DIGITAL INFLUENCERS, MONETIZATION MODELS AND PLATFORMS AS TRANSACTIONAL SPACES

INFLUENCIADORES DIGITAIS, MODELOS DE MONETIZAÇÃO E PLATAFORMAS COMO ESPAÇOS DE TRANSAÇÕES COMERCIAIS.

Catalina Goanta
Associate Professor in Private Law and Technology at Utrecht University (Utrecht/Netherlands).
E-mail: e.c.goanta@uu.nl. Orcid: https://orcid.org/0000-0002-1044-9800

Thales Costa Bertaglia
PhD Candidate at the Institute of Data Science at Maastricht University (Maastricht/Netherlands).
E-mail: t.costabertaglia@maastrichtuniversity.nl. Orcid: https://orcid.org/0000-0003-0897-4005

ABSTRACT

This paper aims to discuss the impact of digital influencers' content monetization on social media in the context of platform governance. For achieving this objective, it characterizes the Monetization Supply Chain and the different monetization models as ad revenue, on-platform influencer marketing; subscription, tokenization, crowdfunding; direct selling; creator funds; besides the traditional influencer marketing. It also presents preliminary analyses of a dataset of posts by 400 influencers from four countries: Brazil, Germany, the Netherlands and the United States of America to understand how content creators from different countries are framing sponsored content.

Keywords: Monetization. Digital Influencers. Instagram.

RESUMO

Este artigo tem como objetivo discutir o impacto da monetização de conteúdo de influenciadores digitais nas mídias sociais no contexto da governança de plataformas. Para atingir esse objetivo, o trabalho caracteriza a Cadeia de Fornecimento de Monetização e os diferentes modelos de monetização como receita publicitária, marketing de influenciadores na plataforma; assinatura, tokenização, crowdfunding; venda direta; fundos do criador; além do tradicional marketing de influenciadores. Também, apresenta análises preliminares de um conjunto de dados de postagens de 400 influenciadores de quatro países: Brasil, Alemanha, Holanda e Estados Unidos da América para entender como os criadores de conteúdo de diferentes países estão enquadrando o conteúdo patrocinado.

Palavras-chave: Monetização. Influenciadores Digitais. Instagram.

1 INTRODUCTION

A vital topic in today's digital economy deals with how people make money on the Internet and mainly how individuals, as entrepreneurs, influencers, and content creators, manage to make a lot of money online. This paper characterizes the journey of social media monetization based on five years of following this theme on different social media platforms and 12 years of data.

This discussion uses the terms *influencer* and *content creator* interchangeably, as some scholars might use them in the same context. But according to the definition, an influencer is "a content creator with a commercial intent, who builds trust and authenticity-based relationships with their audience (mainly on social media platforms) and engages online with commercial actors through different business models for monetization purposes" (MICHAELSEN *et al.*, 2022, p. 25). Thus, an influencer has this connotation of commercial intent, which is a crucial concept: influencers are content creators engaging with the creator economy.

2 SOCIAL MEDIA MONETIZATION IN A NUTSHELL

In August 2022, Recess Therapy – a web series on Instagram and TikTok hosted by the creator Julian Shapiro-Barnum – interviewed a child named Tariq who mentioned his love of corn[1]. The charismatic kid went viral, and the interview became a remixed song called "It's corn!"[2], now registering 29 million views on YouTube. After that, the child started monetizing on platforms like Cameo[3], where celebrities and creators can sell personalized videos to their audiences. Tariq offered videos to anyone who requested at the price of $220. Thus, after appearing in one interview, a child just randomly became famous and could make money from that. This process represents the moment we are facing right now with the idea that anyone can become a celebrity, and anyone can become a content creator and an influencer.

The media has been covering the impact of a recent phenomenon of people who have influence but not necessarily for a big audience – known as micro-influencers – that are relevant within a particular niche, within a specific context. They might be influencers for a particular city or have a particular occupation or a formal job, but they share content online. It reveals that influencer dynamics are not limited to engagement numbers, and it is possible to impact, influence, and make money from it, even with smaller audiences.

---

[1] https://www.instagram.com/reel/Cg14y_1Ilq0/?igshid=YmMyMTA2M2Y=

[2] https://www.youtube.com/watch?v=_caMQpiwiaU

[3] https://www.entrepreneur.com/business-news/corn-kid-is-charging-hundreds-for-videos-on-cameo/434302

Nevertheless, when we talk about influencers, it is usual to think of content creators with hundreds of thousands or even millions of followers, usually traditional YouTubers of beauty and fashion who became famous in 2000. They share their monetization model in common: these huge influencers have partnerships with brands through product endorsements. However, influencer marketing has expanded to a more extensive and diverse monetization model in the *creator economy*.

