



“This Post Is Sponsored” Effects of Sponsorship Disclosure on Persuasion Knowledge and Electronic Word of Mouth in the Context of Facebook

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Abstract

Social media, such as Facebook, offer brands the opportunity to reach their target audience in a less obtrusive way than traditional media, through sponsored posts. Regulations require marketers to explicitly inform consumers about the commercial nature of these posts. This study addresses the effects of sponsorship disclosures by means of a 2 (no disclosure vs. the sponsorship disclosure ‘Sponsored’) × 2 (source: celebrity endorser vs. brand) experiment. Results suggest that a sponsorship disclosure only influences the use of persuasion knowledge when the post is disseminated by a celebrity. Moreover, a disclosure starts a process in which the recognition of advertising (i.e., the activation of conceptual persuasion knowledge) causes consumers to develop distrusting beliefs about the post (i.e., higher attitudinal persuasion knowledge), and in turn, decreases their intention to engage in electronic word of mouth.

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Introduction

Over the past decennia, marketers have been witnessing a downward trend in consumers’ trusting perceptions towards traditional advertising (Nielsen 2015). Given marketers’ clear interest in selling a particular product or brand, consumers have learnt to recognize their messages as persuasive attempts. As a result, consumers have become wary of their believability (Dahlén 2005; Friestad and Wright 1994). Today’s skeptical consumers urge marketers to seek new ways to promote products and brands. Social media such as Facebook offer the opportunity to reach target groups in a less obtrusive way than traditional media, through sponsored content (Minton et al. 2012). Sponsored content consists of promotional messages that are made to look

like the content that is posted by other users from a person’s network of friends. They show great resemblance in format and style, and are embedded in a person’s newsfeed amid regular posts from befriended contacts. As a result, it becomes harder for consumers to discern commercial content from non-commercial content (Shrum 2012).

It may be even more difficult to discern commercial content from non-commercial content when it is shared by influencers such as celebrities. Social media provide insight into the lives of celebrities, which makes sponsored content in the form of endorsements seem more natural and believable (Lueck 2015). It suggests that a celebrity is an authentic customer of the product or service, and that they genuinely like the products that they promote. According to a study by Harris Interactive (Langford and Baldwin 2013), more than half of the consumers are not aware that celebrities are promoting products on social media. The same study also showed that one third of the consumers are following celebrities on social media. Hence, celebrities are a viable means to spread sponsored content. This is also reflected by research showing that endorsements on Facebook are 50%

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more effective than Facebook ads that do not feature celebrities (TechJournal South, 2011 in Lueck 2015).

Disseminating commercial content on social media, directly or indirectly through celebrities, is thus appealing to brands. Consumer advocates, however, question the fairness of these techniques (Cain 2011). When consumers are not able to recognize sponsored content as advertising, they may be persuaded into commercial transactions that they might otherwise avoid. To protect consumers from such “misleading and deceptive practices,” the Federal Trade Commission (FTC) in the United States has set up regulations, urging marketers to explicitly disclose any advertising on social media (FTC 2013). For instance, by including a ‘Sponsored’ label to a sponsored post. These disclosures inform consumers about the commercial intent of a message, and should help consumers to recognize the advertising as such, and thus to activate their persuasion knowledge (Friestad and Wright 1994). These regulations were recently updated to prohibit unfair persuasion from celebrity endorsements as well. As of May 2016, celebrities are urged to disclose their relation to a brand or product on social media (Electronic Code of Federal Regulation 2016).

This study examines how, and under what circumstances, disclosures affect the impact of sponsored content that is posted on Facebook. In doing so, this study addresses three research aims. First, it aims to gain more insight into the effects of sponsorship disclosures on consumers’ use of persuasion knowledge. Prior research suggests that sponsorship disclosures can activate consumers’ persuasion knowledge when shown in the context of other advertising outlets (e.g., television programs, radio programs, online advertising; Boerman, Van Reijmersdal, and Neijens 2012; Campbell, Mohr, and Verlegh 2013; Wojdyski and Evans 2016). As the boundaries between information, entertainment, and commercial influences seem more blurred on social media than most other advertising vehicles (cf. Minton et al. 2012), social media provide an interesting new avenue for research regarding the effects of disclosures. Hence, this study examines whether consumers can discern commercial content from non-commercial content, and whether disclosures can help consumers to recognize advertising on social media. As such, it provides useful insights for policy makers who want to educate consumers on new advertising formats. Gaining insight in this issue is also highly relevant to marketers, as it shows whether transparency about the commercial nature of a Facebook post may diminish advertising outcomes.

