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# “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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*Keywords:* Sponsorship disclosure; Facebook; Electronic word of mouth; Celebrity endorsement; Persuasion knowledge; Social media; Advertising

## 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.

Although persuasion knowledge is assumed to be established at adulthood (Friestad and Wright 1994; John 1999), there are circumstances in which even adults need to refine or adjust this knowledge. A situation in which adult persuasion knowledge may not be sufficient is when new advertising formats are introduced, or when advertising is integrated with editorial content such that it is not immediately recognizable as advertising. Both of these situations apply to sponsored content on Facebook.

Sponsored Facebook posts are still quite novel, and are integrated into a user's Facebook newsfeed in such a manner that it resembles non-commercial posts from people in their network of friends. This could make it difficult for consumers to recognize the post as advertising, and for this reason, there is a societal debate about the possible deceptiveness of online sponsored content (Robertson 2013). If consumers are exposed to commercial messages that could not be recognized as such, consumers cannot guard themselves from being persuaded by these messages. To protect consumers from deceptive advertising and guarantee fair communication practices, regulations by the FTC in the US and advertising codes in the EU (e.g., *The Dutch Advertising Code 2014*) instruct that commercial messages should always be recognizable as such. Therefore, regulators and industry organizations urge marketers to disclose any sponsored message posted on social media (e.g., *FTC 2013*; *Word of Mouth Marketing Association [WOMMA] 2013*). By including a disclosure that informs about the commercial purpose of a message, consumers should be able to distinguish sponsored content from non-commercial editorial content.

Sponsorship disclosures are also used in blogs (Campbell, Mohr, and Verlegh 2013), in advergames (An and Stern 2011), online native advertising (Wojdyski and Evans 2016), television programs (Boerman, Van Reijmersdal, and Neijens 2012; Campbell, Mohr, and Verlegh 2013), and movies (Bennett, Pecotich, and Putrevu 1999; Tessitore and Geuens 2013; Van Reijmersdal, Tutaj, and Boerman 2013). Studies examining the effects of such disclosures demonstrated their ability to activate persuasion knowledge, and even change the persuasive outcomes of the sponsored content (Boerman, Van Reijmersdal, and Neijens 2012; Campbell, Mohr, and Verlegh 2013; Wojdyski and Evans 2016). If the level of persuasion knowledge about sponsored Facebook posts is indeed low, a sponsorship disclosure may help adults to recognize these posts as advertising. Consumers who witness disclosures containing the word 'Sponsored' could directly relate this to advertising, and thus activate their conceptual persuasion knowledge. Based on the findings in other media, we propose the following hypothesis:

**H1.** A Facebook ad that is accompanied by a sponsorship disclosure ('Sponsored') will be more likely to activate consumers' conceptual persuasion knowledge, than a Facebook ad without a sponsorship disclosure.

### *The Use of Persuasion Knowledge in Response to Celebrity Endorsements*

When engaging in social media advertising, advertisers can post sponsored content on their own account, thus with the brand as

direct source of the content, or in the form of a celebrity endorsement, with the celebrity as an indirect source. The use of celebrity endorsements is a common practice in marketing campaigns (Erdogan 1999), and is increasingly used in social media campaigns as well (Bergvist and Zhou 2016; Wood and Burkhalter 2014). Due to their massive fan basis on social media, and their ability to create a personal allure to sponsored content, celebrities are often seen as important influencers, and thus paid to promote products and brands. To capitalize on these endorsements, Facebook even created a special tool that makes it easy for celebrities and other public figures to share branded content on Facebook (Kokalitcheva 2016).

Celebrities are thus a popular means to spread sponsored content. This is also reflected by a recent study on the use of Facebook as an advertising vehicle for celebrities (Lueck 2015). This study explored whether Kim Kardashian, as an example of a successful celebrity endorser, makes use of parasocial interaction on her Facebook fan page. The results showed that at least 44% of all posts could be classified as product endorsements. In most of these endorsements, products were embedded into personal stories (60%). In creating a personal frame, endorsements were depicted as portrayed actions towards consumption, i.e., showing that the celebrity uses the shown product herself.

Although research on the effects of celebrity endorsements on social media has remained scarce (Lueck 2015), celebrity endorsements in traditional media have been found to generate favorable outcomes, including more positive brand and ad attitudes (Bergvist and Zhou 2016; Lafferty, Goldsmith, and Newell 2002), and higher financial returns (Elberse and Verleun 2012). The effectiveness of celebrity endorsement is often explained by source credibility theory, which states that consumers are more likely to be persuaded when exposed to highly trustworthy sources (Erdogan 1999; Hovland and Weiss 1951; Ohanian 1991). Celebrities are believed to be a more trustworthy source than marketers (Freiden 1984; Ohanian 1991). Although celebrities may have commercially-motivated interests for endorsing a product or brand (i.e., receiving financial compensation for endorsing the product or brand), consumers seem to have more trust in the purity of celebrities' motives. Celebrities attach their names to a product or brand, and consequently, they are assumed to be motivated by a genuine liking for the product or brand, more so than financial benefits (Atkin and Block 1983).