According to SignalFire[4], there are 50 million content creators worldwide, but 46.7 million are considered amateurs who monetize their content creation only part-time. At the same time, more than 2 million are professional creators, making content full-time. This means we have professionals making money through social media and a significant part of amateurs trying to get into the creator economy. Besides that, it is possible to define some phases of the creator economy.

Figure 1 – Creator Economy Market Map
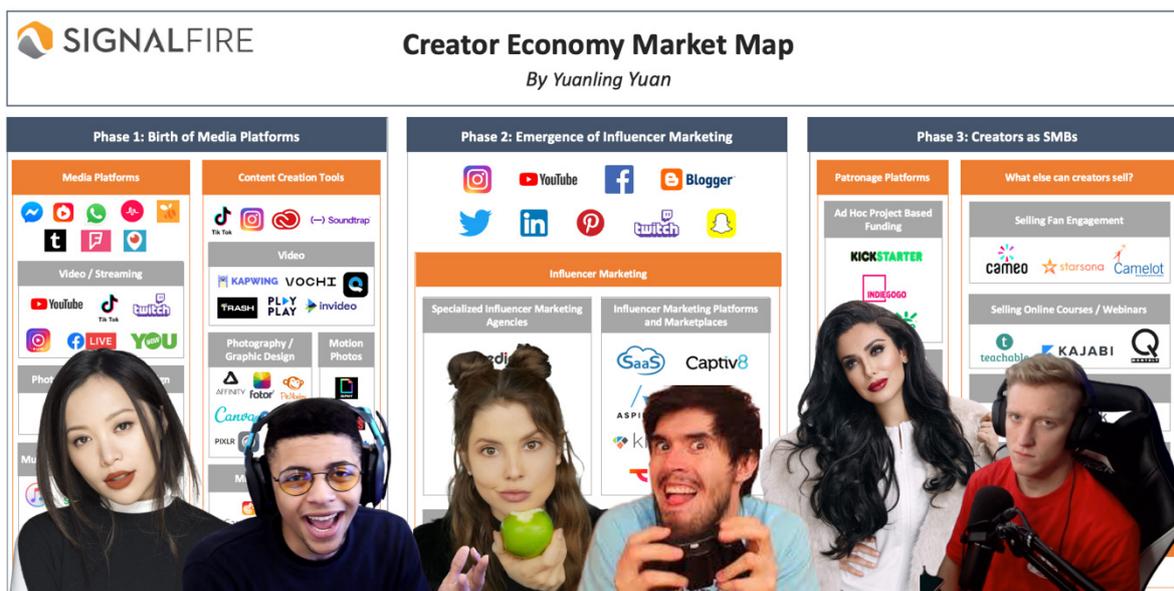
Source: SignalFire

Phase one corresponds to when media platforms were launched, based on a peer-to-peer interaction logic. For instance, YouTube was a platform where one could upload videos, send them to family, or share them with friends. The second phase marked the start of the emergence of influencer marketing, where

---

[4] https://signalfire.com/blog/creator-economy/

creators with big audiences and brands connected to promote products. And now we are in phase three: social content creators as *businesses*.

It is not only about influencer marketing anymore, not just about promoting products. There are many other ways to make money and monetize content online. Besides that, content creators themselves are the products, making it possible for platforms such as Cameo to provide monetization through fan engagement, for example.

Other monetization models were identified in previous works (GOANTA; WILDHABER, 2019):

Figure 2 – Monetization Supply Chain
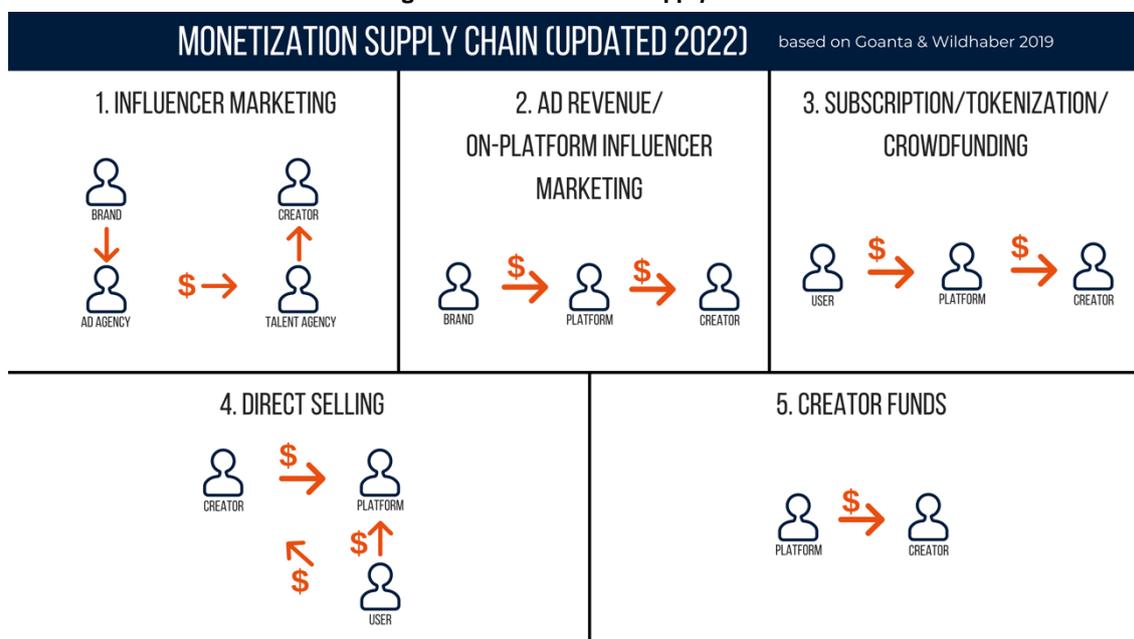
Source: Based on Goanta & Wildhaber (2019)

