

# POSTGRADUATE SEMINAR SERIES

## Research Findings Seminar

**Topic Title** : **Issues on selling products via social media influencers**

**Presenter** : **Mr. LI Zhenhao**

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**Abstract** : Recent years have witnessed an exponential growth of firms promoting and selling products via social media influencers. Although such practice has attracted a growing interest in academia, relevant studies are largely empirical, while analytical studies remain limited. To address this gap, we analytically investigate issues related to a firm's strategy of selling products via influencers in two studies.

In the first study, we develop a two-period model to investigate a firm's strategy for introducing a new product via an influencer. We show that the firm's pricing, production, and commission contract decisions for the promotional campaign in the first period depend on the difference between the WOM effect of followers who do or do not make a purchase rather than the WOM effect of each group. The firm pays the highest commission rate to the influencer with a medium-sized follower base. As the marginal WOM benefit of the first-period sales increases, the firm tends to reduce the marginal profit from the first-period sales. The firm may charge followers a lower price than non-followers, even though followers are less sensitive to price than non-followers.

The second study concerns the issues in influencers' false promotion of a firm's product under regulation. We propose a game-theoretical model that involves a firm, an influencer, a regulator, and a mass of consumers consisting of followers and non-followers. We examine how the penalty posed by the regulator, the influencer's share of the penalty, the product quality difference, and the influencer's follower base affect the influencer's claim of product quality and the outcomes. We show that the influencer is less likely to exaggerate product quality if she faces a high penalty, the product quality difference is small, and the influencer's followers occupy a small proportion of the market. Moreover, a stricter regulation may improve the firm's profit but reduce the social welfare. The influencer's false promotion is more likely to be caught by the regulator when the product quality difference is small, resulting in a lower profit for the firm.

**Date** : **27 April 2023, Thursday**

**Time** : **14:30 – 16:00**

**Venue** : **SEK205, 2/F, Simon & Eleanor Kwok Building**

**Language** : **English**



**\*\*\* All are Welcome \*\*\***