average of 2h per day connected via desktop devices [Graph 1.4]. Instead, they are connected for an average of 4.5h on mobile-type devices (results that are coherent with the 6 hours a day of connection estimated by the Hootsuite data) [Graph1.5]. In younger users, identified in our sample, the ‘Mobile Tipping Point’, the moment when mobile traffic exceeded desktop traffic (Mander, 2018), was reached.

Social networks take advantage of this trend, being designed for mobile browsing. As users of social networks grow, the effectiveness of communication capable of reaching these users increase, and, therefore, the effectiveness and contractual power of influencers.



Graph 1. 4 answers to the question “Quante ore ti connetti a internet tramite LAPTOP/COMPUTER/SMART TV? (social network, google, WhatsApp, etc) “. Results in percentage, total respondents Fasciano 2018 – 6032, Ravanetti 2020 - 1064.



Graph 1. 5 answers to the question “ Quante ore al giorno ti connetti a internet tramite SMARTPHONE? (social network, google, WhatsApp, etc)”. Results in percentage, total respondents Fasciano 2018 – 6032, Ravanetti 2020 - 1064.

With those numbers, the new web 2.0 and social networks are competing with traditional media in reach numbers and consequently in advertising practices. To give an idea, the “Ferragnez Wedding,” the wedding between Federico Leonardo Lucia and Chiara Ferragni, generated 67 million of interaction, the equivalent of the UK’s population (Galbiati, 2020), a number that competes with most popular TV programs.

Therefore, a new entrepreneurial figure emerged: the influencer and relative influencer’s agencies.

Their business is built around online promotion but is something different (and, in some way, complementary) to traditional advertising. Based on followers’ trust, influencers can convince them to prefer one product over another and to increase a company’s reputation, sharing its values. Influencers are paid by companies inside their marketing budget and are starting to be monitored carefully.

According to a recent study by the European Commission in 2018, in our continent, the total amount of revenues generated by advertising on social media would have exceeded 8.7 billion dollars, equal to about 16% of digital advertising (European Commission, 2018).

According to a study by eMarketer, on Instagram, the Influencer Marketing sector alone would have handled 570 million dollars in 2017 and well over a billion dollars in 2018. And that’s not all. Online advertising revenues are estimated to continue to grow exponentially to reach € 4.2 billion in 2022. (Peroni & Finocchito, 2019)

Even if the phenomenon is widely spread around firms and agencies, a precise regulation has not been drafted either by Italian or European institutions. Influencers sometimes do not declare their advertising intent, breaching general disclosure and fairness rules. Influencer’s advertising fairness, in the absence of a specific law regarding this type of collaboration, is demanded to their ethics and personal behavior (Galli, 2019).

The Istituto dell ‘Autodisciplina Pubblicitaria (IAP) is the first private authority that tried to set rules regard influencer marketing in 2016, with the Digital Chart.

Only recently, a state authority, AGCM, analyzing general provisions regarding advertising practices, has made some statements regarding how general rules should be applied to influencers. In particular, the guarantor authority pointed out that the norms regarding hidden advertising are not limited to the application in traditional media but must be intended to be general principles.





# 1. Online reputation

## 1.1 Corporate reputation

The concept of corporate reputation was born in the 70s and 80s, arising from the need to understand the decisions made by stakeholders towards a company (Corradini & Nardelli, 2016). From that moment on, companies feel a strong need to go deeper into this concept, and over the years, many scholars tried to define the term ‘reputation.’

Among the main authors, we find Charles Fombrun (1996), founder of the Reputation Institute: “... corporate reputation is a perceptual representation of an organization’s past actions and future prospects for global attractiveness describing all main constituents compared to its competitors.” (Corradini & Nardelli, 2016, p.26). It depends on the perception that all the stakeholder has of the company, and it is fundamental to consider it in company policies, especially given the evolution of the global market.

Customers’ homogeneous tastes and products, increasingly advanced technologies, and a decrease in product life have meant that companies felt the need to have a robust, coherent, and easily recognizable identity for being competitive. Product features and quality will not be anymore the focus of competition, which will focus on marketing emotions.

The relational value of the brand, the ability to communicate in a two-way with stakeholders, become a focal point to build a solid reputation, continuously listening to the feedback of the market and of all those who can potentially influence the company’s profit (Vecchiato, 2004).

We can identify four distinct elements:

- **Corporate Identity:** what the company is, on an objective level (Hasanbegović, 2011).
- **Corporate Self-perception:** what the company believes to be. Not always coincides with identity. In self-assessment, personal-psychological factors take over, which can lead to a subjective interpretation of reality.
- **Corporate Image:** represents how the company wants to appear in the market, as it places itself towards the public. Marketers can build it relatively quickly, but just as quickly it disappears.
- **Corporate Reputation:** how the company’s public and stakeholders perceive the company. Reputation is what others say about us when we are not present.

Unlike the image, reputation takes a long time to establish. It is the result of every daily behavior (Hasanbegović, 2011). It represents an intangible asset, complex to create, difficult to imitate, and manipulate. Reputation presents a multidimensional character, as multiple factors create it, and involves different business areas.

The ability to listen to the company’s audience and make compelling storytelling is one of the key passages to build a correct reputation.

This is why communication influences reputation, especially a transparent one. Transparency allows creating trust straightforwardly and quickly.

The RepTrak model (see Figure 1.3), “measures reputation, identifies the factors that drive it and allows companies to monitor their performance compared to competitors”<sup>2</sup>

This model uses 23 key indicators, grouped into seven dimensions:

1. Products/Services;
2. Innovation;
3. Workplace;
4. Governance;
5. Citizenship (CSR);
6. Leadership;
7. Performance;



Figure 1. 2 – RepTrak Model  
Source: <https://www.reputationinstitute.com/solutions>

Multiple elements indeed affect reputation, according to the Reputation Institute.

First of all, it depends on the **quality** of the products and services offered, their reliability, and the extent to which they can satisfy the needs of consumers.

Secondly, reputation depends on the **innovation** degree of the company. It concerns production, technological machines level, digitalized systems, minimization of costs and waste, respect for the environment in every production phase; it may also relate to the final product or service, offering customers more significant benefits than competitors.

Thirdly, the **work environment** improves the perception of the company, impacting on the satisfaction and sense of belonging of the employees. They can represent carriers to spread corporate values and culture and are the most credible spokespersons on matters of ethics in the behaviors and decisions made.

Stable and effective **governance** of the company contributes to gain a positive reputation since it is a signal of a correct – working firm.

**Corporate Social Responsibility** is one of the essential characteristics that the company must take into account to enjoy a good reputation (Saeidi et al., 2015). CSR does not only translate into respect for the environment and workers but also concerning the customer, transparency,

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<sup>2</sup> The model is proposed by the Reputation Institute, <https://www.reputationinstitute.com/solutions>

and fairness. Furthermore, a company must have adequate **leadership** with a clear vision of the future, communicated efficiently, who gains respect and trust from stakeholders. Finally, it must be **profitable** and meet the commitments made with investors.

It is not possible to have absolute control over reputation: differently from the image, it is created directly by the public and stakeholders. Nevertheless, the company can work on three elements: behavior, cognitive structures, and the network that allows the flow of such information. The behavior is represented by the company's actions, which is the reputation in terms of capacity, the perception of what we are capable of doing; once acquired, the reputation in terms of capacity is difficult to lose. The second factor, cognitive structures and language, depends on the type of bond that one has with the interlocutor: strongly emotional, formal, ethical. The third factor is the communication network through which the various information flows.

The second and third factors, as we will see in chapter two, can be influenced through a correct and constant collaboration with influencers.

A good reputation has a direct impact on business activity in terms of competitiveness (Sarjana & Khayati, 2017). It allows prices to increase, lower-cost capital, customer network expansion, and easier talent management. According to research conducted by Mediobanca and Cineas, investing in reputation has a ROI of 10%. Investing in risk forecasting and management, the so-called risk management, allows profits 30% higher than other companies<sup>3</sup>, since anticipating the causes that could potentially damage the business activity or the achievement of profit allows arriving prepared if this risk occurs. The Aon 2017 report on risk management in companies estimates that a listed company can lose at least 20% of its share value in the event of substantial image damage, such as scandals, accidents, lawsuits. (Poma, 2018)

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<sup>3</sup> Data from "VI Osservatorio sul Risk Management", available at <https://www.cineas.it/vi-edizione-dellosservatorio-sul-risk-management-2/>

## 1.2 Online Reputation

### 1.2.1 Word-of-mouth (WOM) and electronic WOM (e-WOM)

Traditionally, word-of-mouth (WOM) has always had a strong influence power: it is the most reliable advertising form according to 83% of customers. (Kitterman, 2018)

What changed during the last years is the context: before the era of social media, the power of WOM was limited to a strict circle of direct friends and parents and was generally confined in time. The primary source of information was mass media, and the opinion of other people was limited to direct contacts and was subject to being forgotten.

The new Web, Web 2.0, changed this pattern.

The two-phase-flow theory of communication (Lazarsfeld & Katz, 1944), theorized way before the introduction of internet, still represents how information works on social networks, as in other mass media. This theory states that the mass media generate the primordial flow of opinions and knowledge. This information passes through subjects defined as opinion leaders and reach less active members of the population, by the online word-of-mouth (e-WOM). This new type of word-of-mouth is the simple online translation of what before was said face-to-face. Online articles, posts, reviews, comments, represent people's opinions. Technology has prolonged consumers' options for gathering impartial product information from other customers and provides the opportunity for consumers to offer their very own consumption-related recommendation via electronic word-of-mouth. This new form of WOM got the distinct characteristics of Internet communication: a single text can be read by multiple individuals, across countries, and is available to other consumers for an indefinite time. Different from traditional WOM, e-WOM can be anonymous, creating conditions for more outspoken criticism and opinions. In some cases, this anonymity of online comments and opinion also lead to an excess of shaming, with specific social and legal consequences.<sup>4</sup>

The e-WOM is so defined as "Any positive or negative statement made by potential, current or past consumer, regarding a product or a brand, which is accessible to a multitude of people and institutions through the web" (Hennig-Thurau et al., 2004).

Communication in the new era between firms and customers cannot be unidirectional (Vecchiato, 2004). Websites, social networks, blogs, forums, instant messaging platforms: in this context the Web 2.0 is no longer just a field of opportunity for business strategies, a 'secondary market,' but becomes a meeting place where personal opinions are expressed and, shared with other users.

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<sup>4</sup> Online shaming is an issue analyzed in many reports and newspaper. Farah Mohammed gives an idea at <https://daily.jstor.org/the-danger-of-public-shaming-in-the-internet-age/>. This topic anyway is not the issue analyzed in this work.

Customer relationship management is more and more becoming an issue: companies shall take into account the customers' voice.

Any single customer, through the "Megaphone Effect" (McQuarrie et al., 2013), can reach a large number of customers and can become a value generator or a threat to the reputation of the brand or company. Starting from e-bay feedbacks on sellers, developing through social networks like Facebook and Instagram, with their like/comment structure, the power of the customer has risen.

In this environment, some users can reach a systematically large number of customers, through their reputation and authority, in specific sectors. Those individuals are known as 'influencers', and their management is becoming an issue for any firm.

### 1.2.2 Online corporate reputation

The Monash University, in its marketing dictionary, defines online corporate reputation as *"The status of a corporation in the Internet through blogs, public discussions, and other Web articles. The corporation's reputation can be controlled or monitored by checking any mention of the firm and removing any negative comments or promoting positive ones."*<sup>5</sup>

The reputation in the pre-internet era passed mostly through mass media and corporate communication, all medium controllable by the company. This kind of one-way top-bottom communication, allowed companies to manage it, limiting risks connected to scandals and bad management. Any crisis in the company's reputation could be managed by counting on the limited duration of the memory and the news regarding the events. Direct word-of-mouth communication was indeed minimal, as there were no low-cost mass media, such as social media, accessible to everyone. Reputation was, therefore, not very measurable except through market research, and still, it was much less relevant. Customer opinion itself was hard to reach and listen.

In the modern era, thanks to the new web, blogs, and social networks, people's voices become much more relevant and widespread. Individuals' opinion written on online platforms can remain visible for years, potentially forever. Consumers, who want to gather information online before buying, can come across blog articles, posts on Twitter and Facebook, and reviews on platforms from years before. All these materials about the brand and products of a company, put together, create an online reputation that generates an influencing effect (positive or negative) on those who read and listen to them.

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<sup>5</sup> Available at <https://www.monash.edu/business/marketing/marketing-dictionary/o/online-corporate-reputation>

Any touchpoint can help create and change a company's online reputation.

We can identify some of the main ones that come across a user interested in the brand:

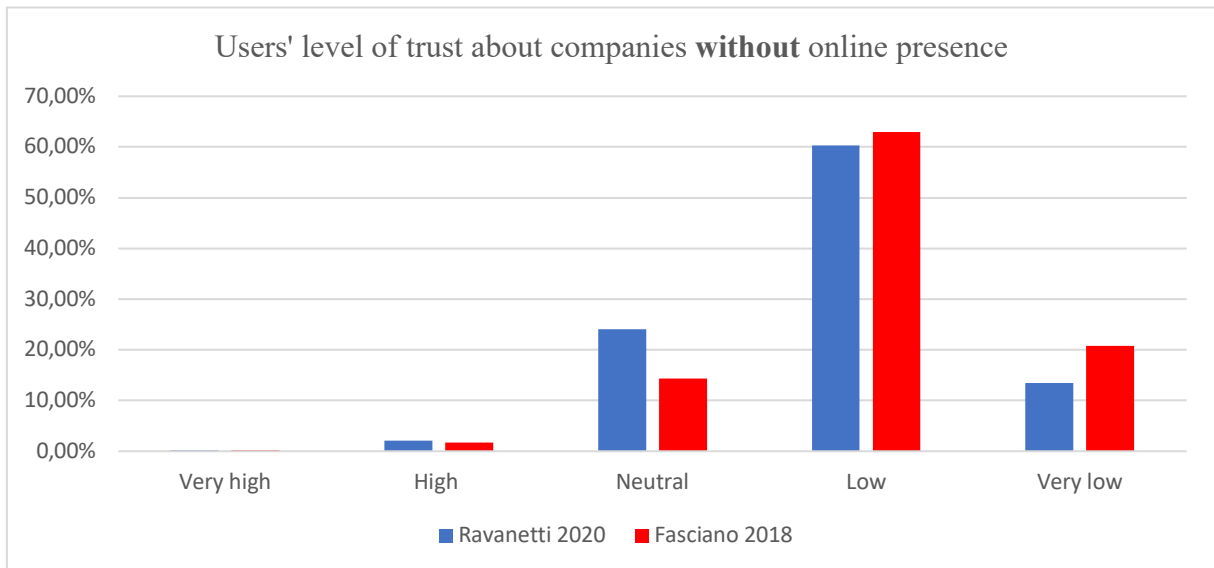
- **Authoritative industry blogs.** Run by experts or bloggers who have gained experience during their careers. The more they are followed, the more they influence the perception of the company and the easier they are to find.
- **Social networks.** Posts, especially in text-based social networks (Facebook, YouTube, Twitter), are indexed by search engines and can be found even a long time after publication by those looking for information. Recently many bloggers moved to social networks, becoming social network influencers. Nowadays, the blog takes mainly the role of “collector” of all the depth opinions of the individual while social networks allow him to show the more accessible and fastest news. Famous bloggers and influencers may have a stronger impact on online corporate reputation. They have got a vast reach, and their contents and communications are generally trusted by their followers more than company ones. An opinion communicated by one of those individuals will be seen by many people, who will spread this content even more, through the megaphone effect<sup>6</sup> (McQuarrie et al., 2013).
- **Review websites.** In this category, we can distinguish between simple review websites (as TripAdvisor.com) and online sales websites (as Amazon, eBay, Booking), which integrate a review section (Lackermair et al., 2013). The firsts are fully dedicated to collect reviews related to a specific sector. Their business is based on revenues coming from selling advertising to brands related to the site topic. The seconds' business, instead, is separated from collecting opinions and is based on selling items. Nevertheless, this multi-brand reseller can have valid reviews pages on their online shop, also followed by who is not buying from them. Single-brand websites have started to collect reviews recently, but they are much less effective in this, and they're also perceived as less impartial.

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<sup>6</sup> This Aspect will be analyzed more in-depth in Chapter 2.

- **Forums and communities.** Collect the opinions of product enthusiasts. People trust those since they collect experts and lead users' ideas. Here, users propose either opinion on a specific brand, comparisons between different brands, and solutions to problems related to a specific product.  
Forums and communities represent an essential opportunity for innovation. On one hand, they contribute to share innovative products and ideas. Since users are generally genuinely interested in that topic, they are willing to try novelties and spread their opinions. They are usually the first mover in adopting innovations. After their reviews, if positive, many other users, less interested and more risk-averse, will adopt innovations. On the other hand, they can suggest possible future innovations. Discussions between product experts, around new ideas or problem solutions, can lead to interesting novelties, that, if well received from firms, can bring innovations.
- **Search engines.** Represent the primary means of access to other categories of content. In the last period, thanks to the textual extracts they propose, search engines are themselves becoming a source of information (and consequently, of reputation for the brand). Users who are always less accustomed to reading long texts stop at reading the extract without going more in-depth and access the complete content. Especially in the image searches, search engines become the direct information source.

### 1.2.3 Role and importance of online corporate reputation



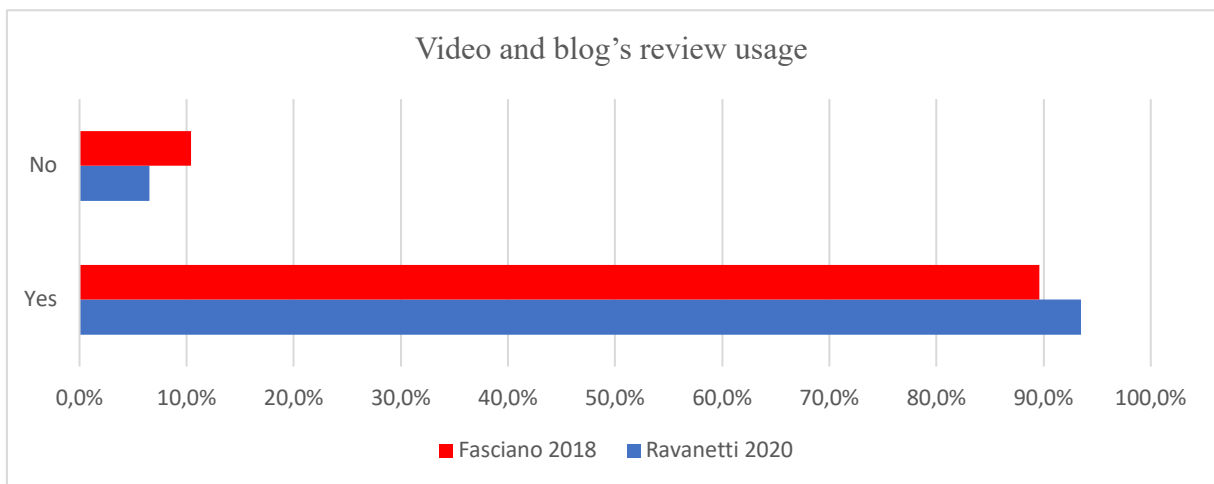
Graph 1. 6 answers to the question “Quanto ti fidi di un’azienda/brand che NON ha alcuna presenza online? (né sito web, né pagina social)”. Results in percentage, total respondents Fasciano 2018 – 6032, Ravanetti 2020 - 1064.

According to our study, nearly 75% of respondents do not trust companies that do not have a direct online presence [Graph 1.6]. Individuals are used to having an online reference and contacts with the company. The lack of this generates insecurity towards the purchase. The digital age has forced the evolution of customer service.<sup>7</sup> Emails, chat, messages have replaced more personal forms of communication. Customers are used to complete a sale at each hour via online transaction and expect the customer service to be active in the same manner.

Compared to 2018 research, however, this feeling is slightly decreasing. People who trust a company entirely with no online presence still lower than 2.5%, but the number of users willing to trust “enough” those companies has increased by 10%. This may derive from the reduction of trust towards many companies that operate only online, which have been the subject of strong negative campaigns in the last two years, due to unfair commercial practices. Data, therefore, confirms mistrust towards ghost companies in the digital world, with a signal of evolution, interpretable as the online presence is no more a sufficient element to trust or not a company. Users are evolving and expect more from companies. If a couple of years ago, the presence online was itself a signal of an innovative and careful company, now it’s something perceived as standard. People want to see how this presence is used and how the company manage customer requests.

<sup>7</sup> An example is given by Amazon customer service.  
<https://www.forbes.com/sites/prospernow/2012/08/28/amazon-1-in-customer-service-but-will-this-lead-to-sustainable-loyalty/>





Graph 1. 7 answers to the question “Prima di effettuare un acquisto, hai mai cercato recensioni online sotto forma di video (haul, review) o blog post?”. Results in percentage, total respondents Fasciano 2018 – 6032, Ravanetti 2020 - 1064.

Online user-generated content is still increasing its role in building an online corporate reputation. Product reviews and ratings are popular tools to support the buying decisions of consumers. As a part of the e-WOM, searching for online reviews and peer opinions is embedded in the modern purchase process. Already in 2013 online reviews were rated as important or very important by 74% of the participants, whereas 4,8% think that reviews are rather unimportant or not important, while 85,6% states that were used to read reviews before a purchase, according to a study of the Munich University (Lackermair et al., 2013).

According to our study, 93,5% of users search for online reviews, with an increase of 3 points from 2018 (89,6%), when it was already near 90%, highlighting a continuously increasing trend of reviews importance from 2013. [Graph 1.7]

### 1.3 Corporate crisis

A reputation crisis in a company can cause extensive damage if it is not appropriately handled. The initial cost to be paid will be the one due to the drop-in sales, lowering revenues (Gaines-Ross, 2007).

If the company is listed on the stock exchange, this can also lead to significant losses in the value of the stock (Poma, 2018). The stock market, as we know, is very susceptible to situations of uncertainty, whether they have solid foundations or not. During a crisis, mainly if it is a result of a scandal, the market will react nervously. Fluctuations in demand and supply will cause the stock price to change unpredictably and uncontrollably. Stocks have this reaction since concern about future sales.

As we can derive from many historical business cases (as the Nike case study, chapter 1.3.1), a reputation crisis causes a substantial sales reduction, with a direct impact on profitability. To solve those issues, companies need investments in solving the problem (often, with an increase in production costs) and after in communication. A further cost occurs subsequently in the long term if the crisis is not resolved in time. The fall in shares leads to a loss of market share, which significantly reduces the company's competitiveness. A decrease in competitiveness contributes to creating a climate of discouragement and resignation within the company and its employees. The risk is the establishment of a vicious circle that can lead to the failure of the company. Human resources are the glue of an organization, which makes every gear work well: when mistrust becomes diffused, the employees will no longer have any motivation to work to ensure that the company will rise from the crisis. They will perceive their every action as entirely useless.

In the long run, moreover, the damage is given by the loss of confidence on the part of shareholders, consumers, suppliers, which leads to a general decline in reputation, which is extremely difficult to fill.

#### 1.3.1 Reputation crisis case: Nike

Nike faced one of the biggest scandals concerning a company in recent decades. It was not just an industry scandal, as may have been that of Volkswagen, which concerned the cars and their characteristics. The accusations made against the company were far worse involved in the company for years (Scamardella, 2015). In thousands of articles, the words "children," "violation of rights," and "abuses" stood out searching Nike.

