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Parasocial relationships with micro-influencers: Do sponsorship disclosure and electronic word-of-mouth disrupt?

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Abstract

Purpose

This study examines whether and how the effect of intimate relationships with micro-influencers on customer behaviour is interrupted by external cues such as sponsorship disclosures and negative electronic word-of-mouth (eWOM).

Design/methodology/approach

The study worked with Instagram micro-influences to conduct a vignette survey with four experimental scenarios.

Findings

The benefits of parasocial relationships in enhancing customer engagement, brand preference, and purchase intention cannot be sustained in the presence of external interruptive cues. For micro-influencers, while sponsorship disclosures do not moderate the influence of parasocial relationships, customers are considerably sensitive to negative eWOM or when the two cues co-occur.

Originality

This study focuses on micro-influencers and investigates whether the follower–micro-influencer bond can be moderated by external cues including sponsorship disclosure and negative eWOM.

Keywords: Micro-influencer; Parasocial relationship; Sponsorship disclosure; Electronic word-of-mouth; Customer engagement; Brand preferences; Purchase intention

1 Introduction

Influencers are online celebrities and opinion leaders on digital media, who, by sharing knowledge in specific areas such as their personal life and others, can shape the perception and behaviour of a group of followers in their virtual networks (Erz *et al.*, 2018). Influencer marketing has become prevalent, in which social media influencers promote brands to their followers in exchange for monetary or non-monetary compensation (Erz *et al.*, 2018). Establishing connections between brands and customers through social media influencers and leveraging influencer-generated content are cost-effective marketing strategies, meaning that influencer marketing is an essential channel for achieving marketing goals (Lou and Yuan, 2019).

Marketing scholars have identified that the parasocial relationship is one of the dominant factors in the success of influencer marketing (Breves *et al.*, 2019). In the new media era, parasocial relationships refer to the social–emotional bond between media performers and their audience (Yuan and Lou, 2020). Extensive evidence has indicated that parasocial relationships with influencers can affect customers' evaluation of brands (Yuan *et al.*, 2016), online engagement (Hughes *et al.*, 2019; Labrecque, 2014) and purchase intentions (Chung and Cho, 2017; Hwang and Zhang, 2018). Established parasocial relationships appear to be relatively stable without external interruptions whose impact is yet to be fully unfold. For instance, regulations have been recently implemented to protect customers by asking for sponsorship disclosures in influencers' product endorsements (Boerman, 2020); however, the evidence on whether disclosure increases or decreases followers' online behaviour is mixed. Another external information cue is negative electronic word-of-mouth (eWOM), which is widely acknowledged as harmful to marketing (Chen *et al.*, 2011; Chevalier and Mayzlin, 2006); however, its role in altering the meaning of parasocial relationships for customers remains to be studied.

This study, therefore, aims to explore how external cues moderate the impact of parasocial relationships on customer behaviour. Particular attention is paid to micro-influencers, a rising group that is highly valued by marketers. Micro-influencers, by nature, cannot compete with macro-influencers in terms of visibility and reach, but they are likely to surpass others in prompting engagement and purchases (Chang *et al.*, 2019). With a manageably-sized group of followers, micro-influences have the opportunity to establish close connections and engagement with individual followers. Such intimacy results in a trustworthy relationship in which the information distributed is regarded as authentic and reliable and is less likely to be perceived as an attempt to convince or persuade (Audrezet *et al.*, 2020; De Veirman *et al.*, 2017; Kay *et al.*, 2020). Product endorsements by micro-influencers are more convincing than endorsements by traditional celebrities and brand advertising; this is because they establish emotional trust and psychological satisfaction through dyadic communication (Jin *et al.*, 2019).

Nevertheless, the reliance on the close relationship developed between micro-influencers and their followers is vulnerable to the commercialisation of social media posts and the unfavourable eWOM associated with these posts. Customers may well expect celebrities and macro-influencers to create sponsored content and receive diverse feedback from viewers, but customers may find it difficult to accept such behaviour of micro-influencers, possibly because of the greater intimacy and trust. It could be possible that parasocial relationships with micro-influencers are sufficiently strong to withstand external interruptions. The exact impact is yet to be explored in the current literature.

This paper studies these moderating factors through a vignette survey with four scenarios to measure, firstly, the effect of sponsorship disclosure marked by hashtags and, secondly, users' negative comments on the impact of parasocial relationships with micro-influencers on customer behaviour. The findings reveal that sponsorship and negative eWOM adversely affect

followers' behaviours, such as engagement (e.g., likes, comments), brand preference, and purchase intention; in particular, unfavourable eWOM negatively moderates the impact of parasocial relationships. The conclusion is that audience factors (i.e., the follower–micro-influencer parasocial relationship [Gong and Li, 2017]) cannot fortify micro-influencers against disruptive informational cues.

This study extends the research on parasocial relationships by exploring micro-influencers' power over their followers in the face of external interruptions. Sponsorship disclosure and negative eWOM are considered to be additional information cues that can moderate the effect of parasocial relationships on customer behaviour. For sponsorship discourse, empirical evidence of its impact is lacking, especially regarding micro-influencers. Understanding whether sponsorship works for micro-influencers is vital in determining marketing strategies (Appel *et al.*, 2020). In addition, this study explores the role of eWOM in altering followers' perceptions and behaviour in a close parasocial relationship, which has been overlooked in previous literature (see a comprehensive review by Vrontis *et al.*, 2021). The findings echo the importance of managing customer comments on open platforms, which is significant not only in marketing but also in information system research. The findings will help brands to implement a data-driven approach in screening suitable influencers by integrating external information cues into scoring metrics.

