



Select Committee on Communications

Corrected oral evidence: The advertising industry

Tuesday 5 December 2017

4.35 pm

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Members present: Lord Gilbert of Panteg (The Chairman); Lord Allen of Kensington; Baroness Bertin; The Lord Bishop of Chelmsford; Viscount Colville of Culross; Lord Goodlad; Lord Gordon of Strathblane; Baroness McIntosh of Hudnall; Baroness Stowell of Beeston.

Evidence Session No. 11

Heard in Public

Questions 105 - 114

Witnesses

I: James Erskine, Director, Social Circle; Beckii Cruel, Social Media Influencer.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

James Erskine and Beckii Cruel.

Q105 **The Chairman:** I welcome our witnesses to the second session of evidence this afternoon in our inquiry into the advertising industry, in particular the supply of skills that the industry needs. Today's session is being streamed online and there will be a transcript for the record.

Will you introduce yourselves and tell us a little about who you are and where you come from? Perhaps you would tell us what social influencing is, how social media advertising relates to more traditional forms of advertising and what value it gives brands and advertising organisations.

Beckii Cruel: I am Beckii. I am 22 years old and have been doing this for 10 years. I started in 2007. I started as a YouTuber. I was just making videos as a hobby when I was younger. One of my videos went viral in Japan when I was about 13 years old, so I was whisked off to start working in Japan, performing, dancing and growing my YouTube channel. In 2010, I had a documentary on BBC3, which grew my audience in the UK as well. Ever since, I have continued to make videos, mainly about fashion and lifestyle. I have been working with brands probably throughout the whole period, but I was lucky in that I could work both in traditional media and online and watch the space grow for influencer marketing, and see what it was then and has become now.

James Erskine: I am James. I am 39 years old. I am lucky enough to have two jobs. I work as a director of a marketing agency called The Big Shot. The Big Shot does two different things. First, it makes adverts. Like an old school traditional advertising agency, it produces things that you see on the side of buses, on television and on the radio. The other thing The Big Shot does is make longer-form content. If you are anxious, that is jargon. It is when a brand wants to go beyond an advert and deliver an experience for its audience that is a bit longer than a straight advert.

It might be an experience that has nothing to do with our agency. A few years ago, Evian saved Brixton Lido; it put a big Evian logo on the bottom of it. Other brands have put grass on Trafalgar Square; others have tried hard to pay for comedy shows to make people laugh. They are things that go a bit beyond traditional advertising. The Big Shot has created a way of creating content for brands across a number of different media. That could be long-form video; it could be complicated product demonstration videos in the B2B sector.

Having created the long-form stuff, I am also a director of a business called Social Circle. The Big Shot looks to distribute the content it has made—lots and lots of video—in three different ways. One is through media partnerships. When we worked with Knight Frank, the estate agent, with a view to getting lots of high net-worth people who live near London, we created a long-form TV show where people could ask questions, and we paid the *Telegraph* for a media partnership where the video we made sat at the heart of the *Telegraph*, both online and in print.

At The Big Shot, we run paid social advertising for campaigns, whereby the same high net-worths who live in London might see us promoting our TV chat show on Facebook, LinkedIn, Twitter, YouTube, Instagram and Snapchat. We also work with leading influencers. This is where Social Circle, which used to be part of The Big Shot, has become its own separate business. The reason it has become a separate business is that it does a slightly different job, and we wanted to crystallise that for our clients. Social Circle is a beginning-to-end influencer marketing company. In the Knight Frank example, we could work with high net-worth written bloggers, or high net-worth Instagrammers who are engaging their audience, and migrate people towards that central bit of content.

Social Circle as a stand-alone business has been running for about two years. I first met Beckii working on a Nickelodeon campaign where we showed a traditional TV channel a new and exciting way to engage younger audiences. The brands we work with for Social Circle are perhaps some that you would expect, such as Chupa Chups sugar-free lollies and we amplified Barclays' sponsorship of Pride. We work with Nickelodeon, and we have worked with Knight Frank and HarperCollins. We work with a number of different universities across the country to enable their student recruitment. That is what we do.

Q106 Baroness Stowell of Beeston: Beckii, I am going to direct my questions primarily to you. James, if you want to add anything, by all means do so. This is quite new to me. Can you give more of a flavour of the content you offer your followers? Try to describe it a bit more for us.

Beckii Cruel: I mainly make videos about fashion and lifestyle. I make videos for YouTube; I do photos for Instagram; and I post on Facebook. Basically, I try to be active on any kind of social media platform that is out there. Not only do I make videos about fashion and lifestyle, but I have started to make more videos about topics I am very passionate about. I have been doing this for a long time and I want to get more out of my audience, and put more out for them. I make videos about things that are important to me.

Baroness Stowell of Beeston: You create the content because that is your interest and that is what you know about. In the process, that content is spotted as potential content alongside which an advertiser advertises, or do you change your content in order to promote the product?