The predisposition to attribute celebrity endorsements to a genuine liking for the product rather than financially-motivated interests, is also known as the correspondence bias (Gilbert and Malone 1995; Jones 1979). This bias is rooted in the attribution theory which states that people make causal inferences to explain other people's behaviors (Taylor and Fiske 1978). In doing so, people generally assume that a person's behavior is a true reflection of that person's feelings or beliefs, even when situational factors are more likely to fully account for this person's behavior (e.g., financial compensation). This bias is found to affect a range of different judgments, including judgments of celebrities' behaviors (Cronley et al. 1999). Since brands are no human entities whose behaviors need to be explained, such correspondence bias is unlikely to occur for brands.

The persuasion knowledge model (Friestad and Wright 1994) acknowledges celebrity endorsements as a persuasion tactic that people learn to recognize. It is assumed that adults will usually recognize celebrity endorsements as advertising. Nevertheless, in the context of social media, it may be harder for consumers to recognize a celebrity endorsement as a persuasive attempt. Unlike social media posts from brands, not all posts by celebrities are necessarily commercial. After all, celebrities also post photos and status updates to share what is going on in their personal lives, including what they purchase, consume, and like, just as ordinary Facebook users do (Jansen et al. 2009; Lueck 2015; Wood and Burkhalter 2014). As such, celebrity posts seem equivalent to organic user-generated posts on the consumption of products (cf. Farace et al. 2015; Lueck 2015). Indeed, celebrities are often seen as fellow social media users by their followers, whether they are official brand endorsers or not (Jin and Phua 2014). Thus, when a message by a celebrity does have a commercial purpose, this purpose may be less obvious to consumers than when the exact same post would have been posted by a brand. Therefore, we propose the following hypothesis:

**H2.** A Facebook ad that is posted by a celebrity will be less likely to activate conceptual persuasion knowledge, than a Facebook ad that is posted by a brand.

#### *Combined Effect of Sponsorship Disclosure and Source on the Use of Persuasion Knowledge*

Based on the idea that consumers will be more likely to use their persuasion knowledge when a brand sends out a commercial message than when a celebrity does, we expect that the source of a sponsored Facebook post moderates the effects of a sponsorship disclosure on the use of persuasion knowledge. When a Facebook post is sent by a brand, the brand itself signals its persuasive intent, and thus consumers are not in need of a disclosure (cf., Jin and Phua 2014). This would mean that a sponsorship disclosure has little or no effects when the sponsored post is sent by a brand.

When the source of the sponsored Facebook post is a celebrity, however, the commercial motive behind the posting is more difficult to infer. The celebrity may genuinely want to share his or her liking for the product, but it may also be for commercial purposes. In this context of celebrity endorsement, a sponsorship disclosure may be necessary for consumers to understand the commercial purpose of the post. For this reason, we expect that a sponsorship disclosure does have an effect on persuasion knowledge when the sponsored Facebook post is sent by a celebrity. This effect will be less pronounced for brands as they will be identified as a source with commercial interest in the first place:

**H3.** The effects of a sponsorship disclosure on the use of conceptual persuasion knowledge are stronger when a Facebook ad is posted by a celebrity compared to when a Facebook ad is posted by a brand.

#### *Effects on Attitudinal Persuasion Knowledge*

Research also distinguishes an affective dimension of persuasion knowledge, referred to as attitudinal persuasion knowledge.

This affective dimension considers consumers' tendency to disbelief or dislike advertising (Boerman, Van Reijmersdal, and Neijens 2012; Rozendaal et al. 2011). Attitudinal persuasion knowledge is developed as a general feeling of skepticism, distrust, or disliking towards advertising, but can be applied to a specific commercial message and can function as an attitudinal mechanism to cope with advertising. The persuasion knowledge model postulates that when consumers recognize a persuasion attempt in a message, they develop beliefs about the appropriateness and fairness of this message and the tactics used (Friestad and Wright 1994). Hence, critical evaluations are usually contingent on the recognition of a message as advertising: Once consumers recognize a message as advertising, they can develop critical and distrusting feelings towards it (Boerman, Van Reijmersdal, and Neijens 2012; Campbell and Kirmani 2000; Friestad and Wright 1994). In other words, consumers are not likely to use their attitudinal persuasion knowledge, when the message does not activate their conceptual persuasion knowledge.

When a warning or label informs consumers about the persuasive intent of a message, this may trigger distrusting feelings towards the message, and thus increase consumers' attitudinal persuasion knowledge (Boerman, Van Reijmersdal, and Neijens 2012; Wei, Fischer, and Main 2008; Wood and Quinn 2003). Therefore, the effect of a sponsorship disclosure on conceptual persuasion knowledge is expected to influence the level of attitudinal persuasion knowledge.