The paper begins with a review of the literature on parasocial relationships and the development of hypotheses, followed by a description of the methods. The results and findings are presented and discussed in later sections.

2 How Parasocial Relationship Affects Consumers

Social media has radically transformed the one-way communication system of traditional media into a two-way communication system, which allows parasocial relationships to be

supported and intensified. The parasocial relationship, originally described in the mass media field, refers to the stable and long-term relationship that forms between media performers and their audience through repeated contact and communication (Horton and Wohl, 1956; Yuan *et al.*, 2016). In the context of social media, parasocial relationships comprise a social-emotional bond connecting media performers and audiences (Yuan and Lou, 2020). The development of parasocial relationships is deeply grounded in the interactions between performers (i.e., influencers) and their audience (i.e., followers). Especially with micro-influencers, they are considered familiar, real-life friends by their followers, although this may be unilateral and imaginary. Establishing and maintaining a close relationship with followers is a valuable asset for accumulating attention and creating unique values for the followers and brands involved.

Existing literature has widely acknowledged that parasocial relationships engender cognitive, emotional and behavioural responses in the audience through viewing and beyond; such interactions with influencers, in turn, further strengthen the parasocial relationship (Tsiotsou, 2015). Corresponding to marketing funnels, parasocial relationships with influencers and the content created in these interactions play an important role in customer journeys, particularly at the awareness, consideration and purchase intent stages (Colicev *et al.*, 2019). Research has confirmed that there are three main positive impacts that parasocial relationships in social media have on customers.

First, social media, through its interactive nature, makes customer engagement in parasocial relationships particularly relevant. Customer engagement as a multidimensional concept comprises psychological aspects including emotion, cognition and intention (Solem and Pedersen, 2016). It is described as the customers' willingness to provide information about themselves and their needs (Labrecque, 2014) by liking content or contributing relevant comments (Hughes *et al.*, 2019). The motivational drivers for customers to engage on social

media are related to the benefits derived from these interactions, which can include utilitarian, relational, social and hedonic benefits (McAlexander *et al.*, 2002; Hennig-Thurau *et al.*, 2004). Regular interactions with micro-influencers allow followers to gain psychological satisfaction (Jin *et al.*, 2019). Such positive feedback can be viewed as a form of recognition, which provides customers with a sense of confidence and meaningful participation (Liu *et al.*, 2019a). This, therefore, imposes a positive effect on customer engagement by inspiring positive emotions and maintaining customers' enthusiasm for interacting with influencers.

The second key impact of parasocial relationships is on consumer preferences, in other words, the willingness to make specific choices among alternatives (Oliver and Swan, 1989). Brand recommendations by influencers may successfully sway customers' brand evaluations. Celebrity or influencer endorsement guides customers' behavioural decisions, with individual followers forming a positive attitude and desiring to mimic the consumption behaviour of their role models on social media (Ki and Kim, 2019). In a parasocial relationship, followers would align their thoughts, attitudes and behaviours with their adored influencers, likely leading to preferences for the endorsed brand (Liu *et al.*, 2019b). This contributes to a sense of connectedness with their favoured influencers, which can generate positive attitudes and behavioural intentions towards the endorsed brand or product (Tran *et al.*, 2019).

This leads to the next phase, where purchasing the recommended products is driven by the emotions and perceptions that have developed in parasocial interactions (Sokolova and Kefi, 2020). Having a parasocial relationship with micro-influencers may promote purchase intentions, given that followers treat micro-influencers as close friends. The communications from influencers are informative and persuasive and are more effective than marketers' attempts at persuasion (Goh *et al.*, 2013). Followers believe that purchasing endorsed products

will bring hedonic values, while affirming their intimate relationship with their adored influencers.

3 When External Cues Interrupt Parasocial Relationships

The previous survey of the literature reveals that existing research advocates the positive influence of parasocial relationships on customer behaviour. However, influencers and followers do not exist in a vacuum. There are information cues external to the parasocial relationship that can moderate the bond and its consequences. Considering the relevant literature and content of influencer posts in practice, two interruptive factors – sponsorship and negative eWOM – are identified (see the research model in **Figure 1**).

3.1 Effect of sponsorship disclosure on customer behaviour

Advertising regulatory agencies in various countries have regulated ethical standards for influencer marketing by requesting disclosures of sponsorship (Boerman *et al.*, 2017; De Jans and Hudders, 2020). The evidence on sponsorship disclosure and its impact on customer behaviour has been mixed. On the one hand, prior studies demonstrate that customers' attitudes towards their influencers' opinions can change when the influencers reveal that they are sponsored by brands (Boerman *et al.*, 2012; Hwang and Zhang, 2018; van Reijmersdal *et al.*, 2020). On the other hand, an increased level of advertising recognition caused by sponsorship disclosure may lead to a reversed situation where a positive impact is anticipated (Evans *et al.*, 2017; Boerman, 2020; Hwang and Jeong, 2016).

The positive attitudinal and behavioural reaction is more significant for micro-influencers than for macro-influencers (Kay *et al*., 2020). As discussed earlier, micro-influencers are more familiar and have a closer relationship with followers. When followers have established a strong sense of connection, they tend to trust the influencer unconditionally, despite recognising the existence of advertisement and the influencers' intentions to persuade (Isaac

and Grayson, 2017).