1. Influencer Marketing: This model is based on a brand hiring an ad agency that intermediates to a talent agency creator. The agency provides a content creator who can offer a job as an endorsement or content such as videos, Instagram stories etc. In this model, it is common to see affiliate marketing strategies when the content creator says positive things about a product and can also share and get a percentage back of the sales. In some cases, creators are not necessarily in monetary transactions, but they receive something back for their promotional labor, as gifts or free services in exchange for posting about a brand or a product.

2. Ad revenue/On-platform influencer marketing: This model is based on platforms where creators open space for ads on their YouTube channel, for example, and receive a portion of that amount.

3. Subscription/Tokenization/Crowdfunding: This model is prevalent on streaming platforms like Twitch. Followers can subscribe to a specific content creator and pay them a monthly fee. And there are also tokens; followers can buy an in-platform currency and use that to send messages highlighted in the live stream chats or use tokens to engage in specific ways during games. Meanwhile, crowdfunding can include platforms like Go Fund Me[5] or project-based crowdfunding.

4. Direct Selling: This model is common among content creators. Direct selling means having their merch products and selling them through social media platforms and external websites.

5. Creator funds: This is a new monetization model in which platforms directly have funds for creators, such as TikTok Creator Fund. In this case, the process is not intermediated by a brand anymore; platforms are giving money to creators to attract more users.

The monetization supply chain reveals how the creator economy is growing fast, and it is now worth around $16 billion (INFLUENCER MARKETING HUB, 2022). In six years, from 2016 to 2022, the industry went from less than $2 billion evaluation to $16 billion. A significant growth with expectations of growing even more in the future.

3 MONETIZED CONTENT & SOCIAL COMMERCE

As seen so far, there are various ways in which content can be monetized on social media and particularly by, as mentioned, influencers as these harbingers of advertising, but also by content creators with additional types of business models. There are also some other types of trends that we need to keep in mind, and one of these trends is social commerce.

To illustrate the discussion: Jeffree Star[6] is a beauty influencer from the USA who also has a brand that can be shopped on Instagram – which has a professional place on the platforms where it is possible to display products (Figure 3). The structure is similar to a typical marketplace; the products are nicely labelled and ordered. And if consumers want to purchase them, they need to go to a third part website.

---

[5] https://www.gofundme.com

[6] https://www.instagram.com/jeffreestar/

Figure 3 – Products Display on Instagram
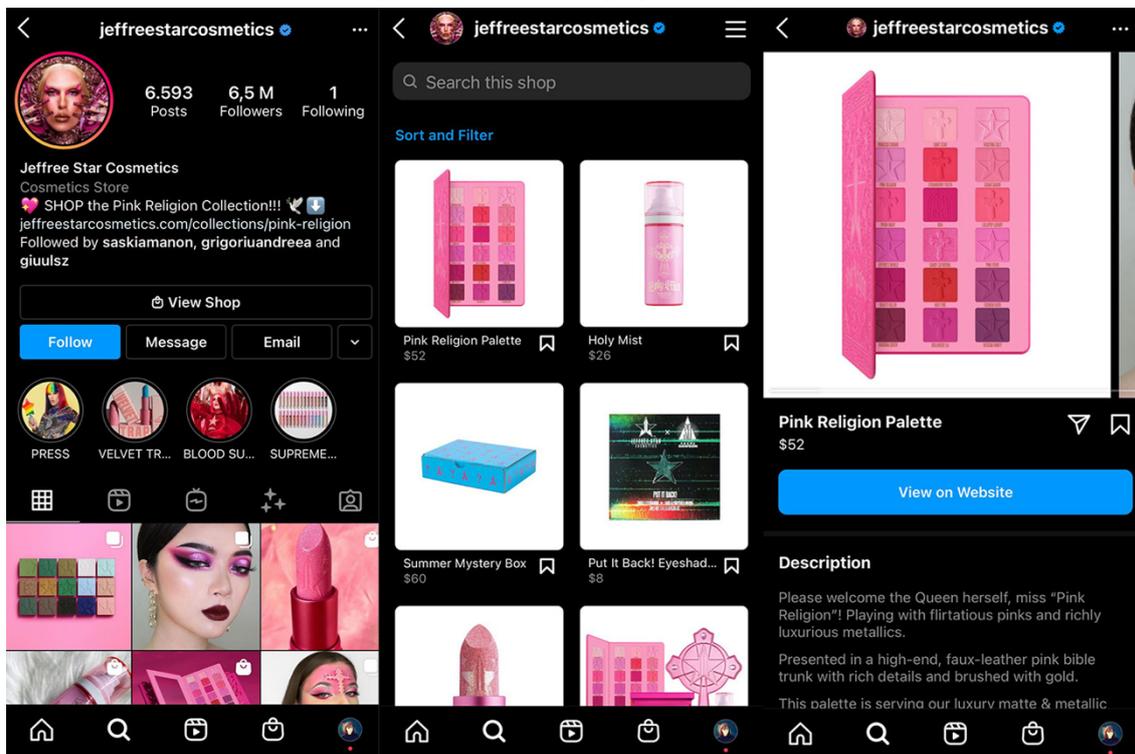
Source: instagram.com/jeffreestarcosmetics