Nike issues regarding sweatshops started in the early 1970s, in South Korea, Mainland China, and Taiwan's plants and continued in the 1990s, with a report of Jeff Ballinger regarding Indonesian work conditions. In June 1996, "Life" magazine published some photographs of

Pakistani children bent over soccer balls bearing the Nike logo in poor work conditions. The first reaction of the company was to dissociate from events. As Todd McKean stated some years after, during an interview, “Our initial attitude was, ‘Hey, we don’t own the factories. We don’t control what goes on there” (Soule, 2014, p.2). While this may be true, given the vast number of factories, for public opinion, Nike still had full responsibility for determining wages and working conditions.

“Sales were dropping, and Nike was being portrayed in the media as a company that was willing to exploit workers and deprive them of the basic wage needed to sustain themselves in an effort to expand profits,” (TFL, 2019) was told from a Stanford University research. Reputation issues were killing the brand.

At a press conference at the National Press Club in Washington, Phil Knight, the CEO of Nike, publicly admitted that “The Nike product has become synonymous with slave wages, forced overtime, and arbitrary abuse.” Knight ensured that new labor policies would be adopted to improve the status of all workers (Lutz, 2015). The company adopted marketing and communication strategies to return to having an emotional relationship with consumers, telling other stories, edifying ones.

Even after the promulgation of a code of conduct and the establishment of a department in charge of controlling working conditions, at the beginning of the 2000s, demand was weak, and the company was facing real difficulties in managing customer relations: the company cannot directly manage reputation.

To gain back the customer’s trust, Nike had to solve the issue deeply. In 2005 was the first firm in the industry to complete a report regarding all the productive contractors around the world and the relative work conditions and is still working on those actions. It took almost a decade to gain back customers lost during those years, but finally, they did and today employs about 45 thousand people and has a value of almost 30 billion as a brand.

Nike was successful for its nefarious business practices long before consumers connected with brands on social media. Advancing to our era, with the rise of digital media and social media, with increased cause-oriented consumerism, all those coupled with the increasingly complicated and multinational nature of the supply chains of business entities, the stakes are significantly at stake higher than it was in the 1990s.

Customers, in particular, millennials, actively ask fashion brands and retailers to be transparent in terms of how and where they made products, and a scandal like that would have an even more substantial impact on a company’s life.

## 1.4 Personal branding

Personal branding can be defined as:

*“The practice of marketing people and their careers as brands. It is an ongoing process of developing and maintaining a reputation and an impression of an individual, group, or organization. Whereas some self-help practices focus on self-improvement, personal branding defines success as a form of self-packaging.”*<sup>8</sup>

A personal brand gives you the ability to stand out in a sea of similar products. (Harris & Rae, 2011)

Everyone has his own personal brand, regardless of whether they work on it and use it or not (Khedher, 2015). It can be represented, theoretically, by the set of skills, experiences, and personal traits that other people perceive. All those elements, together, create a personal reputation.

Similarly to the corporate image, a personal brand can be seen as the individual image: what other people think and say about us. As for the corporate side, we can distinguish between image and reputation. However, regarding personal branding, the difference has lower importance: since personal brand represents the individual, it is so complicated to maintain a false image through time, especially with social media contacts and visibility, that we can almost ignore this case. Even if false profiles and images exist, we consider it a small phenomenon.

For the sake of this research, we will consider the personal brand as including both image and reputation.

As for corporate reputation, individuals can work on their personal branding, but cannot completely control it, since external inputs (opinions, images, reviews) are not under their control.

Practically improving personal branding means telling about yourself, through quality content, about your abilities, and characteristics, highlighting the best traits. It does not mean giving a fake image since, as told, the risk of “getting caught” and demolishing the work done is very high. The description of oneself on a personal, professional, and relational level must be truthful, but explained and placed in the best way. (Harris & Rae, 2011)

Before the digital era, the personal brand of an individual from an external point of view (who does not know him) was represented by his curriculum vitae or even just his business card.

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<sup>8</sup> Definition available at <https://www.digitalmarketing.org/blog/what-is-personal-branding>

Word-of-mouth and direct opinions were not easily findable. In this situation, the personal brand importance was weaker than now since individuals did not have a company's resources to invest in it in traditional (and expensive) media, and there were not cheaper media channels to communicate through.

In the modern era, thanks to new communication tools, the personal brand is much stronger. More and more elements about history and relations of individuals can be found online.

Life milestones (studies, articles, work positions) are often easy to look for and are even directly shared by many people on their social media profiles, together with family and friends' photos, comments, and statements. The personal brand involves everything that can be found about that person. Social networks like LinkedIn emerged in this field, allowing individuals to create an "online curriculum vitae" and taking personal reviews.

As a product, companies and HR managers can evaluate individuals on LinkedIn, and their experience and competences can be commented, confirmed, or disputed. (Harris & Rae, 2011)

Through online research, individuals and firms can gather a lot of information on other people, something that without web 2.0 was not possible.

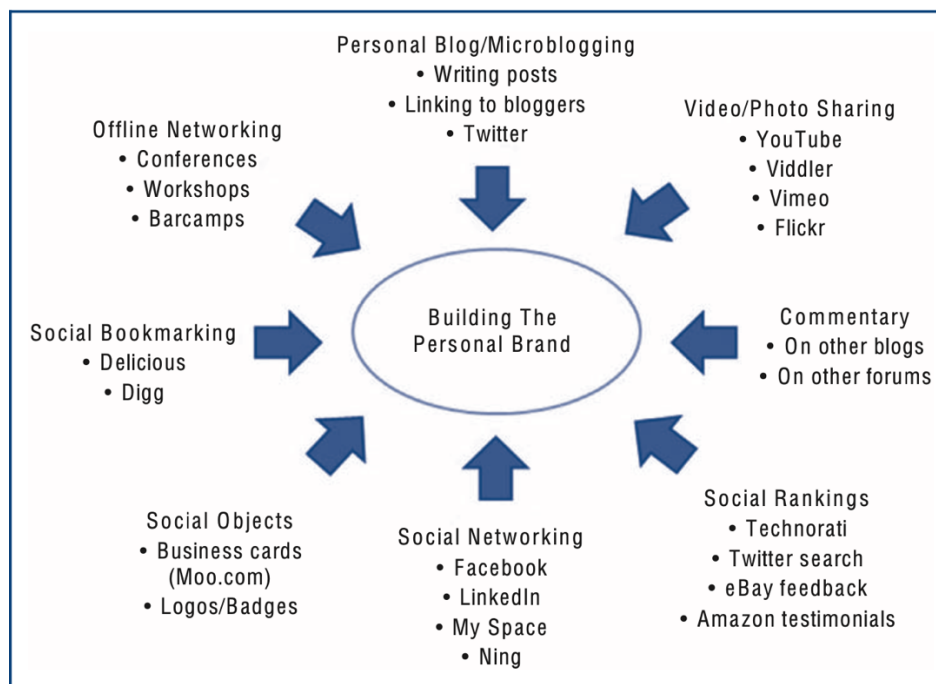


Figure 1.3 – How the personal brand is built Source: Harris & Rae, 2011, "Building a personal brand through social networking", published on the Journal of Business Strategy.

Eight leading practices can be considered in building an online personal brand. [Figure 1.3]

- Video/Photo sharing: all the contents published on social media and websites that can also be found by search engines.
- Commentary: comments on other contents can help in building a personal brand and spreading the name. It's especially effective in blogs and forums related to the industry where the subject is working.

- Social rankings: are ranks provided by some external players. For example, Amazon makes a top 5000 reviewers rank, based on the quantity and quality of reviews.
- Social networking: social network content can last for much longer than the date of publishing and is indexed on search engines. Posts and photos published on social media are often the first results in searching for someone's name.
- Social objects: as already said, business cards and badges were almost the only personal brand source until the rise of the internet era.
- Social bookmarking: help in searching the best actual trends and be updated on them
- Offline networking: have a lower reach, but a higher value. Direct contact with experts in the correct industry is a fundamental step in building an effective personal brand
- Personal blog: nowadays, blogs are losing importance in favor of social networks, but are still alive. An important blog post often reaches the first position in the search engines' query and can be a good starting point for personal appearance online.

In this new context, we can understand the rise of influencers, something unbelievable some years ago: people that create a business around their personal brand. This phenomenon indeed requires the presence of strong credibility of individuals that can only be built on social media, a topic that will be analyzed in chapter 2.

## 2. Influencer Marketing

### 2.1 Influencers: role and numbers

#### 2.1.1 Influencer: definition and common traits

Social media influencers are individuals who produce online content, often focused on one product category. They have a broad number of followers engaging with and trusting their recommendations. Influencers are active on Instagram, Twitter, and other online platforms and may own a personal blog. They reach audiences ranging from as few as 1000 people to more than 20 million (Ismail, 2018) and are most prominent in categories such as fashion & style, tech & gaming, and food & lifestyle (Influencer Marketing Hub et al., 2019). An influencer who reaches many potential customers and whose audience perceives his recommendations/advice to be authentic attracts the attention of marketers, who are willing to pay him to endorse brands and products.

The businessdictionary.com defines the term “influencer” as:

*“Individuals who have the power to affect purchase decisions of others because of their (real or perceived) authority, knowledge, position, or relationship. In consumer spending, members of a peer group or reference group act as influencers. In business to business (organizational) buying, internal employees (engineers, managers, purchasers) or external consultants act as influencers.”*<sup>9</sup>

And by the influencermarketinghub.com is defined as:

*“An individual who has a following in a particular niche, which they actively engage with. The size of the following depends on the size of the niche.”*<sup>10</sup>

The first common trait is the influence that those individuals can exercise on public opinion choices. Influencers communicate their consume choices, preferences, and habits through online channels; followers see them and make purchase decisions considering that.

The influencer phenomenon is widespread in various sectors and collects, under the same label, a lot of different figures.

Quantitative and qualitative factors characterize influencers. From a quantitative point of view, the first important key number is the following: influencers can be followed by millions of people (Chiara Ferragni, Mariano di Vaio, Ariana Grande) or can be “micro-influencer,” followed by some thousand followers.

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<sup>9</sup> Definition available at <http://www.businessdictionary.com/definition/influencers.html>

<sup>10</sup> Definition available at <https://influencermarketinghub.com/what-is-an-influencer/>

The reach and interaction represent the second indicator: number of likes, comments, and shares to every influencer's post. This indicator is more interesting as a predictor of an influencer's efficacy. Inactive users or fake profiles can alter the number of followers. The number of interactions represents way better the authentic influencer's followers.

Micro-influencers rely on small numbers, in terms of follow-up and reach, but they often speak to a niche and, in percentage terms, can be even more effective (Rakoczy et al., 2018).

The power to influence the market also derives from qualitative characteristics: the real (or perceived) authority, the knowledge about a specific topic, social position, or essential relationships. An influencer can be a sports champion who gained credibility in the sector (Cristiano Ronaldo), can be an opinion leader (Chiara Ferragni), or can be an expert (Salvatore Aranzulla).

Social media was born in recent years, but influencers can already rely on different platforms. From image or video-centric social networks, like Instagram and YouTube to personal blogs (for example [salvatorearanzulla.it](http://salvatorearanzulla.it), [theblondesalad.com](http://theblondesalad.com)), which are evolving becoming increasingly informative and specific, we find many intermediate channels, which join text and images (as Facebook or Twitter). Blogs have been the starting channel for this new form of mass communication. Previously to the social network era, blogs were the only cheap and effective way to share ideas and opinions with the public online. The most influential fashion influencer (according to Forbes), Chiara Ferragni, started from a blog.

'The blonde salad' indeed, the Ferragni's fashion blog, was opened in 2009, sharing outfits and fashion tips. After only 2 years, being also featured on Teen Vogue, Chiara reached 1 million unique views. After 4 years, in 2015, Harvard Business Review ran its first-ever case study on a fashion influencer.<sup>11</sup>

Recognizing an individual as authoritative and informed, concerning a specific area, users will be interested in his opinion. A product recommendation by an expert can give credibility and authority to a brand against a competitor.

Influencers must work with the correct partner to be effective. A strong opinion leader in the fashion industry will not be the correct choice in advertising a new car. An activist influencer focused on green and sustainable practices will not be the right choice for a polluting company. Wrong collaborations may damage both. Users perceive influencers as independent, perceiving their opinion disconnected from the firm one, the evidence of a forced collaboration will lower the influencer efficacy, perceived as paid, and will damage the firm reputation, with a feel as if

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<sup>11</sup> A brief history is provided by Forbes, electing Chiara Ferragni as one of the world's top influencers. Available at <https://www.forbes.com/top-influencers/fashion/#7a4a12504552>



the influencer was corrupted. Moreover, the higher the perceived closeness and authenticity with the average user, the higher the credibility of the influencer itself is perceived. People rely more on who perceives as similar, as the traditional WOM was.

It is no coincidence that the digital creator (those who create the content) have the best market trust rate, reaching 53% trust from users, against 29% of celebrities (Grimaldi & Chowdhary, 2018).

An influencer, to be effective, should respond to the needs of their followers and firms: should be useful for them, providing, for example, correct product advice, entertainment, news.

While the needs and interests of followers facing influencers are clear, the firm side is still developing. Especially in our country, influencers are seen as a simple marketing tool, useful to increase the reach of a specific advertising campaign. Around the world, this concept is evolving into a more complex one: increase brand reputation and awareness.

What is missing in the majority of collaborations, and only a few firms are taking advantage, is the role of influencers in product innovation. Influencers specialized in a niche or a topic can be identified as lead users. Lead users often gain credibility in the market (Ernst & Brem, 2017). Sharing their feelings and opinions about products, they give a service to customers, avoiding wrong purchases, and suggesting the best deals and features. From the other side, an influencer working on a sector, who was not an expert of it from the beginning, gain expertise testing and receiving products, and interacting with his public, becoming a lead user.

Influencers with high expertise on a specific product can be useful in product development. They know products, customer feelings and market needs (reading comments and interacting with their followers). The ability to reach and gain advantages from this knowledge can represent a high percentage of the value created through the collaboration. Moreover, for an influencer, collaborate with a brand bringing followers' ideas is a value and can contribute to increasing the quality of his relations.

### 2.1.2 Numbers about influencers

According to the Influencer Marketing Report 2018, regarding Italy, in the reference period, 64% of the sample turned to at least one influencer, with different goals.

Most were interested in improving brand awareness (56%), others in ensuring greater visibility for their events (18%), and only 17% was interested in increasing sales. (IED, 2018)

Those data represent an already developed market, of which, anyway, many companies have not already understood the potential.

Unlike more influencer-oriented countries, foremost USA, objectives pursued are still short-term oriented and evaluated by traditional performance measurement systems, rather than moving towards modern concepts, such as the community engagement rate.

From the user's point of view, influencers play a fundamental role in the pre-purchase phase: 45% state to look at online reviews before buying a product, and more than 30% state that if they see a brand used by a trusted influencer, their confidence in the brand increases (IED, 2018). However, it must be underlined that variability across ages is high.

Followers' trust is a crucial element for influencers since their entire business is based on it. Generation Z (44%) and millennials (35.7%) claim to trust more influencers' content than brands' content. 42% of respondents aged 18 to 34 state to have tried at least one product proposed by an influencer, and 26% bought it [Figure 2.1].<sup>12</sup>

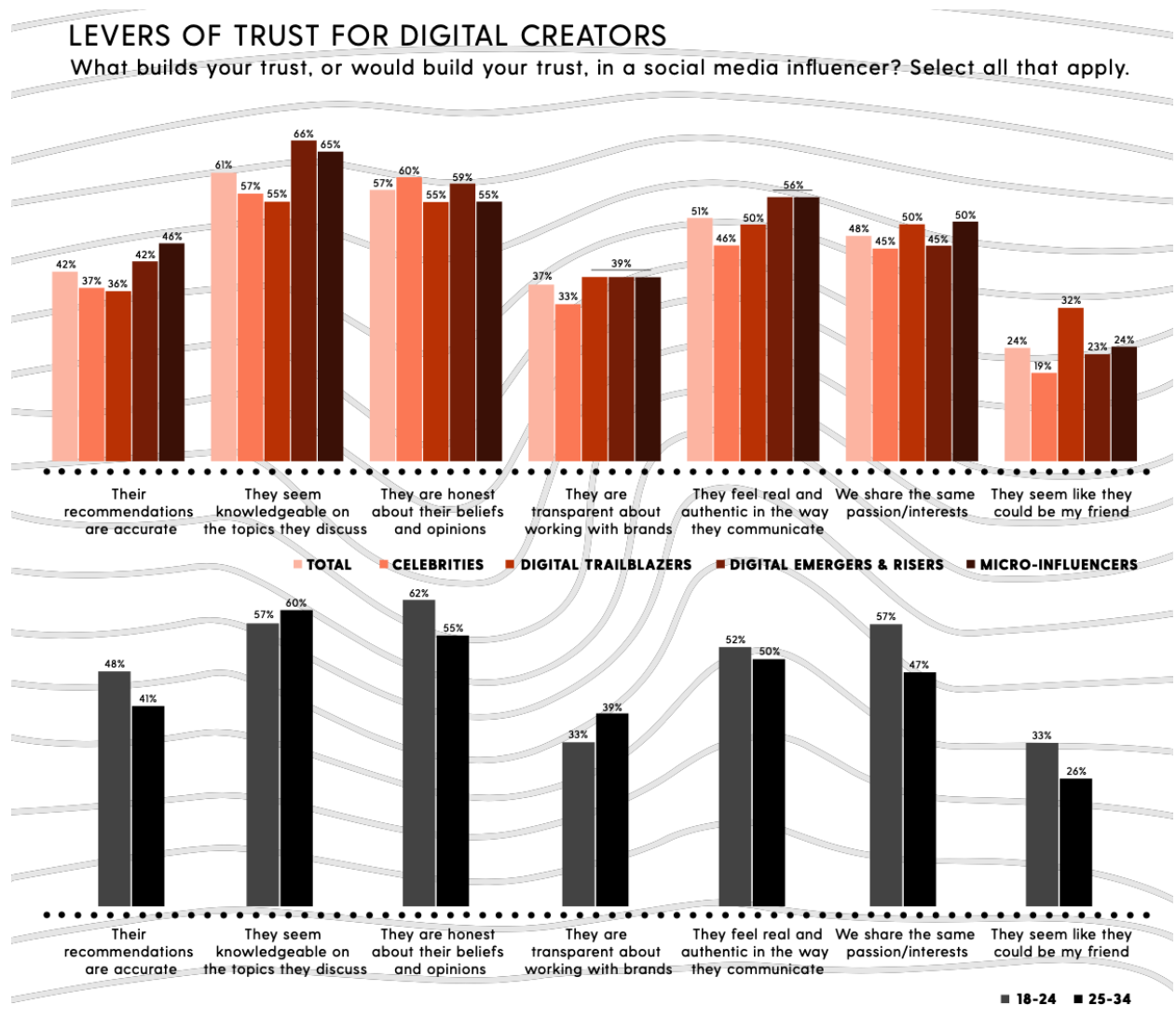


Figure 2.1 – Trust for digital creators  
 Source: <https://www.shareable.com/blog/2018/03/28/fullscreen-shareable-report-online-influence-isnt-what-it-seems/>

<sup>12</sup> Some comments about the Influencer Marketing Report (Grimaldi & Chowdhary, 2018) are provided by Shareable. Available at <https://www.shareable.com/blog/2018/03/28/fullscreen-shareable-report-online-influence-isnt-what-it-seems/>

## 2.2 Influencers classifications

### 2.2.1 First Classification: Peer Influencer Pyramid

In 2010, influencer's phenomenon was not already widespread, but some studies were starting to be taken by the scientific community. Elliot worked on them and provided the first classification of these subjects based on their level of influence.

The model, known as Peer Influence Pyramid (Elliot, 2010), identifies three macro-types of influencers and provides the related rewards and engagement methods to involve them in the activities:

- **Social broadcasters:** have an extensive pool of followers even though they do not have specific skills on a topic, a product, or a brand. They are useful to the company when the goal is to increase awareness rather than generate a preference. It is possible to involve them through personalized marketing strategies and one-to-one by offering rewards such as product samples and invitations to unique brand events. They cannot be identified as opinion leaders but cover an entertainment role for their followers.
- **Mass influencers:** they represent a new category of influencers, born thanks to the explosion of social media tools. The model identifies them as individuals who have a broad audience and effective reach, a high affinity with their target and are specialized in one (or a few) topics, relevant to the community they interact with. For a company, collaboration can be useful in developing awareness, reputation, and consideration. It should be involved by offering them the opportunity to create dedicated content and organize dedicated activities for their groups. The rewards indicated by the author for this category are the public recognition of their work (which should reinstate their participation) and the possibility of living unique brand experiences (then clearly to be shared with the followers). In this category, we found lead users of specific products. They gained a good reputation in the sector through their actual knowledge of the topic and are more interested than others in the possibility of reaching new products before their market launch and visiting firms' plants.
- **Potential influencers:** they are the vast majority of participants active on social networks, or anyone who has the potential to profoundly influence their network of people with a social profile, in most cases of limited size. Their role is a protagonist of significant attention in recent times as it seems that a good part of the dissemination of messages and the activation of conversations is promoted precisely by the latter.

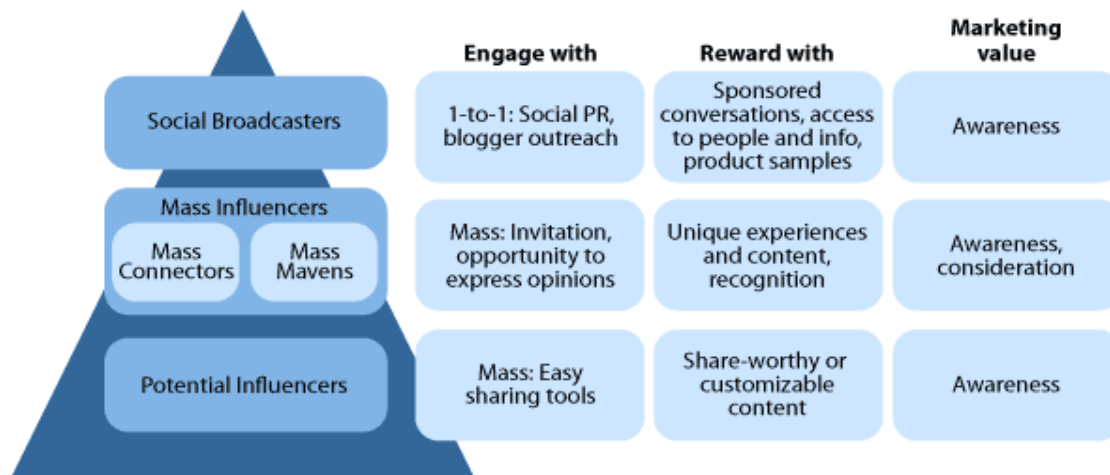


Figure 2. 2 – Peer Influencer Pyramid scheme  
[https://go.forrester.com/blogs/10-04-20-peer\\_influence\\_analysis\\_what\\_it\\_is\\_how\\_marketers\\_use\\_it/](https://go.forrester.com/blogs/10-04-20-peer_influence_analysis_what_it_is_how_marketers_use_it/)

### 2.2.2 The influencers according to Gladwell and Godin: Mavens and Sneezers

Social and technological changes have boosted the affirmation of influencers, but this figure is not an absolute novelty. One of the first classifications that we can link to actual influencers was written in the 1940s when the ability of specific individuals to disseminate information and persuade others was perceived.

We heard indeed about ‘opinion leader,’ a figure that today is perfectly matched to the popular influencers: active in the media and able to convey the content of mass media messages to a specific segment of users, influencing at the same time choices and decisions. The sociologist Paul Felix Lazarsfeld was one of the first to study this phenomenon, verifying its characteristics through the American political elections. It is interesting to notice that the American political elections have also been the triggering element of new regulations concerning influencers and social media power in 2016, showing how this powerful tool can be used in unclear ways to influence people’s ideas.