Attribution theory explains how individuals interpret available information to infer dispositions about an actor and the causes of an actor's behaviour (Kelley and Michela, 1980). In the context of influencer endorsement, making an endorsement transparent increases its perceived credibility (Evans *et al.*, 2017). In the eyes of followers, disclosing that a post is sponsored is respected as an honest and forthright action (Boerman, 2020), particularly when the disclosure is made by influencers (e.g., with hashtags such as #sponsored, #paidad [De Jans and Hudders, 2020]). When honest opinions are emphasised in a sponsored post (Hwang and Jeong, 2016), followers may interpret the motivation of influencers' self-disclosure to be in the followers' best interest, instead of for the influencers themselves. Accordingly, with the parasocial relationship as an antecedent to followers' online behaviours, sponsor disclosure is an intervention that could moderate the relational influence of micro-influencers on followers. It is hypothesised that the disclosure of sponsorship will amplify the impact of parasocial relationship on followers' behaviours, leading to a higher level of online engagement, brand preference and purchase intention.

Hypothesis 1. Sponsorship disclosure strengthens the positive effects of parasocial relationship with micro-influencers on a) customer engagement, b) brand preference and c) purchase intention.

3.2 Effect of negative electronic word-of-mouth on customer behaviour

It is widely acknowledged in literature and practice that eWOM is a determinant of customer perception and decision-making; negative eWOM has a greater impact on customer preference and purchase than positive eWOM (Hennig-Thurau *et al.*, 2015; Liu, 2006; Chen *et al.*, 2011; Chevalier and Mayzlin, 2006). However, despite the prevalence of online comments, there has been little discussion about the role of eWOM in the context of influencer endorsement. To the

best of our knowledge, only a handful of studies explore the effect of audience comments in influencer marketing. Studying user comments, Silva *et al.* (2020) find that negative comments are often questions or criticism about the endorsed brand or product, the endorsement message or the endorser, and visible disagreements negatively affect influencers' credibility and brand images. Reinikainen *et al.* (2020) studied YouTube influencers to understand how comments affect influencer credibility. The results find that when the audience can view positive comments of other viewers, people in a parasocial relationship with the influencer experience a stronger influence on perceived credibility, thereby increasing the likelihood of purchases. However, the impact of negative eWOM remains unknown, especially regarding how it performs as a moderator in the influencer context.

This leaves an important question to answer: how do customers react to the uncertainty around the co-existence of conflicting information? Consumer inference theory states that consumers make inferences and form if-then linkages between the information present and conclusions (Kardes *et al.*, 2004). Such information can be obtained from promotions, advertising and eWOM communications. It is understood that the valence of audiences' attitudes towards endorsement messages affects consumers' information processing and judgement (Munnukka *et al.*, 2019). Negative peer comments create inconsistency, and reading such comments can make other followers doubt whether the endorsement is biased or credible. Although followers in a solid parasocial relationship may dismiss negative comments, it is possible that competing messages will lead to customers perceiving the endorsement as inauthentic and merely posted for commercial purposes (Audrezet *et al.*, 2020), resulting in a reduced interest in responding to the post. Negative attitudes towards the endorsement further activate customers' cognitive responses, resulting in lower levels of brand preference and purchase intention (Torres *et al.*, 2019). Thus, under the condition of negative eWOM, it is predicted that the influence of parasocial relationships on customers' attitudes and behavioural intentions will be weakened.

Hypothesis 2. Negative eWOM weakens the positive effects of parasocial relationship with micro-influencers on a) customer engagement, b) brand preference and c) purchase intention.

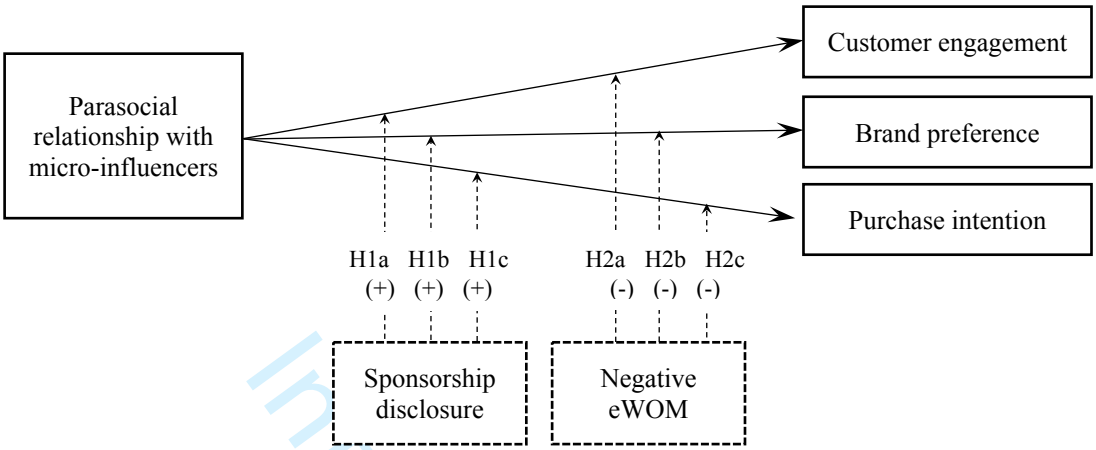

Figure 1. Research model

4 Methods

4.1 Sample and procedure

The current study is conducted in collaboration with three female Instagram lifestyle micro-influencers. Collecting data from real-world influencers allows actual parasocial relationships and behaviours to be observed. To that end, micro-influencers were carefully shortlisted. According to statistics (Statista, 2020), Instagram is the most popular social media platform with one billion monthly active users. In the global market, the Instagram usage rate is significantly higher in females than males, and the age group of 25 to 34 constitutes the largest proportion of active Instagram users. Therefore, several basic requirements were considered to ensure that candidate influencers were females aged between 25 and 34 years old with 1,000–100,000 followers and some experience of product endorsement. The researchers searched on Instagram based on the selection criteria and found twelve candidate influencers who met the research needs and were open to collaboration. Eventually, three micro-influencers agreed to participate, with 45,000, 28,000 and 25,000 followers, respectively.