On the one hand, platforms are facilitating commerce. In the USA, there is a "check out button" for purchases on Instagram, so the platform provides the whole consumer chain. On the other hand, in certain jurisdictions, platforms like Instagram are still not the immediate competitor of marketplaces such as Amazon, for example, because they are sharing links to another space. The purchases happen on a third-part website in the European Union and even in Brazil.

Felix Krausse[7], a German security researcher, revealed that nefarious things happen in this social commerce process on platforms (THE GUARDIAN, 2022). Krausse looked particularly at third-part websites, once they are not apart from Instagram but visited through an in-app browser that keeps the customer inside the platform. He found that the equivalent of what happens in an in-app browser is the installation of a keylogger – a cyberattack. If someone wants to steal your data, your information, they will put a keylogger tracking you. In other terms, a keylogger would mean the equivalent of malware or just someone standing behind a person and looking at all his passwords and then being able to reproduce

---

[7] https://krausefx.com/

these passwords. According to Krausse, this is what Instagram and TikTok are doing now. Particularly for TikTok, there is not even an option to use another browser than the in-app browser, which, in a nutshell, exposes so many different issues for profiling and tracking on the Internet that requires familiarity with what follows in the next era of social media, as social media marketing and social media commerce are here to stay.

**Figure 4 – "Buy Now" Button on Instagram**
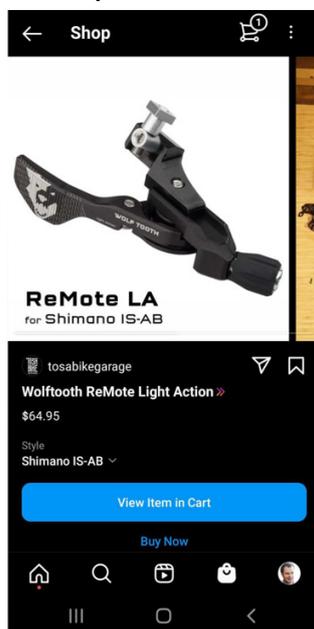
Source: instagram.com/tosabikegarage/

As a comparison, the user can see a "Buy Now" button when using a phone with an American IP address. And then what happens when one clicks on that button is that it directs immediately to a payment system – an in-house payment system – managed by Instagram. It begs the question: was not social media, at the very beginning, just supposed to be a place for sharing pictures of cats, photos of trips and getting in touch with social circles? In 2016, Instagram went from a social graph platform oriented by time to an algorithmic type of information retrieval graph. It means that platforms such as Meta, such as TikTok will try to profile interests based on the type of content that one consumes and then serve them with additional types of videos with higher liking changes. If we compare that and merge it with a discussion on the growth of influencer marketing as native advertising, it is possible to identify that algorithmic recommendations based on users' preferences can become a new form of targeted advertising. And the worst situation is that this type of advertising is frequently not disclosed.

Meanwhile, Google and YouTube have teamed up with Shopify – a Canadian company that does mostly drop shipping – and is going full frontal with social commerce. For example, in the Netherlands, family vlogging is a social media trend, and some families, such as the De Bellingas[8], have made until August 2022 around 2560 daily vlogs of circa 14 minutes. In each of these vlogs, besides watching their favorite family's daily routine, followers can still shop and support the family by buying their T-shirts or hoodies.

