



# COMPETITIVE MARKETS AND CONSUMER WELFARE

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## CONSUMERS BENEFIT FROM VISUALLY SALIENT STANDARDIZED COMMERCIAL DISCLOSURES ON SOCIAL MEDIA

Social media have become an essential part of our everyday lives. More than 85 pct. of the Danish population from the age of 12 and up are active users of social media<sup>1</sup>. However, commercial vs. social content is difficult to discern on social media and many consumers, especially children, are unable to identify advertisements on these platforms.

Disclosure of commercial intent is mandatory by law on social media. In practice, this disclosure can take many different forms, but to be compliant with the law this should appear clear to the consumer.

This analysis shows that whereas more than 90 pct. of consumers clearly recognize TV-like commercials, only around 50 pct. consumers correctly identify influencer advertisements on social media with the current disclosure practices. Standardized disclosure formats improves this, but visual salience is key.

<sup>1</sup> Mediernes udvikling i Danmark, Sociale Medier 2020, brug indhold og relationer, Slots- og Kulturstyrelsen, 2020

## Introduction

Influencers are popular users of social media that share personal content on the platforms. However, influencers are also increasingly sharing commercial content, i.e. collaborating with companies to promote products. This mix of social and commercial user-generated content can cause consumers to be misled if they fail to notice that the content is sponsored and paid for by a specific trader.

The Danish Competition and Consumer Authority (DCCA) has conducted a behavioural study with two separate experiments to determine consumers' ability to recognize and notice commercial content on social media. The study also examines how salient and standardized disclosures might improve consumers' ability to recognize advertisements and commercial intent on social media.

The study finds that both children and adult consumers have a hard time recognizing when content on social media is commercial. In one experiment, 38 pct. of the children across age 6-12 are unable to recognize video-based commercial influencer content as ads. In a different experiment 56 pct. of adults do not readily notice the presence of commercial content on Instagram.

A prominent and standardized commercial disclosure improves the commercial awareness significantly in both experiments, and the amount of children and adults, who fail to register the presence of commercial content, goes down. In one case, the amount of 6-8 year old children that fail to identify commercial influencer content is reduced by 47 pct. when a more salient commercial disclosure is applied to the content, improving the youngest children to the level adult performance in this experiment. In the other case, the amount of adults, who do not readily notice the presence of influencer ads decreases by 38 pct. when a prominent and standardized disclosure label is present.

The results highlight the importance of making commercial disclosures visually prominent and stringent on the individual social media platforms. It also demonstrates that even with highly salient and standardized disclosures only 65 pct. of adults in one experiment and 70 pct. of children in a separate experiment, successfully navigate the mix of commercial, personal and social content on social media at best.

### 1.1 Advertisements on social media

Social media enable users to share information and content, such as text, images and video. Popular platforms include Facebook, YouTube, Twitter, Instagram and Snapchat to name a few.

However, social media is increasingly becoming an advertisement channel where traders can advertise to consumers via influential users on the platforms, so called influencers. Influencer marketing is a fast-growing industry with reve-

nues steadily increasing since 2016 reaching a level of more than 115 million DKK in 2019. This is more than the ad revenue for movie theatres in Denmark<sup>2</sup>, which demonstrates the significance of this new advertisement channel. The number of children and adults, who use social media on a daily or weekly basis, is also growing. For instance, more than 40 pct. of the Danish population has an Instagram account<sup>3</sup> and 50 pct. of Danish children below the age of three watch YouTube every week. A tendency, which increases with age throughout childhood<sup>4</sup> and, which is consistent across most of Europe<sup>5</sup>.

### 1.2 Regulation of commercial practice on social media

The Danish Marketing Practices Act §6(4), which is an implementation of the Unfair Commercial Practices Directive (UCPD, cf. Box 1), specifies that it is up to the individual trader to choose how to disclose commercial intent, as long as this is judged as being sufficiently clear to an average consumer of the expected target group. This freedom of form requires consumer's to decode a variety of different disclosure types in a context where personal and commercial content often appear similar.

The Danish Order on Video Sharing Platform Services, which is part of the implementation of the Audiovisual Media Services Directive (AVMSD, cf. Box 1), requires social media consisting of video-sharing features, to take appropriate measures ensuring that commercial user-generated content can be identified as such by users of the platform, taking into account their limited control over the uploaded content. Such measure could include providing a standardized commercial disclosure functionality for users, who upload commercial content. However, it is up to the individual platform to decide what measures they find appropriate for the service they provide.

#### Box 1: Current legislation

##### The Unfair Commercial Practices Directive

(UCPD) on hidden and misleading marketing. According to the transparency requirements of article 6 and 7 of the UCPD traders are required to refrain from misleading actions and omissions whenever engaging in the promotion, sale or supply of a product to consumers. Failing to identify the commercial intent of a commercial practice is regarded as a misleading omission because it is likely to cause the average consumer to take a transactional decision he would not have otherwise taken.