Beckii Cruel: The nice thing about influencer marketing is that the brand has to give up a bit of control to make it work because, at the end of the day, the content is sitting on the influencer's channel; it will be shown only to the influencer's audience, and who knows them better than the influencers themselves? If a brand approaches me, usually I come up with an idea for a video, which, frankly, I would probably make anyway, because that is what I like making and I know that my audience enjoys watching it. Then I would find a way to incorporate the brand as naturally as possible so it is not a shock to my audience. It is quite dissimilar from more traditional forms of advertising.

James Erskine: Beckii makes money in one of four different ways from brands, or from customers eventually, I suppose. The first is a traditional advert. Beckii, when you appear on a YouTube video, on average how many views do you get?

Beckii Cruel: Between 6,000 and 10,000.

James Erskine: There we are. Those are 6,000 to 10,000 normally unique views, because people would not watch a long-form piece of content more than once. You can serve a pre-roll advert, just like you get on the telly. It could be 30 seconds or a bit longer, and Beckii makes some money from YouTube on the back of that.

Baroness Stowell of Beeston: And the viewer cannot skip it.

James Erskine: The viewer can skip it. On YouTube, you can skip ads. There are a number of different formats, but for the most part, one can skip it on YouTube. Only when they have watched it does the brand pay to reach that audience.

The other way—Beckii and I have worked on this—is when a brand integrates its messages with Beckii’s videos, tweets or Instagram posts. A third way might be having Beckii appear on a brand thing. We have worked with Aspinall of London where Beckii has been part of one of its events. A fourth way Beckii might make money is with her own merchandise. People out there—Beckii is not one of them—may buy a YouTuber T-shirt or something like that. I am here to be transactional and corporate, and talk for the brands.

Baroness Stowell of Beeston: Beckii, do you feel that you have any responsibility in this area?

Beckii Cruel: Absolutely. For influencers it is quite different. You have an audience only if they trust you; that is why they stick around. They are there only because they want to be there, and that is how you grow. Influencer marketing is so effective because the audience trust what you are saying; they trust that you will promote only things you believe in yourself and would use yourself. A lot of influencers do not necessarily do that; they just do it for the money, but it is quite important to me to work with things I am passionate about or believe in.

Baroness Stowell of Beeston: Is that something you consider a risk, in that if you were not authentic in promoting a product, or whatever you are doing at the time, you would lose that trust and confidence?

Beckii Cruel: Absolutely. Yes.

Baroness Stowell of Beeston: This is your full-time job, so maintaining the trust and confidence of your followers on all these platforms is incredibly important. I do not want to put words into your mouth, but it is a massive risk.

Beckii Cruel: Absolutely. If you do not have the trust of your audience, you do not have an audience. Is it worth doing one brand deal that you do not necessarily believe in and have people be disillusioned because they do not believe you are authentic? They are not going to stick around and you will lose everything.

Baroness Stowell of Beeston: If you did not work with the brands, presumably you would not be able to monetise your side of it.

Beckii Cruel: You can monetise it to a certain degree with pre-roll adverts, which are quite unbiased, because nobody can control them. With the more branded content, there is a greater risk. It is not common to see a lot of creators making a full-time living off YouTube if they are not doing brand partnerships as well, because that is where the majority of the money is. That and merchandising are the two primary ways a creator can make money.

Q107 **Lord Allen of Kensington:** I am sure that what you do is very honourable, but what if you were given the choice of working with company A, which would give you £1,000, and company B, which would give you £10,000, for two different types of perfume? How would I know? You say you have a moral compass, but there are thousands of people like you out there doing it. You are not doing anything wrong, but how do they get a sense that you can be influenced in that way?

Beckii Cruel: It is very easy. To a certain degree, especially if you are a small YouTuber, your audience understands that there are things that will influence you in that way. Are you going to take that amount of money in order to sustain yourself? I personally would not do that, but there definitely are creators who get influenced by a large amount of money.

James Erskine: It is the same as any traditional media property. For the same reason Just Eat sponsors "X Factor" and not another brand offering slightly less. They make the same choices. Is there enough brand affinity so that Just Eat might sponsor "X Factor" next week?

Lord Allen of Kensington: The difference is that there is clarity; it is an advert or it is sponsorship. There is blurring at the edges where content begins and ends.

James Erskine: I completely agree. I am sure we will come on to transparency later, but the rules of the Advertising Standards Authority in this space are pretty strict. As to whether Beckii's audience walks away not knowing, that audience might be savvier than a TV sponsorship company. Having watched the "X Factor" final, my little boy wanted to know as much about the Just Eat chefs who were in the sponsorship bumpers as he did about the competitors. I would say he would be as clear about the brand working with Beckii in a paid-for capacity.

Baroness Bertin: I want to interrogate that. You say it would be obvious to, let us say, your 15 year-old viewer that you are advertising something.

Beckii Cruel: It should be, because, first, it is the law that you have to disclose your adverts. If the whole video is sponsored, you would put "ad" in the title or make it visible on the thumbnail, but it should be clear to the consumer before they engage with it and click on to the video. If there is a sponsored section, it needs to be clear within it that that part is an advert.

