FTC Closes Investigation Involving a Social Media Promotion

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As we've posted before, if a company provides incentives to a consumer in order to encourage the consumer to promote the company's products, the consumer is required to disclose those incentives. It's not just the consumer's problem, though. The FTC has stated that a company can be held liable for a consumer's failure to make the disclosure. Fortunately, though, there are easy steps a company can take to protect itself in case consumers don't comply.

The FTC recently investigated a promotion conducted by Nordstrom to promote the opening of a new store. Nordstrom provided social influencers with gifts and failed to tell the influencers that when they wrote about the event, they should disclose they had received gifts. After reviewing the promotion, however, the FTC decided not to pursue the case for a few reasons. First, the FTC noted that several influencers who posted content did disclose that they had received the gifts. And, second, Nordstrom revised its social media policy to address the FTC's concerns.

This case serves as a reminder that companies who engage in social media should have a policy that provides endorsers with guidelines about what they can, can't, and must do. It's not just enough to have the policy in place, however. Companies must also monitor to ensure endorsers comply with the policy, and take action against those who don't.