Peer Effects in Influencer-Sponsored Content Creation on Social Media Platforms

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Abstract

To specify the peer effects that affect influencers' sponsored content strategies, the current research addresses three questions: how influencers respond to peers, what mechanisms drive these effects, and the implications for social media platforms. By using a linear-in-means model and data from a leading Chinese social media platform, the authors offer evidence of strong peer effects on the quantity of sponsored content but not its quality. These effects are driven by two mechanisms: a social learning motive, such that following influencers emulate leading influencers, and a competition motive among following influencers within peer groups. No evidence of competition motive among leading influencers or defensive strategies by leading influencers arises. Moreover, peer effects increase influencers' spending on in-feed advertising services, leading to greater platform revenues, without affecting the pricing of sponsored content. This dynamic may reduce influencers' profitability, because their rising costs are not offset by higher prices. These findings emphasize the need for balanced strategies that prioritize both platform growth and influencer sustainability. By revealing how peer effects influence competition and revenue generation, this study provides valuable insights for optimizing content volume, quality, and financial outcomes for social media platforms and influencers.

Track: Marketing Strategy and Marketing Mix