

# Discussion of Li and Yu & Lin

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# Influencers and streamers

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- Li: Video game companies pay twitch streamers to play (and stream) their games.
  - Streamers decide how prominent the disclosure should be.
  - Sometimes, they decide to make it very prominent.
- Yu & Lin: Video game companies give streamers early access.
  - Video game companies “embargo” discussing some features.
  - Video game reviewers agree and don’t mention those features.

Some history



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UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

Mary K. Engle  
Associate Director for Advertising Practices

February 10, 2005

Gary Ruskin, Executive Director  
Commercial Alert  
4110 S.E. Hawthorne Boulevard #123  
Portland, OR 97214-5246

Dear Mr. Ruskin:

On September 30, 2003, Commercial Alert filed with the Federal Trade Commission a

“The principal reason for identifying an advertisement as such is that consumers may give more credence to objective representations about a product's performance or other attributes if made by an independent third party than if made by the advertiser itself.”

“In product placement, few objective claims appear to be made about the product's performance or attributes. That is, in most instances the product appears on-screen (e.g., American Idol hosts are seen drinking from cups with the Coca Cola logo), or is mentioned, but the product's performance is not discussed.”

# Special Issue on Consumer Protection

## Introduction to the Special Issue on Consumer Protection

Avi Goldfarb, Ginger Jin, K. Sudhir

Pages: 1–4

Published Online: February 11, 2020

<https://doi.org/10.1287/mksc.2019.1205>

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## Sponsorship Disclosure and Consumer Deception: Experimental Evidence from Native Advertising in Mobile Search

Navdeep S. Sahni, Harikesh S. Nair

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## MARKETING SCIENCE

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# Sponsorship Disclosure and Consumer Deception: Experimental Evidence from Native Advertising in Mobile Search

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**Abstract.** Recent advances in advertising technology have led to the development of “native advertising,” which is a format of advertising that mimics the other nonsponsored content on the medium. Whereas advertisers have rapidly embraced the format on a variety of digital media, regulators have expressed serious concerns about whether this format materially deceives consumers because the advertising disclosure is incomplete or inappropriate. This has reignited a longstanding debate about the distinction between advertising and content in media markets, and how it affects consumers. This paper contributes to this debate by providing empirical evidence from a randomized experiment conducted on native advertising at a mobile restaurant-search platform. We experimentally vary the format of paid-search advertising, the extent to which ads are disclosed to over 200,000 users, and track their anonymized browsing behavior including clicks and conversions. The research design we propose uses comparisons of revealed preferences under experimentally manipulated treatment and control conditions to assess the potential for consumer confusion and deception. A design based on revealed preference speaks to the “material” standard of regulators, helps assess confusion

**A sketch of the industry**

# Viewers' objectives

- Entertaining content
- Find related services (e.g. which games to play themselves)

Select the influencer that provides the most entertaining and informative content.

Ads are not necessarily bad, but they can be if they are not entertaining or sufficiently informative.

# Advertisers' objectives

- Advertisers want to inform people about their products.
- Advertisers want to target messages to people who are particularly likely to be influenced by the information provided.
- Advertisers therefore select the people to target (via the influencer) and the information to send.

# Influencers' objectives

- Influencers are intermediaries between advertisers and viewers.
- Revenue comes from advertisers, either directly from sponsors or indirectly from ads.
- To attract advertising revenue, influencers want to provide viewers with entertaining and informative content.
- Perceived informativeness depends on novelty of information, accuracy of information, fit with the influencer's reputation, etc.

# Market failure?

- Influencers have incentives to hide information, both about whether a message is sponsored and whether a sponsor is low quality.
- Could get a pooling equilibrium where always disguise sponsored ads and viewers never trust. No one believes any messages.
- With unstrategic viewers, could trick them into thinking all information is provided when only the positive information is provided.

# Role for regulation

- Avoid the pooling equilibrium: Advertisers, influencers, and viewers gain by enforcing rules on disclosure.
- Protect naïve/vulnerable consumers: Native advertising, undisclosed sponsorship, and withholding of information can all harm consumers that are not fully strategic.
  - There are good reasons to think some consumers would not be fully strategic in these markets. E.g. low stakes and infrequent feedback.