The two-phase-flow theory of communication (Lazarsfeld & Katz, 1944), although with some limitations, was among the first attempts to understand the dynamics linked to the binomial communications-influence, tested in many studies. (Katz, 1957). According to Lazarsfeld, the communication between the source, typically a mass media, and the end-user did not take place directly but was mediated by the opinion leaders who intervened on the message in two phases. Firstly, the opinion leaders obtain the information through the media, then filter it and contaminate them with their own opinion. Secondly, the information pass to the rest of the population. Today, we can consider this vision even more valid and reliable since one-third of adults under 30 get news exclusively on social media.

With the new millennium, virality and word-of-mouth become increasingly central themes, forcing us to reflect on the close link that exists between influence, word-of-mouth, and opinion leaders.

Malcom Gladwell proposes, in this regard, a particular subdivision of the subjects involved in the distribution of information and in the capacity to influence.

There are three types of people that play a crucial role in the processes of influence (Gladwell, 2006):

- **Mavens:** experts, people who have an innate ability to collect and share information. They are not mere popularizers, but they have a predisposition to tell people what they know. The word maven in Yiddish means “one who accumulates knowledge.”
- **Connectors:** act as a link between different social networks. Are real social glue by promoting the dissemination of information.
- **Salespeople:** have the function of persuading in the presence of doubts about the truthfulness of the message.

Seth Godin speaks about the contagion in his “Unleashing the Ideavirus”. The American writer tackles the theme of influencers but declines it in a new perspective: the sneezer. It represents a person capable of infecting, just like a disease (the same vision as Gladwell), other people with their ideas. A figure capable of influencing and generating trusts.

He goes further, defining two different types of sneezer, different faces of the same coin (Godin, 2001):

- **Powerful Sneezers;** Such influential and authoritative opinion leaders generate a spirit of emulation. They are above any possible suspicion of manipulation and connivance with companies and media, which makes them highly credible in the eyes of other users. They are, therefore, difficult to “buy” or classify. Whenever they agree to share an imposed idea, they lose their independent role, and consequently, their “power” diminishes.
- **Promiscuous Sneezers;** They spread their “Ideavirus” to anyone, always and in any case. These are people belonging to a network of other subjects and above all “payable” by money or other incentives. They are not opinion leaders and are not considered as reliable as the powerful, but by acting on a diverse audience, they can still be beneficial.

### 2.2.3 The influencers according to Rosen: Alphas and Bees

A more recent classification is provided in the book “The Anatomy of Buzz: How to Create Word-of-Mouth Marketing.” The book identifies two groups: the alphas and the bees.

The firsts are influential subjects inclined to novelties and stimuli but not particularly social, while the desire to communicate and share with others guide the latter. These simplify the messages of the alphas, making them understandable to all (mainstream) (Rosen, 2002). The buzz vision denounces a secure connection with Moore’s technology adoption life cycle model. Matching this model with Roger’s innovation adoption curve [Figure 2.3], we can match alphas to innovators and early adopters, bees to the early majority, mainstream to the late majority, and skeptics to so-called laggards.

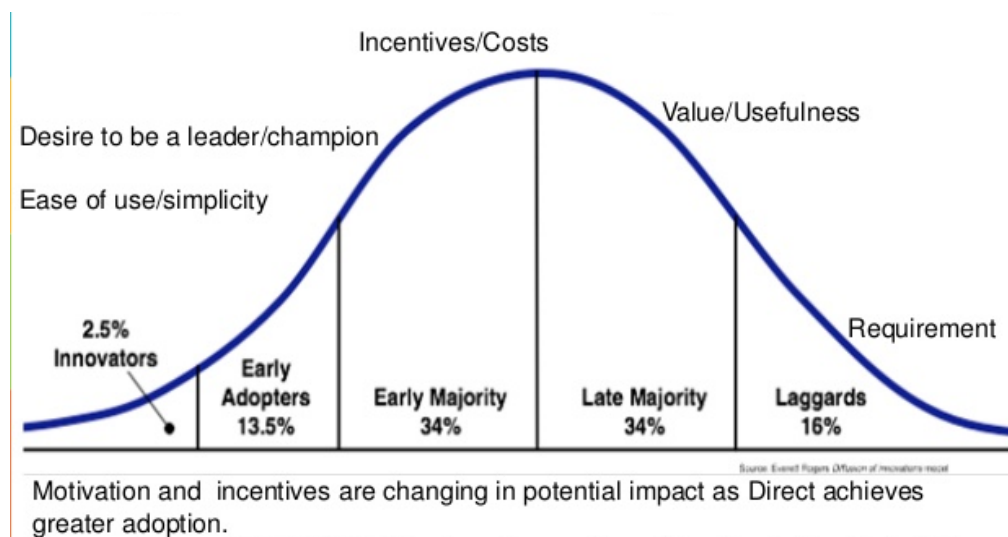


Figure 2. 3 – Rogers’ Innovation Adoption Curve Source: Rogers, 2003, *Diffusion of Innovations*

Emanuel Rosen distinguishes between mega hubs, generally journalists, celebrities, politicians and opinion leaders, and regular hubs, “normal” people, active in their social network.

The latter has significant influence but are challenging to identify. Relevant and closer to us and to the technologies with which we are in daily contact with the “e-fluentials” research of the consulting company Burson-Marsteller, born with the precise aim of identifying the main characteristics of those figures capable of influencing the purchasing decisions of large consumer segments (Marsteller - Burson, 2010).

There are three categories examined:

- **Marketing Multipliers:** They have a wider range of influence than the average and become a reference point. They are consulted four times more often than the average about business and new technologies.

- **Technology Savvy:** Internet addicts who surf the net frequently and for a more extended time than the average user.
- **New Product Innovators:** Lovers of innovation and new technologies, they try and use new products before others, becoming for this reference in the field. They are able to influence the purchases of friends, acquaintances, relatives. The latter aroused particular interest, deserving a more in-depth study entitled Tech-fluentials. The analysis highlights a close circle of subjects among the new product innovators who, in addition to using technology, is very active on the web and social media in the dissemination of information and opinions on the subject.

#### 2.2.4 Practical categorization

Theoretical definitions, even if still of fundamental importance, are challenging to translate and apply in a professional and practical context. Mavens, Sneezers, Alphas are figures that need a translation into real subjects to allow companies and agencies to identify and activate projects with them, especially to create engagement. Agencies, freelancers, and communication experts work with more functional categorizations.

A more practical categorization can be drafted by the audience, communication skills, and degree of influence that together form a real ecosystem of influence, dividing influencers into four categories (Pogliani, 2017).

The pyramidal ecosystem is composed of 4 steps, each of which dedicated to as many types of influencers. For each higher step, the number of possible influencers decreases, but the audience and potential reach increase accordingly. Higher does not mean better, not always. Each category has unique characteristics and must be involved based on the objectives that the marketers set themselves.

**Proactive consumer:** represent the first step of our pyramid, the most crowded of interesting personalities. They are connected and profoundly informed consumers, who today are an integral part of the information process as a result of the diffusion and democratization of publishing power deriving from the affirmation of new media. From simple consumers to prosumers: individuals are present and active on social networks, ready to give their opinion on brands, products, services. One of the most important examples is the customer role in hospitality industry, with the presence of TripAdvisor reviews (O'Connor, 2010). The credibility of these users derives from their ordinariness. They have limited audiences and reach; they are not celebrities but are still capable of exercising a strong micro-influence. The

consumer buying decision its affected by those, especially in the final phase of the purchase process, often in an unconscious way. Given the limited visibility that this figure enjoys, projects often involve groups of them, exploiting the community effect and the consequent impact on the reference market. These subjects do not have blogs or particular personal spaces on the web; therefore, they mainly exploit social networks and forums. For this reason, they are more complex to identify.

Proactive consumers willing to express their opinion is the motivation to make their voice heard, emphasizing their role within a group, becoming in part a reference. When they are attached to a brand, another motivation may be the desire for engagement and contact from the brand. Fans are a powerful medium if well used, and for this reason, they should never be ignored. With the correct work, companies can generate real evangelists, followers firmly attached to the brand linked to transparency and ethics, which, if not treated properly, can lead to situations of crisis and severe damage to the corporate reputation.

**Experts:** rather than “widespread,” as in the previous case, the influence is vertical, on particular audiences and topics. They are represented by people who, thanks to the passion, life or work experiences, gained a deep competence on particular subjects. They are interested in spreading these on the web and making their knowledge available to individuals that share the same passion. In most cases, they are bloggers and use this personal space to communicate and interact with the target audience. They do not have the reputation or the audience of the gurus. They have a limited but faithful audience on which they have a recognized influence. Although their role as bloggers is not a primary activity, they maintain a discreet seriousness. This characteristic, together with the limited cost, makes them a privileged category for marketing activities. They add an intense activity of seed to the production of contents in the communities to which they belong, precisely like the connectors described by Keller and Berry. Thanks to their assiduous presence in the groups, they can be exploited as insiders of the brands to carry out supervision and monitoring activities. They have a high potential and possibility of becoming a guru, the next category of the hypothetical pyramid that is being described. They can become accredited sector influencers (see the case of Salvatore Aranzulla or Andrea Galeazzi, in Italy). To move them, there is the will to assert themselves and improve their personal branding, proposing at the same time quality material to their readers. Personal recognition and contact with the brand are also a coveted reward. Experts represent today the fastest-growing category among companies’ researches.



**Guru:** as already anticipated, is the evolution of the expert who, thanks to his skills, quality, and valuable contents proposed, obtains a much broader follow-up. These influential figures go beyond their status and become real celebrities in the sector they belong to. They have a personal blog (their first and initial source of personal branding), but they often work with industry media, writing articles for them. They usually have a high number of followers, thanks to which they can build critical masses to support specific ideas, products, and brands. They are not always super parties, but their recognized know-how allows them to maintain considerable credibility in the eyes of their readers/users. They are professional influencers and, in their position, forces them to carefully select the realities with which they undertake partnerships in order always to offer value to their followers. Their capital is themselves, the authority they demonstrate in their field of activity, elements that consequently impact on what they propose (Fainmesser & Galeotti, 2018). With these, it is possible to establish a win-win collaboration, in which both parties can gain value: the company gains visibility and trust, the guru creates interesting material, often exclusive and in preview, for its audience. Their ideas and feelings can lead to product or marketing innovations. For these reasons, the affinity and consistency between brand and influencer are vital requirements. Usually, direct knowledge between influencers and companies is useful. When we talk about gurus, we do not only mean professionals, academics or scholars, but they fall into the category of very different figures such as photographers, experts in the food sector, cosmetics (as Clio Makeup) or even fragrances (as Jeremy Fragrance on YouTube). They see no industry limitations, the only dowry required is a skill so recognized as to create a significant following.

**VIP:** They are the best-known influencers; the one users were most used to view also on traditional media. They rely on enormous visibility and have a transversal influence that goes beyond their area of belonging. They are a message amplifier, often managing to reach numbers close to those of classic advertising forms. Reach and engagement with them is ensured, making them ideal for seeking awareness. The quality of the content, instead, is much less careful, which clearly distinguishes them from other categories. Their reach does not coincide with their influence power (Romero et al., 2011). The absence of vertical authority in the industry, joint with their position, distant from the average user diminishes their influence power. More than trust in their regards, often, their influence power comes from emulation. They are trendsetters capable of launching and conveying fashions and novelties and therefore being an example for fans and admirers. For this reason, their impact is much more consistent in some sectors (fashion, lifestyle) than others.

## 2.3 Micro-Influencers

A particular type of influencer goes beyond the categories of the previous chapter. It is born not from an academic study aimed at giving a classification, but from the need of the brands to implement digital activities, even with low budgets.

Micro-Influencers are individuals who work in their sector or are strongly informed about it. They are passionate and authentically involved and are considered reliable sources by followers when it comes to giving recommendations on what to buy or on product usages. Individuals are generally inclined to consider the evaluations of their peers as more reliable (Rakoczy et al., 2018). Micro-influencers, therefore, represent a powerful user in terms of e-WOM effectiveness.

We define micro-influencers as people who have between 1.000 to 100.000 followers (Ismail, 2018) of audience and are considered experts from followers in their respective niche.

There is not a specific sector where they work: could be food bloggers, tourists, neighborhood fashionista, or a fitness expert. These smaller, more focused on an area, experts join on a deeper degree of faith with their audiences and generate extra engagement. Influencers with 1,000 followers generated six times better engagement, in percentage with their followers, than those having a million followers. When the wide variety of followers increases, the engagement tends to decrease. The interval of 1000-10.000 followers seems to be the most efficient one.

With a smaller range of fans, micro-influencers followings generally tend to peer themselves as friends of the influencer. Since, on average, 83% of customers state to trust a friend's recommendation over advertising (McCaskill, 2015), the power of micro-influencers is evident. Leveraging micro-influencers who are followed by the correct target audience of a company can be an effective way of increasing reputation and awareness.

### 2.3.1 Benefit of micro-influencers collaborations

#### **Higher engagement and conversion rates**

One of the most significant advantages of micro-influencers is provided by a study conducted by Markerly that, having analyzed more than 800,000 Instagram users and monitored their posts, showed an inversely proportional relationship between the number of followers and the interactions that are produced. When the fan base grows, the engagement rate with followers decreases. Profiles with 1000-3000 followers reach an engagement rate of 8%, while a user with 10,000 followers reaches 4%, up to only 1.7% of a profile with about 1 million fans.<sup>13</sup>

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<sup>13</sup>According to data extracted by Markerly.com. An analysis is available at <https://markerly.com/blog/instagram-marketing-does-influencer-size-matter/>

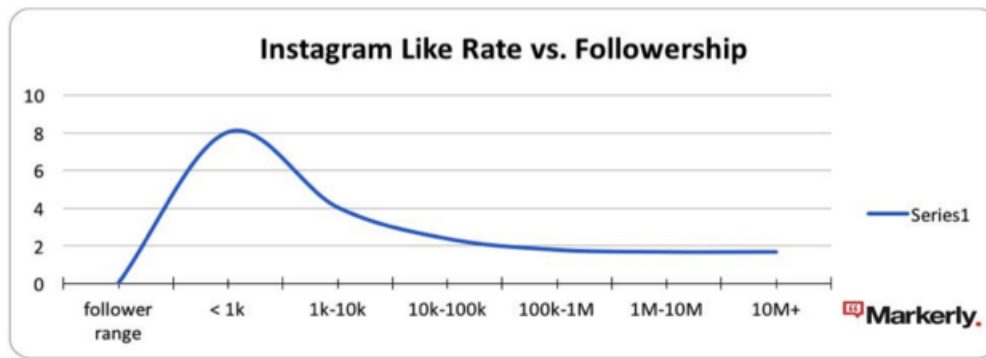


Figure 2. 4 - Instagram Like Rate vs. Followership. Source: Markerly

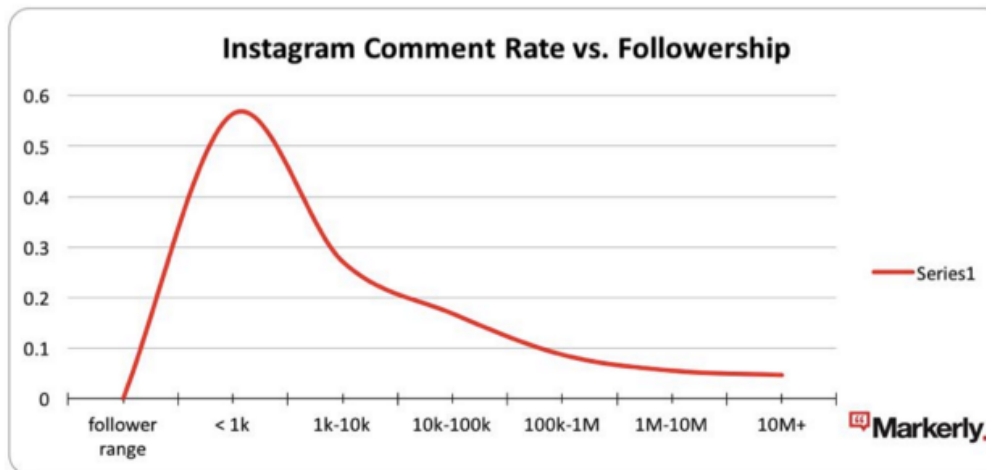


Figure 2. 5 - Instagram Comment Rate vs. Followership. Source: Markerly

As the two charts show, a profile with less than 1,000 fans generates, in proportion, about six times more likes and comments than a profile with 100,000 followers [Figure 2.4 and Figure 2.5]. In order for individuals to become influential, indeed, they must not only obtain attention and be popular, but also overcome user passivity and generate engagement (Romero et al., 2011).

A recent study carried out by professor Jonah Berger, in collaboration with the research institute Keller Fray Group, on the impact of micro-influencers on purchasing behavior, was conducted by measuring the volume and effect of their recommendations concerning those generated from average consumers. It has highlighted two key points that provide a further reason for companies to use this technique. Firstly, micro-influencers have about 22.2 times more buying conversations each week than an average consumer. Secondly, as a demonstration of the high impact of these recommendations, 82% of respondents were highly inclined to follow the buying advice offered by a micro-influencer. (Kirkpatrick, 2016)

If this data is combined with the fact that a smaller fan base makes it possible to reach a more targeted audience, it is easy to understand the possibility of generating positive results in terms of conversion rates. Further results also show that not only this type of influencer has more

buying conversations, but these are even more effective, recording 74% of invitations aimed at buying or testing the product compared to 66% of the population that generally indirectly encourages someone with their recommendations. (Kirkpatrick, 2016)

### **Affordability**

A campaign of a single top influencer can cost as much as tens of micro-influencers (Anderson, 2019). Top influencers campaign reach costs of a hundred thousand euros. In contrast, micro-influencers' prices can vary between free collaborations, as a review in exchange for free products or unique brand experience, to some thousand euros for a campaign. Considering that by engaging more influencers, the company can generate more sponsored content on many more channels, conveying the brand's messages in a more articulated way, with the tradeoff of losing a bit of control over all those messages. This last aspect may be determinant in some situations. Communication control is indeed fundamental in industries like luxury and high-end fashion, jewelry, luxury automotive. For those players, rely on many micro-influencers would be impossible, due to extremely high monitoring costs over their content. Industries, where strict control over brand communication is less critical, could rely on different figures and, after a correct influencer selection, trust their work, reducing costs.

### **Niche markets and relationships**

Unlike leading celebrities, micro-influencers, are specifically targeting a niche market.

Since they are not generally famous, they are known only from the individuals interested in the sector.

Working with a celebrity is not possible to clearly define how much of the total audience will be interested in a product; instead, with a micro-influencer, almost the whole followership will be interested in it if the influencer was chosen correctly.

Micro-influencers are available in all sectors. Each of them has a specific area of know-how, fashion, emblem, and enchantment to a specific form of audience. Besides, since micro-influencers autonomously manage their public profiles, not using social media managers or agencies, as it happens for celebrities, they spend more time interacting with their fans, responding to comments, and opening conversations. These influencers establish stable relationships with fans, and for this reason, users tend to perceive greater authenticity and credibility in the content posted. At the beginning of the phenomenon, anyone with an interesting number of followers could be considered suitable by a brand to create a sponsored post. With the evolution of influencer marketing and the understanding of the importance of

the relation between brand and influencer, the niche and the public of the influencer become more and more relevant.

Due to regulatory changes (as the Federal Trade Commission provision in USA<sup>14</sup> requiring the #sponsored or # hashtag adv on sponsored posts, or the IAP Digital Chart in Italy, analyzed in chapter three) and social media algorithms, favoring the content posted by friends and family members over those of public figures (Instazood, 2019), genuine conversation has a higher value than the number of followers of an account.

Furthermore, according to the Berger study, it is evident that micro-influencers operating around niche topics reach highly informed users (about 10% more informed than the average user).

### 2.3.2 Micro-influencer effectiveness

With their humble backgrounds and real interactions, micro-influencers are capable of connecting with their audiences and understanding their weaknesses. Through this understanding, those influencers can help followers in finding a solution to their needs, helping firms in creating useful products for the market.

Individuals observe them because they have faced up similar problems and are interested in the solution. Once they advise a product, people take that as the word of an expert (Anderson, 2019).

*“A micro-influencer has the ability to connect with their audience on a deeper level, this is because they are sharing with maybe around 1k-100k of followers compared to a large fan base (over 1 million) influencers and celebrities. Because their fan base is more tight-knit, they are able to create more personalized content and thus create a more authentic moment with fans (because they also have real knowledge of the products too). Plus, engaging with followers is much easier to manage since there aren't millions of them. All of which makes it an effective tool for marketing.” - Megan Mosley, 2019.*<sup>15</sup>

Regard celebrities, individuals, are conscious that their opinion is probably not deriving from a deep use and understanding of the product they are endorsing, mainly if it is a familiar logo. They are perceived as paid to well-review a product, and their effect is similar to traditional advertising. Micro-influencers are genuinely engaged in the topic and are more afraid of losing

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<sup>14</sup> Guidelines are provided on the Federal Trade Commission website. Available at <https://www.ftc.gov/tips-advice/business-center/guidance/disclosures-101-social-media-influencers>

<sup>15</sup> The citation is available on Impactbnd, within an article of Myriah Anderson regarding micro-influencers <https://www.impactbnd.com/blog/power-of-micro-influencers>

their followers: if they sell something they do not believe in, they risk losing their role and reputation. They are mainly active in the B2C groups, but B2B is starting to take advantage of them, in different channels (most from LinkedIn). It is all about targeting the platform that makes sense for the product or service of the company. Even if there is not an explicit limitation to sectors where micro-influencers are active, some industries outperform others when it comes to influencer advertising. At the moment, they are healthcare, fashion & beauty, travel & lifestyle (Dholakiya, 2019).

In conclusion, if we also consider how Instagram has changed its algorithm in favor of more qualitative content, prioritizing the content of friends and family as already mentioned, micro-influencer posts will become much more visible on the platform. Micro-influencers will be more and more effective for brands that have complex targets and a niche to conquer.

## 2.4 Influencer marketing and digital influence

### 2.4.1 Influencer marketing

Influencer marketing is an advertising and promotion practice that has experienced impressive growth in recent years. It represents a way to connect with customers using the voice and creativity of someone they “know” and is perceived as similar to them: an influencer.

Some companies, and even the legislator, interpret influencer marketing as a form of product placement. Even if, in practice, it is true, it has a profoundly different meaning for users. Influencers indeed should not passively show the product during their work, as in film product placement. Their strength appears when they interact with users and products, showing features and sharing their authentic experience. In some way, they end up representing that “expert friend” that gives us tips and pieces of advice.

Influencer marketing aims to identify the influencers in your niche and make them work for you by promoting your brand (Influencer Marketing Hub, 2019).

Influencer marketing and traditional advertising are not exclusionary practices: an effective marketing strategy includes and coordinates both. While traditional marketing is geared towards sales and awareness, reaching millions of people indiscriminately, influencer marketing is more oriented towards relationship building and reputation. Joining both, marketers can spread brand awareness on one side and strengthen relations on the other.

Influencer marketing can be seen as a form of marketing that focuses on key individuals (influencers) rather than on target markets. This practice identifies individuals who can influence potential buyers and direct marketing activities around them. An effective campaign should firstly focus on the sector of the chosen influencers to reach the correct audience.

The authentic and organic content produced by a productive collaboration with an Influencer is impossible to replicate from other companies since it is based on the unique relationship between the influencer, the product, and his audience. Every influencer relation generates different content for the firm, depending on the perception of the product. Again, the correct choice of influencers, coherent with the product and with the sector, may significantly affect efficacy.

### 2.4.2 Digital influence

The digital influence is the ability to cause effect, change behavior, and drive measurable outcomes online, a skill that is expressly owned by individuals, as is now well understood, such as the influencers (Solis & Webber, 2012).