2 Kort nyt: Influencer-bureauer 2019, Danish Ministry of Culture, 2020

3 Mediernes udvikling I Danmark, Sociale Medier 2020, brug, indhold og relationer, Slots- og Kulturstyrelsen, 2020

4 De små streamere - DRs medieforskning 2019; Kampen om børnenes opmærksomhed, DRs medieforskning 2020

5 EU Young Children (0-8) and Digital Technology – A qualitative study across Europe

UCPD specifies that the prohibitions against hidden marketing are particularly relevant when it comes to social media platforms because the distinction between third party traders and other social media users at times can appear blurred to the consumer.

In general, children are considered a particularly vulnerable group of consumers. For this reason, Article 5(3) of the UCPD reinforces the general requirement to clearly indicate the marketing purpose, when the content is targeting children.

### The Audiovisual Media Services Directive (AVMSD)

In 2018 AVMSD was revised. With chapter IXA, article 28a the revision specifically adds video-sharing platforms and user-generated content to the regulation. Article 28b, sub-script 2 states that video-sharing platforms shall take appropriate measures to ensure that user-generated content comply with the transparency requirements of commercial communication stated in article 9.1. equivalent to article 6 and 7 of the UCPD. A commercial declaration functionality for users, who upload content to the platform, is suggested as an example of an appropriate measure. Furthermore, the platform should clearly inform other users of the platform about this, whenever such declaration is provided.

### 1.3 Current guidelines and practices for disclosing commercial intent on social media

To help influencers navigate on social media The Danish Consumer Ombudsman has published a set of guidelines for hidden marketing<sup>6</sup>. The guidelines advises influencers how to interpret § 6 (4) of the Marketing Practices Act. In brief, the guidelines recommend that a social media post or video should be marked as commercial with words that are clearly associated with advertisement in the beginning of a post, in the headline to the post, or on the image associated with the post. If the content is a video, the commercial intent should be clearly stated in the headline. These guidelines are designed to make followers and viewers of the content aware of the commercial intent behind the post or video before they decide to engage with this further. This means that the word 'ad' or 'advertisement' should be one of the first elements that appear in or together with the content. It is unclear whether standardized disclosure labels implemented by various video-sharing platforms in order to comply with the AVMSD follow these guidelines, which could mean that influencers cannot solely rely on declaring commercial intent via a platform-integrated functionality.

### 2. The behavioural study

With the purpose of understanding whether the current regulation and guidelines are as protective as intended the study focus on two separate lines of investigation: one focusing on understanding children's interaction with video-sharing content on YouTube, which is the most popular

social media platform used by children<sup>7</sup>. Another focusing on understanding adults' interaction with Instagram, which is a platform that have recently also introduced a standardized disclosure option for commercial image-sharing content. The study thus comprises of two separate online experiments:

**Experiment A** explores children's ability to identify and understand the commercial intent on YouTube. It also examines if standardized frames with written and spoken elements improves children's understanding of commercial intent.

**Experiment B** focus on adults using a more image-based social media, Instagram, and examines how different elements of the disclosure affect consumer awareness and understanding of commercial intent. It also investigates whether a standardized disclosure format provided by the platform improves understanding.

The experiments were distributed as online experiments designed to replicate the users' experiences on the respective social media platforms, cf. box 2.

### Box 2: Online experiments

Online experiments are distributed to a large sample of respondents, who sign up to participate, sometimes via a panel. The experiments take the form of surveys that can be designed to test for specific hypotheses by imitating the user experience of typically used digital interfaces.

In general, online experiments are increasingly used to collect empirical data on a large scale, as it is a less costly and time-consuming method to gain data compared to more traditional lab experiments, and thus allows for a much larger sample size. Online experiments have proven to provide valid results despite of the lower control of the experimental process.

Online experiments are particularly relevant for studying consumers' online behaviour, as it allows the experience of the experiment to closely match reality.

### 3. Experiment A:

#### Children's understanding of video-based commercial content

The experiment investigated how children between age 6-12 perceive commercial video-based social media content. The purpose of this experiment was to establish whether children are able to clearly identify commercial content as such and to what degree they understand the underlying commercial intent of influencer-generated

<sup>6</sup> Gode Råd til Influenter om Skjult Reklame, 2018, Forbrugerombudsmanden

<sup>7</sup> Smahel, D., Machackova, H., Mascheroni, G., Dedkova, L., Staksrud, E., Ólafsson, K., Livingstone, S., and Hasebrink, U. (2020). EU Kids Online 2020: Survey results from 19 countries. EU Kids Online.

advertisements. Finally, the experiment investigated whether a more salient commercial disclosure, improves children's ability to correctly identify commercial content and understand commercial intent on social media.

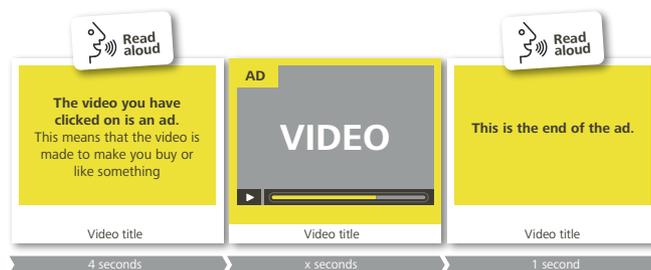
The experiment was designed so that children from age 6 could complete it without adult assistance, on a tablet, smartphone or computer. In the experiment, children were shown four types of videos in random order<sup>8</sup>. The four types were:

1. **Natural influencer commercials**, where influencers incorporate products into their natural content.
2. **Unboxing videos**, where influencers open and showcase a product.
3. **Non-commercial influencer videos**, where influencers have no commercial intent with the video.
4. **Traditional TV-like commercials**.

