

# CHAPTER I

## INTRODUCTION

### A. Background of Research

Any business success depends significantly on promotion. Companies may raise awareness, spark interest, and eventually boost revenue by successfully communicating and convincing their target audience to act. In this day and age, social media has completely changed the way businesses interact with their target market.<sup>1</sup> Endorsement campaigns are one of the best ways companies can use social media's influence. An endorsement is an agreement between people with a substantial online presence and a company or business to use the online influencers' presence to promote the company's product to increase consumer purchase intention.<sup>2</sup>

One of the benefits of social media endorsement is its ability to reach a massive amount of potential buyers. Social media influencers often have dedicated followers, and their endorsement can create awareness and generate interest in a product or brand. Their engaging content and authentic narratives can resonate with consumers, increasing brand exposure and potential sales.<sup>3</sup> Moreover, social media endorsement provides an opportunity for targeted

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<sup>1</sup> Gil Appel, Lauren Grewal, Rhonda Hadi, and Andrew T. Stephen, "The Future of Social Media in Marketing", *Journal of the Academy of Marketing Science*, Vol. 48, No. 1, (October, 2020), p.84

<sup>2</sup> Fadhilah Rizki Arrahmah and Achmad Ghazali, "The Influence of Social Media Endorsement on Customer Purchase Decision", *International Journal of Current Science Research and Review*, Vol. 06, No. 07, (July, 2023), p.5287

<sup>3</sup> Sajid SI, "Social Media and Its Role in Marketing", *Business and Economics Journal*, Vol. 07, No. 01, (January, 2015), p.5

marketing. Social media influencers can cater their content to specific demographics, allowing brands to reach their desired audience effectively. This targeted approach helps businesses connect with niche markets and build a loyal customer base. Social media influencers' credibility and perceived expertise also contribute to the advantages of social media endorsement. When social media influencers align themselves with a product or service, followers may perceive them as knowledgeable and trustworthy. This can create a sense of legitimacy and credibility, positively influencing consumer attitudes and purchase intentions.<sup>4</sup>

While social media endorsement offers numerous advantages, it also presents some disadvantages and ethical concerns. One significant concern is the lack of transparency. Influencers need to disclose any material connections or commercial relationships with their endorsed brands. Failure to disclose such relationships can mislead consumers, compromising their ability to make informed decisions. Additionally, the authenticity of endorsements is a concern. Some influencers may promote products solely for financial gain without believing in their efficacy. This lack of sincerity can undermine the trust between influencers and their audience. Consumers may become skeptical of the endorsements, raising doubts about the credibility of the influencer and the endorsed products.

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<sup>4</sup> Atika Hermanda, Ujang Sumarwan, and Netti Tinaprillia, "The Effect of Social Media Influencer on Brand Image, Self-Concept, and Purchase Intention", *Journal of Consumer Sciences*, Vol. 4, No. 2, (August, 2019), p.87

Another disadvantage lies in the potential for exaggerated claims and misinformation. Influencers may make unrealistic promises about product benefits or exaggerate the effects, leading consumers to have unrealistic expectations. Furthermore, social media endorsement may help propagate false information. Influencers could advertise goods or services without fully comprehending the advantages or dangers associated with them, and their followers might accept this information at face value. Customers may end up making decisions that are detrimental to their health, wealth, or general well-being as a result of this.<sup>5</sup>

There have been instances in Indonesia where social media influencers were investigated by the police for endorsing activities that harmed consumers. A report about investment fraud where several well-known celebrities or social media influencers, such as Ivan Gunawan, Ahmad Dhani, Rizky Billar, Lesti Kejora, And Billy Syahputra, endorsed the activity.<sup>6</sup> Another report regarding the circulation of a counterfeit cosmetic product. The social media influencers promoting these products are Via Vallen and Nella Kharisma.<sup>7</sup> Another example is the endorsement by Ruth Stefanie, Karin Novilda, Sarah Gibson, Tyas Mirasih, and Gisella Anastasia in promoting travel agencies, and it was