A questionnaire was designed and provided to the three micro-influencers. Voluntary sampling was implemented, in which the micro-influencers shared a link to the online questionnaire with their followers. Data was collected between 10 July and 23 July 2020. A total of 729 individuals completed the questionnaire, of which 623 responses passed the initial screening (participants should be over 18 years old). Invalid responses with identical answers to all questions were excluded, leading to a final sample of 596 responses retained for data analysis.

4.2 Experimental design and procedure

An online within-subject vignette survey is applied to test the effect of parasocial relationships on customer behaviour according to the constructed research model. Four experimental scenarios are created to verify the effect and the moderating role of sponsorship disclosure and negative eWOM on micro-influencer endorsement effectiveness (see Appendix A). The first scenario is the benchmark condition without sponsorship disclosure or negative eWOM. The second and third conditions are sponsorship disclosure and negative eWOM, respectively. The fourth scenario has both sponsorship disclosure and negative eWOM present. Sponsorship disclosure is manipulated by showing hashtag text (#sponsored) in the second and fourth conditions to allow participants to recognise the advertising (Boerman, 2020). Negative eWOM is manipulated by allowing participants to observe and read two negative comments included in the third and fourth conditions.

Participants first signed informed consent and were then asked to provide demographic information (i.e., gender and age) and their usage frequency and habits on Instagram. The majority of the participants were aged between 18 and 34 (92.6%) and were female users (68.5%). Most participants used Instagram several times a day (95.5%) for browsing (37.5%), following a celebrity or influencer (19.7%), liking (18.5%), posting (10.3%), following brands (9.15%) and commenting (3.6%). There were 65.3% of the participants who confirmed their

experience of purchasing or other follow-up behaviours (e.g., searching for information about the product/brand, visiting physical stores) after viewing influencers' posts. Following this initial qualification process, the respondents were required to reflect on the parasocial relationship with the micro-influencer they follow. The questionnaire proceeded with the four experimental conditions. Respondents were required to answer questions for each condition regarding engagement, brand preference and purchase intention if the influencer endorsed a tea drink brand and product on Instagram.

4.3 Measures

To measure the parasocial relationship (*PSR*), participants are asked to indicate on a five-point Likert scale (1 = Strongly disagree, 5 = Strongly agree) the extent they agree with the seven statements adapted from the existing scale (Hwang and Zhang, 2018; Kim *et al.*, 2015; Lee and Watkins, 2016; Reinikainen *et al.*, 2020). The three indicators of customer behaviour are customer engagement (*CE*, four items, scale adapted from Solem and Pedersen, 2016; Labrecque, 2014), brand preference (*BP*, three items, scale adapted from Chen and Chang, 2008; Jalilvand *et al.*, 2016), and purchase intention (*PI*, three items, scale adapted from Lee and Watkins, 2016; Hwang and Zhang, 2018; Kim *et al.*, 2015). **Table 1** presents the items for each construct.

Table I. Confirmatory factor analysis

Measures and Items	**Label**	**Factor loading**	**AVE**	**CR**	**Cronbach's Alpha**
Parasocial Relationship (PSR)			0.473	0.860	0.859
I look forward to watching her on Instagram.	PSR1	0.56			
When I see her posts, I feel as if I am part of her life	PSR2	0.70			
I think she is like an old friend.	PSR3	0.77			
She makes me feel comfortable as if I am with friends.	PSR4	0.78			
I would like to meet her in person.	PSR5	0.67			
I can rely on the information I get from her.	PSR6	0.66			

When she shows me how she feels about the brand, it helps me make up my mind about the brand.	PSR7	0.65			
Customer Engagement (CE)			0.514	0.801	0.772
This brand/product will evoke my feelings.	CE1	0.88			
This brand/product will evoke my interest.	CE2	0.82			
I would click the 'heart' to express 'like'.	CE3	0.51			
I would actively participate in discussions related to the brand/product.	CE4	0.59			
Brand Preference (BP)			0.695	0.872	0.867
I like this brand more than other similar tea drink brands.	BP1	0.85			
If I want to buy tea products, if other conditions are the same, I prefer to choose this product/brand.	BP2	0.83			
I think this brand is superior to other competing brands.	BP3	0.82			
Purchase Intention (PI)			0.652	0.849	0.842
I think I might buy this product.	PI1	0.77			
If I buy a tea drink brand, my willingness to buy this product will be very high.	PI2	0.85			
I want to buy the tea drink products that she likes.	PI3	0.80			

Note: CR, composite reliability; AVE, the average variance extracted.

Cronbach's alpha and composite reliability are used to assess the constructs' reliability. As shown in **Table I**, the Cronbach's alpha of the four constructs is between 0.772 and 0.867. The composite reliability of the measurements is between 0.801 and 0.872, all exceeding the acceptable standard of 0.7 (Bagozzi and Yi, 1988). Therefore, the constructs present reasonable internally consistent reliability.

Confirmatory factor analysis is conducted using IBM SPSS Amos 26.0 (see results in **Table I**). Factor loadings of the items range from 0.51 to 0.88, all exceeding the expected value of 0.5 (Harrington, 2009). The average variance extracted (AVE) of each construct is checked, and AVEs varied between 0.473 and 0.695. Although the AVE of *PSR* is lower than the recommended value of 0.5, individual factor loadings and composite reliability are sufficiently

high, hence no factors are excluded (Fornell and Larcker, 1981).[1] Overall, the measurement items exhibit adequate construct and convergent validity. In addition, the discriminant validity is assessed against the Fornell–Larcker criterion. Results in **Table II** show that each construct's square root of AVE is higher than its correlations with other latent constructs (Hair *et al.*, 2012).