In addition, in the context of sponsored Facebook posts, we expect this effect to be more pronounced when the post is sent by a celebrity compared to brand. A sponsorship disclosure notifying that a Facebook post sent by a celebrity is sponsored makes consumers aware of the commercial nature of this post. In turn, they can develop beliefs of whether they think it is appropriate to send out commercial messages like this. These beliefs are most likely negative, as people tend to resist a persuasive message when it is recognized as such (Wei, Fischer, and Main 2008). Moreover, the realization that the celebrity did not post a genuine message, but for commercial purposes, may create a sense of unfairness. Based on the notion that a sponsorship disclosure instigates a process in which consumers first recognize the Facebook post as advertising and then develop distrusting beliefs about this, we propose the following hypothesis:

**H4.** Source moderates the effect of the sponsorship disclosure on attitudinal persuasion knowledge through the activation of conceptual persuasion knowledge: The mediated relationship of the disclosure on attitudinal persuasion knowledge will be stronger when the Facebook ad is posted by a celebrity (vs. a brand).

#### *Effects on Consumers' Intention to Engage in eWOM*

Due to the integration of Facebook ads and editorial content, and the interactive nature of the surrounding platform, sponsored posts may be liked, commented upon, or shared by consumers when shown amidst other non-commercial posts (Chu and Kim 2011). The social sharing of online product or brand-related

information between two or more consumers is also referred to as electronic word of mouth (eWOM; cf., Berger 2014), and is associated with various positive effects for brands, including positive product and brand attitudes, purchase intentions, purchase behavior and loyalty (e.g., Chevalier and Mayzlin 2006; Gruen, Osmonbekov, and Czaplewski 2006). The persuasive power of eWOM is often explained by its perceived trustworthiness (Willemssen, Neijens, and Bronner 2012). Consumers are believed to have no vested interests in promoting a product of brand, and thus are considered to be a more trustworthy source of information than the messages that directly derive from brands themselves (Bickart and Schindler 2001; Brown, Broderick, and Lee 2007). This is especially the case when eWOM derives from known contact such as one's Facebook friends. Even when Facebook friends have no real-world relationships with one another, the befriending procedure of Facebook requires consumers to inspect each other's personal profiles, which instigates perceptions of trust (Chu and Kim 2011). Thus, when befriended contacts publicly endorse a Facebook ad, marketers can create a halo effect of social trust onto their messages.

Trustworthiness of the eWOM sender is not only an important outcome of eWOM, it is also an important antecedent. Consumers are often only willing to disseminate information through eWOM, when the source is believed to be trustworthy. The rationale for trustworthiness as a precondition for eWOM sharing, is that consumers generally want to present themselves in ways that garner positive impressions (Berger 2014). What a consumer shares or endorses to other individuals, reflects back on one's image as a person. Consequently, talking about a likeable product makes a person look good in the eyes of others, but only when the likeability of the product proves to be true. Being aware of this, consumers are only more likely to endorse a product or brand that they have confidence in. Support for this contention is provided by De Matos and Rossi (2008) who performed a meta-analysis on various antecedents of traditional, face-to-face word of mouth. The results convincingly show trust to be an important driver of word of mouth behavior. Chu and Kim (2011) validated these effects also for the electronic equivalent of word of mouth. Trust was found to be positively related to one's intention to engage in eWOM.

Based on this line of argument, a sponsorship disclosure could make it less appealing for consumers to engage in eWOM. Noticing a sponsorship disclosure and the consequential recognition of the post as advertising could downgrade the trustworthiness of the information that is offered in this post, and negatively

affect consumers' intention to share the message. Research has shown that consumers are less likely to forward an advertising campaign on a social networking site (Van Noort et al. 2012) and online videos (Hsieh, Hsieh, and Tang 2012) when they understand their persuasive intent.

Given the found link between persuasion knowledge on eWOM, we expect that the previously stated moderated mediation effect of disclosure and source on attitudinal persuasion knowledge through conceptual persuasion knowledge, will further affect consumers' eWOM intention. More specifically, because we expect that a sponsorship disclosure has a more pronounced effect for sponsored posts sent by a celebrity, the effect of persuasion knowledge on eWOM will most likely only occur in this context. Once consumers recognize the celebrity's post is sponsored, it will instigate distrust and consequently negatively affect their intention to engage in eWOM. This in contrast to posts where the ad is posted by the brand, as it is expected that eWOM is already low. Therefore, the following hypothesis can be proposed:

**H5.** When a Facebook ad is posted by a celebrity, a sponsorship disclosure activates conceptual persuasion knowledge, which results in the use of attitudinal persuasion knowledge and ultimately lowers eWOM. When a Facebook ad is posted by a brand, such serial mediation is less likely to occur.

The full conceptual model that illustrates our hypotheses is presented in Fig. 1.

## Method

### Study Design, Participants and Procedure

We conducted an online experiment with a 2 (disclosure presence: no sponsorship disclosure vs. sponsorship disclosure)  $\times$  2 (source: celebrity endorser vs. brand) between-subjects design in the Netherlands. A total of 409 participants were recruited through Facebook invitations and personal communication. The average age of the participants was 29 ( $SD = 12.61$ ), 67% were female, and the majority of the participants completed higher education. This resembles the average Facebook user (Pew Research 2013).