The ASA probably still has a little way to go in making it fair across the board. At the moment, there are a few different ways you can disclose. It had to clamp down on people saying "Spon" versus "Ad". Some YouTubers were saying "Spon", and the ASA felt that that did not make it clear enough that it was an advert. It should be equalised across the board a little more, but at least in the UK you should be able to tell when something is an advert online.

James Erskine: There is a lack of a standard approach, which is exactly Beckii's point, but if the ASA guidelines are followed to the letter, the rules for product placement are stricter than on television.

Q108 **Viscount Colville of Culross:** I would like to know how you measure your effectiveness. You offer vlog reviews, video reviews, photoshoots and all sorts of things. With your YouTubing, how is it possible for any of the advertisers or brand people who have given you money to incorporate their products? How can they measure the effectiveness of it?

Beckii Cruel: It is quite tricky. First, obviously they can see the views. They can also see how many of the views are unique. They must be used to doing that to measure their other campaigns. If a product is being advertised, you can use special links to track it. In addition, some companies use special discount codes; there will be a unique discount code and they can follow the journey that way. That is more or less it for now.

Viscount Colville of Culross: James, are you happy that the way advertisers are measuring this is transparent enough?

James Erskine: I am almost happy that it is not transparent, because we are championing transparency. We are among the few people who are doing it right, so of course I say it has to be more transparent. Here is what I mean by that. Working with people like Beckii is exactly the same as working with traditional media. In the same way, if a brand is talking to Sky and it wants brand affinity, we too can run a piece of research to look at what our target audience thought of the brand pre campaign and post campaign. We can do that. If it is a harder-nosed sales metric, we can also measure that, and we do.

This example is a four year-old case study. Of course, I would not be talking about it if it was not good. The Big Shot, my marketing agency, had Audible.co.uk on the front cover of the London *Evening Standard*. Every reader of that newspaper could get a free audiobook, and it delivered 30 trials. Everybody filled in their credit card details and got a free audiobook. We also worked with a YouTuber, an influencer and

creator—all three are the same—called Fleur De Force. Fleur created a monthly favourites video in 2013 or 2014. Twelve and a half minutes into that monthly favourites video, she said she was working with Audible. She said, “Click on the link below”, and that delivered 900 trials. If you want direct sales, that example shows it working. You can measure it, if you put the right things in place pre campaign.

Viscount Colville of Culross: Are you concerned that there is not enough of that going on?

James Erskine: Good point. Yes. I do not think enough brands are getting into influence marketing knowing what they want. It is seen as the shiny new toy, perhaps the cherry on the icing on the cake, as opposed to an integral part of a marketing strategy. Coming from a traditional marketing background, and because our team is a combination of traditional media owners and marketing people, we are fighting that, but you are right. I do not think there is enough “What am I going into this to achieve?” on the brand’s part.

Viscount Colville of Culross: Beckii, I would like to ask you about brand safety. I went on to your site and was quite surprised by the range of banner adverts that came up. I imagine that most of the audience are young women. Quite an eclectic range of ads come up. Are you concerned that your young viewers would be exposed to ads that you would not really like them to see?

Beckii Cruel: Is that my website or YouTube channel?

Viscount Colville of Culross: Your YouTube channel.

Beckii Cruel: It is difficult with pre-roll advertising. There is quite a stir about that at the moment. A lot of advertisers are pulling out of YouTube, because their adverts are being displayed next to videos that are not appropriate. That is a difficulty and a lot of people’s ad revenues are declining at the moment.

I have control over the brands that I integrate into my content. I would not show them something that was not appropriate. It is a little scary that I do not have control over what is being pre-rolled, but, because that is the same for everybody, I just have to accept it. I know that it will not necessarily reflect badly on me, because they can see the advert across anybody’s video.

Viscount Colville of Culross: As somebody who is influencing young people, would you like more to be done to influence that?

Beckii Cruel: I would. However, there are already filters you can select so that gambling or adult themes will not be shown against your videos. If you have that selected, hopefully you can count on the system to do the rest, but it would be nice to have a little more influence. I feel that I can rely on that a bit because advertising is so targeted at the moment. Whenever I watch videos, I see adverts that are specifically targeted at me, from websites I have been on—fashion websites and stuff.

James Erskine: It might be worth making the point, wearing my other paid social advertising hat, that when people are creating a paid social advertising campaign, if they have the data—if people are logged into YouTube as who they are—they will be served things around their own interests, age group and demographic. Because of work, I watch far too much content that is aimed at young women. Because I have a five year-old boy and a three year-old girl, we have Peppa Pig, so I am served adverts around those habits. That builds up a profile on you.

Viscount Colville of Culross: But teenagers are, after all, curious by nature and I imagine they range far and wide across the internet. Who knows what effect that has on the advertising they are exposed to?

Beckii Cruel: It is scary to think about.

James Erskine: I agree. It is perhaps a slight dereliction of duty, but it is in the news today that YouTube is about to employ 10,000 more people to check its content, so I agree.