Table II. Inter-construct correlations

Measures	Mean	SD	PSR	CE	BP	PI
PSR	3.816	0.619	**0.688**			
CE			0.630*	**0.717**		
BP			0.549*	0.675*	**0.834**	
PI			0.571*	0.679*	0.736*	**0.808**

Note: PSR = Parasocial Relationship, CE = Customer Engagement, BP = Brand Preference, PI = Purchase Intention. * denotes significance at 0.001 level. Square roots of AVE values are bolded. The reported statistics in this table is based on the benchmark condition without sponsorship disclosure and negative eWOM. Other experimental scenarios are checked, including the condition with sponsorship disclosure, the condition with negative eWOM, and the condition with both sponsorship disclosure and negative eWOM. All results meet the Fornell-Larcker criterion.

5 Results

5.1 Descriptive statistics and analysis of variance

The overall level of parasocial relationships in the sample has a mean value of 3.816 (SD = 0.619). The means and standard deviations for the variables of customer behaviour across four experimental scenarios are shown in **Table III**. This study involved within-subjects analysis of an outcome with four conditions, and the Greenhouse–Geisser correction is used to account for violation of the assumption of sphericity. A repeated measure multivariate analysis of variance (MANOVA) test is conducted to check whether the composite variable of customer behaviour differs significantly in the four settings. The analysis includes customer engagement,

[1] In addition, we consider a higher threshold of factor loading (>0.6) which resulted in the exclusion of PSR1, CE3 and CE4. The re-estimated results (untabulated) remain consistent with our main analysis.

brand preference and purchase intention as dependent variables. The one-way MANOVA result reveals customer behaviour significantly differs among the four conditions (Wilks' Lambda = 0.022, $F_{4, 592} = 6474.867$, $p < 0.001$, Partial $\eta^2 = 0.978$).

Table III. Descriptive statistics

Dependent variables	No disclosure nor negative eWOM		Sponsorship disclosure		Negative eWOM		Both disclosure and negative eWOM	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
CE	3.728	0.567	3.400	0.648	3.385	0.612	3.163	0.747
BP	3.402	0.695	3.258	0.723	3.084	0.771	2.952	0.830
PI	3.750	0.683	3.540	0.707	3.277	0.767	3.126	0.817

Note: N = 596. *CE* = Customer Engagement, *BP* = Brand Preference, *PI* = Purchase Intention. Means and standard deviations are reported with Greenhouse-Geisser corrections.

Given the MANOVA significance, it is deemed necessary to determine where the differences lay between the four conditions. A follow-up repeated measures ANOVA is conducted on each dependent variable using the Bonferroni method. The results of the pairwise comparison are reported in **Table IV**. For customer engagement ($F = 184.326$, $p < 0.001$), there are significant differences in the means between experiments, except for between the second and third conditions. Within brand preference ($F = 97.733$, $p < 0.001$) and purchase intention ($F = 206.259$, $p < 0.001$), significant differences are observed in the means between the four conditions.

Table IV. ANOVA pairwise comparison

Experiment conditions		Dependent variables								
		Customer engagement			Brand preference			Purchase intention		
(I)	(J)	Mean diff. (I-J)	SE	Sig.	Mean diff. (I-J)	SE	Sig.	Mean diff. (I-J)	SE	Sig.
1	2	0.328*	0.019	0.000	0.144*	0.021	0.000	0.210*	0.020	0.000
	3	0.343*	0.023	0.000	0.317*	0.030	0.000	0.474*	0.029	0.000
	4	0.565*	0.029	0.000	0.450*	0.034	0.000	0.624*	0.033	0.000

2	3	0.015	0.025	0.542	0.174*	0.028	0.000	0.264*	0.027	0.000
	4	0.237*	0.026	0.000	0.306*	0.030	0.000	0.414*	0.029	0.000
3	4	0.222*	0.022	0.000	0.133*	0.025	0.000	0.150*	0.024	0.000

Note: Four experimental scenarios are: 1) benchmark condition without sponsorship disclosure and negative eWOM, 2) condition with sponsorship disclosure, 3) condition with negative eWOM, and 4) condition with both sponsorship disclosure and negative eWOM. * The mean difference is significant at 0.001 level. Means and standard deviations are reported with Greenhouse-Geisser corrections.

The data on parasocial relationships is analysed with a one-way ANOVA to evaluate whether the degree of parasocial relationship is sensitive to individual micro-influencers and participants' demographics (summated scales are used). First, regarding the three micro-influencers (labelled as Influencer A, B, and C), the means and standard deviations of the parasocial relationship indicated by their followers are similar (A: N = 364; M = 26.96, SD = 4.04; B: N = 217; M = 26.27, SD = 4.69; C: N = 15; M = 27.00, SD = 5.54, all at summated scale) and there is no significant difference in parasocial relationship levels (F = 1.749, p = 0.175 > 0.05). Second, a small variation is observed for parasocial relationships in different age groups, with the mean value ranging from 26.49 to 29.00, and they are not significantly different (F = 0.525, p = 0.665 > 0.05). Third, for different genders, females demonstrate a slightly higher level of parasocial relationship (M = 26.83, SD = 4.18) than males (M = 26.47, SD = 4.65) but the difference is not significant (F = 0.851, p = 0.357 > 0.05). Moreover, when considering participants' experiences of buying driven by influencer endorsement, the mean of parasocial relationship level in the group with prior purchase experience (M = 26.97, SD = 4.28) is higher than the group without such experience (M = 25.09, SD = 4.33), and the difference is significant at 0.001 level (F = 13.730, p = 0.000 < 0.001).