The study was presented as a study about Facebook usage. Participants signed an informed consent and were randomly assigned to one of the four conditions. They were asked to look at a Facebook newsfeed as if they were viewing their own

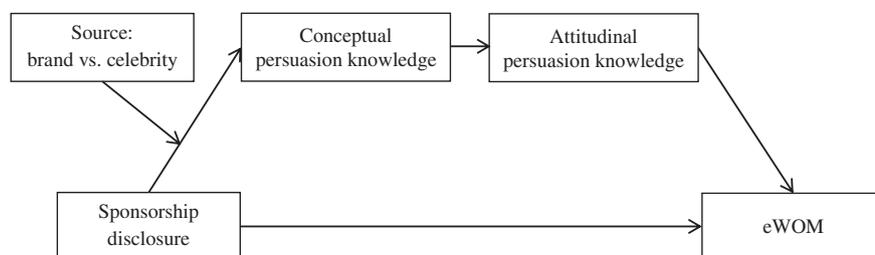


Fig. 1. Proposed moderated mediation model: Effect of sponsorship disclosure on eWOM via the use of persuasion knowledge, moderated by source.

Facebook page. Then, a newsfeed including the ad from one of the four conditions was shown. Participants could look at the newsfeed as long as they wanted before continuing with the questionnaire. The questionnaire started with a question about the frequency of Facebook usage, followed by participants' attitude towards the Facebook post and their intention to share the post. These questions were followed by brand responses (i.e., brand recall, brand familiarity, and brand attitude) and persuasion knowledge (i.e., conceptual and attitudinal). With this order of questions, we made sure that brand responses were not primed by questions that revealed the commercial nature of the Facebook post. The questionnaire ended with questions about participants' recall and recognition of the disclosure, and demographics.

### Stimulus Materials

The stimulus materials consisted of an iPad screenshot showing a newsfeed on Facebook. The app-version of Facebook contains less information and less advertising, and thus provides a more neutral and less distracting newsfeed in comparison to the web version. Apart from manipulating the source and the disclosure, the stimulus materials were kept identical across conditions. The newsfeed belonged to a fictitious person, and only showed the sponsored post and a list of fictitious friends on the right.

The ad in the newsfeed showed a picture of an international celebrity, David Beckham, drinking a cup of coffee with the brand Illy on it. The source of the post was identified by name and profile picture (i.e., a picture of David Beckham or the Illy logo) above the post. The post from David Beckham said: 'Starting the day with a nice cup of coffee!', and the post from Illy said: 'David Beckham starts his day with a nice cup of coffee!' The sponsorship disclosure consisted of a badge with the text 'Sponsored' that appeared underneath the source's name, which is identical to disclosures that are actually posted on Facebook. David Beckham and the coffee brand Illy were chosen due to the likelihood that both females and males are likely to appreciate these sources. By doing so, we aimed to rule out potential gender differences.

To check whether participants noticed the disclosure, we showed a picture of the sponsorship disclosure used in the experiment and asked the participants to indicate whether they recognized seeing it (0 = no, 1 = yes). Of all participants exposed to the disclosure ( $n = 225$ ), 59% ( $n = 133$ ) did not recognize the disclosure. This high percentage is in line with other disclosure studies (e.g., Boerman, Van Reijmersdal, and Neijens 2012; Campbell, Mohr, and Verlegh 2013; Wojdyski and Evans 2016) and provides new evidence of how little attention is paid to sponsorship disclosures. In addition, there were 15 participants who claimed to recognize the disclosure, but were not exposed to it because they were in the no disclosure condition. To test whether the recognition of the disclosure influenced the effects of the disclosure, we additionally examined the interaction between disclosure exposure and disclosure recognition, which are reported in the Results section.

## Measures

### Conceptual Persuasion Knowledge

We measured conceptual persuasion knowledge (conceptual PK) by asking participants to indicate on a 7-point scale to what extent they agreed with the statement "The Facebook post was advertising" ( $M = 5.72$ ,  $SD = 1.39$ ). Similar one-item measures have been used in earlier studies to estimate consumers' ability to recognize advertising (Boerman, Van Reijmersdal, and Neijens 2012; Ham, Nelson, and Das 2015).

### Attitudinal Persuasion Knowledge

We measured attitudinal persuasion knowledge (attitudinal PK) by asking participants to indicate whether they agreed (1 = *strongly disagree*, 7 = *strongly agree*) with the statement, "I think the Facebook post was...": "honest," "trustworthy," "convincing," "biased" and "not credible" (Boerman, Van Reijmersdal, and Neijens 2012; Ohanian 1990; Cronbach's  $\alpha = .74$ ). The mean of these five items is used as measurement of attitudinal PK. Items were (re)coded so that high scores of attitudinal PK correspond to more critical and distrusting attitudes ( $M = 4.65$ ,  $SD = 0.98$ ).