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<sup>5</sup> Salma Prihandani and Henny Marlyna, "Effect of Non-Disclosing Endorser Status in Social Media Marketing Content Toward Consumer Buying Behavior", in *3<sup>rd</sup> International Conference on Law and Governance (ICLAVE 2019)*, (March, 2020), p.77

<sup>6</sup> Fiqih Arfani and Willy Irawan, 2020, *Artis Boy William jadi saksi terkait kasus pembobolan kartu kredit*, <https://megapolitan.antaranews.com/berita/105834/artis-boy-william-jadi-saksi-terkait-kasus-pembobolan-kartu-kredit>, (accessed on July 13<sup>th</sup> 2023, 10:30)

<sup>7</sup> Bangun Santoso, 2018, *Kasus Endorse Kosmetik Palsu, 2 Artis Ini Terima Belasan Juta Per Minggu*, <https://www.suara.com/news/2018/12/18/075607/kasus-endorse-kosmetik-palsu-2-artis-ini-terima-belasan-juta-per-minggu?page=1>, (accessed on July 13<sup>th</sup> 2023, 10:30)

later discovered that the promoted travel agency was involved in credit card fraud.<sup>8</sup>

However, of all the social media influencers listed above, they are only called as a witness. Meanwhile, in the United States, the Federal Trade Commission, as an independent United States government agency that aims to defend consumers and foster market competition, has taken the initiative to send over 90 letters as a reminder to both influencers and marketers. These letters emphasize the importance of influencers making clear and prominent disclosures about their connections to brands when engaging in product endorsements and promotions through social media.<sup>9</sup> FTC has also issued legal actions against deceptive practices relating to social media endorsement. For example, the legal complaint against Trevor Martin and Thomas Cassell, the owner of CSGOLotto, for engaging in illegal marketing practices on social media platforms. CSGOLotto is an e-sport gambling site. It is revealed that both of them promote their site without disclosing their connections with the company. They also paid other social media influencers to make videos endorsing their site without disclosure of material connections.<sup>10</sup> In this case, The main problem pursued by the FTC is the violation of disclosure of material connection.

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<sup>8</sup> Ferry Noviani, 2022, *Ivan-Gunawan Hingga Leslar 6 Artis Yang Diduga Terseret Robot Trading Dna pro*”, <https://www.suara.com/entertainment/2022/04/09/133000/ivan-gunawan-hingga-leslar-6-artis-yang-diduga-terseret-robot-trading-dna-pro?page=1>, (accessed on July 13<sup>th</sup> 2023, 10:30)

<sup>9</sup> Federal Trade Commission, 2017, *FTC Staff Reminds Influencers and Brands to Clearly Disclose Relationship*, <https://www.ftc.gov/news-events/news/press-releases/2017/04/ftc-staff-reminds-influencers-brands-clearly-disclose-relationship>, (accessed on July 13<sup>th</sup> 2023, 10:30)

<sup>10</sup> Elizabeth A Casale, “Influencing the FTC to Update Disclosure Rules For the Social Media Era”, *Mitchell Hamline Law Journal of Public Policy and Practice*, Vol. 40, No. 1, (August, 2019), p.14

Based on the background mentioned above, it highlights the responsibility of the social media influencers in conducting endorsement, so the writer will research "Comparative Study of The Responsibility of Product Endorsement By Social Media Influencers According to Indonesian and The United States Law."

### **B. Research problem**

Observing the research background above, the authors formulate two questions that must be answered, namely:

1. What is the social media influencer's obligation in doing endorsements according to Indonesian and The United States law?
2. What is the comparison between Indonesian law and The United States law regarding the responsibilities of social media influencers in doing endorsements?

### **C. Research Objective**

1. To find out the obligation of the social media influencer when endorsing a product according to Indonesian and The United States law
2. To find out the comparison of social media influencer responsibilities in endorsing a product according to Indonesian and The United States law.

### **D. Benefit of Research**

The expected benefits of this study are as follows:

1. Theoretical Benefits

This research provides benefits to be helpful as a source of information related to the responsibilities of social media influencers in making endorsements according to Indonesian law and The United States law.

## 2. Practical Benefits

This research provides suggestions and considerations toward The Indonesian government related to the responsibilities of social media influencers in making endorsements according to Indonesian law and The United States law.