5.2 Hypothesis testing

To test the potential moderating effects of sponsorship disclosure and negative eWOM, a multilevel model is examined with parasocial relationship and its interactions with sponsorship

disclosure and negative eWOM being independent variables. Two dummy variables are generated to represent the two cues (*Disclose*, yes = 1, no = 0; *eWOM*, yes = 1, no = 0). *PSR* is centralised and used to generate interaction terms with the sponsorship disclosure and eWOM indicators. Several control variables, including gender (*Gender*, female = 1, male = 0), age (*Age,* age group 1 to 4, from young to old), Instagram usage (*Usage,* frequency indicated in five groups 1 to 5, from low to high frequency), prior purchase experience driven by influencers (*Purchase,* yes = 1, no = 0), experience of engaging on Instagram (*Engage*, count of engagement actions, ranging between 0 and 6), and individual influencer (*Influencer*, three influencers A, B, and C, Influencer A as baseline), are included in the models to account for possible effects on customer behaviour. VIF scores are below 2.01 across models, so multicollinearity is not a concern.

As shown in **Table V**, having a parasocial relationship positively correlates with customer engagement, brand preference and purchase intention. Sponsorship disclosure and negative eWOM by themselves have negative impacts on customer behaviour. Nevertheless, it is evident that sponsorship disclosure does not moderate the effect of parasocial relationships on customer engagement, brand preference or purchase intention (no significance across models, $p > 0.1$), while negative eWOM has a strongly negative moderating effect on the influential power of parasocial relationships (high significance across models, $p < 0.05$). When both sponsorship disclosure and negative eWOM exist, the effect of a parasocial relationship on brand preference is negatively moderated by both cues ($p < 0.1$). Hence, H2a, H2b and H2c are supported, but no evidence is found for H1a, H1b and H1c.

Table V. Moderating effects of sponsorship disclosure and negative eWOM

Dependent variable	CE			BP			PI		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Fixed effect									
PSR	0.486****	0.558****	0.556****	0.558****	0.652****	0.624****	0.565****	0.640****	0.622****

	(0.03)	(0.03)	(0.04)	(0.03)	(0.04)	(0.04)	(0.03)	(0.04)	(0.04)
Disclose	-0.275****	-0.275****	-0.275****	-0.138****	-0.138****	-0.138****	-0.180****	-0.180****	-0.180****
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
eWOM	-0.290****	-0.290****	-0.290****	-0.312****	-0.312****	-0.312****	-0.444****	-0.444****	-0.444****
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
PSR×Disclose		0.003	0.007		-0.042	0.015		-0.024	0.011
		(0.03)	(0.04)		(0.03)	(0.05)		(0.03)	(0.04)
PSR×eWOM		-0.146****	-0.142****		-0.147****	-0.090**		-0.126****	-0.091**
		(0.03)	(0.04)		(0.03)	(0.05)		(0.03)	(0.04)
PSR×Disclose			-0.008			-0.114*			-0.069
×eWOM			(0.06)			(0.06)			(0.06)
Gender	-0.018	-0.018	-0.018	-0.079	-0.079	-0.079	-0.116**	-0.116**	-0.116**
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Age	0.126****	0.126****	0.126****	0.121***	0.121***	0.121***	0.096**	0.096**	0.096**
	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)
Usage	-0.018	-0.018	-0.018	-0.056	-0.056	-0.056	-0.074	-0.074	-0.074
	(0.05)	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Purchase	0.109**	0.109**	0.109**	0.027	0.027	0.027	0.130**	0.130**	0.130**
	(0.05)	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Engage	0.037***	0.037***	0.037***	0.008	0.008	0.008	0.021	0.021	0.021
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Influencer B	-0.124**	-0.124**	-0.124**	0.089	0.089	0.089	0.015	0.015	0.015
	(0.05)	(0.05)	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Influencer C	0.108	0.108	0.108	0.138	0.138	0.138	0.137	0.137	0.137
	(0.12)	(0.12)	(0.12)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)
_cons	1.623****	1.349****	1.356****	1.349****	0.988***	1.097***	1.712****	1.427****	1.493****
	(0.28)	(0.29)	(0.29)	(0.33)	(0.34)	(0.35)	(0.33)	(0.34)	(0.34)
Random effect									
Respondent	0.369****	0.370****	0.370****	0.447****	0.448****	0.448****	0.440****	0.441****	0.441****
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Response	0.419****	0.416****	0.416****	0.486****	0.483****	0.483****	0.471****	0.469****	0.468****
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
N	2384	2384	2384	2384	2384	2384	2384	2384	2384
AIC	3487.554	3463.569	3465.548	4232.877	4214.196	4213.003	4095.204	4082.305	4083.072
BIC	3562.649	3550.217	3557.973	4307.972	4300.844	4305.427	4170.299	4168.953	4175.496
Log likelihood	-1730.777	-1716.785	-1716.774	-2103.439	-2092.098	-2090.501	-2034.602	-2026.153	-2025.536
Chi-square	894.116	930.861	930.889	603.686	630.260	634.028	950.654	973.489	975.164
p	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Note: *PSR* = Parasocial Relationship, *CE* = Customer Engagement, *BP* = Brand Preference, *PI* = Purchase Intention, *Disclose* = Sponsorship Disclosure, *eWOM* = Negative eWOM. *Gender*, *Age*, *Usage*, *Purchase*, *Engage, Influencer* are included as controls. Centralised *Disclose* and *eWOM* are used in interaction terms. Standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$, **** $p < 0.001$

6 Discussions and Conclusions

The present study constructs and tests an extended model of parasocial relationship effectiveness to examine how the presence of sponsorship disclosure and negative eWOM associated with an endorsement affects followers' responses. Experiments with four conditions are designed and implemented with the support of three Instagram influencers. The empirical results lead us to the following major findings.