### eWOM

To measure eWOM intention we used two items that measure intention to share ("I think this Facebook post is worth sharing with others," "I will recommend this Facebook post to others"; Eckler and Bolls 2011), and added two items that reflect other ways to engage in eWOM on Facebook ("I would 'like' this Facebook post," "I would comment on this Facebook post"). Participants were asked to indicate to what extent they agreed with the statements on a 7-point Likert scale (1 = *strongly disagree*, 7 = *strongly agree*). Factor analysis revealed that the items load on one factor (Eigenvalue = 2.86, explained variances = 71.41%, Cronbach's  $\alpha = .86$ ). The measure of eWOM consisted of the mean score of the four items ( $M = 2.27$ ,  $SD = 1.20$ ).

### Control Variables

To ensure that the effects of the disclosure and the ad source were not caused by other differences between the experimental groups, a number of control variables were measured. The frequency of Facebook usage was measured by asking participants how often they checked their Facebook accounts (1 = *never*, 2 = *less than once a month*, 3 = *weekly 2–5 times*, 4 = *once a week*, 5 = *once a day*, 6 = *2–5 times a day*, 7 = *6–10 times a day*, 8 = *11–15 times a day*, 9 = *16 or more times a day*). Most participants (30%) said to check their Facebook account two to five times a day, whereas 21% checked their accounts six to ten times a day. The majority of the participants stated to be familiar with the brand Illy (76%). In addition, age, education, and sex were measured.

## Results

### Importance of Disclosure Recognition

As described in the Method section, an important outcome of our experiment is that many participants did not remember

seeing the sponsorship disclosure, even when it was present. To understand how the recognition of the disclosure influenced the effects of disclosure presence on conceptual PK, we conducted an ANCOVA with conceptual PK as the dependent variable, and disclosure presence and disclosure recognition as factors. Brand familiarity and Facebook usage were included as covariates. Because of unequal group sizes, the sample was bootstrapped with 1,000 replications (for discussion of how bootstrapping can be applied for inferential problems see e.g., Hayes 2013; Sadooghi-Alvandi and Jafari 2013).

The results showed a significant interaction effect between disclosure presence and disclosure recognition on conceptual PK,  $F(1, 403) = 4.53, p = .034, \text{partial } \eta^2 = .01$ . Pairwise comparisons (LSD) revealed that presence of the disclosure only significantly increased conceptual PK for the participants' who recognized seeing it ( $M = 6.10, SD = 1.17; n = 92$ ), compared to those who did not recognize it ( $M = 5.34, SD = 1.50; n = 133$ ),  $p < .001$ . In addition, there was no significant difference between the participants who were exposed to a Facebook post without a disclosure and correctly said to not have seen it ( $M = 5.52, SD = 1.46; n = 169$ ), and those who falsely recognized the disclosure ( $M = 5.47, SD = 1.60; n = 15$ ),  $p = .702$ . Furthermore, when comparing participants who recognized seeing the disclosure, disclosure presence had a marginally significant positive effect compared to no disclosure ( $p = .064$ ). For the participants who did not recall seeing a disclosure, there was no effect on conceptual PK of disclosure presence ( $p = .281$ ).

These findings indicate the importance of not just the presence of a disclosure, but also of consumers' recognition of this disclosure. The disclosure did not appear to have any effect on conceptual PK when participants did not notice it. Because we are interested in the effects of a disclosure when consumers are made aware of this practice through a disclosure, we created four quasi-experimental conditions, based on disclosure presence and recognition.

For all following analyses, we excluded the participants who were exposed to a Facebook post with a disclosure but did not recognize this presence ( $n = 133$ ) and the participants who claimed to recognize the disclosure but were exposed to a Facebook post in which the disclosure was not present ( $n = 15$ ). This left a subsample of 261 participants whose disclosure recognition matched the presence of the disclosure (no disclosure and brand  $n = 84$ , no disclosure and celebrity  $n = 85$ , disclosure and brand  $n = 38$ , disclosure and celebrity  $n = 54$ )<sup>3</sup>.

The quasi-experimental groups did not differ in terms of sex,  $\chi^2(3) = 0.73, p = .866$ , education,  $F(3, 255) = 0.59, p = .624$ , age,  $F(3, 257) = 0.24, p = .867$ , Facebook usage,  $F(3, 257) =$

$2.07, p = .105$ , and brand familiarity,  $\chi^2(3) = 2.81, p = .422$ . As the majority of all participants stated to be familiar with the brand (76%), brand familiarity was included as a control variable in all analyses. In addition, because the frequency of Facebook usage may influence consumers' willingness to engage in eWOM, we also included this variable as a covariate in all analyses.

### Effects of Disclosure and Source on the Use of Conceptual Persuasion Knowledge

To test H1, H2, and H3, we conducted an ANCOVA with the new disclosure variable (based on disclosure presence and disclosure recognition) and source as factors, conceptual PK as dependent variable, and brand familiarity and Facebook usage as covariates. Again, the sample was bootstrapped with 1,000 replications to control for difference in group sizes. In support of H1, the results revealed that in this subsample, conceptual PK was significantly higher when the Facebook ad included a disclosure that was noticed ( $M = 6.10, SD = 1.17; n = 92$ ), compared to a Facebook ad that did not include a disclosure ( $M = 5.52, SD = 1.46; n = 169$ ),  $F(1, 255) = 12.61, p < .001, \text{partial } \eta^2 = .54$ . In addition and in line with H2, the source of the Facebook post (brand  $n = 122$ , celebrity  $n = 139$ ) had a significant effect on conceptual PK,  $F(1, 255) = 12.27, p = .001, \text{partial } \eta^2 = .05$ . Participants were significantly more likely to recognize the Facebook ad as advertising when it was posted by a brand ( $M = 6.09, SD = 1.14$ ) than when it was posted by a celebrity ( $M = 5.40, SD = 1.51$ ).