To assure engaging material the videos were all selected to match the participant's age and gender. The participating children were split into three age groups: 6-8 years of age, 9-10 years of age and 11-12 years of age. Half of the children saw content labeled as prescribed by today's guidelines. The other half saw commercial content labeled with a more salient commercial disclosure designed to make it easier for children to recognize when a video has commercial intent. Figure 1 depicts the intervention disclosure used in the experiment. The tested disclosure design is a result of a qualitative study and co-creation exercise with children from age 6-12<sup>9</sup>.

The experiment also measured how the different types of commercial videos affect children's preferences<sup>10</sup>. The experimental procedure is described in more detail in boxes 3a, 3b and 3c.

Figure 1: The intervention disclosure



**Note:** The intervention disclosure design consisted of a yellow intro and outro with a voice-over. The intro informed that commercial content was clicked to make sure the user would know that they were about to watch commercial content before viewing it, while reminding them that commercial content is made with persuasive intent. The video was then played with a permanent yellow frame and progress bar. The frame and progress bar functioned as a reminder while watching the content. Finally, the outro reminded the viewer that the content just seen was commercial. The yellow colour was chosen as a reference to YouTube's existing colours for ads before and during uploaded content.

**Source:** Behavioral experiment, DCCA, 2020

In total 1463, children participated in the experiment equally distributed across the age groups 6-8 years, 9-10 years and 11-12 years. Additionally, 308 adults completed the experiment as a reference measure.

In total three types of measures were collected and analysed:

- Children's ability to identify commercial content (cf. box 3a)
- Children's ability to understand commercial intent (cf. box 3b)
- Children's toy preferences (cf. box 3c).

#### Box 3a: Experimental procedure for measuring children's ability to identify commercial content in Experiment A

After seeing each video the children were immediately asked to indicate whether they thought the video they had just seen was an advertisement. To answer this question the children could respond either 'yes', 'no' or 'I don't know'. This question was used to measure children's ability to identify commercial content.

### 3.1 Experiment A, result I:

#### The intervention disclosure significantly improves children's ability to identify commercial content

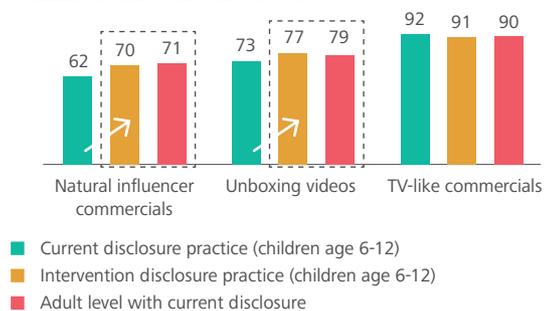
Significantly fewer children were able to correctly identify commercial social media content as ads compared to traditional TV-like commercials (see figure 2a).

<sup>8</sup> A child watched five videos in total. One age and gender appropriate video of each of the video types, and one additional natural influencer commercial, which was kept constant across age groups and gender. All influencers consented to their videos being used in the experiment.

<sup>9</sup> 12 children participated in a qualitative study with video-exercises, drawing exercises and an in-depth interview about commercials and video content on YouTube. Finally, the children gave their input to possible design element that reminded them of commercials and commercial intent.

<sup>10</sup> To measure preferences participating children entered a lottery contest where they could win a prize of their choice. They could choose from six different items of which three were items advertised for in the videos seen in the experiment. The remaining three control items were items from commercial videos shown to the closest gender matching age group.

**Figure 2a: Percentage of children who correctly identify commercial content as ads**

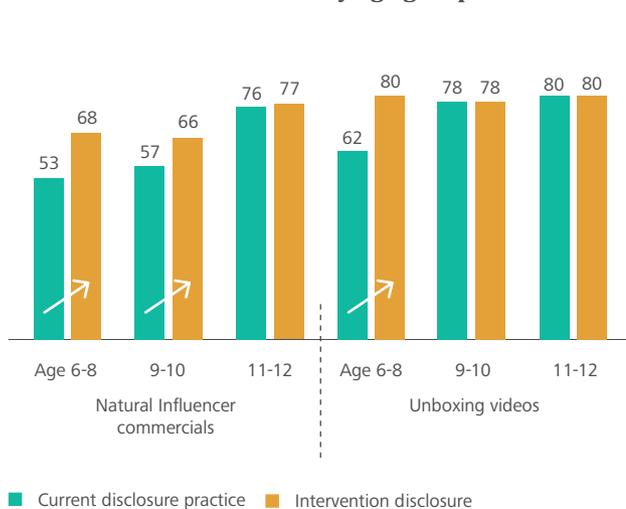


**Note:** Figure 2a show that the intervention disclosure result in more children replying 'yes' to whether natural influencer commercials and unboxing videos are advertisements. The dotted squares show that with the intervention disclosure children reach a level similar to that of adults seeing videos with current disclosure practices. The arrows indicate statistically significant improvements in correctly identified commercial content with a p-value <0.05.