# Disclosures 101 for Social Media Influencers

Do you work with brands to recommend or endorse products? If so, you need to comply with the law when making these recommendations. One key is to make a good disclosure of your relationship to the brand. This brochure from FTC staff gives tips on when and how to make good disclosures.

## How to Disclose

Make sure people will **see and understand** the disclosure.

► Place it so it's **hard to miss**.

» The disclosure should be placed with the endorsement message itself.

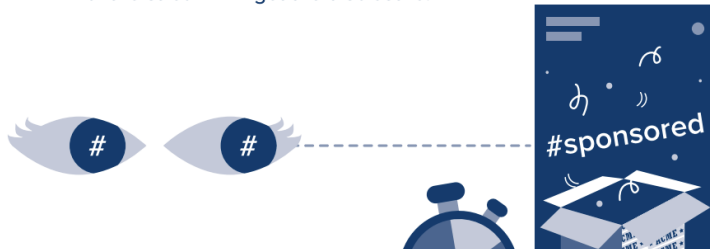
» Disclosures are likely to be missed if they appear only on an ABOUT ME or profile page, at the end of posts or videos, or anywhere that requires a person to click MORE.

» Don't mix your disclosure into a group of hashtags or links.

📷 » If your endorsement is in a *picture* on a platform like Snapchat and Instagram Stories, superimpose the disclosure over the picture and make sure viewers have enough time to notice and read it.

▶ » If making an endorsement in a *video*, the disclosure should be in the video and not just in the description uploaded with the video. Viewers are more likely to notice disclosures made in both audio and video. Some viewers may watch without sound and others may not notice superimposed words.

📶 » If making an endorsement in a *live stream*, the disclosure should be repeated periodically so viewers who only see part of the stream will get the disclosure.



## What Else to Know

- You can't talk about your experience with a product you haven't tried.
- If you're paid to talk about a product and thought it was terrible, you can't say it's terrific.
- You can't make up claims about a product that would require proof the advertiser doesn't have – such as scientific proof that a product can treat a health condition.