Solis, in his study, describes a model that helps define the effectiveness and measurability of digital influence, based on the intrinsic value and significance of the relationships that influencers establish with the users they reach.

Let us take as an example an everyday moment that we all live in when we are unsure about a decision to be made: we will seek advice and opinions. Here is clear the value of influence.

In the first place, we will ask those people, in which we place greater trust and esteem, for advice. Secondly, we will listen to the opinion of those people who are more prepared for us on the topic of discussion. The author, looking at everyday decisional models, translated those mechanisms into the online environment by defining the characteristics that a subject must possess to have the capacity to influence, defining the three pillars of influence. Those are essential to be known by firms and brands that want to take advantage of influencer marketing. By a correct understanding of those concepts, firms can understand what their campaign needs are. To be able to change opinions and influence the choices of another, an individual must be able to count on different factors: the authority within a community, the loyalty and breadth of his audience, and a large number of connections in social networks.

From the cohesion of these three factors, it was possible to define the different types of influencers:

- Individuals with numerous connections;
- Individuals with few connections, but specialized in specific topics or authoritative for certain territories;
- Individuals who have authority and a broad audience.

Relevance and specificity of the content provided determine the influence of an influencer. An influencer sees the aggregation around himself. With a faithful audience, independently from the size, an influencer is effective. Having a large following represents a plus.

What is fundamental is that influencer's audience considers its contributions valid and appreciates them to the point of wanting to forward them to other individuals through shares, links, and quotes. It is, therefore, easy to understand that audience size and number of connections on social networks are not indices capable of faithfully measuring the degree of influence (Markerly, 2016).

The number of followers on Instagram or the number of fans on Facebook in this perspective only expresses the potential for influence but cannot guarantee the achievement of concrete results in terms of behavior change. The size of the audience undoubtedly represents a measure



of the subject's social capital, an element useful but not sufficient for the process of influence. Companies should not look only at quantitative data, but also to qualitative factors. We now come to describe the structure of influence with its three pillars already mentioned and its process. Three main components characterize the process of influence: social capital, influence action, and results [Figure 2.6].

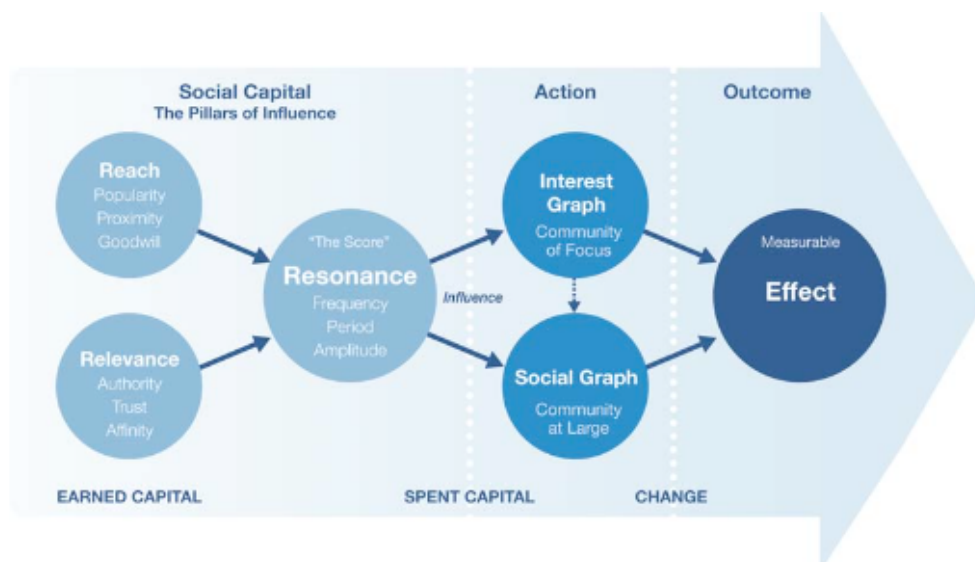


Figure 2. 6 – Digital Influence Model. Source: Altimeter

### 2.4.3 Social capital

The first step is the characteristics of the activities of influence or the elements that favor the process of influence, such as the ability to directly influence the behavior of users connected via social networks and the ability to induce changes in perceptions, behaviors, or cause actions. These elements of the social capital are the so-called 'pillars of influence,' grouped under three distinct categories: reach, resonance, and relevance (Solis & Webber, 2012).

The first pillar, **reach**, expresses the capacity of a content/information to propagate along the social graph present in the action component, whereby social graph is to be understood the network of acquaintances, friends, and friends of friends of the potential influencer.

It represents a measure of:

- Popularity: for which we mean the level of appreciation obtained by an individual, the involvement it generates and consequently also from how many people it is followed;
- Proximity: the importance of an individual in a specific area, locality, area;
- Goodwill: represents the degree of participation of an individual in a community.

The second pillar is **relevance**. Unlike reach, it impacts on the other element of the influence action: the interest graph. This graph is the set of individuals linked by common interests.

Relevance translates into the specificity of the contents generated and disseminated in a community of interests. The subjects connected by a graph of interests can create stable relationships useful for the exchange of information.

The factors that affect relevance are, therefore:

- Authority: the degree of authority granted to an individual on a given topic or subject;
- Trust: the level of trust which depends directly on the honesty and truthfulness of the opinions expressed;
- Affinity: means the empathy established by an individual within a community.

The third and last component of the social capital is **resonance**, an element that indicates the duration and the number of interactions that occurred about a topic. The resonance is fed directly by reach and relevance. It represents the place where the WOM is born and propagates, determining how long it will remain alive before it runs out. This last pillar depends on three elements:

- Frequency: that is the frequency with which an argument falls and is recurrent in conversations;
- Period: how long a topic is discussed starting from its first appearance;
- Amplitude: how much the community shares a topic. Simplifying, it is the level of engagement in a social network.

It should be clarified that to activate the process of influence, the presence of all the elements of the social capital is not necessary. The elements to be searched are those necessary and congruous to achieve the objectives set during the planning of the Influencer Marketing campaign. In essence, it is a matter of selecting the influencers with a coherent method that considers the target and the objectives to be achieved.

#### 2.4.4 Action of influence: RACE model

The ability of an Influencer to achieve the objectives set can be found in its ability to guide its reference pool to a change of attitude towards the customer's brand or product.

This change takes shape exclusively through qualitative content that passes under the lens of the viewer who processes it. This elaboration of the content received, with a subsequent change of attitude, can be defined in the context of a psychological mechanism of the human mind.

This process is now summarized and recognized as the RACE model, an acronym for: Reach, Act, Convert, and Engage.<sup>16</sup> These four steps, graphically presented in figure 2.7, have been designed to provide guidelines to brands to generate influence and to create a constant link with customers throughout their customer lifecycle:

- **Reach:** finding the most suitable influencer that guarantees access to the most direct channel of information distribution represents the first step. Influencers have their expertise on specific topics that their followers' base values. That leads them to be more inclined to trust in their recommendations, more than they would trust in brand communication. The promotional contents related to an Influencer work and must function as a product review rather than a simple advertisement, considered by most of the followers not reliable.

In general, people who follow an influencer share with him a field of interest, and therefore, they are more likely to follow advice to purchase a product from a peer. Reaching the appropriate influencer will help the brand to establish itself in the target customer group;

- **Act:** which takes the form of encouraging the audience to participate by creating a secondary marketing campaign that helps generate greater awareness, which can, in turn, increase the audience. Encouraging participation implies encouraging the client to share their opinions on social media and be active interlocutors of the web conversation. In practice, influencers often share honest reviews of the product or demonstrate the function of the product and its usefulness to solve a problem or improve the current condition. The influencer in such cases by opening a discussion that brings the customer's attention to the problem and describing the solution through the product should be able to create a perception of the value of the product;
- **Convert:** in this step, influencers convert their followers into customers. After having formed an understanding of the product and its usefulness and then having created a perception of its value, it must lead to the purchase decision. The 'trigger' to the decision (call to action) is often implemented in the form of coupons or special discounts valid only for a short period and leaving a sort of exclusivity inferred for the followers. This technique would prompt the customer to buy the product immediately rather than later.

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<sup>16</sup> This model is proposed by Smart Insights, available at <https://www.smartinsights.com/tag/race-planning-system/>

- Engage:** the last phase concerns the construction of relationships with customers, a vital point of this model. Influencers should turn the customer into an advocate for the product, but not limit it to that alone. The goal is to look for people who naturally adapt to the values of the brand and make them ambassadors. This is how it is possible to create engagement with the brand, exploiting the influencers and the loyalty of customers-ambassadors who transmit authentic passion.

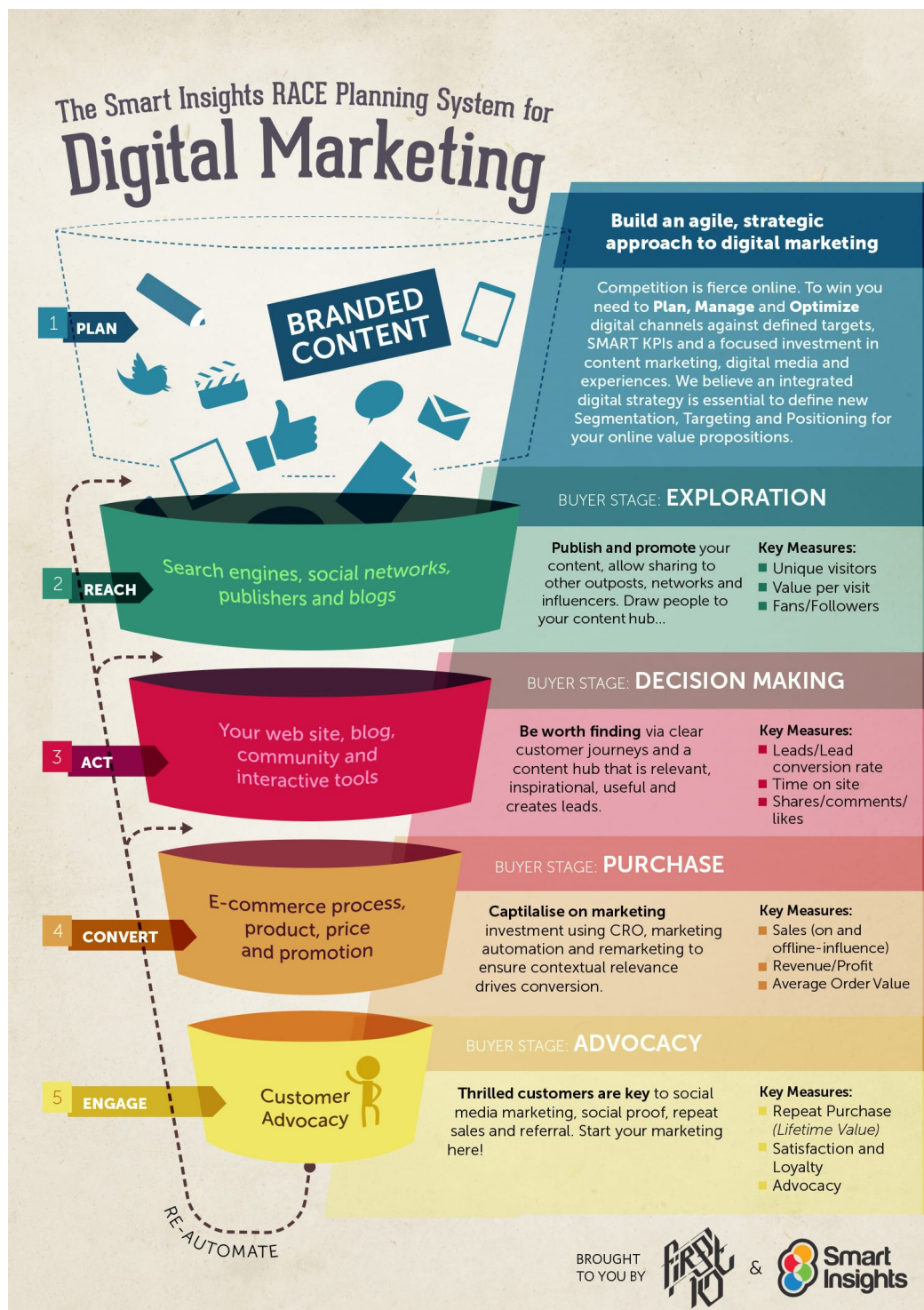


Figure 2. 7 – The Smart Insights RACE Planning System for Digital Marketing  
Source: Smart Insights

#### 2.4.5 Collaboration results

A company can aspire at a series of results of the action of influence (Solis & Webber, 2012), such as:

- **Awareness / Brand Lift:** increase in brand awareness. The increase in knowledge and communications produced around a brand leads to an increase in reach and notoriety. The first step of a marketing funnel is awareness;
- **Brand Resonance:** resonance makes it possible to make a brand “top of mind.” The activity of influence and the increase in the frequency of talks about a brand in social media can lead the brand to be the first in the phase of brand recall. Being recognized as the “top of mind” brand in a specific industry can lead to significant advantages in sales volume;
- **Reach through Advocacy and WOM:** the influence can lead to the generation of positive word-of-mouth and, for more engaged customers, to advocacy, both valid tools to influence the behavior and decisions of other consumers. Advocators will spread their positive thoughts about brands, generating free earned media for the company. Moreover, if this engagement goes to other influencers, those can become brands advocators freely, increasing even more campaign results;
- **Sales / Referral:** an effective campaign creates the possibility of increasing sales through promotions reserved for fans and influencers through referrals. Often this objective is achieved through discount codes reserved for social media and influencers. Discount codes are used by companies to track influencers performance, and, also for this reason, are one of the most popular advertising technique in influencer marketing;
- **Sentiment / Shift:** the change of opinions and perceptions of a brand later to the action of an influencer. Influencers can improve brand reputation, joining in correct collaborations and communicating positive brand values;
- **Thought Leadership / Authority:** settling in the community helps to collaborate with the specialists present there to spread the consent and preference throughout the community with a cascade mechanism;

- **Demand:** increasing the demand following the creation of exclusive programs and special product editions;
- **Trends:** an active influencer can succeed in changing purchasing behavior to generate trends guided and ridden by the brand itself. In particular, in the fashion industry, influencers can be trendsetters, developing new product usages;
- **Audience Improvement:** increase in the quantity and quality of the public through forms of collaboration and co-creation.

The structure of the influence has been the subject of revision by a part of the academic world. For a long time, the structure of influence presented pyramidal shape. This theory, instead, think about it with a diamond shape. (CNET Networks, 2007)

The pyramidal shape derives from the hypothesis that few influencers, the so-called opinion leaders, with many direct and indirect connections, can influence a large proportion of the population. Since it appears inaccurate, diamond shape derives indeed from a new prevailing hypothesis giving a role and a significant potential to the majority constituted by the “moderately connected.” The new importance attributed to this group is to be identified in the even more significant impact of users’ generated media and social media on the structure of communication, relationships, and, therefore, of influence. This latter view is also coherent with the importance attributed by the last researches to the micro-influencer’s role in the market.

Even the motivations to exercise this influence that were identified some time ago have changed altogether according to this new theory, based on circularity and self-motivation as the main drivers. The previous assumption states that whenever someone was looking for advice, he must rely on the expertise of someone deemed competent in the matter.

The new assumption, influenced by an era in which the collection of information is certainly more accessible, explains instead how the subjects seek advice from those who believe with necessary security is a good “collector” of information. Not always an expert represents what people need: sometimes, the consumer is not looking for the best product in the market but is looking for the best product for him. An expert focuses on specific characteristics and technical aspects, while an information collector experiences similar usage as the average user and can be more useful for them. The circularity of influence sees its fuel in recognition: each time a subject has made itself useful by influencing another with his opinion, he receives recognition, which in turn generates self-worth (self-motivation) to restart the cycle.

In conclusion, in contrast to the classical school of thought, those who generate influence are no longer necessarily ‘the expert in the field,’ but rather the person most capable of helping and being useful for a social context.

#### 2.4.6 Return on investment (ROI) of influencer marketing

To improve influencer marketing practices, and evaluate if the influencer choice was correct, it is fundamental to keep track of the results of the previous campaign. Firms, therefore, need to calculate the return on investment (Chraçhol-Barczyk, 2018). Before analyzing the ROI, it is worth notice that when a message comes from the company itself, consumers are skeptical and perceive the ultimate purpose of advertising and sell. Company messages are not perceived as neutral and informative and are lowering their efficacy. The presence of tools such as Adblocker, recently embedded in Apple browsers, is lowering the ROI of general online advertisement (Parmar et al., 2015). On the other hand, when the product is sponsored and communicated by an influencer, social users do not perceive the message as advertising, but rather as interesting advice given by a friend. This aspect has a significant impact on ROI but also carries some ethics and regulatory issues that will be treated in chapter 3.

For those reasons, it is more interesting evaluating the ROI of an influencer campaign against other advertising channels, rather than by itself.

Different studies tried to calculate the return on investment of an influencer marketing campaign. Even if the variance is high, due to the unique nature of each different campaign, average results are positive.

Most recent and significant data comes from a 2019 survey by The Influencer Marketing Hub (partnered with Viral Nation and NeoReach).

The first vital element is represented by a question: what do we mean with ROI regarding an influencer marketing campaign? Even if 70% of companies try to measure the campaign’s ROI, most marketers (76%), according to a Linqia study, state that determines it would have been the most crucial challenge in their business in 2018.

Since objectives are different between firms, ROI metrics shall be adapted and match specific needs for each different organization. From the results of this study, 34% of respondents focus their work on awareness, measuring results on views, reach and impressions; 35% focus on a call to action, using clicks and engagement as result metrics; 31% focus on sales.

Marketers can use the Influencer Media Value, studied by NeoReach, as an indicator that represents the concept of earned media value adapted to influencer marketing.

Earned media value (EMV) gives a benchmark about how much the same results will cost using a different type of communication strategy. Even if the calculation can be complicated, 78% of respondents agree to the idea and perceive it as a valuable indicator.

According to the EMV indicator, businesses are making \$5.20 for every \$1 spent on influencer marketing (Influencer Marketing Hub, 2019). This study emphasizes how influencer marketing can be highly lucrative for those brands that engage in it. The top 13% of businesses make \$20 or more for each dollar spent. Most companies get positive results from influencer marketing, with just the bottom 25% failing to generate any revenue, just reaching the break-even or losing money.

This 25 % of companies are firms that do not understand the functioning of influencer marketing. Some businesses select the wrong influencers for their brand. They fail to choose influencers who have followers similar to the people who make up the target market for the brand's product (Influencer Marketing Hub, 2019).

NeoReach, analyzing more than 2,000 influencer campaigns, provides some interesting results. (Influencer Marketing Hub et al., 2019)<sup>17</sup>

- **Earned Media Value averages 5.2x per \$1 spent**

They calculated that Earned Media Value (EMV) averaged 5.2x per \$1 spent. This means that each dollar allocated to influencer marketing results in more than five times as many impressions and engagements compared to equivalent dollars allocated towards paid advertising.

- **Campaigns focused on branding or engagements generate 8x ROI**

Branding campaigns saw considerably higher ROI compared to paid advertising. On average, campaigns focused on branding or engagements saw an 8x ROI. This means that influencer content is more than eight times as effective compared to alternative methods of brand building, such as paid social ads or television. It is worth remembering that those campaigns have much lower costs compared to television advertising, and therefore, the comparison can be done only in percentage terms.

- **Direct response ROI is 1.8x per \$1 Spent**

Directly trackable ROI gives not exciting results. It is highly dependent on the call to action and size of the campaign. On average, direct response ROI (App Installs, Signups) was 1.8x per \$1. While still very profitable, it is harder to see a directly trackable return on investment when the goal is to get quick signup or action.

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<sup>17</sup> The full report can be downloaded at <https://influencermarketinghub.com/influencer-marketing-2019-benchmark-report/>



- **E-commerce campaigns returned approximately 80 cents per \$1 spent**

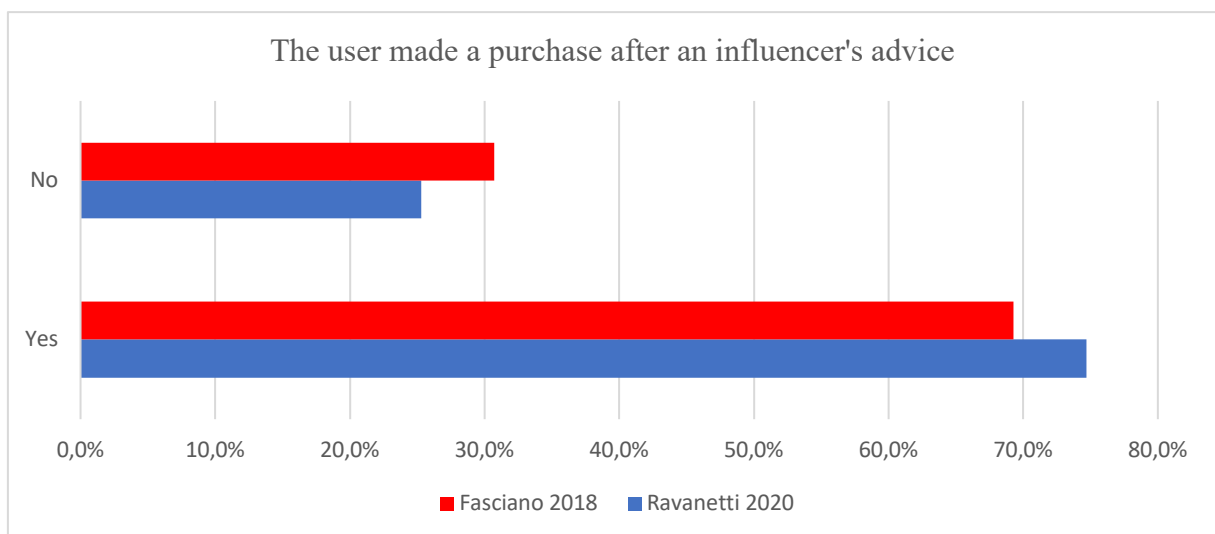
NeoReach found that E-commerce ROI fell short on a directly trackable basis, returning approximately 80 cents per \$1 spent. However, this does not consider the additional branding value, sales that come later in the funnel or sales that happen without clicking directly on the sponsored link.

- **The larger the influencer, the lower the ROI**

Influencers with 50,000-250,000 followers deliver a 30% better ROI per dollar spent compared to those with 250k-1M followers, and 20% better ROI than influencers with 1m+ followers. The more famous the influencer, the lower the ROI. It is important to note that while the ROI is higher when using smaller influencers, this ROI does not take into consideration the additional time, management work, or resources required managing a broader number of smaller influencers.