**Source:** Behavioral experiment, DCCA, 2020

As shown in figure 2a 62 pct. of children age 6-12 correctly identified natural influencer commercials, 73 pct. correctly identified unboxing videos, and 92 pct. correctly identified traditional TV-like commercials, as ads<sup>11</sup>. The tested intervention disclosure improves these rates to 70 pct. for natural influencer commercials and 79 pct. for unboxing videos, which is comparable to the performance of an adult sample without the intervention disclosure (71 and 77 pct. respectively)<sup>12</sup>.

**Figure 2b: Percentage of children who correctly identify commercial content as ads by age groups**



**Note:** Figure 2b reveal that it is primarily children age 6-10, who improve in identifying commercial content on social media with the intervention disclosure. In both figures, the white arrows indicate statistically significant improvements in correctly identified commercial content with a p-value <0.05.

**Source:** Behavioral experiment, DCCA, 2020

<sup>11</sup> The difference is statistically significant with a p-value <0.001.

<sup>12</sup> P-value range between 0.48 for natural influencer videos, 0.83 for unboxing videos and 0.95 for TV-like commercials.

It is especially the identification rates of the youngest children (6-8 years), which improves with the help of the more salient intervention disclosure, as evident from figure 2b. The salient intervention disclosure makes the youngest children perform at a level similar to that of older and more cognitively developed children.

### Box 3b: Experimental procedure for measuring children's ability to understand commercial intent in Experiment A

After answering the first question measuring commercial identification rates (cf. box 3a) the children were randomly presented with five different statements about why the video had been made and asked which ones they agreed with.

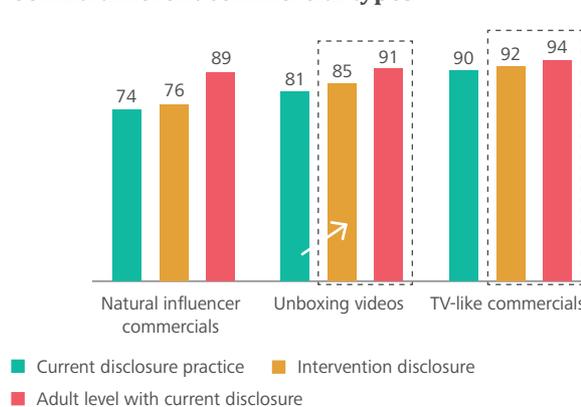
Commercial statements included to "make children ask their parents to buy the product for them" and "to earn money". Other reasons presented included: liking the product; demonstrating use of the products; and to increase the number of followers. The statements were presented one by one with the child responding either 'yes', 'no' or 'I don't know' to each possible intentions. These questions were used to measure the children's ability to understand commercial intent.

### 3.2 Experiment A, Result II:

#### Children's understanding of the commercial intent behind ads improves with the intervention disclosure

The share of children who report that a commercial video was made for commercial reasons increases with the intervention disclosure as evident from figure 3a and 3b (box 3b explains the experimental procedure).

**Figure 3a: Percentage of identified commercial intent behind different commercial types**

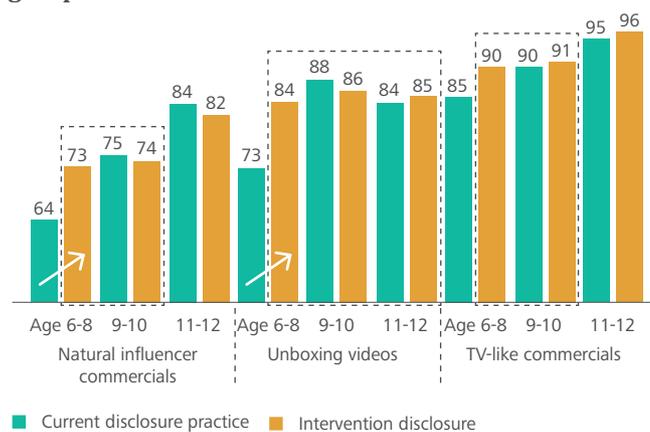


**Note:** Figure 3b reveal that it is primarily children age 6-8, who improve their understanding of commercial intent with the intervention disclosure. The dotted square indicate comparable levels reached with the intervention disclosure. The white arrows indicate statistically significant improvements in correctly identified commercial intent with a p-value <0.05.

**Source:** Behavioral experiment, DCCA, 2020

Figure 3a shows that when exposed to the intervention disclosure more than three out of four children stated that a commercial influencer video was made to earn money or to get children to ask their parents to buy the product. It is particularly for the unboxing videos that children gain a better understanding of the commercial intent with the intervention disclosure, where 85 pct. of children reply that the video is made for commercial interest, a level similar to that of adults. However, this is still below the level of traditional TV-like commercials, where around 90 pct. of children stated that the videos were made for commercial reasons (cf. figure 3a).

Figure 3b: **Percentage of identified commercial intent behind different commercial types across the three age groups**



**Note:** Figure 3b reveal that it is primarily children age 6-8, who improve their understanding of commercial intent with the intervention disclosure. The dotted square indicate comparable levels reached with the intervention disclosure. The white arrows indicate statistically significant improvements in correctly identified commercial intent with a p-value <0.05.