Most importantly, these main effects appear to be contingent upon a significant interaction effect between the disclosure and source on conceptual PK,  $F(1, 255) = 9.67, p = .002, \text{partial } \eta^2 = .04$ . Fig. 2 illustrates this interaction effect. Pairwise comparisons (LSD) showed significant differences between the no disclosure ( $M_{\text{celebrity} + \text{no disclosure}} = 4.98, SD = 1.59$ ) and the recognized disclosure condition ( $M_{\text{celebrity} + \text{recognized disclosure}} = 6.07, SD = 1.08$ ) when the Facebook ad was posted by the celebrity ( $p < .001$ ). However, the effect of the recognized disclosure was not significant when it was posted by the brand ( $p = .749$ ;  $M_{\text{brand} + \text{no disclosure}} = 6.07, SD = 1.06$ ;  $M_{\text{brand} + \text{recognized disclosure}} = 6.13, SD = 1.30$ ). In addition, when

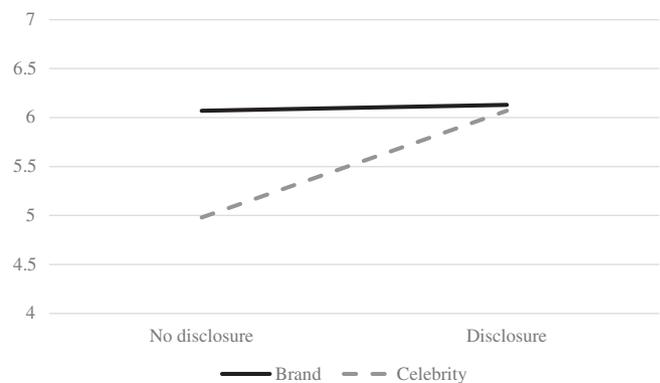


Fig. 2. Effect of sponsorship disclosure (present and recognized vs. no disclosure) on conceptual persuasion knowledge, moderated by source.

<sup>3</sup> We tested for self-selection using the Heckman two-step procedure. Following the steps suggested by Smits (2003), we calculated the so-called Lambda variable. Lambda reflects the effects of all unmeasured characteristics related to disclosure recognition, and by including it in our analyses as a control variable all other predictors in the analysis are freed from this effect (Smits 2003). We ran all our analyses with Lambda as a control variable, and this led to the same results. Moreover, Lambda was insignificant in all analyses, which means that no selection-bias could be detected based on the Heckman procedure.

the post did not include a disclosure, participants recognized the post by the brand significantly better as advertising than the message by the celebrity ( $p < .001$ ). When the post was accompanied by a disclosure and this disclosure was recognized, there were no differences in recognition of advertising between the two sources ( $p = .805$ ). In other words, the mean score in conceptual PK was usually quite high (i.e., 6), and was lower only when the Facebook ad was posted by a celebrity and did not include a disclosure. These results support H3.

*Moderated Mediation Effect on Attitudinal Persuasion Knowledge*

To test the moderated mediation model proposed in H4, we used Model 7 in the PROCESS macro (Hayes 2013). This SPSS macro uses an ordinary least squares regression-based path analytical framework to estimate the direct and indirect effects in mediator models. We used 10,000 bootstrap samples to estimate the 95% bias-corrected bootstrap confidence intervals (BCIs) for inferences regarding indirect effects and conditional effects. We ran a model with sponsorship disclosure (new variable based on presence and recognition) as the independent variable, source as the moderator, conceptual PK as the mediator, and attitudinal PK as the dependent variable. Brand familiarity and Facebook usage were included as covariates. The results showed no significant direct effect of the recognized disclosure on attitudinal PK ( $b = 0.00, p = .978$ ) and a significant interaction effect between the recognized disclosure and source on conceptual PK ( $b = 1.05, p = .002$ ). In addition, we found a significant positive effect of conceptual PK on attitudinal PK ( $b = 0.30, p < .001$ ). This indicates that the recognition of the Facebook ad as advertising increased critical and distrusting feelings towards the ad.

The index of moderated mediation was significant (index of moderated mediation = 0.31, boot SE = .11, BCI [.130, .570]). The conditional effects demonstrated that the indirect effect of a recognized disclosure on attitudinal PK via conceptual PK was significant only when the Facebook ad was posted by the celebrity (indirect effect = 0.34, boot SE = .08, BCI [.200, .524]). This indirect effect was not significant when the Facebook ad was posted by the brand (indirect effect = 0.02, boot SE = .07, BCI [−.127, .157]). Hence, when a Facebook ad is posted by a celebrity, a disclosure that is noticed increases the recognition of the post as advertising, and this leads to more distrust of the post. H4 is thus supported.