Second, by looking into the role of source type, this study aims to gain more insight into the boundary conditions of disclosure effects. We posit that sponsorship disclosures may be more effective in activating persuasion knowledge when shared by celebrities (vs. brands). Unlike brands, whose motivations for posting can always be linked back to their intention to persuade consumers, celebrities’ motivations for posting a message on social media cannot be unequivocally inferred (Wood and Burkhalter 2014). Thus, disclosures may be particularly effective in activating persuasion knowledge when the commercial nature of a message is more difficult to infer, such as with celebrity endorsements on social media. To the best of our knowledge, no prior research has examined the relative effects of brand versus celebrity endorsements on the use of persuasion knowledge, nor

how the effects of these forms of advertising are impaired when accompanied by sponsorship disclosures. Gaining such insight provides pivotal knowledge on the circumstances under which disclosures may be effective.

Third, this study aims to unravel the process through which sponsorship disclosures are likely to affect consumers’ responses to sponsored content. We propose that sponsorship disclosures in celebrity endorsements may trigger a stepwise process, affecting first consumers’ conceptual persuasion (i.e., the recognition of advertising), then their attitudinal persuasion knowledge (i.e., critical and distrusting feelings towards the advertising; Boerman, Van Reijmersdal, and Neijens 2012), and finally also their intention to engage in electronic word of mouth (hereafter eWOM). Understanding the processes that lead consumers to engage in eWOM (i.e., liking, sharing, or commenting upon a message) is valuable as marketers are increasingly relying on eWOM as a key performance indicator for advertising success (Peters et al. 2013). Likes, shares, and comments are seen as behavioral manifestations of ad engagement by those who participate in eWOM (Van Doorn et al. 2010). Furthermore, eWOM is found to have a positive effect on those who are exposed to these communications. Likes, shares and comments are automatically announced on the newsfeeds of befriended contacts, which is a desired outcome for advertisers (Minton et al. 2012). Such recommendations are steadily seen as the most trusted source of influence (Nielsen 2015), as friends are believed to have no interest in promoting a particular product or brand (Bickart and Schindler 2001; Van Noort, Antheunis, and Van Reijmersdal 2012). As a desirable outcome of advertising, scholars call for more research onto the factors that lead consumers to engage in more or less eWOM (De Vries, Gensler, and Leefland 2012). This study addresses this call.

Effects of Sponsorship Disclosures on the Use of Conceptual Persuasion Knowledge

Persuasion knowledge refers to consumers’ knowledge and beliefs about various advertising related issues, such as the goals and tactics marketers use to persuade them, the extent to which consumers find these techniques effective and appropriate, but also personal beliefs about how to cope with these persuasion tactics and goals (Friestad and Wright 1994; Hibbert et al. 2007). This knowledge develops over time and is believed to consist of two dimensions: a cognitive and an affective dimension (Boerman, Van Reijmersdal, and Neijens 2012; Rozendaal et al. 2011). The understanding of persuasion and advertising starts developing at childhood with the ability to distinguish commercial content from editorial content (John 1999). This is then followed by an understanding of advertising’s persuasive intent and advertising tactics and appeals, the recognition of bias and deception, and the ability to use cognitive defenses against advertising. Altogether, this represents the cognitive dimension of persuasion knowledge, also referred to as conceptual persuasion knowledge (Boerman, Van Reijmersdal, and Neijens 2012; Rozendaal et al. 2011). In this study, conceptual persuasion knowledge is operationalized as consumers’ recognition of advertising, which is the first step of persuasion knowledge.

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