Lord Gordon of Strathblane: I can understand why enlightened self-interest would lead you to accept endorsement only for products you agreed with, but can you understand why a lot of us feel slightly uneasy about influencers rather than direct paid-for advertising in traditional television slots? It seems slightly risky. Do you understand that?

Beckii Cruel: I get that, but even before social media were around there was celebrity endorsement. Personally, I did not feel that that sold things to me very well, because I did not necessarily believe what the celebrity was saying. I believe it a little more when it comes to social media influencers. I do not know whether that has something to do with it.

James Erskine: In “Blind Date”, my dad’s favourite programme, there was always a glamorous holiday destination. That was PR: the tourist board of the country said, “Please send your Blind Date winners to Jamaica and show some glamorous pictures of Jamaica”. It has been happening for ever. Social media have made the relationship Beckii has with her audience deeper than the relationship my family had with “Blind Date”—no debate. Beckii tweets four or five times a day; her audience hang on her words and they feel that she is a friend. With that great power comes great responsibility, so I completely understand why there is uneasiness. In part, that responsibility needs to be regulated effectively, but the power needs to be with the influencers, and for the most part it is respected.

Q109 **Lord Gordon of Strathblane:** Can we explore the regulation bit? Should there be a very clear separation between advertising, including social influencing, and content? It seems to me that social influencing almost by definition blurs the two and includes the advertising in the content.

James Erskine: We have watched this industry grow. It is estimated that worldwide at the end of next year it will be worth \$29 billion, so it is chunky. We have watched the industry grow and seen influencers who do it really badly; we have seen some influencers do it really well; we have

seen people who obey the rules and people who do not. As long as it is regulated well and the influencers do it in an authentic way, I do not think there has to be a clear separation, for the same reason that traditional media incorporate brands into the fabric of their editorial. Product placement means that you can now see a chocolate bar in Rita's shop on "Coronation Street", or Chris Tarrant, or whoever does "Capital Breakfast" now, can say "Win a year's free shopping at Sainsbury's". That is about getting brands into the heart of an existing relationship. This is just a more effective way of doing that, as long as it is signposted.

Lord Gordon of Strathblane: Do you think the public are sufficiently alert to it to know that it is advertising?

Beckii Cruel: I think it is getting better. I do not think it is completely there yet, because a lot of people still ask me, "So you make money from that?". I say, "Yes, I do". Providing that everybody abides by the ASA regulations, it should be sufficiently clear that an advert is being displayed. If there is a risk, it is the relationship with the audience, based on trust. In their minds, the audience trust that the creator will work only with brands they want to work with and will recommend them deeply from their heart, but that cannot be the same across the board because a lot of creators may not feel that way about it.

Lord Gordon of Strathblane: My final question is on the Government's internet safety strategy. In their evidence to us, they say they want to explore how "increased digital literacy can ensure that individuals are enabled to interpret content encountered online, for example being able to recognise commercial content and advertising". Does that not imply that the Government are concerned, and does it not concern you, that there is a bit of blurring, and the average man in the street does not recognise the difference?

James Erskine: The ASA has a very strict code on what is known as advertorials online. The pages must look different; it must clearly be brought to you by a sponsor, and that must be signposted. It picks up sites such as BuzzFeed; it finds unregulated parts of the internet and has said that you cannot create things such as gambling brands.

I think the average man on the street, if the rules are followed, is starting to understand in a much better way. When a brand pays to be in the middle of one of Beckii's videos, it says, "This bit of the video is sponsored", if the rules are followed.

Lord Gordon of Strathblane: It literally says that?

James Erskine: Yes; under the thing, and Beckii is meant to say it.

Beckii Cruel: You would either verbally disclose it or you would have an overlay on that part of the video.

Lord Gordon of Strathblane: It must feel very unnatural doing it that way.

Beckii Cruel: Yes, but at the same time it is better to be honest.

James Erskine: That is my point. That is stricter than for product placement on television. You can pay to get a chocolate bar in Rita's Kabin, or whatever is the product placement. You can pay to have a cooking sauce on "This Morning". The big P sits at the start of the television programme. Beckii's videos used to have the big ad at the start of her videos, but now that is not good enough; the ad has to be over the top of the bit where the product is mentioned. It is the equivalent of a P coming over the film when James Bond is drinking his branded martini, or driving his Aston Martin. The film industry is not regulated in the same way. The TV industry is not. When it is up there and it is obeyed—admittedly, it is not always obeyed—the rules are stricter for influencer marketing.

Lord Gordon of Strathblane: I said that was my last question; I meant it to be. You said that it was not obeyed. What are the sanctions? What happens to somebody? Is it a slap on the wrist, or what?

James Erskine: No.

Beckii Cruel: The issue is enforcement and standardisation. More needs to be done on standardising how we are supposed to disclose our adverts. I know that a lot of creators are not sure whether they are obeying the law or not. It is better to be safe than sorry for most of us, but at the same time, some people do not even realise they have to do it, so there needs to be more education, standardisation and, obviously, enforcement. There need to be repercussions for not disclosing properly, because it cannot be one rule for some, but not the others.