**Source:** Behavioral experiment, DCCA, 2020

Furthermore, it is primarily the youngest children in the experiment (age 6-8), who improve in making a connection between the commercial intent and the commercial influencer videos when the intervention disclosure is used. This increase brings the 6-8 years old children to levels that are similar to that of older, more cognitively developed children (cf. figure 3b).

### Box 3c: Experimental procedure for measuring children's toy preferences in Experiment A

As a final part of the experiment, participating children entered a lottery contest where they could win a prize of their choice. Each child could choose from six different items of which three were items advertised for in the videos seen in the experiment. The remaining three control items were items from commercial videos shown to the closest gender-matching age group (i.e. 50 pct. of the options are control items). The choice options were displayed in a random order. After the experiment three children received the items of their choice. The choices made in the contest thus measured preferences.

In a situation where advertisements does not influence preferences, choices across ages and gender would be equally distributed between items. If different types of ads, such as influencer marketing, affect children's preferences more than other types of ads a choice pattern would emerge across ages and gender.

### 3.3 Experiment A, result III:

#### The intervention disclosure does not change children's preferences

When asked to choose one item out of six alternatives proceeding the experiment, 46 pct. of the children, who watched videos with current disclosure practice, prefer items they have just seen in either an unboxing video or natural influencer commercial<sup>13</sup>. This rate is significantly higher than the expected rate of 33 pct. in a case where the type of commercial have no effect on preferences<sup>14</sup>. Children, who watched videos labelled with the intervention disclosure show similar preference patterns, with 48 pct. opting for items presented by an influencer<sup>15</sup>. These results indicate that influencer content with commercial angles have a relatively large impact on children's preference formation and that the tested more salient intervention disclosure do not alter this impact.

Altogether, the results from Experiment A reveal, that children have a hard time identifying and understanding commercial influencer content, but that they are aided by the more salient intervention disclosure. Furthermore, the more salient intervention disclosure does not cause any shifts in preferences.

<sup>13</sup> 22 pct. opt for an item presented in a traditional TV-like commercial and 33 pct. choose one of three control items they have not seen any commercials for.

<sup>14</sup> The expected rates for TV-like commercials would be 16 pct. and 50 pct. for control items, because choice options for TV-like commercials account for 1 out of 6 options and control items account for 3 out of 6 options. Influencer commercials account for 2 out of 6 options equal to 33 pct.

<sup>15</sup> 24 pct. of the children chose items from a TV-like commercial and 29 pct. chose one of the control items.

#### **4. Experiment B:**

##### **Adults' awareness of the commercial intent of posts on Instagram**

The purpose of Experiment B was to investigate the degree to which adults notice and understand the disclosure of commercial intent on image-based content (posts) on Instagram.

The experiment consisted of two main parts, in which participants were presented with an Instagram feed<sup>16</sup>. The first part (cf. box 4) investigated to what degree participants notice the commercial intent of a post, when browsing the feed naturally. The second part (cf. box 5) focussed on how well consumers understand different disclosure formats, when prompted to look for commercial content in an Instagram feed, and whether standardization of the commercial disclosure format improves consumers' ability to correctly identify commercial content.

##### **Box 4: Experimental procedure for part 1 of Experiment B**

In the first part of Experiment B, the participants were shown an Instagram feed with six posts from known Danish influencers<sup>17</sup>. One of the posts had a commercial intent, i.e. had been paid for by a company, which was disclosed in the post.

The first part consisted of seven treatments, i.e. different version of the feed. Each participants only saw one version of the feed. The feeds varied in how the commercial intent of the post was disclosed (see Figure 4), allowing for a test of how different elements of the disclosure affect awareness. After having seen the feed, participants were asked whether any of the posts they had just seen had commercial intent<sup>18</sup>.

Two treatments (versions 1 and 2 in figure 4) represented disclosure formats that were used on Instagram at the time of the experiment.

The aim of the first part of the experiment was to investigate to what degree participants are aware of the commercial intent in the feed.