Figure 5 – Shop on De Bellingas YouTube Channel
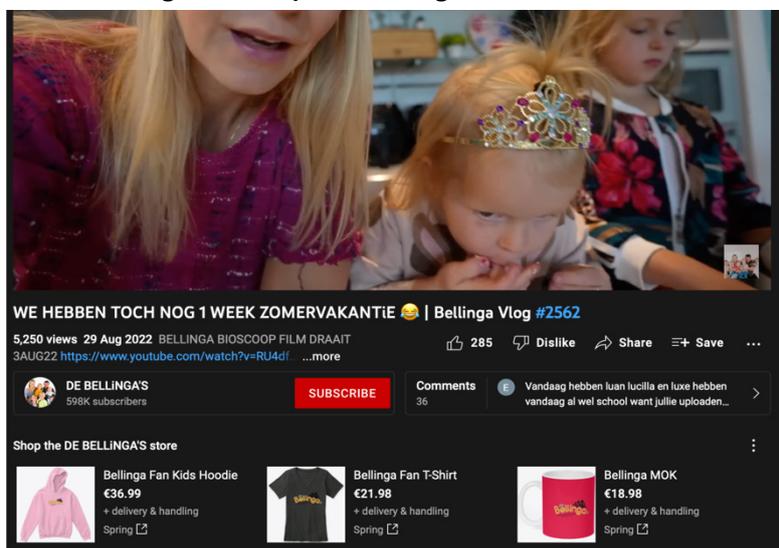
Source: https://www.youtube.com/@DE_BELLiNGAS

4 MONETIZED CONTENT AS COMMERCIAL SPEECH

As José van Dijck and Danah Boyd have announced in earlier research, social media used to be understood as a public space based on peer-to-peer sharing – which led to the metaphor of platforms as public squares (VAN DIJCK, 2018; BOYD, 2010). However, this dates back to when platforms were "invisible", as they were just considered a free place to be and to use. A narrative emphasized the idea of a place where people would come together, like the city center, congregate and protest or talk about things. That is the public space dimension.

---

[8] https://www.youtube.com/@DE_BELLiNGAS

However, monetization is changing the dynamics around speech on social media. Monetization revealed that any speech on social media is content that can turn into money for the ones who create it. And this contemporary dynamic challenges the old narrative about social media platforms once monetization turns people into advertising banners and creates new financial incentives for participating in social networks. There is even a popular idea that the metaphor of a public square has shifted to the analogy of platforms as shopping malls.

At the bottom, platforms are transactional spaces that remove the veil of public and private, personal, and professional spheres. Social media platforms are businesses that people engage with as consumers through shopping and transactions. But still sharing political speech and engaging with social circles. Contracts with commercial goals determine the notion of a transaction space.

The dimension of commercial and contract law is a game changer for platforms. In the past, from a legal perspective – dominated by North American narratives –there was the false impression that the worst that could happen on social media was the suppression of a comment or a post from someone, an action that could lead to freedom of speech discussions. Other specific policy concerns for regulators involved illegal content, such as child sexual abuse or terrorist content. So legal perspective addressed content on social media, particularly content moderation and platform liability.

However, one angle that has yet to be completely forgotten in this central debate is the transactional space and how platforms engage users as consumers. For influencer marketing, for example, the angle of consumer protection is extremely relevant: once there are ads on the Internet, consumer protection law says that consumers need to be disclosed. Even influencers have legal implications. In the European Union, an influencer who might not have enough contracts in a year, who has not produced enough money to be considered a trader or someone who has casual commercial activity, this person would not have to follow and observe consumer protection. Meanwhile, influencers constantly engaging in commercial terms with their audiences must observe consumer protection according to the European Union law. This is something that many jurisdictions have, such as The Federal Trade Commission Act (FTCA) from the United States – its section five has been there since the beginning of the 20th century, and the principles are very basic and straightforward when it comes to these laws. In a nutshell, the central idea is not lying to consumers or misleading people. It means that when someone is paid to recommend something, they must say it. Not disclosing is the equivalent of lying and being dishonest, something that the law frowns upon. And when it comes to digital influencer practices, the issue of authenticity and parasocial relations with audiences is probably a topic that must be discussed, considering disclosure and commercial transactions.

In addition to consumer protection, there are legal implications concerning media law. The Netherlands is based on new rules on media compliance. Authorities such as the National Authority for Media Compliance have created different types of standards: for video platforms, they define digital influencers as individuals who need to have over 500,000 followers and need to post, for instance, at least 24 videos in the last 12 months. And if those conditions are met, influencers have an obligation to register themselves with this media authority. In these terms, the media authority would have more transparency around who is participating in this market once it is difficult even to define how big this economy is, who is participating and how they are doing that.

5 INFLUENCER MARKETING IN NUMBERS: 12 YEARS OF INSTAGRAM DATA

Besides the conceptual discussion so far, how can we analyze monetization in practice? How do we know how big it is? Who is engaging in that? How are people doing that? And even from a legal perspective, are influencers disclosing posts and being honest and transparent?