James Erskine: Lots of businesses operating in this space talk about Oreo cookies three or four years ago.

Beckii Cruel: Yes.

James Erskine: The fact that lots of people still talk about it shows that the regulation is not tight, because that is the one case everybody still trots out. There are smaller isolated incidents. Because of our work and who we are, Beckii sees lots of creators—they are all friends—and we work with lots of them. Sometimes they receive an email from the Advertising Standards Authority and they write back, saying, "Actually that bit wasn't paid for", and the problem goes away. In full disclosure, in that particular example, the ad was not paid for, but there are blurred lines.

Having talked about when it is clear-cut, let me give you a blurred line. If I share with you an Uber code, I make money and get free cab rides off the back of that code, not because of who I am but just because I am a person. I have hardly any friends because I am a middle-aged man. Beckii has loads of friends on her social media. If she shares the code, is she under a different rule from me? Do you see what I mean? Is she using the power of her influence? Just because I have smaller influence,

where does the #ad come? It is a blurred line when Beckii is making money on an affiliate's link, to use the proper turn of phrase. Do you see what I mean? There is nothing quite clear-cut about it.

Baroness Stowell of Beeston: I am quite curious to understand how much checking advertisers who use Beckii, or someone like her, do. How much checking do they do of you, Beckii, before they take you on, and, once you are advertising for them, do you feel that, regardless of the ASA and everybody, bearing in mind their own reputation, they are checking that you are obeying the rules too?

Beckii Cruel: I have been approached by some brands that may not have been so aware of the law which asked to take out the part where I say it is a paid promotion. There are some brands that are uneducated about the law, or they just do not want things.

Baroness Stowell of Beeston: Are they big brands?

Beckii Cruel: These were smaller ones, but before there was education some big ones were guilty of that as well.

James Erskine: Without a shadow of a doubt, there is a lack of sophistication in knowing the rules. This is where everything I have said could fall down. The "Blind Date" holiday thing is a PR relationship. Should the rules be as tight with an editorial PR relationship, as opposed to an advertorial paid-for relationship? Sometimes, we at Social Circle work with PR agencies. They say, "Could you just take out the bit about it all being paid for?" The answer, because we are trying to grow a respectable business that obeys the rules, is, "No, that's got to be in because it is a paid-for relationship", but different people are looking for different outcomes, including big brands.

Baroness McIntosh of Hudnall: Beckii, you are now a very established practitioner; you have been doing this for a long time in your short life, but at the beginning you were a child. Presumably, other children similarly want to create this kind of content. How did you begin to broker the relationships between you and the brands, and who was on your side protecting you?

Beckii Cruel: That is true; if you ask children what they want to be when they grow up, most of them say they want to be a YouTuber and a blogger. My channel was quite small and then I went viral, so it went from zero to 100 in a very short time. I was approached by a management company that spoke to my parents. Then we worked out a deal. Even when I left that company, my dad still worked with me. He helped me with my emails when I got in trouble with them. He did that until I was 16 and now I do it all myself because I am just used to doing it. I am fortunate in that respect, but at the same time my dad is not a professional person who knows about all the advertising laws. Brands are approaching children who may not even have told their parents that they are making videos in their bedroom.

Baroness McIntosh of Hudnall: If you want to employ children in television, film or theatre, which I know a bit about, you have to do it under very strict conditions. You have to get licences and demonstrate that you are not going to ask them to do anything inappropriate. In these kinds of relationships, I can see that there is a moment when it goes from being just you in your bedroom and a brand to somebody intervening and saying, “We’ll handle this for you”, but before that happens are those young people not extremely vulnerable? Should we be worried about that?

Beckii Cruel: Absolutely. A lot more needs to be done. Having said that, a lot of adults are exploited by brands through influencer marketing.

Baroness McIntosh of Hudnall: But they are big enough to look after themselves.

Beckii Cruel: I completely agree. I am just saying that, if this is how my adult friends are responding to some brands when they are not educated enough to know what they should be earning and what they should be getting, what is right and not right and what the law is, imagine what children are facing, so I agree.

James Erskine: Let me be frank. Your fears are absolutely proven. Children are being approached by brands. I have never seen any risqué content; I have never seen anybody being exploited, to use that term loosely, but there is an awful lot of ignorance. I had a marketing campaign not go live because the 10 year-old videogaming YouTuber who gets half a million views every time he puts out a video of him playing a computer game had not finished his science homework. His dad would not let it go live. Quite right, too. Dad is in the way. Dad is acting as the agent.

I will be really frank. I do not think my business partner would mind my saying this. Partly as a cynical business ploy for us to become friends of the creators, we have that best practice very firmly ingrained in our business. We recognise that the brands pay our bills, but the creators are our inventory, to put it in old media terms. We have a toolkit for creators to download the contracts they should be using when they work directly with a brand. We say, “These are the things you need to look out for; these are the recommended agents”. We have a kind of LinkedIn for creators. Of course, we do that, but that is with a view to our getting more brand deals and creators on our database.

