



## Consumer perceptions: Do sponsorship disclosure and influencer credibility affect brands in the beauty and cosmetics industry?

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### Abstract

The focus of the research is to fill in the gaps in existing research on the change from traditional marketing trends to current marketing trends in the Philippines, particularly influencer marketing on various digital media platforms. This study aims to determine significant factors affecting consumer perception (purchase intention) in the beauty and cosmetics industry, specifically sponsorship disclosure labels and influencer credibility, is beneficial to cosmetic companies, marketing agencies, and future researchers as a basis for future campaigns or research in line with influencer marketing. A total of 226 people were surveyed for this study, which used a descriptive-correlational technique. A Structural Equation Model (SEM) was used to assess their perceptions of influencer marketing as well as their overall attitude about the characteristics indicated. According to the findings of the study, influencers have a substantial effect in affecting respondents' purchase intentions for businesses. However, when it comes to sponsorship disclosure labels, the data demonstrate that they have no impact on consumer perceptions of purchase intent.

**Keywords:** Consumer Perception, Content Strategy, Influencer Marketing, Influencer System, Social Media

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### Introduction

The rise of social media platforms has prompted businesses to look for new and innovative ways to sell their products and services, adapting modern marketing strategies to reach a wider audience. According to the 2021 Statista Report on Internet Users, the Philippines' Internet user base expanded to 73.91 million people. In addition, according to Statista (2019) and Statista (2020), the amount of time spent on social media increased from 142 minutes to 145 minutes a day. This rise indicates a potential to modify marketing strategies to include social media influencers as corporate growth drivers. Since the increasing prevalence of social media and social media platforms, influencer marketing has become rampant online, with brands and companies using it for advertisements and engagements (De Grutolla, 2019).

Influencer marketing, which challenges conventional and strategic marketing norms, boosts a brand's competitiveness both locally and globally. According to a study conducted by the Digital Marketing Institute (2018), 22% of marketers say influencer marketing is the fastest growing method of acquiring new customers online. Influencer marketing is a type of advertising that connects businesses, brands, and services with online personas who are well-known and frequently interact with target audiences. Bloggers can now utilize social media to deliver frequent updates to their followers on products they use or advocate for (e.g., Facebook, Twitter, Instagram, and YouTube). Advertisers are increasingly turning to influencers as a true and organic way to contact their target demographic because even under the best of circumstances, getting a marketing message across to customers is challenging.

In this scenario, it's apparent that the Philippines' steady development in influencer marketing is having an impact on firms and other enterprises. As a result, influencer marketing is becoming a more vital part of marketing efforts all throughout the country, with objective-based influencer marketing becoming increasingly popular.

Today, the most effective and cost-effective strategy to attract customers is to promote companies on social media through engaging and interactive campaigns.

New options and possibilities for businesses to develop and sustain relationships with their clients open up as a result of these strategies. Despite the fact that Filipinos are known for being risk averse, they rely on product reviews, word-of-mouth, and advertising from influencers before purchasing a brand or product, wherein said influencers can give the product a face and a personality, which has a significant impact on businesses or brands.

Currently, there is insufficient research in the available literature on the transition of traditional marketing practices to current marketing practices in the Philippines, particularly influencer marketing on the various digital media platforms currently in use. To increase the credibility of Influencer Marketing as an efficient marketing technique that can benefit brands and enterprises, this gap must be filled. As a result, the goal of this study is to see if there is a relationship between campaign characteristics (such as sponsorship disclosure labels and credibility of influencers and consumer perceptions in the beauty and cosmetics business in terms of purchase intention.

## Related Literature

### Sponsorship Disclosure Labels and Consumer Perceptions

Sponsorship disclosures, whether on a post or campaign, can either be explicit or implicit in nature. These labels signify consumers that the post they are seeing is an advertisement, which also triggers the consumers' persuasion knowledge (Van Dam & Van Reijmersdal, 2020; Kim *et al.*, 2021) [22]. The persuasion knowledge model simply depicts that people are aware if they are being persuaded to, and the tactics that were used for persuasion. Thus, once noticed, consumers interpret, evaluate, and respond to the persuasion with the idea that they are being persuaded to (Christandl & Muller, 2019; Stubb & Colliander, 2019) [20].