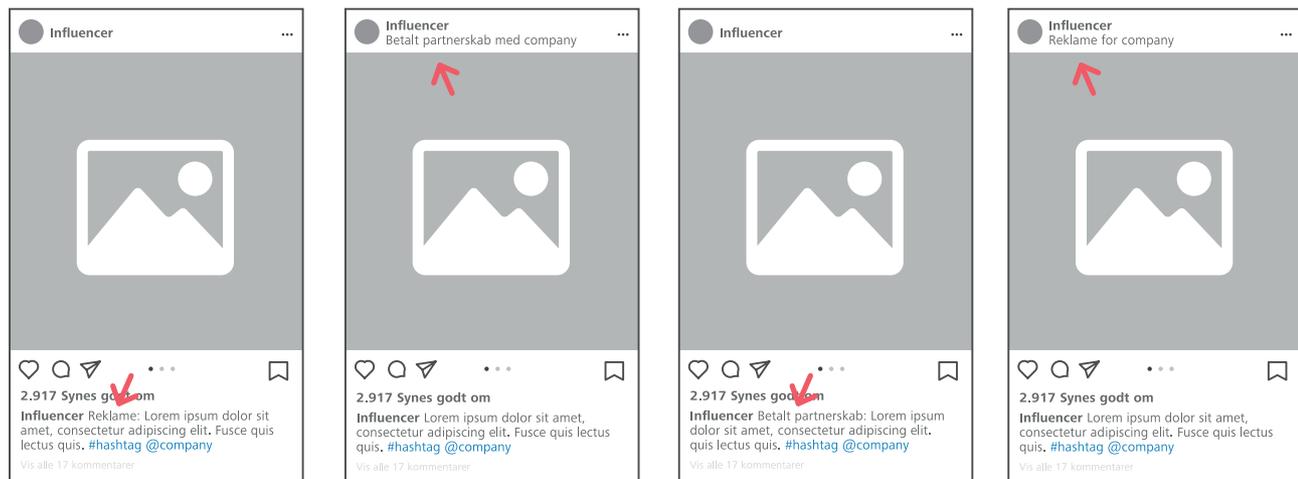
In total, 1410 participants completed the experiment. Out of these, 60 pct. (844) had an Instagram profile. The participants were equally distributed across the seven treatments in the experiment, with between 198 and 212 in each treatment, and with the share of Instagram users between 55 and 63 pct. across treatments.

<sup>16</sup> On Instagram, the stream of posts that is shown to users is called the feed.

<sup>17</sup> The influencers consented to their posts being used in the experiment.

<sup>18</sup> Before seeing the feed, the participants were told that they were going to see an Instagram feed, after which they would be asked some questions about the feed. They could look at the feed for as long as they liked, and freely navigate the feed until they were ready to move on.

Figure 4: the different disclosure versions tested in Experiment B



1. "Advertisement", below image

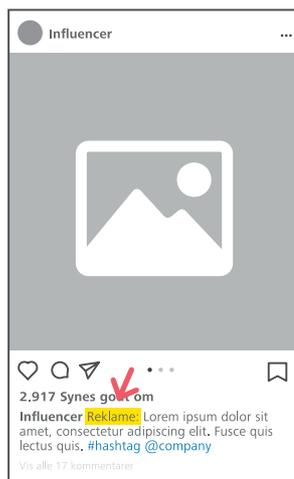
2. "Paid partnership", above image

3. "Paid partnership", below image

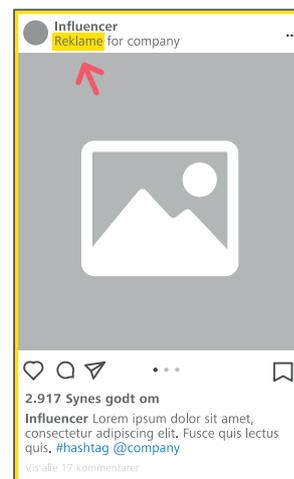
4. "Advertisement", above image



5. "Advertisement", above image, highlighted



5. "Advertisement", below image, highlighted



5. "Advertisement", above image, highlighted, yellow frame around post

**Note:** Experiment B tested modifications of: wording ("Paid Partnership" or "Advertisement"); placement (above or below the image); highlighting (highlighting or no highlighting of wording) and; the effect of a yellow frame around the entire post.

#### 4.1 Experiment B, result I: Prominent disclosure increases awareness of the commercial intent

Averaging across all seven treatments, in part one of the experiment, 52 pct. of Instagram-users and 36 pct. of non-users replied having seen "paid" content, when asked about it after viewing a feed with six posts, of which one was

disclosed as having commercial intent<sup>19</sup>, <sup>20</sup>.

For Instagram users, the share of users aware of the commercial intent in the feed, varied between 44 and 65 pct. (cf. figure 5), with the shares in treatments 6 and 7 being statistically

<sup>19</sup> Across all participants (844 Instagram users, and 566 non-users), the share is 45 pct. 38 pct. of Instagram users and 56 pct. of non-user answered "don't know" with the remaining 10 pct. and 9 pct. answering "no".

<sup>20</sup> The results are quite well in line with a similar experiment regarding native ads on social media (European Commission, 2018, Behavioural study on advertising and marketing practices in social media)

larger compared to any of the other treatments, and as such, were the only disclosure formats improved awareness.

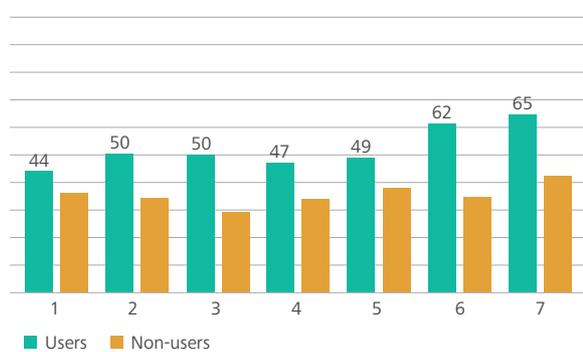
It should be noted, that version 6 is identical to version 1, currently used on Instagram, with the exception of the highlighted wording. Comparing versions 1 and 6, the highlight increases the share of participants noticing the commercial intent from 44 pct. to 62 pct. However, when the placement of the disclosure is above the picture (versions 4 and 5), highlighting the disclosure does result in a statistically significant increase in awareness.