Baroness McIntosh of Hudnall: Not everyone is that scrupulous.

James Erskine: It is absolutely fair to say that.

Q110 **Lord Allen of Kensington:** I am interested in how small companies such as yours deal with the big boys, the platform owners—Facebook, Google, YouTube, et cetera. What are the pros and cons of that relationship? Do things need to change?

James Erskine: That is a good question. There are a number of big beasts and businesses that we as a small business are working with. There are the big ad agency networks. We work with some of the media agencies and take the strain by doing influencer marketing for them. We have a relationship with YouTube, in that we know it and go to its events. We are at its big brand event on Friday. We know Facebook.

We work more with creators. Strictly, with Social Circle, money never changes hands between the big social networks and ourselves. Our inventory is the people who appear on the various social networks, so it did not affect us much when Instagram recently launched a new tool to allow creators to portray the sponsor within their posts in a more effective way. It was starting to standardise the brand partnership issue. We wrote to our creator database and said, "You need to be aware of this; this will be coming soon", so that is one of the ways we react.

For the most part, Social Circle does not have a lot to do with YouTube, Facebook and Snapchat; that is not our remit. Beckii, you have worked with YouTube directly.

Beckii Cruel: Yes. As a creator, I feel quite vulnerable to the changes that these platforms can make, because for a lot of creators it is their full-time livelihood. If they make one small change to one algorithm, it can mean our revenue goes right down because nobody is able to access our content any more. In that way, it is quite scary. Nowadays, YouTube is a little better at communicating with creators, compared with no communication at all, as it was. There is still a way to go, especially if it realises that a lot of people are financially dependent on it. I think more work could be done.

James Erskine: To bring that to life a little bit, this is perhaps not the place to talk about rumour and myth, but this perpetually does the rounds; it is about finding content on Facebook. Beckii, how many followers do you have on Facebook?

Beckii Cruel: Eighty thousand.

James Erskine: Eighty thousand: there you go. The old Facebook algorithm would mean that all 80,000 of Beckii's followers would see everything she posted on Facebook in their timeline. The algorithm does not do that any more. There is a rumour that soon, in order to reach Beckii's 80,000 people, we, acting on behalf of a brand, or Beckii directly, will have to pay Facebook to reach the audience of 80,000 she has built up. Full disclosure: we have not spoken to Facebook, and that is a rumour, but it is one we hear every week.

Beckii Cruel: It is fairly true, because all it asks me to do is to release my posts and pay to reach all of my audience.

James Erskine: That is the difference. There is a big nasty agency that turns over more than £1 million, such as Social Circle, but there is also an SME such as Beckii looking to make a living. That changes the rules

quite a lot. Working with the big beasts in that respect, there could be more transparency from them. Nobody knows what the Google algorithm is to get the video to the top of the search bar on YouTube. There is speculation and chat, but those arts and sciences can make a very real difference both to a big brand campaign and to small and medium-sized enterprises.

Lord Allen of Kensington: I think that is what I was trying to get at. It is the ability to cut off your route to the market and make you pay for something. Does that bit need to be regulated in a different way? Cutting off routes to market in a rather black-box, murky way, and pushing people to pay for something they did not pay for previously, is regulated in the real world.

James Erskine: Completely, and there is no special sauce. There is no recipe for that special sauce.

Beckii Cruel: A lot of creators would agree. We feel a bit in the dark about how to deliver content to our audiences. They have subscribed; they have liked our pages and pressed "Follow", but our content is not reaching them, and we do not know why. When we ask why, we do not get any answers.

James Erskine: There was something a couple of weeks ago about people not getting subscriptions for their YouTube.

Beckii Cruel: That has been going on for years, but another issue affecting creators at the moment is demonetisation. As I said, the advertiser pool for YouTubers has shrunk incredibly because adverts were being displayed against unsavoury videos. Now, in order to get the best value for money for its advertisers, YouTube is demonetising a lot of videos that contain swearing, adult themes or anything that is potentially unsafe for advertisers. However, a lot of videos that are completely fine are still being flagged.

Somebody has done a study of YouTube's code. Videos are not being pushed out properly. Videos that involve discussions on topics such as sexuality and mental health—things that should be spoken about—are being demonetised, so they are not being pushed. Is that disincentivising creators to make videos about those important topics overall, because, if it is not going to be seen by anybody, what is the point?

James Erskine: I speak as somebody who has a keen interest in this space. Because a lot of that is delivered and monitored by algorithms and not real people, sometimes it is tough to get a sensible answer. I will not name the brand, both because I was asked not to and because eventually we got our own way. We once served an ad talking to new mums about breastfeeding, but, because "breast" was in the title of the ad, the algorithm said, "You can't run that ad". That was because an algorithm looked at it. It was a Facebook ad, and eventually we spoke to somebody at Facebook and they said, "Sorry, let's overrule that and make it

happen". Sometimes, if you do not have a route into Facebook—and not many people do—it is tough to get those sorts of answers quickly.