To analyze how content creators from different countries are framing sponsored content, we collected a dataset (in August 2022) with all posts by 400 influencers from four countries: Brazil (BR), Germany (DE), the Netherlands (NL) and the United States of America (US) – 100 influences from each country. They were either mega influencers (with more than 1 million followers) or micro-influencers (between 500,000 and 1 million followers). We selected these influencers manually, using a tool for searching influencers (Heepsy[9]).

Such tools index influencers from all over the world. We searched accounts based on their location and the number of followers. Then, we manually went through each of them to ensure they fit our criteria. Finally, we collected all the data available – a total amount of over 1 million posts – from over 12 years of Instagram.

---

[9] https://www.heepsy.com/

Graphic 1 – Total Number of Posts
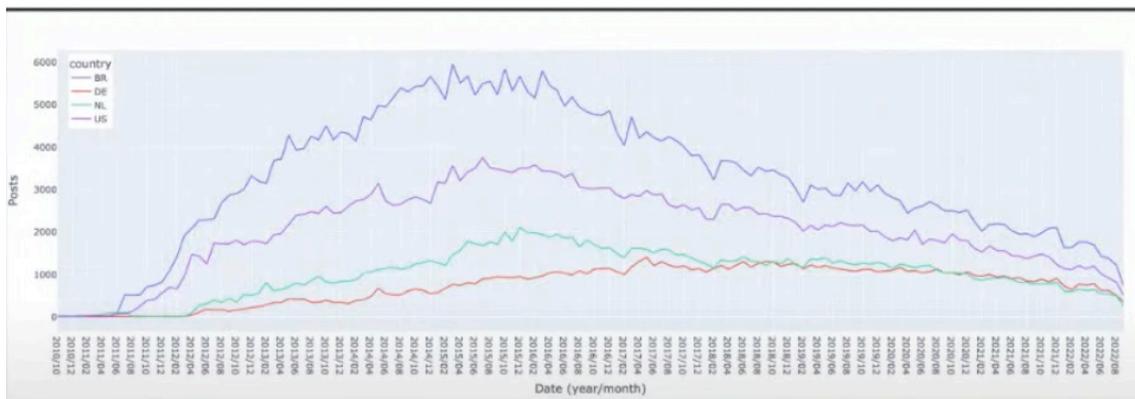
Source: Elaborated by the authors

Graphic 1 refers to the number of posts on average per month from the beginning of Instagram. The first data is from October 2010 up to August 2022. The graph shows slow growth during the first years of Instagram and a drop in 2016 when Instagram Stories was launched. That happened not because the platform lost popularity but because the tool we used to collect data only retrieved posts from the feed.

Brazil is at the top of the graphic. One of the most active accounts analyzed, for example, posted 12,000 posts, the equivalent of posting almost three times per day every day for 12 years. Brazil is followed by the USA, then the Netherlands, and Germany. The data reveals something that is expected, as Brazil and the USA have larger populations, the number of accounts proportionally have more followers.

Graphic 2 – Disclosed Posts
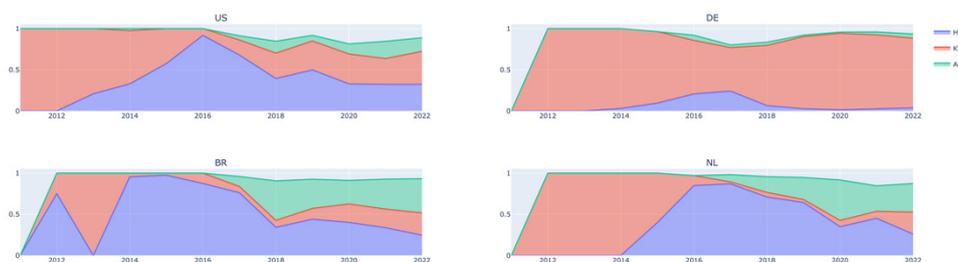

Source: Elaborated by the authors

The second graphic shows posts that were disclosed as sponsored ads. The posts had to have clear disclosure either (1) using hashtags, (2) mentioning it on the caption as a keyword, or (3) using the partnership label – a feature offered by Instagram. Terms like *sponsored* or *sponsorship*, hashtags such as

#ad or #publi, and the corresponding terms in other languages were part of the collected posts. So, the database considered these three possibilities for disclosing ads.

The graph reveals that, in Brazil, for example, the peak of disclosed posts was in 2020, but with a very low number of 10% of posts. An unpretentiously scroll-through influencer feed would reveal more commercial posts than the terms used would demonstrate. Therefore, it is possible to infer that influencers are not disclosing their ads. Germany, in turn, where regulation is stricter, reveals a more proportional number of disclosed posts – one of the possible effects of regulation.

Graphic 3 – Types of Disclosure

Source: Elaborated by the authors

The third graphic shows how influencers decided to disclose their posts: blue represents the posts with hashtags, at least one; red goes for a keyword used on the caption, not necessarily a hashtag; green refers to influencers using the Instagram label for commercial partnerships.