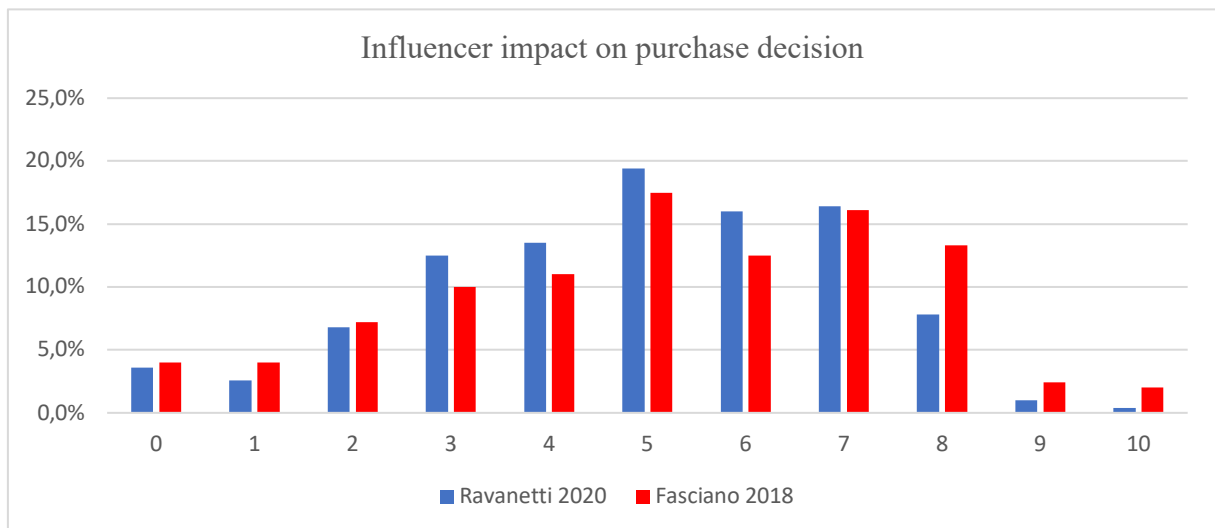
#### 2.4.7 Influencer effectiveness across the Italian sample

Our research brings positive results regarding the effectiveness of influencer marketing practices. To the question “Have you ever purchased a product that was recommended to you by an influencer?” 75% of the sample answered ‘yes’, an increase compared to the 70% registered in 2018 [Graph 2.1]. Consumers are increasingly interested in making the correct purchase, and digital reviews help to reduce uncertainty (Lackermair et al., 2013). Higher usage and interest in online reviews means a higher ROI for companies that invest correctly in influencer marketing. If this trend continues in the future, the effectiveness of the influencers is expected to rise even further. Users indeed, trust influencers opinions, and more and more are willing to buy something because of their indication.



Graph 2.1 answers to the question “ Hai mai acquistato un prodotto che ti è stato consigliato da un influencer? “. Results in percentage, total respondents Fasciano 2018 – 6032, Ravanetti 2020 - 1064.

Once got that users are willing to buy a product due to influencers' recommendation, the further step is understanding how much those recommendations impact purchase decisions. In analyzing the ROI of a single campaign, focused on a product, firms often take as key indicator sales conversions. Influencers, to be effective, according to this metric, should have a high impact on sales decisions.



Graph 2. 2 answers to the question *Quanto pensi che il consiglio di un influencer influisca sul tuo acquisto?* “. Results in percentage, total respondents Fasciano 2018 – 6032, Ravanetti 2020 - 1064.

Our results show that, on a scale between 1 and 10, the impact of an influencer on a purchase decision has a mean 4,8 [Graph 2.2]. Although it is easy to imagine that this figure is underestimated, since people are not inclined to admit to hearing someone else while deciding, it is certainly not impressive compared to the 75% of people who bought something from influencer advice. This result suggests that sales conversion is not a correct metric in analyzing influencers' results. People listen to influencers' opinions and review and decide autonomously what to buy. With this in mind, something awareness oriented will undoubtedly be the correct metric.

An interesting aspect is to find if this influence varies across ages. Testing generation Z, of users born before 1995, against generation Y, of users born after 1995 (McCrindle, 2014), with ANOVA, it brings us a statistically significant result (p-value 0.119, significant at 0.500 level). Even if the difference in means is slight (gen Y=4,65, gen Z=4,84) is still interesting because it demonstrates that older users are at least not less influenced than younger ones. It seems that they are also slightly more affected by influencers' opinion. In 2018, another research found instead that age had a slight negative impact (-0,23) on influence received. (Johnstone & Lindh, 2018)

The reason of the discrepancy between those studies have to be found in the way data are collected. The Johnstone & Lindh's study was taking data from a random offline survey, between average people. This study of 2020 instead analyzes individuals that are already social

media users, and therefore are self-selected. Moreover, it is not so common for generation Y to be active users on Instagram (representing 26% of the sample). Generation Y users who answered this questionnaire represents so the most social-oriented part of their generation and the more exposed to influence activity, since they are not used to it, and are also the one who will benefit more from a protective regulation.

## 2.5 Personal branding for influencers

*“Investing in my personal brand has, without a question, been the number one business driver and personal success tactic over the last three years. I found great success through hard work and built a great team. The results of that work helped me during the promotions and brought me the visibility I needed to be successful with my company. Upon embarking on my entrepreneurship journey, I knew that I had a story to tell and value to add, but I needed people to be able to find me, understand my story and trust me to deliver on what I promised. Investing in personal branding allowed me to do just that and more.”*

– Brian Fanzo, 130.000 followers on twitter<sup>18</sup>, answering to the question ‘How has personal branding helped you and your business?’. (Dholakiya, 2016)

Influencers, as we defined them, are generally ordinary people who gained popularity on social media platforms. Through social media channels, they become web celebrities. Despite numbers of followers that can even be similar to celebrities one, different way of gathering it make celebrities and influencers profoundly different. Influencers’ entire success is based on their everyday life, sharing opinions and advice to the audiences; their followers can identify with them. Celebrity life is something perceived as unreachable: their followers love them but are aware that their lives are something different.

Relatability becomes one of the keys to influencers’ success. Once influencers reach a certain degree of popularity, their names become their ‘own brand,’ and people expect from them quality content as they expect quality products from any firm they trust.

Personal branding allows influencers to gain authority and trust in public eyes, becoming a point of reference.

### 2.5.1 Role of the platform choice

The online presence naturally becomes the key to achieving the status of an influencer.

Which online platform join represents a fundamental choice: audience reached, and message effectiveness will depend on it. In terms of working relationships and partnerships (between influencer and firms), platform choice has a decisive impact.

Channels with average content deemed too informal and soft, will make it challenging to collaborate with companies in high-level sectors, such as luxury, automotive, or high fashion.

An overly structured communication channel, as a vertical blog, makes it difficult to join in simple collaborations, that are often the first ones.

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<sup>18</sup> User profile available at <https://twitter.com/iSocialFanz>

The choice of the platform depends on two factors:

- **Influencer's personality:** the competences, the ambit of experience, and how he decides to treat topics. For example, a work based on an in-depth analysis of specific themes through texts and reports will suit a blog. The willingness to share images or videos will adapt to channels such as Instagram or YouTube. The decision to be “multi-platform,” especially in the initial stages, may carry a disadvantage: the dispersion of resources and attention will lower the perceived quality of the profile, with the risk of making mistakes.
- **Target audience:** to whom the influencer is addressed. Understanding the public through listening is the first step in building a relationship (Vecchiato, 2004). The channels used by the target audience, the tone they prefer, the desire to get more in-depth information, are all elements that impact on the choice of a channel rather than another and have an impact on the effectiveness of the influencer personal branding practices. If the message does not reach the recipient, it is the same as the influencer had not sent it.

The creation of one (or more) channels does not aim to find followers and create numbers, but to generate trust. The credibility and trust towards the influencer, perceived as a true friend, is what generates engagement and interest towards it, allowing to be effective even during paid promotions. Indeed, to trust someone's advice about a product, that is paid to do that review, followers must be truly faithful.

Looking only to followers and interaction's number is a mistake: unlike traditional advertising, influencers require real relationships to be effective. Their public expects to find personalized messages filtered by a trusted person for them. If this relational aspect is not present, the influencer becomes a showcase, as can any other sponsored content spreading standard advertising labels and loses its value. Followers expect something “in return” for their following: content suitable for their needs. Understanding their needs is a fundamental step for further conversion.

### 2.5.2 Personal branding elements

Personal branding means working on your own person. As in any communication plan, also on a personal level, there are different elements to be taken into account.

- **Abilities and strengths.**

They represent the first point of analysis for the influencer. Just like any other company, the influencer-entrepreneur tries to understand its positioning.

From Porter's analysis, it is crucial to find one's competitive advantage, both to competitors (represented by other influencers on the market) and to potential entrants (micro-influencers and emerging personalities in the sector). The 'substitute products,' represented by other media and platforms, represent the second level of analysis regarding the competitive advantage. Influencer always has the possibility of entering new platforms, reducing the risk of leaving the market due to external causes. Once the strengths have been found, they must be communicated and must become the basis of the personal branding strategy. The aim will be to create interest and dialogue to build a network.

- **Mission e unique selling proposition (USP).**

People purchase a product if it is necessary or desired. Similarly, they follow an influencer for a reason. This reason, 'why he/she is interesting for users,' is represented by the influencer mission and project.

Correct analysis and communication of those values allow users to understand if the related profile is what they are looking for and if it is, to create conversions (following).

- **Originality and uniqueness.**

The originality, represented by the style, the tone of voice, the topic, is an essential element for the success of the business. This originality and uniqueness must be understood by the public and recognizable: the online contents must be immediately attributable to the character. The recognition on the shelf gives the analogy in traditional marketing: the colors of the packaging, the font, the positioning, which make a brand immediately recognizable and desired over another.

Even more for an influencer, this originality must be authentic: its role requires being always present and active in communicating his life. A constant fiction would become unsustainable in the long term, and the emergence of this double game would cause a

drastic loss of confidence in the character, and consequently, the loss of ability to create value.

- **Coherence.**

Consistency is a fundamental aspect of a character of the digital age.

Spread over different themes, platforms, and styles, allow us to follow the trends of the moment and create higher numbers in the short term. In the long term, however, this pursuit of every trend translates into a profile that has not a precise identity. This profile will always be present but will never be considered as an expert. A vertical presence on some topics allows being perceived as informed users or even lead users of the category (Ernst & Brem, 2017). The audience will be more inclined to trust an expert opinion, even when he is inside a paid collaboration with a company. If an influencer bases his and business on vertical industry expertise, he will be less likely to sell his or her opinion because it is his main asset. If he agrees to join a collaboration, he probably believes in that company or product, or at least believe that he can improve it significantly.

## 2.6 Influencer earnings

Influencer marketing creates an entrepreneurial opportunity for influencers.

Their power to influence a specific niche represents their competitive advantage, and influencers can take advantage of it in different ways to make profits.

Even if there is not a specific contractual standard, neither a general price level, we can group revenue streams from three primary general sources.

For this work, I decided to focus on the most common and widespread business practices, omitting platform-specific sources of profit. To cite some of them, Google Ad on blogs, YouTube AdSense for views, donations from users on Twitch, gift on live streams on TikTok.

### 2.6.1 Social media campaign

Sponsored social campaigns often represent the most consistent source of revenues for influencers, mainly until the macro-influencer level (around 1-2 million followers).

Campaign agreements prices are often calculated on a post base. Brands and marketing agencies pay influencers to promote a product (or a brand) buying posts packages. The price variance is high depending on which social media channel, reach and following, industry, and type of content. Videos (as YouTube content) and articles (generally on blogs) have higher prices due to higher costs of creation, while posts and stories on Instagram are usually cheaper, all else equal. Even if prices are not public, according to influence.co data, Instagram influencers price per post goes from 124\$ to 1405\$, until macro-influencers [Figure 2.8].

It is not possible to gather information about top influencers' prices. It is also reasonable that at certain fame level this form of collaboration starts to lose value and agreements between firms and influencers become more long term oriented.

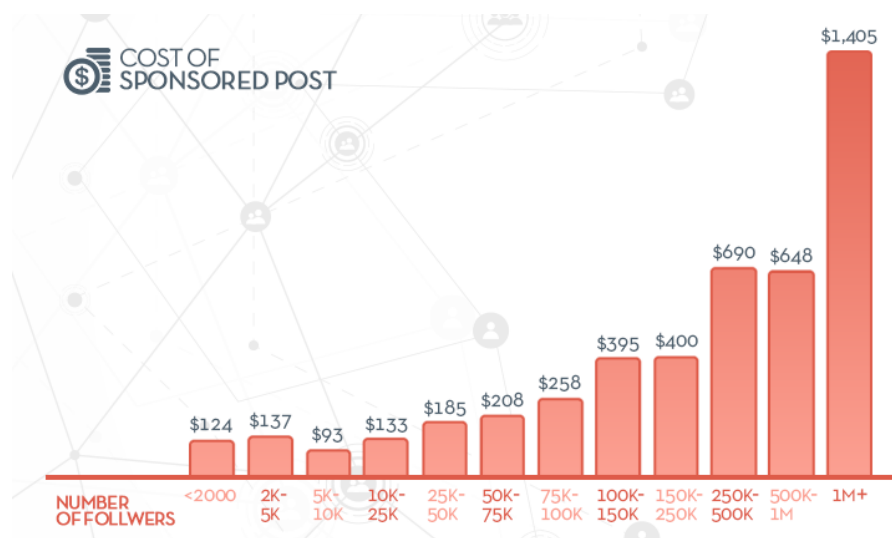


Figure 2.8 – Average sponsored Instagram post rates by follower count  
Source: influencers.co, “Instagram Influencer Rates”



This report found that influencers who have fewer than 10,000 followers may charge around \$93 per post, those with 10,000 to 50,000 followers charge around \$150 per post, with an exponential increase after 100,000 followers, reaching \$1,405 for a single Instagram post around 1 million of followers (Vorhaus, 2018). Even if the follower number is not a precise predictor of influencer efficacy, from those data, we understand that, at the moment, the more followers an influencer has, the more contractual power can exercise.

Those types of close campaigns aim to generate awareness or to increase short-term sales, communicating a specific promotion or increasing the reach of a brand's event, as the launch of a new product or a store opening. Campaign-based agreements are used by 65% of firms, while only 35% are working on long terms of collaboration (Influencer Marketing Hub et al., 2019).

### 2.6.2 Brand representative/ambassador agreements

Becoming a brand ambassador is the further step of collaboration between influencers and companies. Although neither ambassador contracts are standardized, it is known that they are not campaign based and generally are set for longer times, at least some 3-6 months, but could last for several years.

Brand ambassador compensation is more articulated than campaign-based promotions.

The contract usually provides for a fixed fee and a unique personal discount for the influencer (that can reach values near 100%) to buy brand products for him, and a discount code that will be used on social media contents. Sometimes earnings also come from a percentage for each sale conversion, tracked by results of this last discount code.

Brand ambassador agreements require attention in finding accurate partnerships. In long term agreements, the alignment between brand and influencer values and following is fundamental for positive results.

Brand reputation programs are still useful also for influencers who are trying to build a large following. Micro-Influencers, as we seen in previous chapters, are suitable for collaborations due to their high engagement rate and low costs. With those influencers, brands can collaborate without a fixed fee, just giving them free products for a definite amount of time (Barker, 2019). Spartan Race is an example of a brand working with micro-influencers in the sports and fitness industry. One of their ambassadors, for example, is Nick Vitale ([@sharpenthesword](https://www.instagram.com/sharpenthesword/)), who has just over 5,700 Instagram followers.<sup>19</sup>

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<sup>19</sup> The user profile is available at <https://www.instagram.com/sharpenthesword/>

Those collaborations can also lead to different working positions inside the firm itself, mainly in the marketing division. A brand ambassador can become a supplier of other services or a consultant, performing tasks separated from pure advertising activity.

An example of this evolution in firms and influencer collaboration is represented by Silvia Fasciano, *silvia.fascians* on Instagram [Figure 2.9]. Silvia is an influencer active in health, fitness, and lifestyle industries<sup>20</sup>, with more than 150.000 followers on Instagram and 66.000 subscribers on YouTube<sup>21</sup>. Since 2017 is the only influencer (not professional athlete) to be inside the Adidas ambassador program.

Her collaboration with Adidas does not merely consist of posts and stories tags, as an advertising campaign would be, but in everyday usage of brands product. Through the communication of her lifestyle, wearing and using Adidas product, she spread the Adidas mission and vision to followers, increasing brand awareness and reputation.

Moreover, Adidas extended collaboration on other fields, not directly connected to advertising practices. Silvia is working for the company also as an Adidas trainer, in brand events, free for customers, connected to sport and fitness.

The company has activated a workout and lifestyle program, specific for women, “Woman Series,” a weekly workout program “Strong like a girl,” along with other events connected to special Adidas events, as “Special SolarBoost Training” where brand athletes ambassadors and influencer ambassador join customers as trainers and motivators.<sup>22</sup>

Through those collaborations, brands go over traditional advertising practices, providing free services for customers (and not), generating brand awareness, and increasing brand reputation. Firms can spread their values and be associated with specific social themes that are valuable for their public.

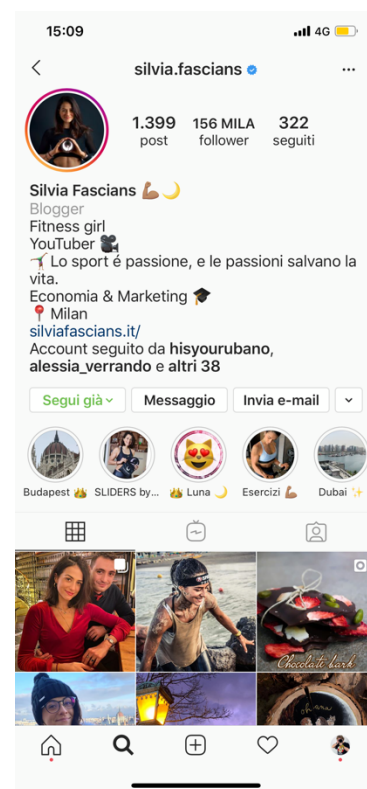


Figure 2.9 – Silvia Fasciano Instagram profile.  
Source: *instagram.com*

<sup>20</sup> As she defines on her website, available at <http://silviafascians.it>

<sup>21</sup> Profiles are available at <https://www.instagram.com/silvia.fascians/>, <https://www.youtube.com/channel/UCKfrGScBiEiPeH-Ku4MsJSQ>

<sup>22</sup> The program is available on Adidas website, <https://www.adidas.it/adidasrunners/community/milano/event/special-workout-pre-polimirun>

### 2.6.3 Co-branding and personal products

When a significant following is built, and the influencer has gained experience in products related to his industry, he can join a productive partnership with brands.

In recent years different brands started to co-create products with their ambassadors and influencer. Those collaborations are often paid with a percentage of revenues or profits. The percentage depends on the level of involvement of the influencer in the project and his contractual power. A successful collaboration brings advantages for both parties, not only from a monetary point of view. The brand gains trust with customers and online visibility, demonstrating that it cares about customer opinion and tastes, bring by influencers' experience. Influencers gain a share of profits but also gain offline visibility that often lacks in their communication. Moreover, they can be seen by people who are not already used to social media. Those types of collaboration are starting to be used in different industries.

Famous influencers go even further, creating their line of products and even firms. In this way, they also became an influencer for their brand, maximizing investments and matching of firm's values and influencer's values.

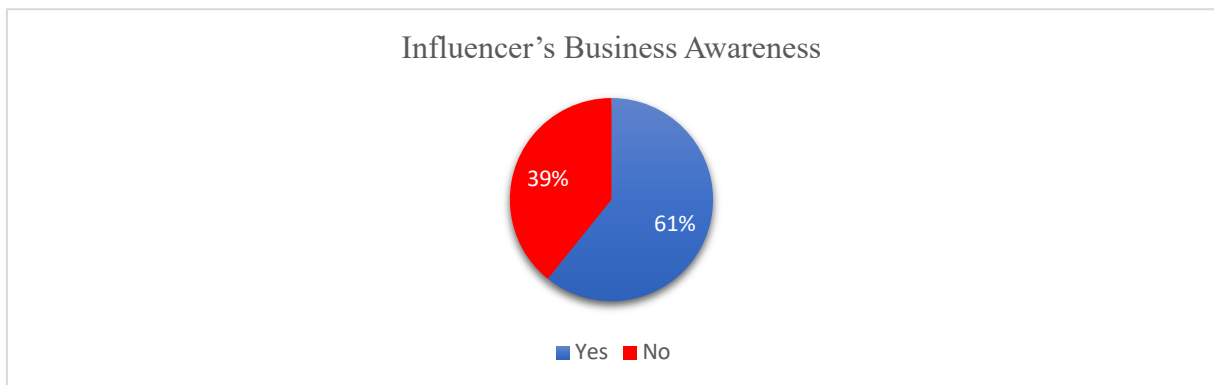
The most relevant case in our country is represented by the fashion blogger and influencer Chiara Ferragni, that in 2013, together with Pozzoli, found a fashion company based on her name: Chiara Ferragni Collection. (Keinan et al., 2015) Their first step into production starts in 2012, with a license agreement with a shoe producer, selling ballet shoes with the iconic Chiara Ferragni eye logo. This first product line of shoes originated annual revenues for 100,000 dollars. In 2013, Ferragni and Pozzoli found that many stores were still interested in selling Chiara Ferragni's shoes and decided to strengthen the brand. Then they signed a new license agreement with another Italian footwear manufacturer while continuing to distribute their shoes in selected stores, obtaining revenue from the sale of these new products (10% royalties). At the end of 2013, the Chiara Ferragni Collection paid off, bringing revenue of \$ 500,000 in just five months. In 2014, with the birth of the e-commerce site, the collection was also available online on ChiaraFerragniCollection.com and brought the couple \$ 160,000 of revenue thanks to the sales of the first six months. (Keinan et al., 2015). In 2018 she made 30 million dollars in combined revenues from her retail site and from selling herself as influencer via her talent agency, with a forecast for a 20% uptick in 2019 (Sanderson, 2019).

### 2.6.4 Users awareness and feelings about influencer earnings

The business model of an influencer is based on selling its visibility on social media channels. Consumer associations are worried about whether users are aware of these advertising practices,

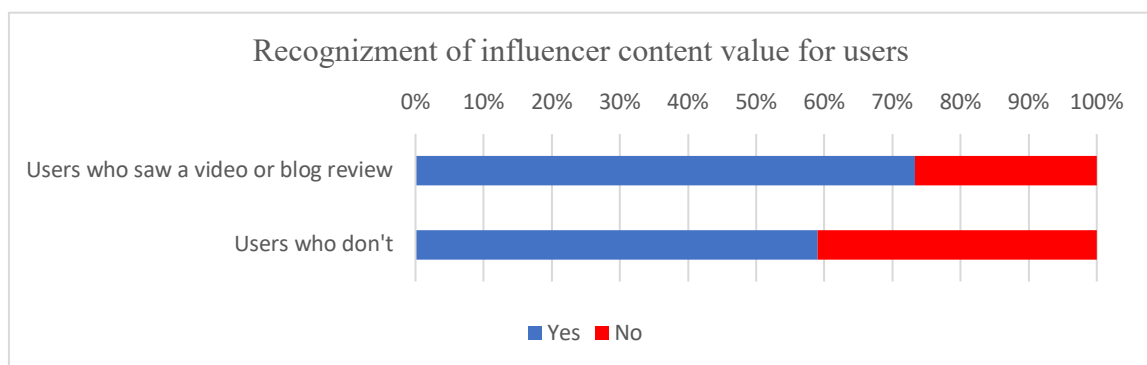
where paid contents are often confused with organic ones. In our research so, we decided to investigate whether users are aware of how influencers work, how they make earnings, and if they agree with this type of job. The intuition is that if people are not aware of how the business works, they will inevitably be exposed to not recognizable advertising.

The results, in this sense, are not reassuring. In the sample analyzed, 61% of respondents said they were aware of how the influencer business model works, while the remaining 39% did not [Graph 2.3]. It is reasonable to think that those 4 out of 10 people that are unaware of the influencers' business are unable to clearly distinguish which content is advertised by companies, and which instead is organic and represents the genuine opinion of the influencer.