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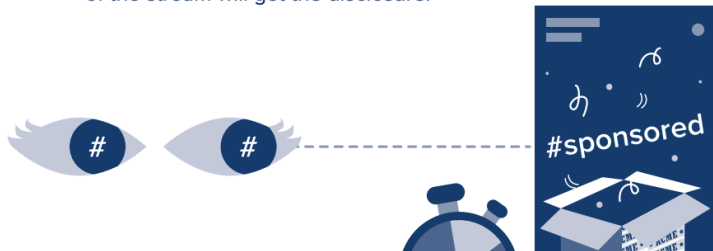
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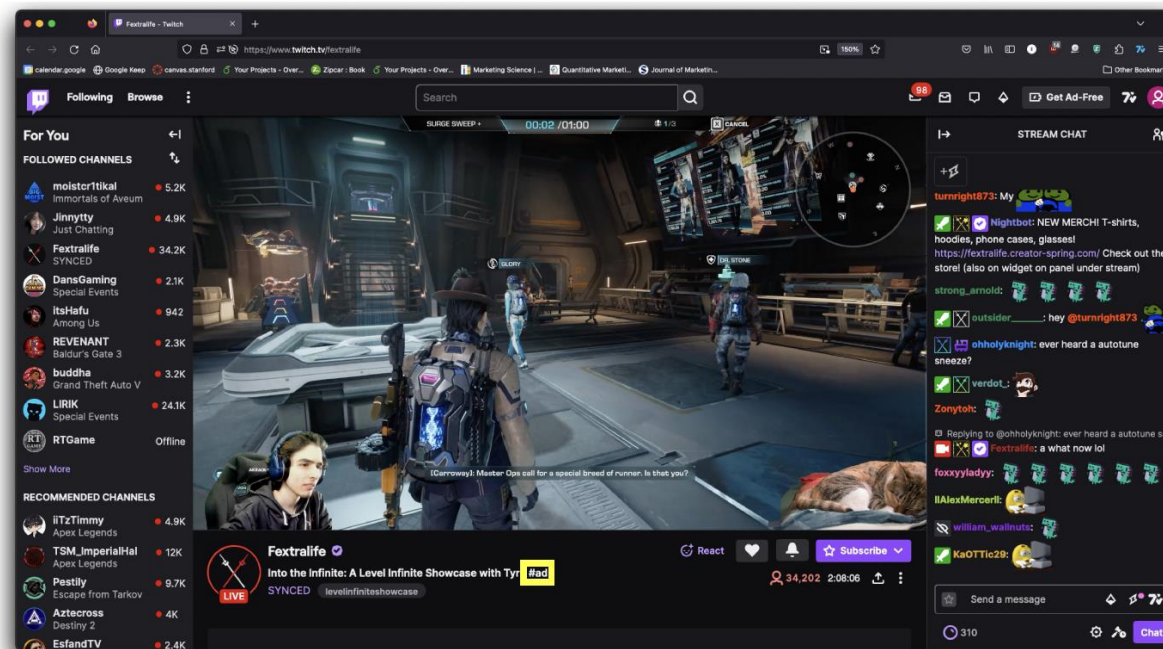
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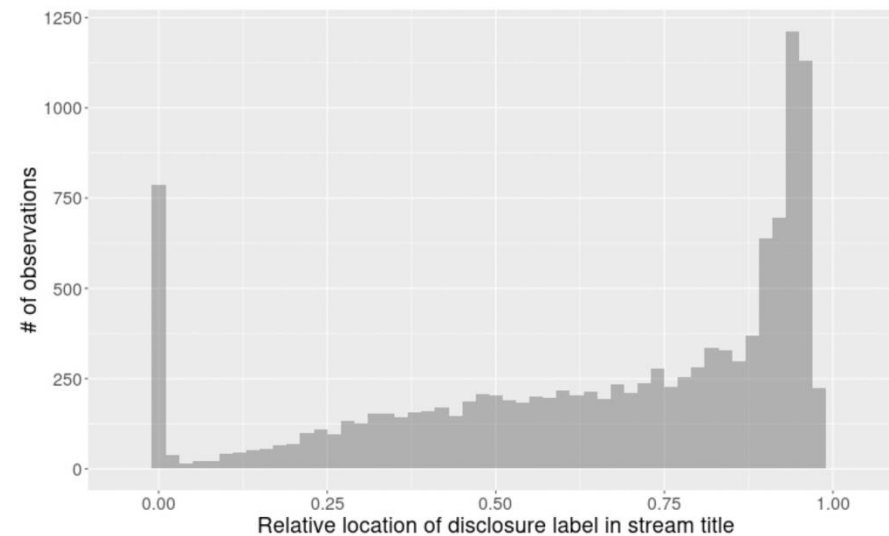
# Li: Signaling in Paid Product Placements: Theory and Evidence from Sponsorship Disclosure on Twitch

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- Find empirical evidence consistent with a separating equilibrium:
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(b) Relative location of advertising disclosure, game dev deals only

# Yu & Lin: Organic Content, Embargoes, and Quality Obfuscation: Evidence from the Gaming Industry

- Social media influencers get larger audiences when they have early information about a new game.
- Gaming companies provide early information in exchange for agreeing not to share some content.
- This is a repeated game, so embargoes can be sustained.
- Consumers seem to be affected, selective disclosure increases outcomes.

# Wrap up

- Important consumer protection topic. Market failure through pooling and through naïve consumers.
- As marketing scientists, we are building a deep understanding of this phenomenon.
  - Failures to disclose (e.g. Ershov-Mitchell 2025; Ershov-He-Seiler 2025)
  - Trust in sponsored ads (e.g. Nair-Sahni 2020)
  - When influencers can be trusted (e.g. Pei and Mayzlin 2022)
  - Voluntary disclosure in other settings (e.g. Rao and Ursu 2025)
- Builds on much earlier work by Mary Sullivan and others.
- These two papers provide a meaningful contribution to the broader understanding by demonstrating why disclosure is selective (Li) and when selective disclosure can work (Yu & Lin).