The effect of the yellow content frame is found when comparing treatments 5 and 7. The yellow frame increases the share of participants noticing the commercial intent from 49 pct. to 65 pct.

The results also reveal that the placement (above or below the image) or wording (“Paid partnership” or “Advertisement”) of the disclosure, does not have an impact on the participants’ awareness of the commercial intent, as revealed by comparing treatments 1-4 with each other.

For non-users of Instagram (yellow bars, figure 5), the modifications do not impact participants’ awareness of the commercial intent<sup>21</sup>.

**Figure 5: Percentage of participants answering yes to: “Was there any paid content in the feed?” by treatment and usage of Instagram**



**Note:** The treatments differed in how the commercial intent was disclosed, cf. figure 4. A higher share of participants noticed the commercial content in the more prominent versions (6 & 7). Each treatment consists of around 200 participants, with an equal share of users (roughly 60%) and non-users (40 %) across disclosure versions.

**Source:** Behavioral experiment, DCCA, 2020

Participants that replied they had noticed “paid” content in the feed, were subsequently asked how many of the posts that were “paid”, and how these were labelled. Instagram users in treatments 6 and 7 were better able to recall this information, compared to treatment 1, strengthening the result that versions with more prominent elements are easier to notice by the participants<sup>22</sup>.

#### Box 5: Experimental procedure for part 2 of Experiment B

In the second part of Experiment B, participants saw a feed with 20 posts, six of which were disclosed as having commercial intent, and asked to identify the commercial posts while looking at the feed.

The second part consisted of seven treatments, i.e. different version of the feed. The feeds differed in whether all six commercial posts were disclosed in the same way (standardized disclosure), or whether different disclosure types were used within one feed (mixed disclosure). Furthermore, different versions of disclosures (the same versions used in part one and described in figure 4) were used between the feeds.

For all the mixed treatments, two posts were disclosed according to version 1, two with version 2, and the remaining two varied between treatments, and are reported below:

- S1. Standardized disclosure (version 2)
- S2. Standardized disclosure (version 7)
- M1. Mixed disclosure (versions 1,2,3)
- M2. Mixed disclosure (versions 1,2,4)
- M3. Mixed disclosure (versions 1,2,5)
- M4. Mixed disclosure (versions 1,2,6)
- M5. Mixed disclosure (versions 1,2,7)

The treatments are illustrated in appendix I.

The participants were distributed so that the disclosure version they had seen in the first part of the experiment did not appear in the second part of the experiment.

<sup>21</sup> With a p-value for the highest (version 7, 43 pct.) and lowest share (version 3, 29 pct.) being 0,11.

<sup>22</sup> 29 pct. of the Instagram users in version 1 got the exact number of paid posts (1) correct, with the share being 45 pct. for version 6, and 58 pct. for version 7. In version 6, 67 pct. are able to correctly recall the wording of the disclosure, compared to 40 pct. in version 1. For non-users, no statistically significant differences between treatments are found.

## 4.2 Experiment B, result II:

### Standardized disclosure improves identification of commercial posts

In the second part of Experiment 2 (cf. box 5), participants were shown a new feed with 20 posts, six of which were disclosed as having commercial intent. In two treatments, all six posts with commercial intent were labelled in the same way (standardized disclosure), and in the remaining five treatments, three different disclosure types were used to label the six posts (mixed treatments).

Instagram users in the standardized treatments identified on average 4,7 out of six posts compared to the mixed treatments, where 4,3 out of the six posts were identified<sup>23</sup>. Similarly, a larger share of the Instagram users was able to correctly identify all six commercial posts in the standardized treatments, compared to the mixed treatments<sup>24</sup>.

As shown in part one of the Experiment B the prominence of the disclosure format affects consumer awareness. To investigate the effect of standardization alone, it is thus important to account for the effect of prominence. This can be done by comparing the treatments without prominent disclosure formats, i.e. treatment S1 to treatments M1 and M2. Similarly, the treatments featuring prominent disclosure formats can be compared, i.e. treatment S2 to treatments M3, M4, and M5. Based on these comparisons, the standardized treatments still perform better than the respective mixed treatments<sup>25</sup>, based on the average posts identified, as shown in figure 6. The standardized treatments also performed better measured in terms of the share of participants identifying all commercial posts<sup>26</sup>.

Supporting the evidence from part one, prominence also increases the average share of posts identified and the share of Instagram users able to identify all commercial posts, as indicated by comparing the two standardized treatments, however, the difference is not statistically significant<sup>27</sup>.

<sup>23</sup> P-value for the difference is 0,006, based on the the Mann–Whitney U test. No difference is found for non-users, with 4 commercial posts identified in both the mixed and the standardized treatments.

