

MARKETING

## FTC toughens on influencers, forcing luxury to be vigilant in disclosing relationships

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*Influencers are incredibly powerful, but brands need to work with them properly. Image credit: Harrods*

This week, the United States' Federal Trade Commission settled its first-ever lawsuit against influencers for not properly disclosing their financial relationship with the product they endorsed.

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In this case, the lawsuit was over a pair of popular video game influencers who endorsed a company without disclosing that they were partial owners, but the ramifications extend beyond the world of video gaming and into any industry that relies on influencers for marketing purposes. For the luxury industry, this shows that brands need to tread carefully with how they interact with influencers, as anything construed as misleading or deceptive could land them in trouble.

"Until recently, influencer marketing has been uncharted territory not only for most brands, but for the FTC as well," said Joel Wright, president and co-founder of [#Hashoff](#), Denver. "The toughest overall challenge will likely be awareness among the influencer community that there are FTC requirements to be met.

"For so long, taking a selfie with a brand product was just that, a selfie, but as the influencer market has grown in size and influence, consumers are due the same disclosure as in other forms of advertising," he said.

"It's no longer acceptable for influencers to just write 'thanks' or [#Collab](#), [#Sp](#), [#Spon](#) or [#Ambassador](#) to let their community of followers know that they were being paid by a brand. Now these same practices are to be avoided."

### Influencer marketing

Influencers are a major part of the modern social marketing apparatus. Across sectors, brands understand that oftentimes consumers want to hear endorsements from people whose voices and opinions they trust and not from the brands themselves.

This is especially true for certain luxury categories, which rely heavily on influencer marketing, such as fashion and

beauty products.

While there have been certain guidelines established, the actual rules of influencer marketing and disclosure are murky. Until now, the FTC had not settled any lawsuits specifically confronting the problems of improperly disclosed relationships between brands and influencers.

"As influencer marketing matures, and as the FTC settles on suitable disclosure requirements, the process should stabilize," #Hashoff's Mr. Wright said. "In other words, disclosing sponsorship or paid media will become baked into the brand-influencer-consumer chain.

"Responsibility will ultimately lie with the influencers, ensuring that disclosures are hard to miss," he said. "That said, the best way to avoid issues with FTC disclosures is to use creators/influencers to develop content and then to distribute via paid media.

"This also enables real measurement that ties to tangible business metrics."



*A typical influencer post. Image credit: Fashion and Beauty Monitor*

The FTC has put out a few guidelines on how to handle this relationship properly.

Among the most important is making sure that all disclosures are as clear and hard to miss as possible, going so far as to recommend that influencers on image-only platforms such as Instagram superimpose the disclosure into the image itself, rather than burying it in a caption or description.

Additionally, the FTC says that simply putting something along the lines of the influencer thanking the brand in the description of a post is not enough, nor is placing the disclosure in any location where customers are required to click "more" in order to see it.

#### Full disclosure

More than half of luxury and fashion brands expect their influencer marketing budgets to expand over the next year, legitimizing many predictions of the growing popularity of influencers.

Currently, 73 percent of luxury fashion and beauty brands have an active influencer marketing campaign going on and 65 percent agree that it is very effective. This data comes from Fashion and Beauty Monitor's report on influencer marketing, "The New Face of Luxury," which analyzes the current view on influencers in the luxury fashion world and established seven major trends in the influencer market ([see story](#)).

Brands from around the luxury world can be observed bringing in influencers for a variety of posts and campaigns.

For example, British department store Harrods is getting to the heart of contemporary men's style through the perspectives of four fashion personalities.

"Anatomy of Style, the Masters of Menswear" gathers four voices in male style for a candid conversation on their wardrobe tips. While in-store style experts still help consumers navigate their style decisions at point of sale, this digital content enables Harrods to provide inspiration to its audience before they shop, whether in-store or online ([see story](#)).



*Harrods worked with influencers in a fully disclosed, sponsored campaign. Image credit: Harrods*

These influencer campaigns are valuable and consumers love them, but brands will have to be vigilant about meeting FTC requirements on disclosure to avoid potential legal problems in the future.

"What makes influencer marketing so valuable to brands is the authentic and organic nature of the relationship," #Hashoff's Mr. Wright said. "Influencers on our platform work with brands they believe in, which can often be more important than monetary compensation.

"For these creators, the communities they've built are their number one priority, and they don't want to come off as dishonest for not having disclosed something to their followers," he said. "The same applies for brands, if they are viewed as being part of a deceptive advertising scheme they too will suffer brand recognition.

"Ultimately, it's a two-way street and the streamlined process that our platform provides brands and influencers goes a long way towards mitigating disclosure issues."

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