However, based on a research by Carr & Hayes (2014), decreases in perceptions of credibility are results of impartial disclosures in campaigns, as compared to posts with explicit disclosures. However, it was discovered that disclosure information alone was shown to have no effect on the purchase intentions to the generated product reviews. Also, a note such as "this post is not sponsored" can reduce consumer suspicion, meaning impartial disclosures generate a positive effect on the source and product-review credibility (Stubb & Colliander, 2018) [20]. Lastly, it was discovered that when it comes to the Influencer Enhancement Effect, this disappeared due to the sponsorship disclosure present. In turn, this resulted in the effect having no impact on consumers. Alternatively, the positive effect of an influencer's narrative only appeared when there was no disclosure present. (Muller & Christandl, 2019; De Cicco *et al.*, 2019) [14, 4].

Coming from a research by Stubb & Colliander (2019) [20], posts are less likely to be perceived as advertising if these posts have impartial disclosures. This in turn generates higher message and source credibility as compared to sponsored posts. Moreover, it was discovered that when consumers use micro-influencers who use sponsorship disclosure, they tend to have higher levels of purchase intentions as compared to non-disclosure posts made by macro-influencers. (Kay, *et al.*, 2020) [10]. Additionally, posts with sponsorship disclosures trigger consumers' conceptual persuasion knowledge. This in turn decreases electronic word-of-mouth (eWOM), increases persuasion attitudinal understanding, and reduces intention

on purchasing the endorsed product (Lou, *et al.*, 2020) [13].  
H1: Sponsorship disclosures affect consumer perceptions.

### Credibility of Influencers and Consumer Perceptions

Perloff (2014) [15] stated that credibility is a communication variable that communicators attempt to develop in order to increase their audience's impact, and that credibility is defined by expertise, trustworthiness, and goodwill (Saxena, 2011; Khan and Saima, 2020) [11]. In addition, according to Scott (2015) [18] because influencers are the "trusted voices" of the public, firms that use influencers to develop social media content can avoid the media and communicate directly with their customers through an influential third party. (Carter, 2016) [3]. This is because customers are more likely to trust influencers' opinions because they are considered sources of knowledge and can assist consumers in making decisions (Planchard *et al.*, 2016) [16]. These endorsements have a high level of credibility and authenticity, which leads to better client acceptance of the message (De Vries *et al.*, 2012) [6]. The credibility of a communicator or message source influences their persuasiveness. In light of the foregoing, when an audience has a positive opinion of the influencer they follow, they form a bond or a special relationship (Karouw *et al.*, 2019) [9]. In other words, as communication grows more trustworthy, it becomes more persuasive; conversely, when credibility decreases, it becomes less persuasive (Al-Darraj *et al.*, 2020) [1]. Consumers' trust and loyalty to influencers has been shown to have a favorable impact on sales and long-term relationships between the influencer's followers and the brand being promoted (Sudha & Sheena, 2017) [21]. As a result, the trustworthiness of an influencer has an impact on the customer view of the brand being promoted in terms of purchase intent. According to Lee and Koo (2012) [12] consumers trust their peers more than companies and they are more likely to use information provided by their peers to evaluate products/services before making a purchase decision. Wherein peers refers to people they know or influencers they respect. Consumers' purchase intentions are directly affected by perceived beauty, trustworthiness, and credibility, according to Rebelo, 2017; Khan and Saima, 2020; Sokolova and Kefi, 2020 [17, 11]. In this regard, the more persuasive power and credibility the influencer possesses, the more likely a consumer is to purchase the recommended brands (Rebelo, 2017; Jimenez-Castillo & Fernandez, 2019) [17]. As a result, marketers might bolster these assertions in order to better evaluate an influencer's credibility in terms of purchase intent.

H2: Influencer Credibility has a significant effect on consumer perceptions.

### Materials and methods

This study utilized a quantitative method with a descriptive-correlational approach. A survey questionnaire was created with questions covering our four variables. The first component of the survey is about the respondent's profile, followed by a section with attitudes that respondents must assess on a 4-point Likert scale. Before distribution, this tool underwent content, validity and reliability checks. With a reliability average of 83%, the survey was then deployed through Google Forms. The foundation for the questionnaire was derived from past research, factors, and important research topics. The influencers' credibility and sponsorship disclosure are among the questions asked. Before being

distributed, this research tool was subjected to content validity testing by a practitioner with expertise in the topic's field of study, an academician from the same field, and a statistician to determine the relevance of each question. A pilot sample of 20 people was used to test the study's reliability and validity. The poll was then distributed using Google Forms, with an average reliability of eighty-three percent (83%). The target sample size was 195, with a 7% margin of error and a 95% confidence level, as calculated by the Raosoft calculator. As a result, this survey had been sent to 226 male and female respondents aged 18 to 34 years old who lived in key cities throughout the Philippines based on population, these cities are Quezon City, Manila City, Davao City, Caloocan City, and Cebu City. These respondents must be capable of understanding social media, use it effectively, and make purchases. After obtaining data, the researchers used the Structural Equation Model, or SEM, to determine the study's results. This type of test took the researchers' set of questions concerning relationships between variables of interest and calculated the amount of the independent factors' direct impact on the study's dependent variables.