*Effects on the Intention to Engage in eWOM*

H5 proposes an effect of a sponsorship disclosure on eWOM, moderated by the source of the sponsored Facebook post and mediated by conceptual and attitudinal persuasion knowledge in serial. The serial mediation model was tested using Model 6 in the PROCESS macro. In this serial multiple mediation analysis, the disclosure (present and recognized vs. no disclosure) functioned as the independent variable, conceptual PK as the first mediator, attitudinal PK as the second mediator, and eWOM as the dependent variable. Brand familiarity and Facebook usage were included as covariates.

We ran the serial mediation models separately for the brand ( $n = 122$ ) and celebrity conditions ( $n = 139$ ).

For the celebrity conditions, the results (see Fig. 3) demonstrated a significant indirect effect of the disclosure on eWOM (indirect effect =  $-0.27$ , boot SE = .11, 95% BCBCI [−.204; −.056]). This indirect effect of the recognized disclosure (vs. no disclosure) on eWOM was mediated by the effect of the disclosure on conceptual PK ( $b = 1.13, p < .001$ ), which consequently increased attitudinal PK ( $b = 0.26, p = .001$ ), and ultimately resulted in lower intentions to engage in eWOM ( $b = 0.48, p < .001$ ). The same analyses with only the brand conditions did not result in a significant indirect effect of the disclosure on eWOM (indirect effect =  $-0.02$ , boot SE = .07, 95% BCBCI [−.145; .123]). This provides support for the process as proposed in H5.

**Conclusion and Discussion**

This study addressed the effects of sponsorship disclosures in the context of sponsored Facebook posts. The purpose of the study was threefold. First, it aimed to gain insight into the effects of disclosures in Facebook posts on consumers’ use of persuasion knowledge. Second, it examined under which conditions these effects occur by focusing on two types of sponsored content: posts that are disseminated by the brand itself versus celebrities who have been paid to endorse the brand. Third, it intended to unravel the process through which sponsorship disclosures are likely to affect consumers’ responses to the advertising.

With respect to our first and second aims, we found that disclosing the commercial nature of a sponsored post can activate conceptual persuasion knowledge. Consumers were more likely to recognize a Facebook post as advertising when it was transparently labeled as such and when this label was noticed. Interestingly, this effect was contingent upon the source of the Facebook post. The mean scores of conceptual persuasion knowledge in response to posts sent by a brand were already quite high and did not appear to increase with the addition of a disclosure. This finding confirms the notion that, when a Facebook post is sent by a brand, consumers are not in need of a disclosure, as the brand itself signals its persuasive intent (cf., Jin and Phua 2014).

However, there was one condition in which the activation of conceptual persuasion knowledge was considerably lower, which was when the Facebook post was sent by a celebrity and

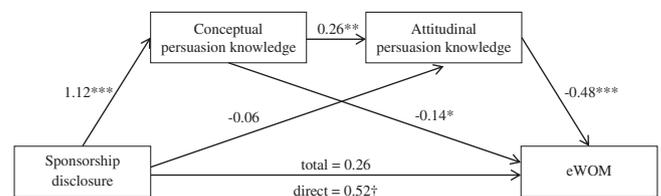


Fig. 3. Tested serial mediation model: Effect of sponsorship disclosure (present and recognized vs. no disclosure) on eWOM via conceptual and attitudinal persuasion knowledge. Only for the celebrity conditions ( $n = 139$ ). † $p < .10$ , \* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ .

did not include a ‘Sponsored’ label. In this situation, a sponsorship disclosure *was* able to externally help them to activate their persuasion knowledge (provided that the disclosure was noticed). Although the persuasion knowledge model (Friestad and Wright 1994) postulates that consumers learn to recognize celebrity endorsements as persuasion tactics that could be resisted, our study suggests that this may not be the case in social media advertising. This confirms the idea that consumers have difficulties inferring the commercial nature of a celebrity endorsement, as they may have various motivations for posting a message. These motivations may include commercial and non-commercial motivations such as the desire to share a genuine liking for a product (Jansen et al. 2009; Wood and Burkhalter 2014). This makes this study one of the first to demonstrate that persuasion knowledge is an important underlying mechanism that explains why celebrity endorsement can work on social media. In addition, these findings have important implications for the persuasion knowledge model (Friestad and Wright 1994), by showing that consumers’ persuasion knowledge regarding celebrity endorsements in the context of social media is not fully developed yet.

These findings also explain why a sponsorship disclosure only effectively activates persuasion knowledge in the celebrity endorsement condition. Given that this is the only situation in which consumers may not recognize a post as advertising by themselves, a sponsorship disclosure can externally help them to activate their persuasion knowledge. Interestingly, sponsorship disclosures do not change consumers’ responses to Facebook posts that were sent by the brand itself because the brand name already seems to trigger persuasion knowledge. These findings indicate that there are important boundary conditions for the effects of sponsorship disclosures. Hence, the current regulations and guidelines that encourage companies to disclose any advertising on social media (FTC 2013; The Dutch Advertising Code 2014; WOMMA 2013) are effective in making consumers more aware of the commercial intent of sponsored posts, but only for posts sent by celebrities. A disclosure did not seem to be necessary for posts sent by a brand.