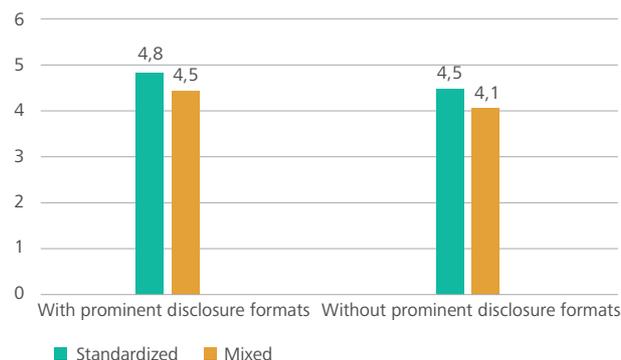
<sup>24</sup> For Instagram users, the average share of the two standardized treatments is 62 pct., compared to an average of 51 pct. for the five mixed treatments (p-value 0,003), with the respective shares for non-users being 45 pct. for the standardized treatments, and 33 pct. for the mixed (p-value 0,01).

<sup>25</sup> Instagram users in the prominent treatments identified 4,8 out of six post with standardized disclosures (U2), compared to an average of 4,46 with mixed disclosures (M3, M4 and M5), with the p-value for the difference being 0,02, based the Mann–Whitney U test. In the ordinary treatments, 4,54 post were identified with standardized disclosures (S1), compared to 4,14 with mixed disclosures (M1 and M2), with the p-value for the difference being 0,06. No differences are found for non-users, with between 3,9 and 4,1 posts identified across treatments.

<sup>26</sup> For Instagram users, the p-value for the difference between the prominent treatments S2 (66 pct.) and M3+M4+M5 (53 pct.), is 0,01 based on a chi-square test, and 0,08 between the ordinary treatments U1 (57 pct.) and M1+ M2 (47 pct.). For non-users, the shares for the prominent treatments are 47 pct. for the standardized (S2), and 34 pct. for the mixed (M3+M4+M5), with a p-value of 0,05. For the ordinary treatments the shares is 43 pct. for the standardized (S1) and 31 pct. for the mixed (M1+ M2), and the p-value 0.1.

<sup>27</sup> In S2, an average of 4,8 posts were identified, compared to 4,55 in S1 (p-value for difference 0,17). In S2, 66 % of participants got all right compared to 57 % in S1 (p-value for difference 0,18)

Figure 6 Average number of commercial posts identified by Instagram users by prominence and standardization of the disclosure



**Note:** Participants were asked to identify commercial posts in the feed they were shown. The standardized disclosure treatments were either with a prominent (S2, disclosure version 7) or ordinary (S1, disclosure version 2) disclosure format. The mixed treatments M3, M4 and M5 featured a prominent disclosure format, whereas treatments M1 and M2 only featured ordinary disclosure formats. The yellow bars are thus averages over the respective treatments.

**Source:** Behavioral experiment, DCCA, 2020

## 5. Overall conclusions from the study

The study reveal that a large share of both children and adult consumers fail to notice or understand that they are being exposed to advertisements by influencers on social media, even when these are labelled clearly, for instance by marking the start of a blog post with the word “advertising”.

In the first experiment, 38 pct. of children across ages 6-12 do not recognize that natural influencer commercials targeting children on YouTube are advertisements. In the second experiment, 56 pct. of adults are do not notice commercial content appearing among non-commercial content when viewing an image-based Instagram feed.

A reason for these results might be that the current rules under the Marketing Practices Act leaves it to the trader to decide how to disclose the commercial intent, as long as this is clear to the consumer. In practice, this may create variability, that in itself, decrease the clarity of the disclosures, as consumers are unable to rely on pattern that would quickly signal the commercial intent of the content.

Results from this study highlight that making commercial disclosures visually salient, and standardizing the appearance across content on the platform, significantly improves consumer awareness and understanding of commercial content, and increases the likelihood that consumers can identify this content on social media. Vulnerable consumers, in this case children, particularly benefit from a more salient standardized commercial disclosure. The AVMSD (cf.

Box 1) suggestion of a standardization label option for video-sharing platforms, such as YouTube, could thus improve commercial awareness on these types of platforms. However, this study finds that to reap the benefits of a standardized commercial disclosure label, visual salience of the label is necessary for it to have the full effect.

Though more prominent and standardized commercial disclosures improve the share of both children and adult consumers, who correctly identify commercial content, there is still a significant share of consumers in both experiments who fail to notice or understand that commercial content appear on social media. In this study, one experiment show that only 65 pct. of adults using Instagram

readily notice commercial content at best in the tested scenarios. The other experiment reveal a similar tendency with only 70 pct. of children correctly identifying natural influencer commercials at best with the visually and auditory salient commercial disclosure is tested. For TV-like commercials, this share range from 90-95 pct. among both children and adults. Further investigation is needed to fully understand why this is, and establish whether it might have to do with the mixed context of social media or if the difficulty for consumers lie in the nature of commercializing user-generated content. Finally, an overall assessment also requires an investigation of how harmful it is for consumers to be more or less unaware of commercial content on social media, which is beyond the scope of the current study.

Appendix I

S1: Standardized disclosure version 2

S2: Standardized disclosure version 7

M1: Mixed, disclosure versions 1, 2 and 3

M2: Mixed, disclosure versions 1, 2 and 4

M3: Mixed, disclosure versions 1, 2 and 5

M4: Mixed, disclosure versions 1, 2 and 6

M5: Mixed, disclosure versions 1, 2 and 7