Graph 2. 3 answers to the question " Sei a conoscenza di come funziona il business di un influencer? ". Results in percentage, total respondents 1604

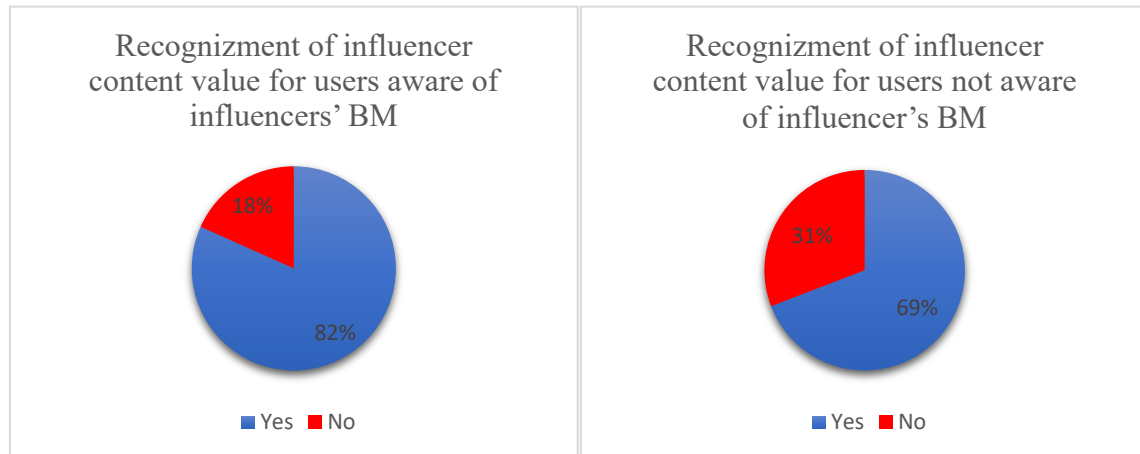
We investigate how users perceive the value of the work done by influencers. A question asked if users believe that it is right to pay them for their reviews. It is not surprising that most users (77%) recognize this value [Graph 2.4] since they all follow an influencer (due to the method used to collect data). However, the result has to be considered against how many people look at influencers' products (reviews and content). We have seen that 93,5% of users have searched for at least one video or blog review, and so, not all of them recognize a money value in it. Different reasons can be found. Firstly, people perceive influencers' advice as friendly advice and are not used to pay for a friend's opinion. Secondly, some users may consider that a paid content is not relatable and are not agreeing in paying influencers for this reason.



Graph 2. 4 answers to the question "Trovi corretto che il lavoro di un influencer di creare contenuti mostrando e recensendo prodotti sia retribuito?", plotted against people who declared to have searched for online reviews (video or blog posts) before a purchase. Results in percentage, total respondents 1601

It is a positive signal versus influencers' work that users who take advantage of it tend to perceive more the value and agree that this work should be somehow compensated.

Another interesting comparison can be made between users who declared to know how influencers make money against those who do not know it: people who are aware of this business, agree on how influencers make money?



*Graph 2. 5 answers to the question “Trovi corretto che il lavoro di un influencer di creare contenuti mostrando e recensendo prodotti sia retribuito?”, plotted against people who declared to be or not aware of how influencers make money. Results in percentage, total respondents 1601*

Our results show that users who are aware of how influencers business model work are generally more inclined to accept it and consider influencers' work as valuable.

More diffidence can be found between users who ignore how this work is done. These results show that some users are still not getting how digital business work and are not able to understand its value. It is worth nothing remembering that those results refer mainly to the younger part of the population and are referred to Instagram users. For sure, considering the whole Italian population, awareness results will be far less positive.



### 3. Legal framework and issues

Influencer marketing is an essential tool for brands and companies, widely demonstrated by numerous online campaigns, and the data reported in this work.

A tool with valuable opportunities that, if used in wrong manners, can be harmful for users. One of the essential elements of the first influencers' campaigns that involved bloggers was their spontaneity. They used their face and reputation for something they were involved with. The more structured form of today's activities and projects makes it difficult, if not impossible, to be able to guarantee that spontaneity. The result is a risk for the influencer and the brand: the creation of an induced and paid communication that does not clearly express the advertising nature of the same, breaching general principles of fair communication.

In Italy, rules regarding influencer marketing are found in:

- The consumer code, issued with the legislative decree 6 September 2005, n. 206, under the control of the Italian Competition Authority (AGCM). In the consumer code, influencers are not yet directly regulated, but AGCM advice that general rules about advertisement principles should be applied also on social media advertising.
- The Institute of Advertising Self-Regulation (IAP), operative since 1966, with the Self-Regulation Code of Commercial Communication (C.A.). Even if it is a private and voluntary agreement, it affects 80-90% of the total investment in the sector. In 2016, IAP issued the Digital Chart, a collection of best practices specifically about digital advertising, included in article 7 of the C.A. from 2019.

### 3.1 Italian Legal Framework

The actual legislative policy aims at consumer protection, limiting the adverse effects that advertising can have on them.

Advertising regulation, in Europe, originated in the early 60s. The emergence of goods and services availability offered by the market did not always correspond to adequate preparation of consumers, which were exposed and permeable to new forms of commercial communication by omnipresent mass media. In 1968, the anti-capitalist and consumerist contestation came. Those contestations highlighted how advertising is likely to affect both the interests of competing companies and consumers, affecting the correct competition and the freedom of self-determination. The European legislator was not insensitive to this issue, formulating a preliminary program for a consumer protection and information policy, which, although with different events, have followed up to the present days (Fusi, 2009).

Regards advertising, the main products of this legislative policy were Directive 84/450 / EEC and Directive 97/55 / EC. The first directive sanctioned the prohibition of misleading advertising to protect consumers from commercial communication aimed at misleading them and jeopardizing their economic behavior. The second one declared comparative advertising lawful on certain conditions on the assumption that it would be a useful tool for informing consumers and enabling them to make correct lawful purchase decisions.

These regulations protected the two primary rights of consumers: to be informed and to be not deceived. However, a third purpose remained uncovered: that of consumers not being 'manipulated.' For the legislative purpose, 'manipulated' was used as synonymous with 'maneuvered, controlled, conditioned,' referring to those types of advertising which can produce the effect of altering the process of free wish formation or even provoke states of psychological subjection or unconscious reactions (Fusi, 2009).

The reasons why the European legislator did not initially deal with these forms of advertising reside in the indefinite border of the issue. Nevertheless, there are some dispositions from which the existence of a related interest can be deducted. These provisions were, in particular, two, both introduced with the television directive 89/552 / EEC: one involving the prohibition of advertising not recognizable as such and the other the prohibition of the communication technique based on subliminal projection. Both rules were intended to link to the more general ban on misleading advertising.

After some years of stalling, due to new European asset delineations, the directive 2005/29 / EC was introduced. Always having the interests of consumers in mind, it introduces a new



category of offenses consisting of unfair commercial practices, including also the conduct that, although not misleading, implement some form of undue pressure on consumers. Those practices indeed could limit consumers' freedom of choice and lead them to economic decisions that they would not otherwise have taken. The directive deals with the advertisements capable of causing psychological conditioning and with all the unfair commercial practices put in place before, during, and after commercial operations.

The legislator distinguished between "deceptive" and "aggressive" practices (Fusi, 2009).

The former characterizes themselves as capable of influencing the recipient's decisions as a result of false or decisive information on the product, the conditions of purchase and supply, the manufacturing company, and the rights of the buyer. The latter is likely to compromise their freedom of self-determination and choice through harassment, coercion, or undue conditioning. Inside the extremes of aggressive commercial conduct, we can identify forms of advertising suitable to alter the decision-making capacity of the consumer, not on an emotional basis but by lowering their critical reactions. The mildest forms are represented by messages that minimize the risks that a product can entail. Many of those fall within the scope of misleading advertising articles, but inside the self-regulatory code emerge situations which, although not deceptive, may lower the level of the guard in the receivers. Among these, by way of example, can be identified the advertising of alcohol that represents sobriety and abstemious as negative values or which lead to neglect caution and moderation in consumption (art.22, co. 2, cap); or messages for medicines or curative treatments that make the doctor's consultation seem superfluous (art.25, co. 4, C.A.).

Various forms of commercial communication that cannot be recognized as such or are even not perceivable by the senses can be included under the scope of those articles. In those situations, customers do not have the opportunity to feel that they are being exposed to a promotional message, neglecting or even preventing the activation of natural and spontaneous self-defense mechanisms that individuals have when subjected to persuasive actions.

The best known of these communication formulas are editorial advertising and subliminal advertising, both prohibited by directive 89/552 / EEC on television and currently regulated in Italy for the radio and television sector by Legislative Decree no. 177/2005 and by the AGCOM Reg. 538/2001 and for all types of advertising by art. 5, co. 1 and 3 of Legislative Decree 145/2007, as well as by art. 7 c.a. which prohibits advertising not recognizable as such.

Prohibition of unrecognizable advertising is generally linked to the more general one of misleading advertising, but it seems that its primary function is to protect the public from undue

conditioning. In editorial advertising, this can derive from apparent objectivity and, therefore, from the credibility of what appears to be a neutral service. At the same time, in the subliminal one, it even follows from the non-perceptibility of the message.

Both hypotheses trigger the natural defenses of each individual, hiding the true nature of communication.

To complete the legal frame, it should be added that Directive 2005/29 / EC was implemented in Italy with Legislative Decree no. 2 August 2007, 146, which has almost faithfully transposed it. The new legislation has found a place in the consumer code (Legislative Decree 6 September 2005, n. 206), replacing the old articles 18 to 27, devolving the competence to know them to the Authority for Competition and Market (AGCM).

This discipline, which is part of the more general framework of unfair commercial practices as defined in the new art. 20 of the consumer code is contained in three articles: art. 24, which provides the notion of aggressive commercial practice; Article. 25, which brings to the benefit of the interpreter the elements to be taken into consideration to determine the aggressive nature of a commercial practice; and art. 26, which enumerates eight types of commercial practices to be considered aggressive and, as such, prohibited in any case, concerning which, therefore, the interpreter will not even have to verify the suitability for influence consumer decisions as this is in some guise presumed *ex Jure*.

### 3.1.1 Consumer code and AGCM intervention

It is essential to clarify that companies can draw on collaborations with influencers for their communication. There is no prohibition in this regard.

However, it is essential to make users understand the nature of the post: is the contract spontaneous or behind this endorsement is there a contract and an economic consideration?

The spread of those branded posts has created more than one problem, carrying the Italian Competition Authority (AGCM) to intervene.

The first AGCM intervention started in the summer of 2017, warning some brands and reminding that, by law, advertising must always be recognizable, even on social networks. The AGCM has sent moral suasion letters to seven influencers and eleven companies with highly renowned brands, with reference to specific content disseminated via posts on Instagram, in order to solicit maximum transparency and clarity on the possible content of the posts published. It specified that the ban on hidden advertising has a general scope and also applies to communications disseminated via social networks. (Peroni & Finocchito, 2019)

After one year, during which it continued to carry out its monitoring activity, the AGCM sent further letters to influencers and brand owners. AGCM reminded them that advertising must be recognizable as such, through the use of the appropriate warnings (#sponsored, #advertising, #ad, or, in the case of the supply of the property even if free of charge, #giftedby).

In December 2018, the Authority announced that it had also concluded this second moral suasion and, at the same time, had initiated an investigation procedure, aimed at identifying any hidden promotions. AGCM does not refer only to cash payments: the best practice also applies to gifts.

The use of illegal practices is a violation of the rules contained in the Consumer Code and therefore exposes companies and influencers to penalties. AGCM can, therefore, sanction guilty realities. The first intervention starts from actions of assessment and preventive protection, such as suspension of commercial practices deemed harmful, up to real fines. These fines, according to article 27, section 9 of the consumer code, can range from 5,000 to 5,000,000 euros. The minimum is raised to 50,000 euros if the advertisement does not inform of the health and safety risks that the product can bring.

## 3.2 IAP Institute and Digital Chart

### 3.2.1 IAP foundation and recognition

The ‘Istituto di Autodisciplina Pubblicitaria’ for over 50 years set the standards for commercial communication based on “Honest, truthful and correct”<sup>23</sup> principles to protect consumers and fair competition between businesses. It does this with a self-regulation code to which the leading operators in the sector adhere because the spread of honest communication is in everyone’s interest. Companies require respect for competition rules; consumers want to reject deceptive or offensive messages; mass media wish that editorial content is not polluted from messages not appreciated by the public.

Industry organizations promulgated the first Code of Advertising Self-Discipline on 12 May 1966.<sup>24</sup> During the first years, due to criticisms from the advertisement sector and skepticism of consumer organizations, they had a modest rate of intervention. The decision to entrust the chairmanship of the judicial body to a high judge and the continuous innovation of the policies helped IAP to gain trust and respect. Another positive contribution came from a revision of the Code, which included the obligation to expressly mention the names of the parties involved in the rulings, explicit confirmation of a public assumption of responsibility, and increasing consumer protection. After some years, IAP emanated an incisive set of new substantive rules (transparency of advertising; respect for moral, civil, and religious beliefs; obligation to report the dangers inherent in certain products; limits to advertising for alcoholic beverages, for cosmetics and organized travel). The final step was that all the members of the Jury had to be appointed from experts outside the world of advertising, to guarantee maximum independence and impartiality of judgment. This was a turning point that made a decisive contribution to the elimination of the remaining positions of disbelief and suspicion.

Thus, began the evolutionary process that would constitute one of the peculiar characteristics of self-discipline. The revisions of the Code soon became almost annual: this means a timely and constant updating of the rules, indispensable to keep up with the evolution of a dynamic phenomenon such as today’s commercial communication, inserted in the marketing of a free market in continuous expansion.

Advertising self-disciplines are viewed favorably by the European Union. The Directive n. 450/84 on misleading advertising specifies that “voluntary checks carried out by autonomous

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<sup>23</sup> Those keywords are provided by the Institute, on its website. Available at <https://www.iap.it/iap-in-breve/>

<sup>24</sup> The updated code is available at <https://www.iap.it/wp-content/uploads/2019/10/Codice-66a-edizione-29-aprile-2019.pdf>

bodies to eliminate misleading advertising can avoid judicial actions or administrative appeals and must, therefore, be encouraged.”<sup>25</sup>

Subsequently, Directive no. 29/05 on misleading and comparative advertising states that “it is appropriate to provide for a role for codes of conduct that allows professionals to effectively apply the principles of this directive in specific economic sectors. The control exercised by code holders at the national or community level for the elimination of unfair commercial practices can avoid the need for judicial or administrative action and should, therefore, be encouraged.”<sup>26</sup> Based on this European recognition, in Italy, the Consumer Code contains a rule that formally recognizes the existence of voluntary and autonomous self-regulatory bodies. It also provides for the possibility of requesting the suspension of the legal procedure waiting for the decision of the self-regulatory Authority.

The ‘Istituto di Autodisciplina Pubblicitaria’ in the field of commercial communication is not one of the many possible self-disciplines. It stands as a sort of necessary community of all those subjects in various capacities interested in the control of the contents of commercial communication. The IAP, therefore, became the interlocutor of the Competition and Market Authority. Numerous decisions of the state courts also recognize the value of the Italian advertising self-regulation. For example, a judgment of the Court of Cassation has identified in the rules contained in the IAP Code the value of evaluation parameters of correctness and professional ethics, having the capacity to adapt the principle of professional correctness to the evolution of the needs of the business activity.

In addition to the formal acknowledgments of the self-regulation both at EU and national level, the Memorandum of Understanding between the Minister for Equal Opportunities and the ‘Istituto di Autodisciplina Pubblicitaria’ concerning commercial communication with “gender” content, must be considered.

### 3.2.2 Digital Chart

The use of digital tools in commercial communication has led to the creation of new languages and new forms of expression, subject to a constant innovation process.

The Institute that has been dealing with commercial digital communication for years, evaluating the correctness of these forms of communication with the Control Committee and the Jury, realized an opening towards the online world. This opening was suggested by the Digital

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<sup>25</sup> Full-text available <https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:31984L0450&from=SV>

<sup>26</sup> As cited on the IAP website, available at <https://www.iap.it/conoscere-iap/finalita-e-funzioni/>

Marketing Communication Best Practice Recommendation, drawn up by the European Advertising Standards Alliance - EASA, of which IAP is a co-founder.

IAP published the first version of the Digital Chart in May 2016, and the last updates were made in the summer of 2017, to meet the needs dictated by the specificities of commercial communication via the web. The Institute of Self-Discipline has been dealing with online advertising for some time, both through contributions to the development of self-disciplinary texts at the European level and with direct interventions by the Control Committee and the Jury. Since 2015 the Institute has also intervened in the field of OBA (Online Behavioral Advertising), a tool that allows you to show different messages to each user according to his browsing habits. The main objectives connected with the introduction of the Digital Chart were, in particular, the regulation of endorsements by influencers and celebrities on the web and the main social networks.

Over the last years, it has become a point of reference in the influencer marketing industry but has remained mainly a collection of recommendations and best practices until last year, without apparent legal effects even inside the IAP legal agreements.

From April 2019, the guidelines of the Digital Chart have been transfused into an effective regulation called “Digital Chart Regulation on the recognition of commercial communication spread over the internet” (in short “Digital Chart Regulation”), to which the 66th edition of the Code of Self-discipline expressly refers.

The reference to the new Digital Chart Regulation is found in article 7 of the Corporate Governance Code, as last amended. This rule, aimed at suppressing the advertising deception through the guilty concealment of its commercial purposes, in the past, was limited to imposing the recognition of commercial communication and the distinction of the same from content and information of other kinds through suitable precautions. With the latest updates made to the Code, article 7 goes on to specify that “as regards certain forms of commercial communication disseminated through the Internet, the main suitable measures are indicated in the Digital Chart Regulation.” (Codice di Autodisciplina della Comunicazione Commerciale, 2019)

Taking the formulation of the old guidelines, the Digital Chart Regulation lists the requirements to be respected, as well as the wordings and hashtags to be used. The aim is to make each of the most common forms of digital commercial communication recognizable (such as, for example, endorsement by influencers and celebrities, videos, native advertising, in-app advertising, advergame, editorial content, etc.) so that the recognition requirement referred to in article 7 of the Corporate Governance Code can be considered satisfied.

The dissemination of commercial digital communications that do not comply with the Digital Chart Regulation will, therefore, constitute a violation of article 7 of the Corporate Governance Code and may be contested by both competitors and by the Self-Governance Institute ex officio. In most severe cases, it could even be subject to fines by the Competition and Market Authority (AGCM), as seen in the previous paragraph.

Internet advertising can take several forms. A first group constitutes a transposition, on the internet, of traditional forms of advertising: banners and commercials (autonomous, or at the beginning or in the middle of a video of other content) present the characteristics, primarily in appearance, of standard advertising messages. This type of advertising can present particular critical profiles concerning the medium used but usually does not pose problems in terms of recognizability of the advertising function of the message. A second group, on the other hand, has its formal characteristics, which descend from the digital channel used, being born and developed with it. Here, given the novelty of the phenomenon, the problem of the recognizability of communications as what they are, or commissioned communications, is pre-eminent.

The Digital Chart deals precisely with this second group, stating that the commercial communication disseminated through the internet, whatever the methods used, must make its promotional purpose manifest through suitable precautions. With the use of the measures indicated in the Digital Chart, requirements are certainly considered satisfied. It describes four macro-typologies of “typically digital” advertising, endorsement, native advertising, in-app advertising, and advergaming, articulated in the ten most common forms of commercial digital communication.<sup>27</sup>

### **Endorsement**

In the event that the accreditation of a product or brand, put in place by celebrities, influencers, bloggers, or other similar figures of network users who with their own intervention could potentially influence the commercial choices of the public, (hereinafter, collectively, influencer), having the nature of commercial communication, must be inserted clearly in the initial part of the post or other communication diffused on the net one of the following words: “Advertising / Advertising,” or “Promoted by ... brand / Promoted by ... brand” or “Sponsored by ... brand / Sponsored by ... brand,” or “in collaboration with ... brand / In partnership with ... brand”;

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<sup>27</sup> For the purpose of this work, not influencer-related forms are only mentioned. Full-text of Digital Chart is available at <https://www.iap.it/codice-e-altre-fonti/regolamenti-autodisciplinari/digital-chart/>.

In the case of a post within the first three hashtags, provided of immediate perception, one of the following words: “# Advertising / # Advertising,” or “#Sponsored by ... brand / # Sponsored by ... brand,” or “#ad” together with “#brand.”

In the case of “expiring” content, such as stories, for example, one of these words must be clearly visible overlaid on the visual elements of each promotional content.

In the different case in which the relationship between influencer and advertiser is not a client but is limited to the occasional sending by the latter of its products for free or for a modest fee, the posts or other communications disseminated online by the influencer that cite or represent these products must contain - instead of the above warnings - a disclaimer of the following content: “product sent by ... brand”, or equivalent.

In the case referred to in the previous paragraph, the advertiser must inform the influencer, clearly and unequivocally, at the time of sending the product, of the existence of the obligation to insert this disclaimer. In this case the responsibility of the advertiser is limited to the notification to the influencer of the existence of this obligation.

## **Videos**

In the event that a video produced and distributed on the net has the nature of commercial communication, written or verbal warnings must be inserted in the initial or final scenes, which make clear the promotional purpose of the video (for example: “brand presents ...”, or “in collaboration with ... brand”).

In particular, the insertion for promotional purposes of products/brands of an advertiser or of the author of the video must be brought to the attention of the public through specific disclaimers in the starting or ending shots of the video, or in correspondence with the shots containing the reproduction of products/brands.

In the different case in which the relationship between the author of the video and the advertiser is not a client but is limited to the occasional sending by the latter of its products for free or for a modest value, and these products are mentioned, used or classified in the video, the latter must contain at the beginning a disclaimer, verbal or written, of the following content: “this product was sent to me by ...”, “product sent by ...”.

In the case referred to in the previous paragraph, the advertiser must inform the influencer, clearly and unequivocally, at the time of sending the product, of the existence of the obligation to insert this disclaimer. In this case, the responsibility of the advertiser is limited to the notification to the influencer of the existence of this obligation.



**Invitations to events**

In the event that the relationship between influencer and advertiser is not a client but is limited to the invitation by the latter to participate in an event, the posts and other communications disseminated online by the influencer that give news of a product or brands in relation to the event must inform the public that participation took place at the advertiser's invitation. The advertiser must inform the influencer clearly and unequivocally, at the time of the invitation, of the existence of this information obligation. In this case the responsibility of the advertiser is limited to the notification to the influencer of the existence of this obligation.

**User-generated content**

User-generated content that has the nature of commercial communication must clearly indicate this nature, with the adoption of one of the measures indicated in the preceding articles.

**In-feed units (Editorial content)**

The in-feed units that have the nature of commercial communication must make this nature evident by inserting, in positions, and with methods designed to ensure clear visibility of warnings such as specific tags or disclaimers.

**Paid search units (Sponsored search results)**

The paid search units must make their commercial nature evident with a separation also graphically from the so-called organic search contents, together with statements that explicitly inform users that it is promotional content.

**Recommendation widgets**

The promotional content disseminated in the form of recommendation widgets must make their nature of commercial communication evident by adopting effective measures.

**In-App advertising (App with advertising content)**

If the content of an App has all or part of a commercial communication nature, users of the same must be warned by suitable means that this content has been sponsored by the advertiser.

**Advergame (Promotional games)**

The promotional nature of an advergame must be made evident through the use of specific terms or disclaimers at the beginning of the game.

### 3.2.3 Legal case: Peugeot versus Newtopia

The first pronouncement of the self-regulatory Jury on influencers concerns an Instagram Story. The IG Story allows the user of the social network to share a short sequence of images and videos with all his followers. The Story will appear in the newsfeed of the user's followers, who can also comment on it. Characteristic of the IG Story is their being ephemeral. Stories can only be made up of content recorded live, or in any case, created in the 24 hours preceding publication. The duration of the publication is 24 hours: after this deadline disappears from the newsfeed of the social network (and therefore is no longer visible to the public), even if it can be archived on the profile of the person who created it.

#### **Facts and procedure.**

The IG Story in question was composed of photographs and short videos that portrayed the celebrity's visit<sup>28</sup> to the Peugeot stand during the International Tennis Championships taking place at that time in Rome, of which the car manufacturer was an official sponsor. The images clearly show the vehicles on the stand, their brand, as well as a shot of the celebrity inside a car while illustrating its functionality. The car manufacturer was tagged (with a link to its official Instagram profile) at the opening of the IG Story.