First, the results support the understanding that followers' engagement with micro-influencers and responses to the endorsed brand or product are more substantial when the parasocial relationship is more intense. This result is consistent with prior literature on parasocial relationships and followers' cognitive and behavioural reactions (e.g., Solem and Pedersen, 2016; Tsiotsou, 2015). Unlike celebrities and macro-influencers, micro-influencers are more relatable as ordinary people in everyday life and their content is often in a niche area in which viewers have a genuine interest. On the grounds that the following is likely to be associated with a strong interest in and feeling for the micro-influencers, a robust parasocial relationship is anticipated. This leads to a willingness to interact, which, coupled with the easy accessibility of micro-influencers, contributes significantly to the inflation of the engagement rate.

The results also reveal that sponsorship disclosure has a negative impact on customer behaviour. This finding contradicts Boerman (2020), who claimed that standardised sponsorship disclosures had a positive impact on advertisement recognition and online engagement behaviour. Our results support the idea that observing sponsorship is more likely to change the meaning of posts and the perceived credibility of influencers, leading to an adverse effect on followers' engagement with influencers and the sponsored content (Friestad and Wright, 1994; Boerman *et al.*, 2017; De Veirman and Hudders, 2020). Cues of sponsorship disclosure, such as hashtags like #sponsored, increase advertisement recognition and remind viewers that the

endorsed product is not a natural recommendation. The commercialisation of Instagram posts provokes customers to be more critical of the endorsed product or brand, thereby reducing confidence in the brand and behavioural intention to purchase (Campbell *et al.*, 2013; Hwang and Jeong, 2016).

Regarding negative eWOM, the results demonstrate a detrimental impact on customer behaviour. Extant research has extensively detailed the adverse effect of negative eWOM in various digital marketing cases (e.g., Chen *et al.*, 2011; Cheung and Lee, 2008; Chevalier and Mayzlin, 2006). In the context of micro-influencer marketing, the negatives arise from a reduced level of source credibility. Influencers' recommendations are regarded as sincere and trustworthy by followers (Audrezet *et al.*, 2020; De Veirman *et al.*, 2017; Kay *et al.*, 2020); however, the incompatibility between the endorsement and associated comments from peers in the community breeds suspicions of the distributed information (Cheung and Lee, 2008) and thus a distrust of influencers. Followers' reactions to the endorsed posts will be changed given the altered mentality (De Veirman and Hudders, 2020).

In addition to the direct impacts of the two external cues on customer behaviour, an important focus of this study is to assess how the effects of parasocial relationships on customer behaviour are likely to change in response to sponsorship disclosure and negative eWOM. Notwithstanding the unfavourableness of sponsorship disclosure, no evidence is found on its role in moderating the effect of parasocial relationships on customer behaviour. This implies that parasocial relationships do not benefit from nor be undermined by disclosed sponsorships. One possible explanation is that sponsored posts and their standardised disclosure on Instagram are increasingly becoming common practice (Boerman, 2020). Customers are likely to accept commercial blog posts by admired micro-influencers and are less motivated to apply the knowledge of their persuasion, even if it is activated (Janssen *et al.*, 2016). Being exposed to

sponsorship decreases the likelihood for customers to engage, appreciate and purchase products, but it does not counterbalance the positive effect caused by the established parasocial relationship.

In sharp contrast, the presence of negative eWOM is disadvantageous to micro-influencers and brands. The results indicate that negative eWOM has a significant moderating effect on the impact of parasocial relationships on customer behaviour. When there are negative comments about an endorsed product or brand displayed under a post, the parasocial relationship becomes vulnerable to the voice of the crowd. While the followers have cultivated a friend-like virtual relationship or a sense of dependence with the micro-influencer, the negative words are hardly ignored in the viewers' eyes. Extensive research has proven that negative comments tend to attract more attention than positive ones (Chen *et al.*, 2011) and they considerably lower customers' interests and desire to engage (Verhagen *et al.*, 2013). Analogously, the influencing power of parasocial relationships to affect brand preference and purchase intention is weakened.

Furthermore, the co-existence of negative eWOM and sponsorship disclosures exacerbates the situation, particularly in relation to brand preference. In processing competing information offered by different parties, individual judgement can be shaped by manifold factors (Hong and Sternthal, 2010). Compared with opinions from peers based on real experience, the credibility of endorsed messages from influencers may be seen as less valid, especially when the post is sponsored. Coupled with the added uncertainty caused by inconsistent clues, recognising the post as an advertisement further raises the level of distrust, which hinders the emotional excitement towards the product or brand (Huang, 2015). The dual effect of two stimuli, driven by negative eWOM, once established, can be hard to shift the impression and attitude towards being positive. However, in the cases where the parasocial relationship is sufficiently strong, the damaging impact of negative comments can be somewhat alleviated. Yet, its effectiveness

is expected to be hinge on the relative power of the parasocial relationship against one or more external disruptive factors.