Concerning the third aim, the present study demonstrates that a sponsorship disclosure can help consumers to recognize celebrity endorsements on Facebook as advertising, and that this negatively affects consumers’ responses to the ad. The recognition of the Facebook post as advertising (i.e., the activation of conceptual persuasion knowledge) causes consumers to develop critical and distrusting beliefs about this Facebook post (i.e., use of attitudinal persuasion knowledge), and in turn, this decreases their intention to engage in eWOM. This finding is in line with the notion of the correspondence bias (Gilbert and Malone 1995; Jones 1979), and the idea that celebrity endorsers are perceived as trustworthy sources with (more) pure motives (Atkin and Block 1983; Erdogan 1999; Freiden 1984). Informing consumers about the commercial nature of a celebrity’s Facebook post, leads to a heightened understanding that the celebrity’s decision to share the post was not motivated by a genuine liking of the brand. This causes consumers to generate critical and distrusting feelings, showing that consumers do not appreciate this.

Furthermore, with the use of Facebook to promote brands and products, marketers stimulate consumers to share their messages, in order to increase their reach and capitalize on consumers’ credibility. Our study suggests that consumers were overall not very likely to engage in eWOM about the Facebook post. Moreover, it revealed that disclosing the commercial purpose of a message disseminated by a celebrity reduces the effectiveness of the celebrity endorsement, as it made consumers even less likely to share the message. In other words, a sponsorship disclosure can have important detrimental effects for celebrity endorsements on Facebook, and persuasion knowledge is an important underlying mechanism explaining this effect. An interesting question that asks for follow-up research is whether similar effects are likely to occur for peers as endorsers of products. Brands are not only using celebrities to disseminate their content, but also stimulate everyday consumers to share and post branded content on social media. As it may be even more difficult to infer the commercial nature of such endorsements, disclosures may be even more necessary and more effective in these contexts. Therefore, an interesting venue for future research is to examine the effects of endorsements by peers instead of celebrities as disseminators of sponsored content.

An important unanticipated finding of this study is the fact that 56% of all participants exposed to a disclosure did not recognize this disclosure. This high percentage is in line with other disclosure studies (e.g., Boerman, Van Reijmersdal, and Neijens 2012; Campbell, Mohr, and Verlegh 2013; Wojdyski and Evans 2016) and provides new evidence of how little attention is paid to sponsorship disclosures. This finding is of importance because it shows that the results should be carefully interpreted. Many Facebook users will not notice a sponsorship disclosure, making it unlikely to affect the use of persuasion knowledge. This means that, although sponsorship disclosures can have important negative consequences for celebrity endorsements on Facebook, this will only occur for consumers who notice the disclosure.

From a legal perspective, this means that even when marketers show compliance with the social media advertising regulations (FTC 2013; The Dutch Advertising Code 2014; WOMMA 2013), a disclosure is often not noticed and thus does not always successfully inform consumers that a message is sponsored. Further research is needed to examine how sponsorship disclosures can be made noticeable, and thus more effective in making consumers aware of social media advertising. In addition, although our study provides some interesting and new insights into consumers’ level of persuasion knowledge about social media advertising, this was measured in an experimental context. Further research could investigate consumers’ level of persuasion knowledge through more extensive surveys to gain insights into their actual knowledge of sponsored content in general.

Although our study provides important new insights into the effects of disclosures of sponsored Facebook posts, it does have some limitations. For instance, our study involved only one Facebook post, for one product (i.e., coffee) and brand (i.e., Illy), and one celebrity (i.e., David Beckham). As the effects of

sponsored content may differ between different types of products, may depend on people's attitude towards and perceptions of the celebrity, and may be influenced by the perceived fit between brand and celebrity (e.g., Bergvist and Zhou 2016; Erdogan 1999; Wood and Burkhalter 2014), further research is needed to understand whether our findings can be generalized to a wider range of brands and celebrities.

Furthermore, this study was conducted in the Netherlands. It is important to note that trust in social media advertising and opinions posted online are generally lower in Europe and the US than in Asia, Latin America, and Africa (Nielsen 2015). These findings suggest that the effects of disclosures might differ between countries. However, if disclosures make skeptical consumers even more skeptical, these effects may be even more pronounced for those who are less skeptical of advertising. Further research is needed to compare disclosure effects between countries.

Altogether, our study shows that sponsorship disclosures informing consumers about the commercial purpose of sponsored Facebook posts can have important detrimental effects for celebrity endorsements. When a sponsorship disclosure is noticed, it takes away the advantage of celebrity endorsement by increasing the recognition of advertising and consequently generating distrust in the ad and lowering the intention to engage in eWOM. Alternatively, sponsorship disclosures do not appear to harm Facebook ads posted by brands. Because consumers recognize messages sent by brands as advertising, these types of advertising may not be perceived as deceptive.

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