The Instagram feature, launched in August 2016, changed how some countries disclose posts. It is possible that German influencers did not adopt the feature as much as other countries. Besides that, German influencers use keywords in the caption, and this option reveals the relationship between influencers and their followers. One important point about disclosure is transparency. Disclosure should be obvious and clear. When followers read a post, they should be able to identify an ad. And it is possible to measure that by seeing where the disclosure was within the caption and in which position it appeared.

Graphic 4 – Average Position of Disclosure
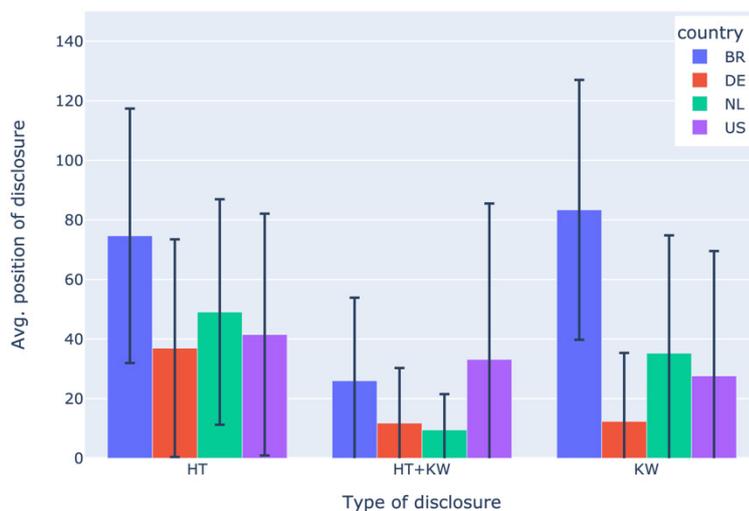
Source: Elaborated by the authors

When using hashtags, it is common for influencers put them at the end of the caption. Thus, if followers do not click on the "read more" bottom to read the entire caption, they will probably miss the disclosure. Graphic 4 shows the average position where the exposure was located in the different countries, considering the different disclosure types.

In Germany, the average is much lower than in other countries, which means that the disclosure appears earlier in the captions. They are geared towards the start of the caption. German influencers use a combined disclosure strategy: they use keywords at the very beginning of posts and hashtags at the end of them.

And there is a social process that justifies this. Particularly in Germany, court cases were trying to make sense of how influencers should disclose on social media. One judgment in Berlin[10] defined that if someone is an influencer, this information must be disclosed – even unpretentious posts, the ones related to parasocial relations, for example, with no commercial intentions, should be disclosed. The "influencer aesthetic" should be disclosed. The result of this, in practice, is shown by the graph. Influencers try to be on the safe side of things, make sure they disclose posts and avoid getting fined. Regulation and

---

[10] https://www.bundesgerichtshof.de/SharedDocs/Pressemitteilungen/DE/2021/2021170.html?nn=10690868

enforcement were perceived as something to be feared in Germany. In opposition, Brazil reveals to be the least transparent country in terms of disclosed posts.

**Graphic 5 – Sponsored posts and Publication Time**
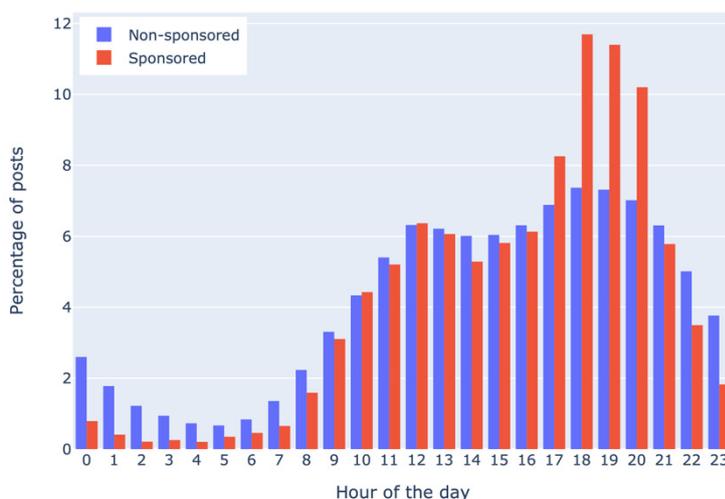
Source: Elaborated by the authors

Graphic 5 shows data related to the local time when sponsored and non-sponsored posts were published on Instagram. The bars in blue correspond to regular posts, and the ones in red are sponsored posts that have peak hours from 5 pm to 8 pm. The hour of the day when sponsored posts are published can be essential information for regulatory agencies or enforcement agencies to focus on and check.