6.1 Implications for micro-influencers

The findings from this study suggest several implications for both research and practice regarding micro-influencers. First, this study is underpinned by the concept of parasocial relationships. Although the concept is widely used in research on influencers, there has been no study investigating whether parasocial relationships are unbeatable by external factors, such as sponsorship disclosure and negative eWOM. Deviating from prior studies that tend to use parasocial relationships as a mediator (e.g., De Jans *et al.*, 2018), this study considers parasocial relationships as the motivational factor for customer behaviour and then introduces the external cues, which help to enlighten how the bond between micro-influencers and followers is moderated. To be precise, while there was no evidence demonstrating that parasocial relationships are sensitive to sponsorship disclosure, a considerable disruption to the efficacy for parasocial relationships caused by negative eWOM is discovered, and the situation is worsened when the post is recognised as an advertisement. In this regard, novel insight into the relative power of the voice of influencers and the crowd is offered, suggesting that the parasocial relationship produced between followers and micro-influencers appears to be deep but is by no means invincible.

Along the line, our study contributes to the ongoing research on sponsorship disclosure, on which mixed evidence has been presented about its influence on customers. Extant research on influencers tends to focus on celebrities and macro-influencers (e.g., Knoll and Matthes, 2017), given their capability to reach audiences, or considers influencers without discerning the distinct features of influencers in various statuses (Lanz *et al.*, 2019). The results of this study contribute new evidence to the literature by focusing on micro-influencers, alerting the

potential adverse effects of the commercialisation of social media posts (e.g., Martínez-López *et al.*, 2020). Moreover, it is surprising that the unfavourable impact of negative eWOM has not been examined in the context of micro-influencers. To the best of our knowledge, this study is among the first to explore the role of eWOM in altering followers' perceptions and behaviours in a close parasocial relationship. The present study describes the serious damage to influencers caused by negative eWOM (Reinikainen *et al.*, 2020) and the endorsement being compelling.

The findings lead to important practical implications. Micro-influencers prove their value since they are capable of producing competitive advantages for brands through inspiring customer engagement, brand preference and purchase intention. However, it is important to realise that followers remain rational and are unlikely to be blinded by their intimate relationship with micro-influencers. The parasocial relationship can be strong, but it is still hard to compete with user comments. Negative comments are destructive to an influencer's reputation, and customers' antipathy towards a sponsored post with negative comments is obvious. Marketers should therefore be alerted and act appropriately to ensure eWOM is carefully managed to maintain a consistency of the information presented to customers and prevent a ripple effect of negative reviews from turning into a vicious cycle. In searching for potential micro-influencers, one critical factor to be borne in mind is the strength of parasocial relationships that the micro-influencer can cultivate with their followers. This appears to be intuitive advice, but when disruptive cues come into existence, a strong sense of connection could mitigate, though not eliminate, some of the risks and negative impacts on customers' cognitive and behavioural intentions.

The practical relevance of this study can also be applied by adopting a data-driven approach to influencer management. To assist brands in screening suitable influencers, there are already

organisations in the market that have developed information systems that allow brand owners to use data-based methods to find suitable candidates. Information collected may include, for instance, an influencer's follower numbers, posting frequency and quantities of comments or likes per post. However, there are only a few organisations in influencer management that analyse the content of or gauge sentiment from comments. The results of our study highlight that the comments of other users are one of the important factors affecting the efficacy of influencer endorsement. Therefore, it is recommended that organisations should build a more effective comprehensive information system that incorporates interruptive factors into the scoring metrics.

6.2 Limitations and future research directions

This study has certain limitations; addressing these will lead to more fruitful future research opportunities. First, the current study specifically examines micro-influencers without considering other types of influencers, such as nano-, meso- or macro-influencers. It is presumed that the formation and degree of parasocial relationships are different for influencers of various statuses and therefore the mechanism of contending with unfavourable information cues can vary (Boerman, 2020). It would be useful to extend the current study by evaluating and comparing how parasocial relationships can sustain against disruptions across different types of influencers.

Second, a direct relationship between parasocial relationships and customer behaviour is assumed, and the possible intermediary factors, such as trust and credibility of influencers, are discussed. This study can be extended by introducing and measuring potential mediation effects to determine where the disruption happens along the influential paths. Besides, although these results indicate that the discovered effects do not differ across influencers, future studies may link influencer-specific factors (e.g., engagement rate, personal traits, experience) to the

examination (Appel *et al.*, 2020).

Moreover, this study operates in a specific context involving female Instagram micro-influencers and a low-involvement product. The setting is deemed appropriate for the purpose of the current study, though a concern of selection bias potentially introduced by employing female influencers can be further addressed in future studies by cooperating with influencers of different genders and types. In addition, the experimental setting can be adjusted with alternative or multiple social media to compare effectiveness across platforms (Ledbetter and Meisner, 2021), real or fictitious materials in the stimuli to imitate the actual sites, or a high-involvement product.

Furthermore, in this study, sponsorship disclosure is represented by influencer-generated hashtags, and negative comments are represented by two examples. The manipulation can be modified using other disclosure formats (e.g., platform-generated disclosure), displaying both negative and positive eWOM and specifying the proportion of certain types of comments.

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Appendix A. Experimental scenarios

Scenario 1

[The name of micro-influencer] recommends a beverage brand and product in the post.

Scenario 2

[The name of micro-influencer] recommends a beverage brand and product in the post. The post is brand sponsored (with a sponsorship hashtag).

Scenario 3

[The name of micro-influencer] recommends a beverage brand and product in the post. There are negative comments to the post such as "I don't recommend".

Scenario 4

[The name of micro-influencer] recommends a beverage brand and product in the post. The post is brand sponsored (with a sponsorship hashtag). There are negative comments to the post such as "I don't recommend".

Note: "The name of the micro-influencer" in the text description of each scenario and the "accountname_12345" in the images are replaced with the real influencer's name and Instagram handle when the scenarios are presented to participants.