



Behavioural Study on Advertising and Marketing Practices in Online Social Media

Executive Summary

June 2018

This executive summary presents the key objectives, methodology and findings of the behavioural study on advertising and marketing practices in online social media, which was carried out by a consortium led by GfK on behalf of the Consumers, Health, Agriculture and Food Executive Agency (CHAFAEA).

Study objectives

*The key objective of this **exploratory study** was to investigate advertising and marketing practices in Online Social Media (OSM) in the context of consumer protection online. This broader aim was operationalised via five key objectives:*

- 1. to **depict the OSM provider landscape in Europe**;*
- 2. to **map advertising and marketing practices** in OSM, and to assess them from the point of view of consumer protection;*
- 3. to **test through behavioural experiments** the drivers behind the effectiveness and propagation of these practices, their potential to be problematic for consumers, and the effectiveness of possible remedies;*
- 4. to **assess the level of involvement and responsibility of OSM providers** and other relevant players with respect to these practices; and,*
- 5. to **draw conclusions and policy implications** from the evidence gathered.*

Methodology

The study consisted of three main phases: an extensive preparatory phase; a testing phase; and a final phase integrating previous analyses and drawing policy implications. During the preparatory phase, between August 2016 and May 2017, we conducted several data gathering exercises to understand the consumer and industry perspectives:

- Literature review – see Annex 1.0;*
- Identification of the **top 30 providers per country** and **top 30 EU providers**, including **individual analyses** of the latter – see Annexes 1.1.1-1.1.4;*
- Analyses of (1) the advertising and marketing options offered by OSM to traders, (2) the marketing content OSM users are actually exposed to, and (3) problematic marketing practices promoted in online forums – see Annex 1.3.1;*
- **Online discussions** with OSM users in Belgium, Italy, Hungary and Latvia, to understand their perspective on marketing in OSM - see Annex 1.3.2;*

- **Stakeholder survey:** 53 interviews in total with traders, consumer organizations, advertisers' associations, advertising intermediaries and academics – see Annex 1.4.1;
- **Mystery shopping:** in 50 exercises, we contacted 13 OSM providers and 5 advertising intermediaries on behalf of 10 real and 6 made-up companies, seeking to implement or investigate 11 problematic marketing practices – see Annex 1.4.2;
- **Legal assessment** of the marketing practices identified, based on all the evidence gathered – see Annex 1.5.

Based on insights from the preparatory phase, and in order to assess quantitatively the most potentially problematic practices, we designed **four behavioural experiments** and carried them out **in August 2017 in 6 countries**¹ – see Annex 2.1 and a summary of results below. Finally, based on the integrated analysis of the data gathered, we updated the **legal assessment**, identifying specific **options for policy action**.

We identified three types of marketing practices that can be potentially problematic for consumers and are specific to OSM contexts²: **disguised advertising**, **distortion of social proof indicators** and **custom audience targeting**.

Disguised advertising

The main disguised advertising practice is native advertising, which closely resembles and blends in with OSM user-generated content. Due to its pervasiveness in OSM contexts, we studied native advertising in depth via two behavioural experiments. The experiments demonstrated that the 'disclosure labels' currently used in OSM are not effective. **Native ads were not identified as ads in 36% of the cases** by consumers, even though they included standard labels indicating their commercial intent. Furthermore, only a small proportion of respondents (**29%**) **actively remembered seeing the standard disclosure label**. Increasing the visual salience of the disclosure label improved the identification of native ads for countries where the label was clear. Compared to standard disclosure, a **more salient label led to a 6% average increase** in the proportion of respondents who correctly identified the ad. This increase was largest for Finland (13%) where the label reads "Advertised". In terms of content, native ads are always published via the OSM's own advertising platform and subjected to the OSM's standard verification and approval procedures. However, the mystery shopping exercise revealed that **these procedures generally result in the approval of clearly misleading advertising**.