## Results

The survey for this study was submitted to 226 respondents

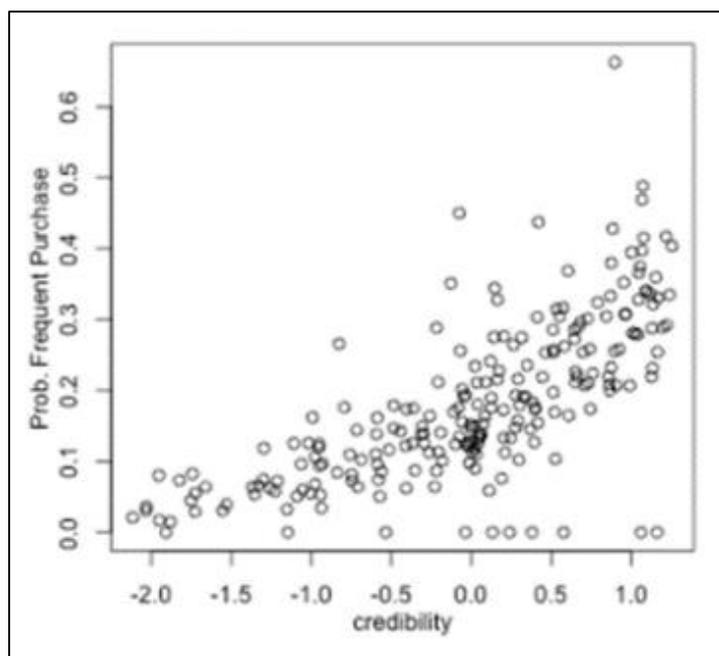
consisting of 76% females and 24% males. In terms of age, the sample consisted of 60% people belonging to the 18 to 21-year-old age group, 30% in the 22-to-25-year age group and the rest divided between the 26 to 29 years and the 30 to 34 age groups.

### Analysis of the Structural Equations Model

Structural Equation Model was conducted using the lavaan package in the R software, specifically confirmatory factor analysis of the latent variables namely: sponsorship disclosure (sponsorship) and influencer credibility (credibility). Therefore, the contribution is listed in the estimate (Est) column, while the associated odds ratio is listed in the OR column. An effect is considered symbolic when the associated p-value is less than (or very close) to the study's goal significance of 0.10. In Table 1, the researchers marked a significant effect with an asterisk to simplify reading.

**Table 1:** Estimates of logistic regression analysis on frequency to purchase brands

	Est	OR	Std. Err.	p-value
Intercept	-1.166		0.384	0.002
Sponsorship Disclosure	0.720	2.055	1.367	0.598
Credibility*	1.419	4.132	0.474	0.003



**Fig 1:** Scatterplots of fitted probability to purchase from brands and associated variables with significant estimates.

Table 1 summarizes the results for frequency to purchase from brands in the beauty and cosmetics industry. The findings for the sponsorship disclosure label (OR = 2.055; p-value = 0.598) suggest that no significance is present between these factors to the frequency of purchase of consumers towards brands in the beauty and cosmetics industry. This is also the reason why this variable cannot be seen in Figure 1 as no relationship has been discovered, therefore, rejecting the hypothesis 1 of this study that Sponsorship Disclosures affect consumer perceptions.

The results signify that Figure 1's curve is significantly more obvious for the relationship with credibility (OR = 4.132; p-value = 0.003) leading to the confirmation of hypothesis 2: The credibility of influencers influence the perceptions of

consumers.

## Discussion

The study's findings contradict the majority of previous research on the importance of sponsorship disclosure labels in influencing purchase intent, hence H1 is rejected. According to a study, omitting disclosures from a post improved the influencer's narrative toward consumers (Muller & Christandl, 2019; De Cicco *et al.*, 2019) [4]. However, Kay *et al.*, (2020) [10] contradict the level of significance because sponsorship disclosures lead to a significant impact towards purchase intention on influencer campaigns. Overall, past research has shown that sponsorship disclosure labels have a direct impact on customer purchasing

intentions, whereas the current data show the contrary. However, one of the latter research supports our findings, indicating that disclosure information had no effect on purchase intention or brand attitude.