The day after the Story was published, the Chairman of the Control Committee enjoined ex-art. 39 C.a. to the car manufacturer and to the company Newtopia S.r.l. to desist from the diffusion of the commercial communication established by IG Story on any medium.

The Chairman considered it as manifestly contrary to art. 7 C.a., under which "commercial communication must always be recognizable as such." The communication indeed had not adopted those measures indicated in the Digital Chart to make it distinguishable, even from a strong point of view, from other types of content.

Newtopia S.r.l., unlike the car manufacturer, proposed timely opposition to the injunction for three orders of reasons. First of all, it pointed out that the self-regulatory code did not bind the company since it did not join the IAP; Secondly, he asked for the revocation of the injunction for functional reasons, as the release was not more visible after 24 hours. Therefore, the provision would have resulted in inutiliter datum. The third reason was substantial: the Story in question was not commercial. Therefore, it would not have been born as a fulfillment of a contractual obligation. They state that it would be a short private story of the celebrity, published on the occasion of his visit at the International Tennis Championships and at the Peugeot stand.

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<sup>28</sup> The celebrity was Fedez. He not mentioned in the sentence since the celebrity is treated as an auxiliary. (Pappalardo, 2018)

The reasons on which the opposition was based were not considered sufficient. Considering also the novelty of the matter, the President of the Jury ordered the convening of the parties in front of the Jury. The car manufacturer, which had not objected to the injunction, appeared in the proceedings before the Jury. Peugeot reiterated its adhesion to the IAP, and of having always conformed its communication activity to the self-disciplinary regulations. They also claimed to have entered into a contract with the artist (then consensually terminated) relating to the conduct of promotional activities: these also included the publication on the Instagram account of the celebrity of photos, videos, and IG Story.

In this contract, it was expressly provided that the testimonial complied with the advertising regulations and, in particular, indicated with appropriate hashtags that it was sponsored content. Moreover, the company had to approve the posts before their publication. Peugeot then complained that he had no control over the contents published by the artist subject of the injunction: the IG Story had not been submitted to him either beforehand (since it is a private story, as claimed by the company Newtopia), or subsequently, given the short duration of the publication. In any case, they asked that if the violation of art. 7 C.a. had been ascertained to declare the company not attributable to the violation.

The defense of the Newtopia company took up the arguments already illustrated in the opposition, also confirming the circumstances put forward by Peugeot regarding the contractual relations between the artist and the automobile company, of which, however, that company was not a part (2). They also confirmed that although the celebrity had been invited to the Tennis International by the sponsor (Peugeot), the IG Story was personal, not the fulfillment of an advertising obligation. On the contrary, they claimed that the artist, sensitive to the issue of recognizable advertising on social networks, never failed to report his advertising posts adequately. The fact that, in this case, the indication had been omitted demonstrated the private and personal nature of the post.

During the hearing, the parties reiterated the positions expressed in the defensive documents, and at the end of the same, the Jury, pronouncing only against Peugeot, believed the statement to be in contrast with art. 7 C.a. as the nature of commercial communication had not been sufficiently highlighted.

### **Decision.**

The Jury considered that it could not pronounce against Newtopia, as it was not bound by the Self-Discipline Code nor part of the existing contract between Peugeot and Fedez.

On the contrary, it considered that it had competence and jurisdiction towards Peugeot, to whom the disputed communications are attributable by virtue of the existence of a contractual relationship between the advertiser and the author of the press releases, holding Peugeot responsible for the violation of article 7 of the Corporate Governance Code of Commercial Communication.

The Jury went on to say that the story made aboard the car was the subject of the aforementioned contract and that Peugeot staff assigned to the Stand collaborated on it. Therefore, the Jury considered that Peugeot was in a position to intervene to verify the correctness of the contents disseminated. When the video was put online, there was the tag on Peugeot's Instagram page. Receiving a tag, the company had been notified of the publication of said contents. Moreover, Peugeot re-proposed the content on its Instagram page that features the artist as an episode of its "#DriveToTennis" campaign. With this action, Peugeot prolonged the visibility of the stories, implicitly expressing its approval for the work of the artist (Pappalardo, 2018).

Compared to the contents usually published by the artist, which recount moments of his private life without making any brand visible, those under examination, on the other hand, clearly show the Peugeot brand, increasing the visibility of the company through the followers, who are directed to the account Instagram of the advertiser.

As for the exceptions raised by Peugeot, concerning the spontaneous cessation of communication, the Jury did not consider them founded, stating that: "For consolidated self-disciplinary jurisprudence, the cessation of a campaign does not imply the cessation of the matter of contention and does not negate the competence of the Jury to decide. The self-disciplinary judgment is aimed at dictating provisions so that a campaign that does not comply with the Code, even if it ceases, is not repeated in the same forms".

Therefore, the Jury, pronouncing only against Peugeot, declared that the message in question has a promotional effect and is, therefore, in contrast with article 7 of the Corporate Governance Code and inhibits its repetition by any means.

## 4. Research findings: influencers' regulation effects

We started from the basis of influencers' power, their reputation. After seeing how they can use this power to influence other people as a competitive advantage and a business opportunity, we analyzed the awareness of users concerning these practices. Later, we have analyzed the present legal frame, which generates some issues and worries regarding consumer protection. We have seen how the legal system is responding to this new world.

The last part of this research aim at answering two main unsolved questions:

- Is a norm ruling influencers' marketing perceived as necessary by users? What's being delineating by IAP is enough to protect them?
- If the legal norm will be written on the basis of the IAP Digital Chart, will it affect influencers' business? Who will benefit, and who will lose from this regulatory evolution?

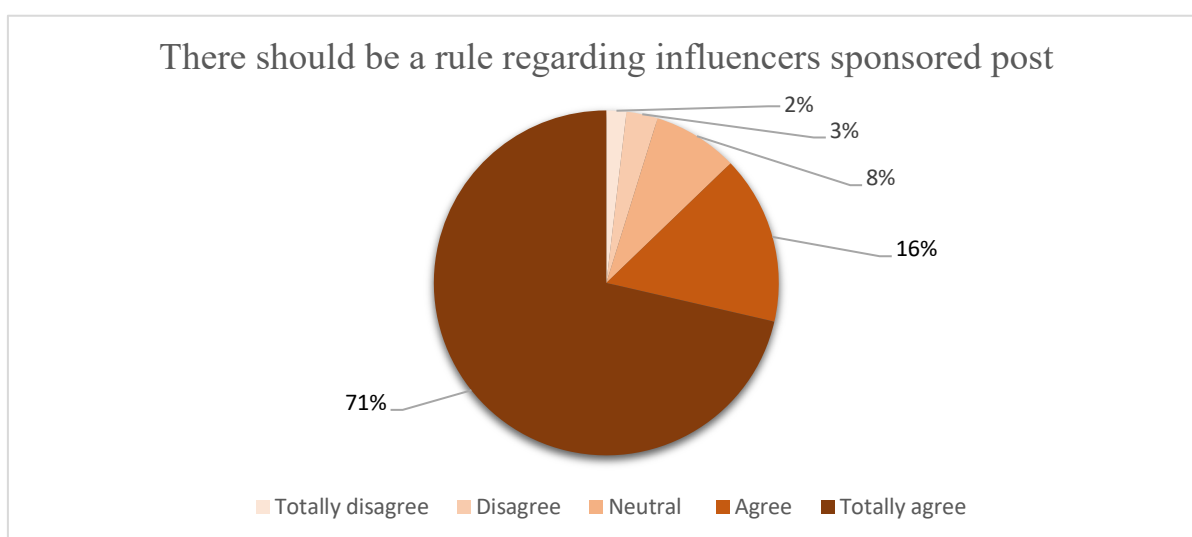
The first research question will be analyzed in 4.1 through four questions aiming at understanding user's opinions regarding regulation.

The second research question will be analyzed in 4.2, through the creation of four scenarios, studied together with some influencers, collecting user's reactions to them.

#### 4.1 Rules about influencers' advertising: necessity and validity

Regarding the first research question, four statements were presented to the sample, asking them to rate (1-10) their level of agreement:

- An Italian or European law should impose that when an influencer sponsors a product, the advertising purpose must be clear.
- A rule that requires the insertion of a hashtag indicating the promotional nature of the post (#adv, #ad, #giftedby, ...), within the first 3 tags, is sufficient to let users know that the content is advertised.
- The influencers should be responsible for adapting themselves to the insertion of the tags (#adv, #ad, #giftedby, ...) in their posts.
- The companies should be responsible for imposing and verifying that the related tags (#adv, #ad, #giftedby, ...) are inserted in the posts of the influencers.



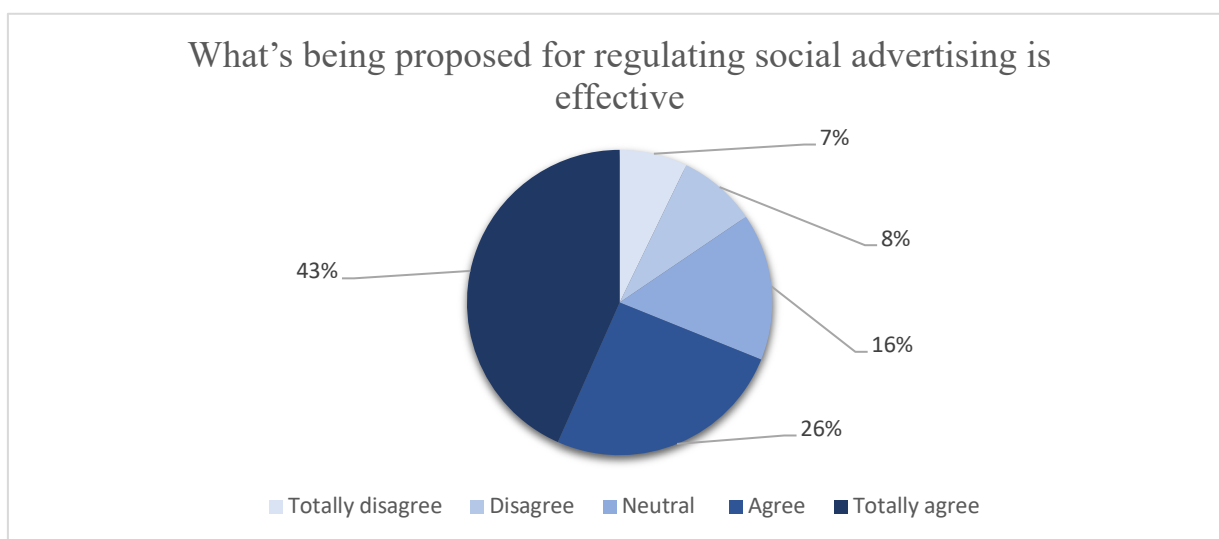
Graph 4. 1 gives a score to the statement "Una norma di legge (italiana o europea) dovrebbe imporre che, quando un influencer sponsorizza un prodotto, sia evidente che il post è sponsorizzato". Results in percentage, total respondents 1601

The first statement registered that 87% of people agreed on the necessity of a rule imposing the disclosure of advertising practices [Graph 4.1]. Social media users are feeling the need of protection regarding their purchases. These results represent two different purposes: on one side, the awareness of what's is advertised, to the right interpret the influencer's message; on the other side, the awareness of what's not advertised, and so, what can be trusted as a genuine endorsement. It is worth remembering that originally many influencers were followed by those who seek advice. Genuine product endorsement represents something interesting for users. The

aim of a rule, therefore, should be to correctly differentiate between organic and paid content without discouraging collaborations with firms.

Between generation Y and Z, there are 0,6 points (6%) of differences in means. The average Z user responses indeed are 8,7%, against 9,3% of generation Y. The difference is statistically significant according to the ANOVA test, with a p-value of 0.000547. This difference between generations is not surprising, being aware that the sample is collected between influencers' users and remembering that generation Y results to be slightly more affected than generation Z by influencers' advice. It is reasonable that who's more affected by reviews is more interested in transparency. Moreover, individuals of the Y generation have not always been used to this form of advertising, and it can be more challenging for them to discern between organic and paid content<sup>29</sup>.

Between who is aware and who is not about the influencers' business, there is evidence that the first ones are more interested in a rule regarding this type of advertising. Who is not aware of influencer work, does probably not think about it, and do not feel the presence of risks connected with hidden advertising.



Graph 4. 2 gives a score to the statement “ Una norma che imponga l’inserimento di un hashtag che indichi la natura promozionale del post (#adv, #ad, #giftedby, ...), entro i primi 3 tag, è sufficiente per far sapere agli utenti che il contenuto è sponsorizzato.” Results in percentage, total respondents 1598

The second statement registered a lower agreement level between users. Although 69% of the population still agree with rules proposed by IAP (summarized in the tag insert), the average answer is around 7,3, without any significant difference between generations [Graph 4.2].

<sup>29</sup> The issue of awareness about what is proposed online can also be found regarding the news. In the American elections of 2016, indeed, fake news regarding both sides were shared on social media nearly 40 million times (Allcott & Gentzkow, 2017). Even if this is a separate topic, it is interesting to underline that online information, regarding either advertising nature, quality of news, the provenience of information, and so on, will represent a major issue in the future years.

Individuals in the sample find necessary the introduction of a law concerning influencers, but not everyone is convinced that a hashtag will be sufficient. The reason behind this feeling can be found in the way that influencers and firms have applied the IAP advice. Often disclosure tags are present but are not easily visible. The ‘Istituto di Autodisciplina Pubblicitaria’ has already noticed this issue and is working on finding the correct way to impose the advertising disclosure in an effective way. In the meantime, it has provided in the Digital Chart specific hashtags to use and specific rules on how to insert them. Social media platforms themselves are beginning to work on the disclosure issue. Instagram, for example, is working in different ways:

- Company policies require creators and publishers to tag business partners in their branded content posts when there's an exchange of value between a creator or publisher and a business partner<sup>30</sup>.
- A warning message is displayed when a content seems to be an advertising message, inviting the user to make the content recognizable [Figure 4.1 and 4.2].

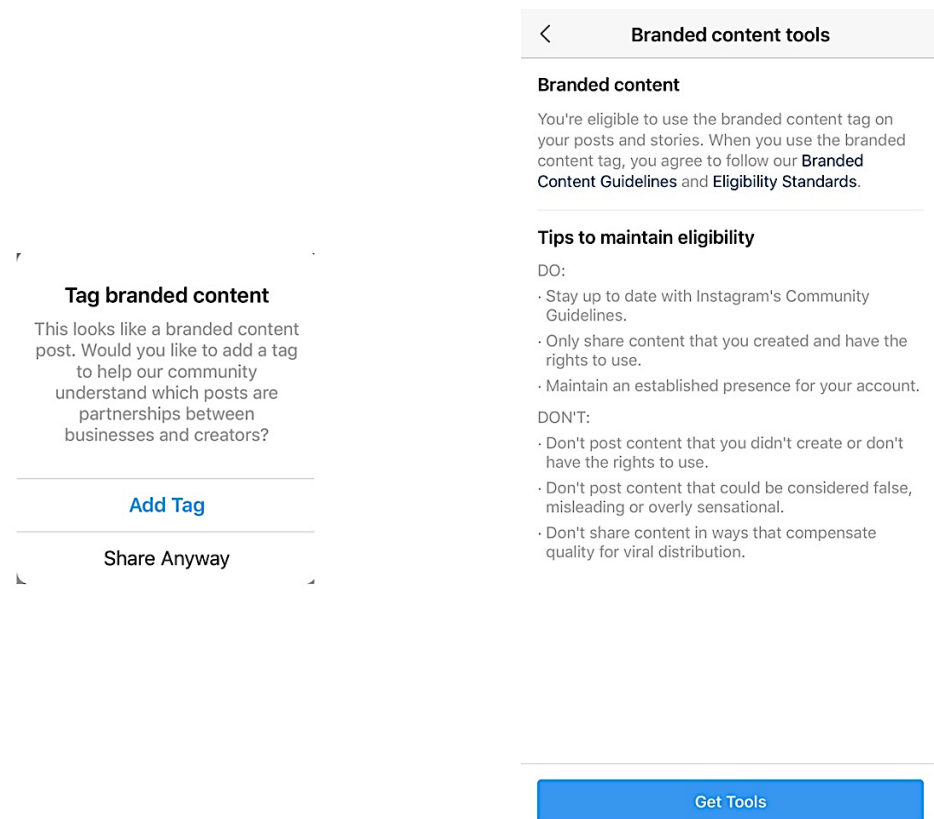


Figure 4. 1 and 4.2 (from left to right)– Branded content advice on Instagram. Source: Screenshot from the Instagram App on iOS.

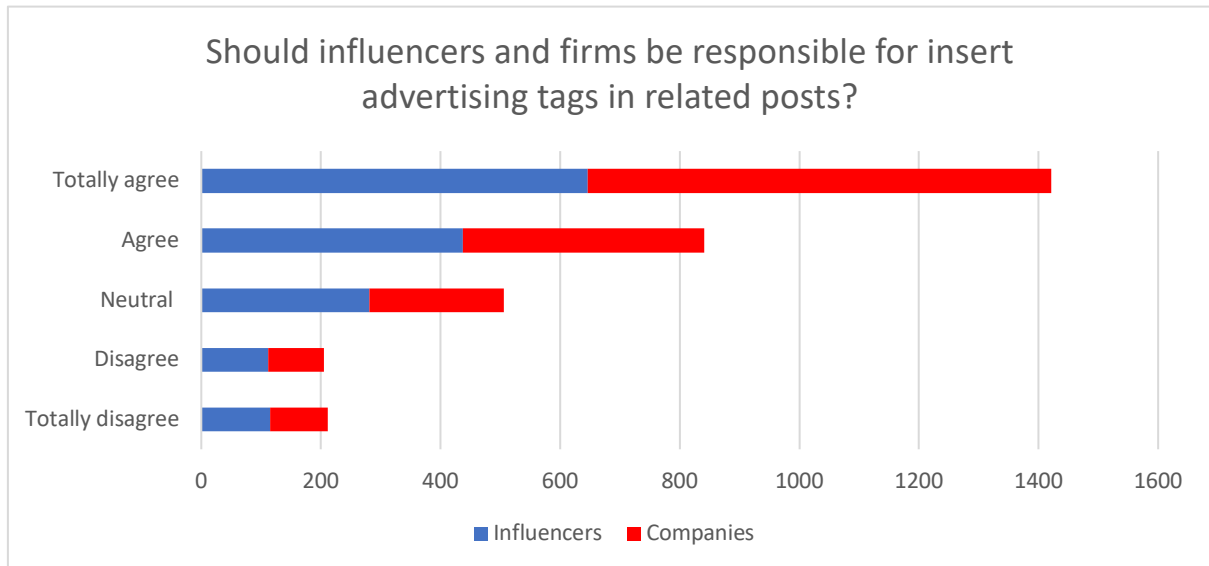
- A tool, named ‘branded content,’ allows creators and publishers to insert clearly the commercial partner, and also provides useful insights for both. This tool helps users recognize the advertising nature of the content and firms in evaluating results.

<sup>30</sup> The full policy is available on the official Facebook website, <https://www.facebook.com/policies/brandedcontent/>,



#### 4.1.1 Who should be responsible for advertising disclosure?

The last two statements regarded who has the responsibility for disclosure practice and control. Even between those, as for the answers about the IAP regulation proposal, there are no significant differences between generations, according to the ANOVA test. Although generations have slightly different opinions about regulation importance, they are aligned concerning how a final regulation should be applied.



Graph 4.3 comparative graph between scores given to the statements “Dovrebbero essere gli influencer i responsabili di adeguarsi autonomamente ai tag (#adv, #ad, #giftedby, ...) nei propri post.” and “Dovrebbero essere le aziende i responsabili di imporre e verificare che i tag (#adv, #ad, #giftedby, ...) vengano inseriti nei post degli influencer”. Total respondents 1591.

Results highlight that users perceive both influencers and firms as responsible for the disclosing of advertising practices: fair advertising is something that regards both parties. Indeed, 68% of respondents agree that influencers should be responsible for disclosing advertising content, and 74% agree that firms should be responsible for it. It is worth notice that only 13% of the sample disagreed about the responsibility of those two players [Graph 4.3], probably demanding the issue at the legislator.

Through this question, we are not able to determine who should be more indicated as the guarantor of correct practices. On the direct question, instead, “Who are the main responsible for the correctness and transparency of sponsored posts?” 70% of users answer ‘Influencers’. This second question advises that even if the disclosure is a shared issue, who publishes the content has the right opportunity to be fair with his followers. Any content provided by an influencer passes through his name, and for this, he has the responsibility. This is coherent with our analysis of e-WOM and the vision of the influencer as a friend. If we discover a friend making money with us selling hidden advertising, we will doom him in the first place.

## 4.2 Introduction of advertising regulation on social media: effects on influencers' business.

### 4.2.1 Framework of the questionnaire section

The second research question was analyzed, creating four possible scenarios following the introduction of the regulation. By 'introduction of the regulation' is meant at the legislative level, as the rules imposed by the IAP Digital Chart become Italian (or European) law and apply to all influencers, not in a voluntary form.

To create realistic scenarios, these were built after taking a qualitative interview with some influencers. According to them, the introduction of the IAP regulation at a national level could generate these situations:

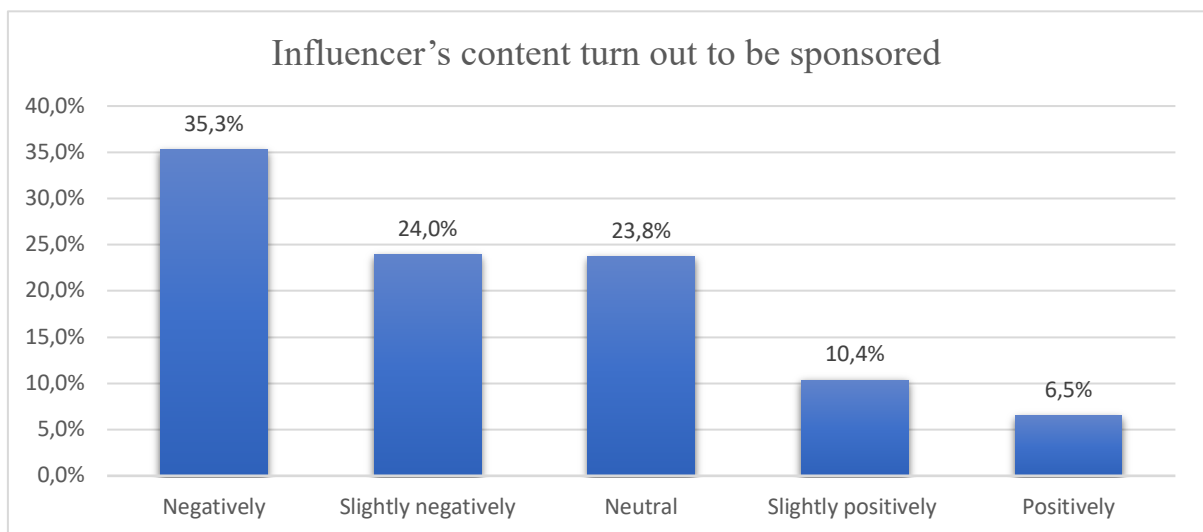
- The user finds that some contents of an influencer, which he believed to be spontaneous, were instead paid by a company. How? For example, noticing the insertion of the disclosure tag in cyclically reposted advertising (as branded Instagram stories). If a user saw a content a couple of days or week before without tags, and find the same one with an advertising disclosure tag, will interpret all the campaign as sponsored by the company.
- The user sees the introduction of disclosure tags on new posts and contents, but there is no reference to previous messages sent. The user, therefore, remains uncertain of the correctness of the prior communications. It is easy to imagine this situation in one-shot campaigns, once ended, it is improbable that users go back to it.
- The third scenario regards influencers who are particularly careful and transparent concerning advertising practices. Those who have already insert disclosure notices autonomously (maybe in different ways from the ones provided by IAP, but with the clear intent to be transparent in advertising), will be pleased to adapt to the new rules and will also influence others to follow their example. The user so will find messages aimed at raising awareness among the influencer's community on the issue of transparency. They will use their already present transparency as a competitive advantage.
- Some influencers may declare not to accept any sponsorships, or even mark their content with an opposite tag (#NoADV), to underline its non-promotional nature. This

practice has been used in very recent periods. In a market where hidden advertising is starting to pop up, choosing to be unrelated to that world could be a different approach.