Another disguised advertising practice is influencer marketing, which relies on individuals with high social reach to promote products or services. Our research found that **social influencers** active on OSM **often fail to disclose the commercial intent of their posts**. This was corroborated by the stakeholders interviewed. We also found issues with the commercial disclosure of advertorials, a form of editorial content that promotes a product without explicitly clarifying that the content is sponsored.

¹ Finland, Germany, Italy, the Netherlands, Hungary and Bulgaria.

² A fourth type of practices identified are relevant to online environments in general but not specific or particularly relevant to OSM. For more information on these practices, please refer to Chapter 6 of the Final Report.

Distortion of social proof indicators

The use of social proof for commercial purposes is especially suited to social media, which allow people to connect, create and/or share content, interact with this content and show these interactions to their connections. We identified two specific distortions of social proof indicators (e.g. the number of "likes" on Facebook or "follows" on Twitter), and carried out two behavioural experiments to assess whether they could be problematic for consumers.

First, social proof indicators can be artificially boosted and faked, resulting in the misrepresentation of the popularity of specific content. On average, **participant responses**³ to the ads and advertised products presented in the behavioural experiments **were unaffected by the presence and/or the number of anonymous likes**. This idea was corroborated by our qualitative research, which showed that this practice is discouraged by advertising intermediaries. However, **this practice may impact the exposure of users to commercial content** as the algorithms that decide the content shown to the user take into account social proof indicators.

Second, **specific commercial content is sometimes promoted by displaying users' friends' endorsements of other content** (e.g. likes or follows). We refer to this practice as "extrapolation of social endorsements". The behavioural experiments demonstrated that most **consumers assume that friends' social endorsements refer to the specific post or product they see next to it on an OSM site**, irrespective of whether this is the case or not. In particular, 66% of experiment participants wrongly believed that a friend's like referred to the specific product advertised and not to the brand in general. **Misleading extrapolated social endorsements led to slightly more positive ad evaluations** compared to clearly labelling what the social endorsement refers to, which suggests that this practice may be problematic for consumers.

Custom audience targeting

According to our research, OSM create detailed profiles of their users for targeting purposes. They combine data collected through the OSM account (users' preferences, content interactions, connections etc.) with data obtained by tracking user online behaviour outside the OSM, and data on off-line behaviour acquired from advertisers or from external sources.

The two most granular and potentially problematic targeting practices we identified are custom audiences and look-alike audiences. Custom audiences refer to targeting specific OSM users by means of personal information (e.g. email address, phone number, user ID or mobile advertiser ID). Traders are encouraged to provide this information from their customer databases to match them with the OSM user base so that individual consumers can be targeted. In addition, OSM providers' can create so-called "look-alike" audiences by using all the information they have on their users to build a target audience that statistically resembles the profiles in the advertiser's existing customer database. These practices enable OSM to acquire and deduce additional information on their users that can be used for targeting purposes.

³ The consumers responses measured in the behavioural experiments include ad evaluation, product evaluation, product interest, purchase intention and choice behaviour.

*Different stakeholders interviewed expressed concern that **consumers are not aware of the extent to which OSM providers track their behaviour online and off-line, what type of data they gather, and how this data is used for targeting.** This was confirmed in the online discussions with OSM users. Lastly, both traders and consumer protection organisations expressed concern about the **lack of transparency on how user data is stored and how long it is kept.***

Policy Implications

The results of the study support an update to the blacklist of the Unfair Commercial Practices Directive (UCPD), as well as some clarifications in the UCPD Guidance, expanding its applicability to the specific practices described. Strengthening the OSM's control mechanisms could also be an effective remedy. Enforcement actions could be considered against social influencers and OSM providers, as well as systematic abusers of social proof mechanisms.⁴ Regarding data-related practices, the impact of the General Data Protection Regulation, applicable since May 2018, must first be studied to determine the complementary role that consumer law may play.

⁴ A more detailed discussion of policy option and remedies per type of practice is available in the Final Report.

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