Graphic 6 – Engagement and Type of Post
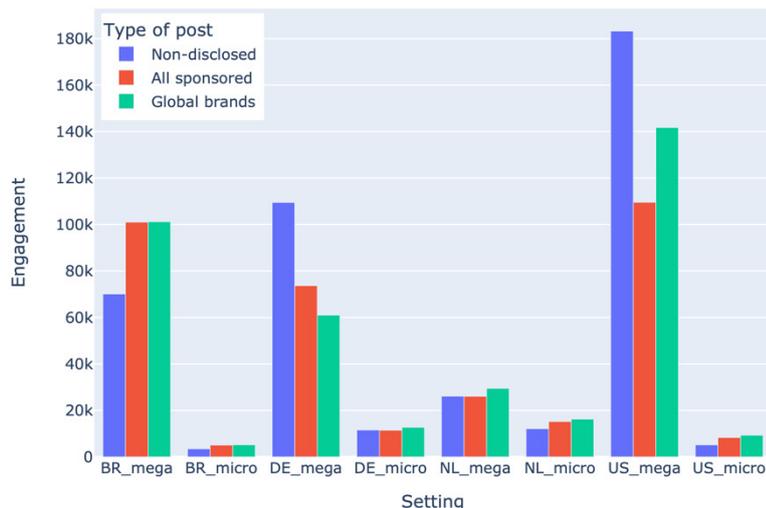
Source: Elaborated by the authors

And finally, a sensitive topic for influencers in the industry is the concern about disclosing and impacting their engagement. Influencers often mention that followers would be less likely to engage with disclosed sponsored posts, which becomes a constant argument against disclosure. However, the empirical results show that disclosed posts do not necessarily have lower engagement.

The Graphic 6 shows three bars: the blue one is for non-sponsored posts, the red ones are for sponsored disclosure, and the green ones also have sponsored posts from global brands. This graph highlights how sponsored posts by Brazilian end Dutch had higher engagement on average – people were actually engaging more often than regular posts. One hypothesis is that many sponsored contents could be *giveaways* that call upon followers to comment several times and engage with posts.

Global brands are able to have ads in all of the different countries, such as Nike, for example. To identify them on the data, it was necessary to analyze all sponsored posts, check the tagged brands on them and identify the brands found in most countries. The idea here is that if a brand is well-known, chances are higher for followers to know it and like it. It may be different when an influencer promotes a random brand that can generate suspicion about its credibility.

6 FINAL NOTES

The data presented in this paper is still working in progress and part of the project HUMANads – ERC Starting Grant (2022-2027), focused on understanding the impact of content monetization on social media and on reinterpreting private law fairness in the context of platform governance.

There are still other topics involving monetization, such as the concept of *monetizing controversy* (BERTAGLIA; DUBOIS; GOANTA, 2021). As social media is becoming crowded with creators, the increasing competition is leading to disagreements and controversies as engagement strategies. Controversy can thus be weaponized to achieve virality and, later, monetization. *Monetizing controversy* demands discussions on new monetization aspects, such as fraudulent activity, bad faith commercial parties and unsafe spaces for brands. This addresses the near future of still many issues surrounding monetization, influencers and platforms to be investigated through academic research.

REFERENCES

BERTAGLIA, Thales; DUBOIS, Adrien; GOANTA, Catalina. Clout Chasing for the Sake of Content Monetization: Gaming Algorithmic Architectures with Self-moderation Strategies. **Forthcoming in Morals and Machines**, v. 1, 2021. Available at: http://dx.doi.org/10.2139/ssrn.3843631. Access on: Sep. 12, 2022.

BOYD, danah. Social Network Sites as Networked Publics: Affordances, Dynamics, and Implications. *In*: PAPACHARISSI, Zizi (ed.). **Networked Self:** Identity, Community, and Culture on Social Network Sites. Abingdon: Routledge, 2010.

GOANTA, Catalina; WILDHABER, Isabelle. In the Business of Influence: Contractual practices and Social Media content monetisation. **Schweizerische Zeitschrift für Wirtschafts-und Finanzmarktrecht**, Zurich, n. 91, p. 346-357, 2019.

INFLUENCER MARKETING HUB. **The Creator Economy is the Economy**. Last Updated: November 23, 2022. Available at: https://influencermarketinghub.com/creator-economy-is-the-economy/. Access on: Dec. 12, 2022.

MICHAELSEN, Frithjof *et al.* **The impact of influencers on advertising and consumer protection in the Single Market**. Luxembourg: European Parliament, 2022.

THE GUARDIAN. Meta injecting code into websites to track its users, research says. **The Guardian**, London, Aug 11, 2022. Available at: https://www.theguardian.com/technology/2022/aug/11/meta-in-

jecting-code-into-websites-visited-by-its-users-to-track-them-research-says. Access on: March 14, 2023.

VAN DIJCK, José; POELL, Thomas; DE WAAL, Martijn. **The platform society:** Public values in a connective world. Oxford: Oxford University Press, 2018.