To each scenario, respondents give a score representing the impact on the reputation of the influencer for them. Score 1 means that the scenario will negatively affect the influencers' reputation among the user; score 10 means that the scenario will positively affect the influencers' reputation among them. Results in the middle indicate a neutral effect: will not have any effect.

Across the scores attributed to these scenarios, comparing the means and using the ANOVA test, there are no statistically significant differences either between the Z and Y populations or between who is aware of the influencer business model and who is not. The effect of the introduction of transparency rules of advertising will, therefore, impact in the same way towards the different generations and populations active on social networks. Trust is based on the same assumptions between them. Although there may be different inclinations, the macro elements that generate trust are always the same.

#### 4.2.2 Users reaction to different scenarios



Graph 4. 4 score (1-10) to the statement “ Scopri che alcuni contenuti, che credevi spontanei, erano invece sponsorizzati.”  
Total respondents 1595.

The first one is the worst-case scenario in terms of impact on the influencer's business. Finding out that what was believed to be organic content is instead sponsored has a harmful impact on influencer's trust. 35% of the sample voted between 1 and 2, while 60% voted below the neutral value [Graph 4.4]. Moreover, 25% gave a score of 1, highlighting that for one user of four, this will have a strong negative effect on the opinion they about the influencer.

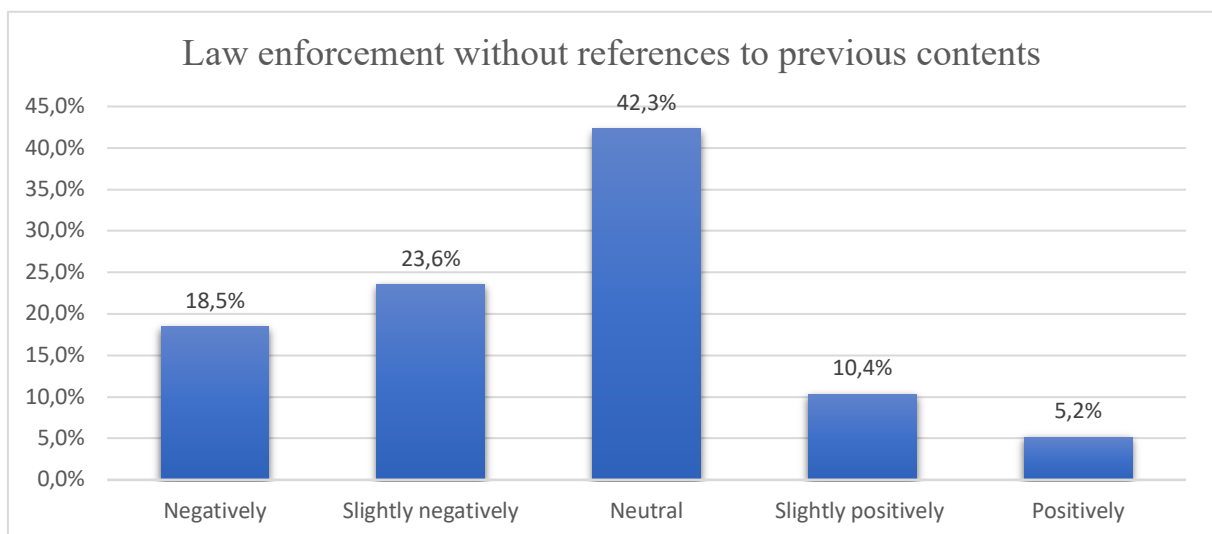
As a form of e-WOM, influence power of influencers gets its strengths from the feeling 'influencer as a friend'. Back to the similitudes influencer-friend, in easy to understand the

negative impact of this scenario on reputation. If we discover a friend selling his opinion to third parties, maybe also damaging our interest, we will no more be interested in it, and probably we will also lose trust and respect in his regards.

As seen in chapter one, users' trust represents the main asset for an influencer. The relationship between his and his followers represent the source of the influence power. Breaking the relationship will result in a significant loss of reach and influence, and consequently, a loss of contractual power.

This situation will involve all those influencers who have so far conducted unfair commercial practices on an ongoing basis, and who will reposition the same contents revealing their advertising nature due to contractual obligations.

Answering the first research question, we have highlighted how the responsibility for disclosure advertising is also shared by firms. Therefore, we can imagine that this scenario will also negatively affect the firm's corporate reputation, of those brands that used forms of hidden advertising. Since it is a common interest of firms and influencers not to reveal those past practices, they will probably change sequent communications, entering in the second scenario.



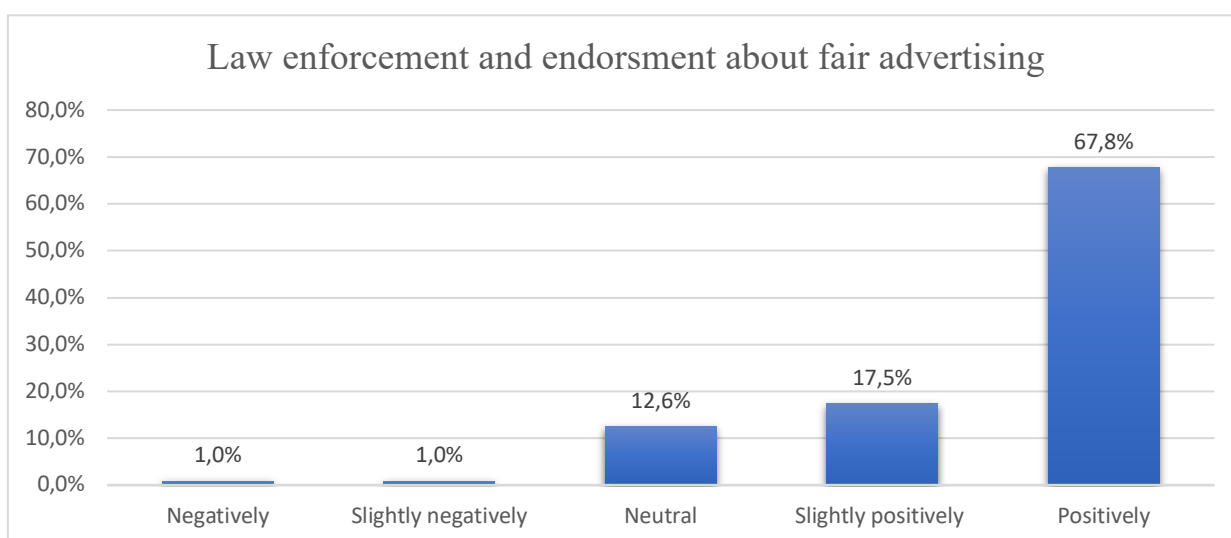
*Graph 4. 5 score (1-10) to the statement " Inizia a dichiarare tramite un tag (#adv, #ad, #giftedby, ...) che alcuni suoi contenuti sono sponsorizzati, ma nulla viene riferito a ciò che è già stato pubblicato.." Total respondents 1578.*

The second scenario represents the most common situation that will outline after the entry into force of the law. Influencers and companies will comply with the new regulation but will eliminate references with past communications, in order to be less recognizable. The user will encounter new messages, different from the previous ones, of which some will indicate the advertising nature. Nothing will be told about the previous posts. Being aware of the ephemeral use and the scarce attention paid on social networks (Romero et al., 2011), it is likely that many users will not notice the passage.

The effect, as expected, will be mixed. 42.1% of the population declares a negative effect on their reputation towards the influencer. These users seeing the sudden appearance of sponsored content, understand that also in the past there were some hidden paid messages, and react as in the first scenario. The sudden introduction of the tag, only because imposed by law, represents for them a wrong committed by the influencer, believing that this advertising nature of contents was not born from one day with the other, just in concomitance with the law.

42.3% of the population claims to be neutral towards this scenario. They do not extend the validity of the law in the past. They trust the influencer and also believe in his sponsored content. They are glad that the law is respected and do not have other doubts. 15.6% say that this will have a positive effect on reputation [Graph 4.5]. Those users remain faithful to the relationship with the influencer and appreciate even more that he's ready to respect the law.

In these cases, the effect that the introduction of the regulation will have on the influencers' business will depend on their relationship with the followers.



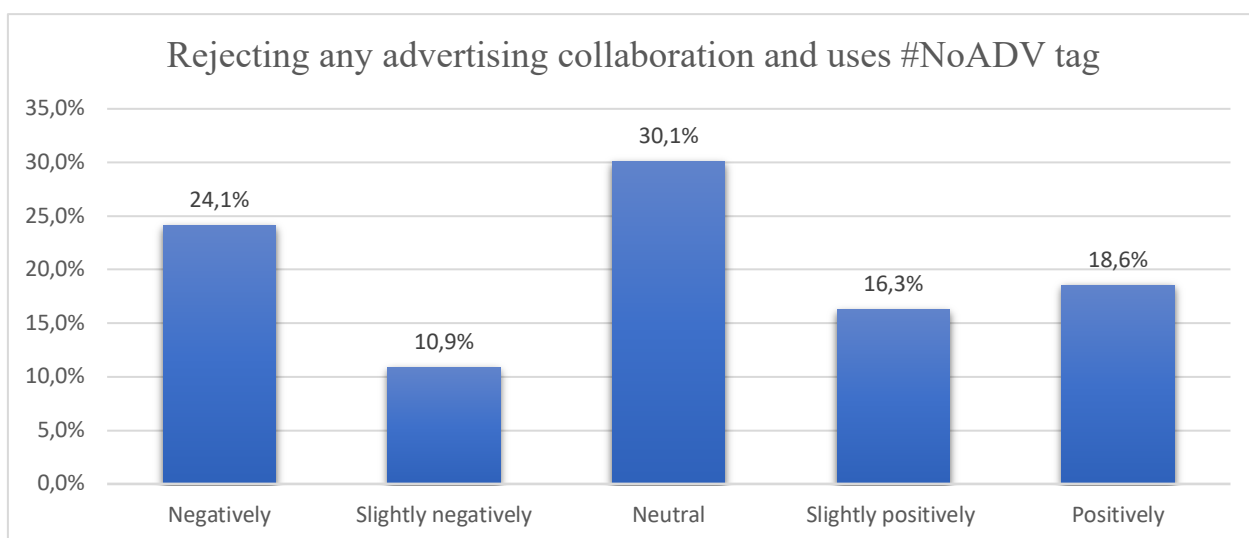
Graph 4. 6 score (1-10) to the statement "Da sempre è stato sensibile alla trasparenza delle proprie comunicazioni e ha dichiarato (in modi diversi) la natura pubblicitaria o meno dei post. Si adegua prontamente alle nuove norme ed invita i suoi colleghi a fare altrettanto." Total respondents 1583.

The best scenario for the influencer's business will be found among those who already respected the principles of correct communication. They will adapt their practices to the new regulation and will make informative communication about them. Those influencers, who have been transparent through the years, have created a climate of trust with followers towards sponsored content. They are aware of what they sponsor, accepting only collaborations they genuinely believe in. In a climate of trust, the user will also be led to trust sponsored content, being aware that the influencer would not present them only for a profit, maximizing users' and firms' utility.

The entry of the new law for these figures would not have a significant impact or a particular practical effect; it will not change the substance of their communication.

85% of the sample declares that the introduction of the standard will even have positive effects on influencers [Graph 4.6]. These figures who have always been transparent will not be in difficulty and will have the opportunity to strengthen their relationship with their followers further, demonstrating how they have always been compliant with correct communication practices.

In this group, according to their statements, we find the most influential Italian Instagram profile, Chiara Ferragni, who declares that she has never received letters of recall from anybody and that she has always been attentive to sponsorships. Chiara Ferragni, on her profile, has been inserting the #adv tag for years, creating a business around collaborations with brands. From 2017, with her management company, has autonomously joined IAP rules. (Galbiati, 2020).



Graph 4. 7 score (1-10) to the statement “Non inserisce nessun tag e dichiara di non accettare alcuna sponsorizzazione tramite tag #noadv “ Total respondents 1578.

The last scenario presented regard #NoADV tag and rejecting of all advertising collaborations. Results are very scattered and show the difficulty in predict users’ reactions. The sample, therefore, divides between 35% who would react negatively, 30% would be neutral, and the remaining 35% positively [Graph 4.7]. The use of a non-advertising tag presents some interpretation problems:

- The need to insert a #noadv tag can be read in a negative way: is everything that is not #noadv therefore sponsored?
- The willingness to emphasize that content is not sponsored seems interpretable as the ‘unsponsored equals more credible’ equation. But then what is sponsored is not more credible?

Moreover, correct advertising represents for influencers a way to create quality content for their users, especially for followers who seek for advice on products.

Influencers who resort to this strategy, therefore, take risks in applying it.

By declaring themselves as opposed to advertising and promoting content on their channel, they lose most of the earning opportunities (as analyzed in chapter 2), reducing the revenues of their business only to direct sales of their products or to revenues connected to the platform itself.

It also becomes a long-term strategy. Changing your mind in the future, backing down and accepting sponsorships, will surely be seen as a betrayal by users. Considering the uncertainty of the users' reaction, it appears to be an ineffective strategy at the moment.





## 5. Conclusion

Internet access is becoming more and more widespread, time after time, making people more connected. We are facing a revolution in marketing and communication practices, as it was for the introduction of the first mass media. The average user got powerful tools to express its opinions and to reach other users' opinions. The traditional word-of-mouth, limited to direct contact between customers, has evolved into the electronic word-of-mouth, going over geographic and time limits of direct communication. Some of those users, through a strong reputation, are capable of reaching vast audiences, becoming web influencers. To gain trust and reputation, influencers have to work on their personal brand. Users perceive them as peers and trust their recommendations as they were expert friends. Due to this power on customers, firms are interested in collaborating with them, sponsoring some content.

In this context, a new entrepreneurial figure emerged: the social media influencer. An individual, therefore, who has a following in a particular niche, which they actively engage with. Those influential users produce value for their niche, through quality content, aimed at entertainment or informative purpose. However, influencer's earnings generally do not come from their users. Influencers indeed are paid by firms, which buy advertising, or, in some limited platforms, by the platforms themselves.

A new advertising technique, therefore, emerged: influencer marketing. Firms provide influencers with the product and pay for their endorsement on social media channels. Prices can vary between 150\$ per post for micro-influencers around 10k followers to more than 1500\$ per post for influencers with around 1 million followers. We don't have data about top influencers, but it is reasonable that it is decided concerning each different work. Results are far better than traditional advertising techniques, reaching 5x the expenditure. Results are even better, in terms of engagement rate, leveraging on micro-influencer. According to our study, 75% of users bought a product advised by an influencer (registering an increase of 5% compared to Fasciano's research of 2018) and declared that influencer's advice has an impact, on average, of 5 on 10. Keeping in mind that users are not inclined to admit being influenced by others, it's a strong result. Comparing generations resulted that individuals of generation Y are not less influenced by social media influencers and are even slightly more influenced by their advice. Influencer marketing represents only the first way to create value through these powerful users. By interacting with firms and consumers, influencers obtain an in-depth knowledge of products and markets, connected with their niche, becoming lead users. As lead users, influencers can, therefore, foster innovation, providing new product solution, ideas, and usages for firms and final users.

Social media users are not always aware of how the influencer's business work. According to our study, 6 users on 10 declared to know how the influencer's business work, underlying that 40% of users are not aware of it. These users, therefore, are exposed to advertising that is not recognized as it.

Customer associations are worried about customers' rights protection, asking for respecting fair communication principles. In Italy, present law aims to protect customers from hidden advertising but can be connected to influencer marketing only through a generalization of present rules. At the moment, there is not any law directly referred to this phenomenon, even if the AGCM warned influencers to respect principles of correct communication.

The 'Istituto di Autodisciplina Pubblicitaria' is a private entity that, from 2016, provided a list of best practices for social media marketing in the Digital Chart. Those provisions, from 2019, are mandatory for those firms and individuals who join the IAP, pursuant to article 7 of the statute.

According to our study, 87% of users perceive the need for an Italian or European regulation. The regulation proposed by the Digital Chart is considered sufficient, with a score of 7,3 on 10, by active social media users. Probably, an institutional regulation could do something more.

Some social media platforms are starting to work on disclosure issues. Instagram, for example, has included a tool for branded content. Through artificial intelligence, Instagram is also trying to detect possible hidden sponsored content, advising the creator to insert disclosure tags.

The responsibility for respecting correct communication principles, according to most users, is demanded both to firms and influencers.

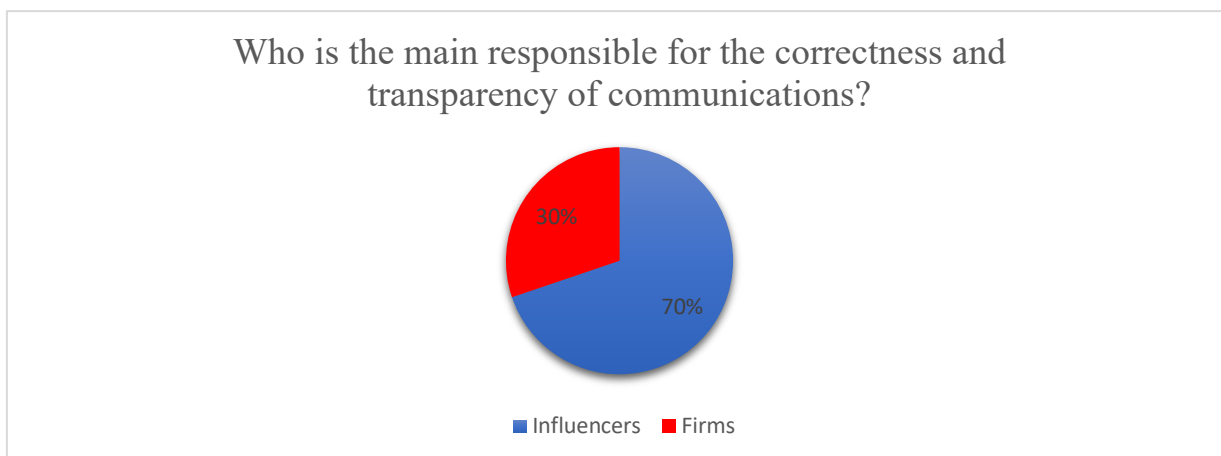
The introduction of a substantial regulation will have an impact on influencers' business and influencer marketing ROI. In particular, it resulted that influencers who are practicing hidden advertising will be the most damaged, while those who integrate disclosing methods before the introduction of the law, will possibly even benefit from it.

We have outlined the framework relating to the world of influencers: the basis of their influence power (reputation), how they can exploit it, and generate earnings (influencer marketing), the primary legal disputes, and the feeling of users. Now, to conclude, we can consequently thrive some implications for the three players involved: influencers, firms, and legislator.

### **Implications for influencers**

Influencers cover the most significant role in influencer marketing. The new regulations regarding social media advertising will significantly impact their business. The introduction of these regulatory changes, combined with more critical consideration upon the issue of

advertising transparency and correctness by users, will represent a threat or an opportunity, depending on how it will be managed. From the research results that we have analyzed, some efficient practices can be outlined for influencers who want to emerge in this new pattern. Looking at the third scenario proposed in chapter 4.2, regarding influencers who autonomously apply principles of correct communication, it appears that those will be able to reap considerable benefits. The implementation of the tags, therefore, and the adhesion to the IAP, before a concrete law enters into force could be an excellent commencement to obtain consent. In applying this, however, the influencer must be careful not to get carried away voluntarily in the first scenario: the introduction of disclosure tags must be gradual and explained to users. If the detachment with previous communications is explicit, the influencer will have to explain the reasons why he chose to sponsor the products, being aware that the public could feel betrayed. Once he has consolidated his position as the correct communicator, he will be ready to present himself as a promoter of the indications provided by the IAP.



Graph 5. 1 answers to the question “ Chi sono i maggiori responsabili della correttezza e trasparenza dei post sponsorizzati? “. Results in percentage, total respondents 735.

Influencers must be aware that to the direct question about who, between companies and influencers, should be responsible for inserting the tags and visibility of the advertising nature, the majority of users (70%) answered ‘influencers’ [Graph 5.1]. This feeling should sound like a wake-up call: influencers will be most exposed to this novelty.

They expect them to verify the correctness of communications because they trust them.

Influencers who know how to make the most of this new opportunity will have the opportunity to stand out among others and gain a competitive advantage in terms of the trust.

### **Implications for companies**

Companies are responsible for the correctness of communication for about a third of the population interviewed. Therefore, they cannot be excluded from taking action. According to the Peugeot versus Newtropa case (presented in the third chapter), the influencer is seen as a

mean, and the role of activating control systems over the correctness of communications is demanded to companies and agencies.

Advertising disclosure and correct communication principles are nothing new for most companies. In the passage from traditional advertising to social media advertising, companies have faced a major change in commercial partnerships. From working with mass media firms with strong contractual and decisive power, they start to work with single influencers or small agencies. Probably, due to the less structured partnerships, a lot of brands ignored the present legislation, with the risk of generating misleading advertising practices.

The introduction of the new law will produce two effects for companies:

- The increase of influencers' price. Influencers, due to the mandatory disclosure practices, have to declare the nature of the advertised content and will, therefore, be more careful and selective on what to sponsor.
- The reduction of the effectiveness measured by the ROI of social media campaigns oriented to sales. The friend-advice effect that produced the immediate purchase will be lowered by knowing the advertising intent.

To keep the advertising efficiency and achieve good results, companies will have to direct their influencer marketing practices towards new metrics, creating personalized content for each platform and influencer. They have to create content that is truly interesting for users to obtain the desired results. Traditional advertising mentality, oriented towards sales and short-term objectives, will no more fit social media advertising. Marketing departments have to change their objectives, orienting towards new metrics, like reputation and brand awareness, that fit better this new communication. Users will desire to know deeply why the influencer joins a collaboration, willing to know brand values and utility for them.

### **Implications for the legislator**

In our scheme, the legislator is the third player involved in influencer marketing practices and has the opportunity, currently not utilized, to play a decisive role in protecting users.

The legislator has to face different social interests:

Influencers need to produce value and make earnings, to carry on their business

Companies need for a free competition that requires, on the one hand, to be free in their practices, and on the other hand, to have clear rules, equal for any firm.

Social media users protection concerning advertising and manipulation since the average user is not always able to recognize the nature of some communications.

The IAP has provided a code, the Digital Chart, also take into consideration by the Court of Cassation, which could be used by the Italian legislator as a starting point for an overall law. The slowness of the central government is only one of the issues of such regulation. As demonstrated in other countries, as in the American case with Facebook, for the Cambridge Analytic scandal, the issue that governments are not ready to face these types of difficulties is diffused.

More than this, local regulation will risk being ineffective. Influencers work on global platforms, and often their reach is extended at least to Europe, and sometimes also to other countries in the world (foremost in USA and Canada). The regulation, to be effective, should be created at least at a European level, aim to align single countries law, and binding also social media platforms working in the continent.

The need for a measure of some kind is, in any case, felt by users, and would require some response.



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