- Q111 **Lord Goodlad:** Could I ask Mr Erskine how important the international markets are to Social Circle? What, if anything, could the Government do to help develop them both in the European Union and elsewhere?

James Erskine: At the moment, most of our campaigns are based on UK brands and finding UK audiences. There have been some exceptions. We have just been briefed to find Italian audiences for a leading airline. We have also worked with Coventry University to recruit Nigerian students to come over to the UK to study. We found three Nigerian influencers. It was one of the easiest campaigns we had ever run. All the influencers knew each other.

The influencer marketplace is huge across various territories. We plan to open offices abroad and look for international revenue for both the managed service side and the platform side of the business. Any assistance small businesses such as ours can have to reach other advertising and marketing budgets in the European Union, or far beyond, is a huge help to us. We have a dialogue with UK-ASEAN on government grants. It is introducing us to people in other markets with a view to opening our first overseas office in one of those territories.

Lord Goodlad: Who do you have a dialogue with?

James Erskine: UK-ASEAN, which is responsible for bringing trade from south-east Asia to the UK. If we can deliver influencer marketing campaigns for brands there, that makes sense. As part of our business plan, we are currently looking at ways of getting £1 million-worth of investment to grow the platform and open other offices. We are looking at overseas offices as part of next year's activity. We are debating whether we go to Singapore, South America or the USA. We will probably not look at the USA.

That is a microcosm way of looking at it. All the help we can get from trade and marketing development is hugely exciting to us. The USA market is more developed than the UK market. It was born of communications and PR, whereas in the other territories there is less sophistication. As with lots of marketing products, we have a platform, so we have a database of influencers that allows brands to track their campaigns. Rolling that technology out to other markets is our next step.

- Q112 **Baroness McIntosh of Hudnall:** Going to the other end of the spectrum, thinking not about international markets but about micromarkets within a single nation, how important are regional, even sub-regional, markets to the kind of work you do? Beckii, you came from the Isle of Man. I know you do not live there any more, but when you started was that your market? Was that who you were talking to, or were you already looking way beyond that? When you began to attract advertisers, did it start with people who were local and knew something about the area you were in, or did it have nothing to do with that?

Beckii Cruel: I was trying to communicate with people just like me but from all around the world. That is the nice thing. I started doing my videos because I saw other people doing similar things and I wanted to copy them.

Baroness McIntosh of Hudnall: And you went in one hop from the Isle of Man to Japan.

Beckii Cruel: Yes, exactly. I was very lucky that I was able to represent my country from the Isle of Man. Local advertisers in small communities may not be aware of influencer marketing. They may not use it or know how to use it, especially on the Isle of Man; we focus more on traditional media advertising. I see a lot of Facebook adverts, but that is about it. There is more to be done to make them aware that those options are available to them. I remember that I opened a micro pig farm, back in the day, on the Isle of Man, but that is probably where the influencer marketing I did on the Isle of Man starts and ends.

James Erskine: In smaller communities geographically, working with creators is not as relevant to influencer marketing. There is another kind of niche community. There are lots of niche communities. Unless you immerse yourself in this stuff, you might think that it is all hair and make-up. That is because there are shedloads of hair and make-up, but that is far from the beginning and end of it.

On the bigger scale, there is a channel called Car Throttle that effectively does for 18 to 24 year-olds the job that "Top Gear" does for 25 to 44 year-olds. It is cars for boys. It is exciting; they are things they will never get near but they go, "Wow". At the other end of the scale, there is a bloke in his mid-20s called Olly whose channel is called Philosophy Tube. He has about 80,000 subscribers. Every one of his videos is viewed about 8,000 times. He talks about nothing but philosophy. We worked with him on a campaign for SOAS when it had a new philosophy paper. It recognised that that was a great way to reach its audience. We worked with a bloke called Evan on travelling—not to Ibiza, Magaluf, or wherever young people go, but south-east Asia, Bhutan and places that really get under the skin. It is the equivalent of a traveller.

Beckii and I have got to know each other over the years, so I can be blunt: her content was hair and make-up; it is now a lot more involved. It is a lot more about the emotional issues that her audience will be going through. There is some content you might not expect. My business partner has recently got a Big Green Egg, which is a posh barbecue for cooking in the back garden. There is a community of influencers in America devoted to cooking in Big Green Eggs, so no niche is too small. There are smaller communities, and they tend to be around interests or ideas, as opposed to geography.

Baroness McIntosh of Hudnall: That is really interesting.

Q113 **Baroness Bertin:** You will be relieved to hear that this is the last question. I will be very brief. How diverse is the influencer industry?

Beckii Cruel: It is not as diverse as it should be. There are events; for example, Summer in the City is one of the biggest YouTube events in the UK. It makes a big effort every year to include a lot of speakers from BAME backgrounds, and not the typical white YouTubers, who seem to be the majority. There is recognition that there are not as many YouTubers like that as there should be, but it is difficult to understand why. It could be down to the fact there is not as much representation in traditional media. Does it mirror that, or is the audience base simply looking for people who look just like them? Is that the majority who are consuming? I am not sure.