The present study confirmed prior studies by Rebelo (2017)<sup>[17]</sup> and Jimenez-Castillo & Fernandez (2019) that found that the more persuasive the digital influencer is being viewed as a trustworthy source of information, the more likely an individual will purchase the recommended brand. Furthermore, the findings demonstrated that brands that invest in influencer campaigns saw beneficial effects in terms of consumers recommending products they previously purchased because of an endorser (Jimenez-Castillo & Fernandez, 2019). Furthermore, when consumers follow an influencer they can relate to who also supports a brand that is suitable for their normal style, their impressions of the product tend to match the influencer's endorsed brands, resulting in encouraging peer recommendations and thus leads to purchase intention (De Vries *et al*, 2012; Planchard *et al*, 2016)<sup>[6, 16]</sup>.

The findings indicated that consumer perceptions of credibility influence their purchase intentions for beauty and cosmetics products. This backs up prior research that shows people are more likely to buy from a brand if they consider the influencers providing the recommendations are trustworthy or credible (Rebelo, 2017; Khan & Saima, 2020; Sokolova & Kefi, 2020)<sup>[17, 11]</sup>. Furthermore, the findings support Lee and Koo (2012)<sup>[12]</sup> that consumers trust their peers more than traditional marketing and businesses in general. Before making a purchasing decision, consumers would rather choose products/services that were suggested by their peers. In this context, Peers are individuals or influencers with whom they connect and relate to. Consumers tend to follow the opinions of influencers because they are considered sources of knowledge and may assist consumers in making decisions (Planchard *et al*, 2016)<sup>[16]</sup>. This means that as communication becomes more trustworthy, it becomes more persuasive; conversely, as credibility decreases, it becomes less persuasive (Al-Darraj *et al*, 2020)<sup>[1]</sup>. Wherein all of this has an impact on consumer purchase intention for brands in the beauty and cosmetics industry.

### Conclusion

With the increasing use of online shopping and digital marketing, firms, particularly those in the beauty and cosmetics industry, are turning to influencer marketing to strengthen their ties with customers. These campaigns are now used on all social media platforms, making them one of the easiest tactics for brands to communicate with their customers. These initiatives help businesses compete in terms of customer acquisition, retention, and even brand equity. As a result, it's important to examine these campaigns and identify characteristics that have a significant impact on consumers' purchasing intentions.

Consumers are apprehensive of influencer marketing campaigns because they are unsure whether the influencers employed are relevant and honest about the brand's items. The credibility that an influencer generates has the power to make or break a target market's decision to buy from a company.

Brands, on the other hand, can relax when it comes to elements like sponsorship disclosure labels in their influencer marketing initiatives. This factor does not completely control how consumers behave when it comes to purchasing

decisions. As a result, it's critical for brands to create influencer marketing campaigns that include vital components and factors that can help to strategically contribute to a positive consumer perception of their company.

### Theoretical Implications

The present study lays the groundwork for further research into customer perceptions of brands' influencer marketing initiatives in the beauty and cosmetics industry to determine the factors that significantly impact a brand or business. For studies in the future that are gender, age-sensitive, and the like, it is recommended that further research be done by considering mediating or intervening variables that may reveal a more in-depth relationship. Furthermore, the variables found in the study may not be sufficient; therefore, additional variables may be examined in the future, or the same variables could be examined through other methodologies for future research as well. It is also recommended that marketers prioritize the factors that significantly impact consumer response towards their brands. Since this study was conducted during the COVID-19 pandemic, it is also recommended that the number of respondents is adjusted to generate a more wide-scale study, not only focusing on a certain number of respondents from selected areas in the Philippines. If these practitioners consider these recommendations, the brands that they handle may have a competitive advantage in the digital marketing landscape.

### Managerial Implications

This study may be a basis for the success of marketing campaigns, with this study, Marketing Agencies, Brands in the Beauty and Cosmetics Industry, Content Creators, and the like may capitalize on the credibility of influencers and the types of posts these individuals or companies make. For the credibility of influencers these individuals and companies should keep in mind that credibility of their influencers shows significant impact on a consumer's purchase intention and frequency to recommend, thus, tapping credible influencers to do their campaigns are pertinent to their success. An influencer's credibility is able to affect a consumer that is why it is significant to employ influencers who have expertise in the field to strengthen their claims on products they recommend to consumers. It is also pertinent that these individuals and companies be wary of the type of post they create because this too affects a consumer's purchase intention. With the type of post being a significant factor to a marketing campaign's success, these individuals and companies should be able to create campaigns that spark interest and evoke enjoyment to viewers. Wherein the types of post may lead to purchase or sales for these companies.

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