Baroness Bertin: Presumably, the responsibility lies with companies such as yours to try to seek out the influencers and to make sure you have data. Do you have data on how diverse your clients are?

James Erskine: Because it is like a media buy, we have more data on who Beckii is reaching than what Beckii looks like or is like. Of course, we look for the up-and-coming YouTubers. From a blunt, cynical standpoint, they will be next year's inventory, and that is really valuable to us. When Beckii had fewer followers, her audience would have been more engaged and advertisers love that, so that is really important for us.

They are not as diverse as they could be. It might be a self-fulfilling prophecy. If you see lots of white middle-class people, it will be white middle-class kids who then say they want to be YouTubers. That said, I think it is changing, whether you see that as a good or a bad thing. Going back to Beckii's earlier point, five years ago everybody said they wanted to win "X Factor"; they did not say they wanted to be a singer. Now everybody says they want to be a YouTuber.

There are some issues. You get beyond those issues when you say, "Effectively, a YouTuber, influencer or creator is somebody who can be creative across social media channels". Some are just Instagrammers; they take amazing photos. Some are YouTubers and they make amazing videos. Because you can do that with most mobile phones, we can empower kids by saying, "Go on, do that, but make sure it comes from the heart because if you sing in 10 years' time, whether it is on the telly or not, that can really enrich your life".

It is the same for a creator. If you get revenues associated with it, so what? Here is a statistic. I may get it wrong; I should have prepared this, but I think about 21 days of video are uploaded to YouTube every minute. You are cutting through a lot; everybody is doing it. When my little boy inevitably says, "I want to be a YouTuber", I will not say that is bad; I will say, "Make sure it is good and it is about a genuine passion or interest of yours so that the things you are making are exciting. If a commercial benefit comes along, start to craft it and see it more as a hobby, as long as it comes from a creative place". That is a long way of saying that I think we are starting to see the democratisation of people with influence.

The Chairman: I thank Beckii Cruel and James Erskine for their evidence

to our Committee.

Beckii Cruel: Thank you.

James Erskine: It has been a real pleasure. Thank you so much.

Q114 **The Chairman:** For many of us, it is a new field. In conclusion, if we had been a bit more informed and knowledgeable, is there anything we might have asked that you would have responded to?

Beckii Cruel: It is tricky to say, but I feel like I wedged it in anyway with the issues about demonetisation. Is that leading to censorship of content, ultimately by prioritisation of what we create? That is the big creator issue at the moment. That is what we are all talking about, so maybe we need to think more about that.

James Erskine: When I was less well informed, about four years ago, I did something similar to this. I was on a business podcast with an influencer, and I have never felt more of an idiot. As I left, I said to the influencer, a lady called Hannah, "I bet you found that really boring, didn't you?" She looked at me like I was an idiot, which I was, and said, "Why on earth would you think that? This is my job; this is my career". The quicker we silly old gits realise that these are actually SMEs contributing to the wider creative economy and stop rolling our eyes and saying it is all hair and make-up, the better. There we are. We are part trade union and part social influencers.

The Chairman: This inquiry is about the future of the industry and its requirements, so your evidence has been very useful to us.

Baroness McIntosh of Hudnall: Can I follow up on what Beckii said? Maybe we need to capture this clearly. A lot of what we have been talking about with other people is to do with regulation; indeed, we have talked a bit about it with you in relation to some of the stuff that is slightly worrying in your area. It sounds to me as though you are saying that, first, there are some issues about the mechanisation of the process, such that there is not a person making decisions that result in your not being able to get to your audience, or a particular video not being uploaded, or whatever. Is it also the case that you are worried that regulation of a more general type, which might come through legislation or through industry getting together to change things, might have a bad impact on the way your bit of the industry works?

Beckii Cruel: I feel that regulation, if anything, is a help. When I started doing this nobody made a penny from it, compared with now, when people are earning millions a year. It has come such a long way that regulation has yet to catch up with it. With regulation comes standardisation and that is what we are missing, because right now it is one rule for some and another rule for others.

James Erskine: In the relationship Beckii has with Google, which owns YouTube, and with Instagram, which is owned by Facebook, it is great

that she is their inventory as well, so they are making money on pre-roll advertising just as Beckii is now.

Baroness McIntosh of Hudnall: By owning the data. It sounds as though that is the way it works. They can just shut down your access to the data.

James Erskine: Yes. How much do you make on pre-roll ads?

Beckii Cruel: It is pennies, but the revenue split is 40% to the creator and 60% to YouTube, or it might be the other way round. Either way, it takes a large sum from what you make from your pre-roll advertising.

James Erskine: Creators are important to YouTube, but if it suddenly changed the rules, you are right.

Viscount Colville of Culross: How do you know they are giving you the right figures for the people who are clicking on?

Beckii Cruel: You do not; you just have to trust them.

Viscount Colville of Culross: Crikey.

The Chairman: We will leave it there, although we have further evidence sessions when we will have an opportunity to raise this. Beckii and James, thank you very much. That is the end of our evidence session.