

SMES' Insourcing-Outsourcing Trade-Offs in Influencer Marketing: Combining Transaction Cost Theory and Resource Based View

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Abstract

The exponential growth of influencer marketing, expected to reach \$32.55 billion by 2025, has reshaped competitive dynamics for small and medium-sized enterprises (SMEs). Due to SMEs' constrained resources and the volatility of digital markets, SMEs face a strategic paradox: outsourcing campaigns to external influencers versus cultivating in-house influencers. Existing studies predominantly focus on large enterprises' influencer marketing strategies focusing on selection and management of influencers, leaving a critical gap in understanding how SMEs navigate influencer marketing. We develop a conceptual understanding of when and how SMEs choose insourcing-outsourcing strategies by combining transaction cost theory (TCT) perspective and resource-based view (RBV). By quantifying how transaction attributes interact with SMEs' organizational capabilities, the research advances a contingency framework for optimizing influencer marketing strategies in resource-constrained contexts. This research bridges theoretical gaps in TCT and RBV application to influencer ecosystems while offering actionable insights for SMEs navigating the complexities of digital marketing. By aligning transactional efficiencies and resource-based competencies with brand authenticity goals, the study underscores the necessity of context-specific marketing strategies in an era of algorithm-driven consumer engagement.

Keywords: SMEs, Influencer Marketing, Insourcing, Outsourcing, Transaction Costs

Introduction

The pervasive adoption of social media has created the ubiquitous prevalence of user-generated content, fundamentally altering communication dynamics through its creation, dissemination, and consumption (Jin, Muqaddam, & Ryu, 2019). As social media platforms reconfigure marketing ecosystems, they compel brands to reengineer their consumer engagement strategies (Vrontis et al., 2021). Certain content creators attain disproportionate visibility and audience aggregation, evolving into social media influencers (SMIs) who leverage

their niche authority to shape purchasing decisions through parasocial relationships with followers (Masuda, Han, & Lee, 2022; Mouritzen, Penttinen, & Pedersen, 2024). These digital opinion leaders have become pivotal intermediaries, with most marketing professionals reporting influencer collaborations as essential to brand strategies (Barari, Eisend, & Jain, 2025).

Concurrently, an organizational dichotomy emerges in SMI utilization, especially for small and medium-sized enterprises (SMEs). While many enterprises outsource influencer collaborations to external content creators, others adopt insourcing strategies by cultivating in-house influencer teams to maintain tighter control over brand narratives and develop institutional marketing capabilities (Kim & Kim, 2021). This strategic trade-off reflects fundamental tensions between transaction cost optimization and resource management in a certain market context, particularly salient for small and medium-sized enterprises navigating platform algorithm volatility in optimizing their marketing strategies due to resource constraints, budget limitations, and the complexity of navigating dynamic market trends (Konstantopoulou et al., 2019). SMEs encounter distinctive challenges, requiring critical decisions on insourcing versus outsourcing influencer marketing campaigns (Park, Lee, & Morgan, 2011). First, the post-pandemic acceleration of digital transformation, has intensified SMEs' reliance on agile marketing strategies. The rise of micro-influencers and platform algorithms, demand a nuanced analysis of social media marketing. Furthermore, SMEs' limited resources and market complexities amplifies the stakes of their insourcing-outsourcing decisions.

The existing literature on influencer marketing has predominantly focused on optimizing influencer selection mechanisms to enhance marketing effectiveness, particularly through audience alignment and content personalization strategies (Beichert et al., 2024). Despite these advancements, a critical gap persists in understanding organizational strategy formulation, particularly the insourcing-outsourcing paradox faced by resource-constrained SMEs. Unlike large enterprises that leverage dedicated influencer teams and proprietary analytics systems, SMEs must navigate a complex trade-off between cultivating in-house influencer capabilities versus outsourcing to external specialists. This strategic contradiction presents unique challenges shaped by three interrelated factors: 1) The volatility of marketing competition requiring continuous adaptation, 2) The paradox of choice in influencer marketplaces, and 3) The need to cope with resource limitation.

Transaction Cost Theory offers a theoretically robust framework for analysing organizational boundary decisions, particularly in outsourcing contexts, due to its explanatory power in evaluating market imperfections and governance structures (Cuyppers et al., 2019). Resource-based view complements TCT by providing a more comprehensive framework to analyse SMEs' sourcing of influencer marketing. The insourcing-outsourcing contradiction in influencer marketing fundamentally aligns with TCT's three transactional dimensions: asset specificity (relationship-specific investments in influencer partnerships), environmental uncertainty (platform algorithm volatility and regulatory changes), and transaction frequency (recurrence of influencer collaborations). Insourcing strategies, while mitigating external dependency risks and preserving brand control through proprietary content creation systems, inherently impose elevated fixed costs and organizational learning curves. Conversely, outsourcing arrangements enable access to specialized influencer networks and campaign

scalability yet concurrently introduce coordination costs and principal-agent dilemmas in brand message alignment. This strategic tension remains insufficiently theorized within digital marketing literature, despite TCT's well-established utility in traditional supply chain contexts (Grover & Malhotra, 2003). Its relevance to influencer marketing remains underexplored especially for SMEs, as a domain characterized by rapid technological shifts and relationship-driven transactions (Sutherland et al., 2024). Through the lens of TCT and RBV, this paper provides a framework that guides SMEs in aligning their resource allocation with strategic marketing goals, thereby enhancing competitiveness in an increasingly fragmented digital marketplace. This research addresses a critical gap in understanding how SMEs strategically balance internal capabilities and external partnerships in influencer marketing to optimize transaction costs and maximize marketing value. This paper provides SMEs with a scientific framework to evaluate transaction costs and the contingent roles of internal and external environments and bridges micro-level influencer interactions with macro-level strategic adaptation.

Literature Review

Influencer marketing refers to a strategic approach that leverages the reach and credibility of social media influencers (SMIs) to promote brand products or services and shape consumer perceptions (Ki & Kim, 2019). It represents a shift in marketing focus, where influencers use social media platforms to endorse offerings directly to their followers, positioning it as an emerging priority for contemporary marketing management (Lou & Yuan, 2019). Influencers act as trusted intermediaries, bridging brands and consumers through authentic narratives that resonate more deeply than conventional advertising (Campbell & Farrell, 2020). The conceptual foundations of influencer marketing trace their origins to the theory of opinion leadership. This is a construct first articulated in sociological studies of innovation diffusion and persuasive communication (Turnbull & Meenaghan, 1980). The proliferation of social media platforms has fundamentally transformed this paradigm, exponentially amplifying the reach and persuasive power of influencer endorsements through algorithmic content distribution and parasocial relationship dynamics (Tian, Dew, & Iyengar, 2024).

The concept of influencer marketing was initially proposed by Brown and Hayes, who defined it as "the formulation and implementation of marketing strategies and activities through individuals who exert influence over customers and potential customers". They emphasized social media as a novel catalyst for influence (Brown & Hayes, 2008). In the new media era, technology has transformed the dynamics of influence by eliminating traditional limitations on reach and scale. Contemporary scholarly interpretations of influencers and influencer marketing consistently highlight the critical role of social media. Social media has fundamentally transformed consumer-brand relationships by enabling new pathways for product discovery, evaluation, and purchase (Alves et al., 2024). This paradigm shift has driven enterprises to increasingly adopt influencer marketing to capitalize on consumers' reliance on digital platforms, by leveraging social media influencers to endorse products and brands. This study defines influencer marketing as a strategic enterprise practice utilizing key influencers to endorse offerings and build brand value (Ki & Kim, 2019).

Scholarly investigations into the mechanisms of influencer marketing have progressively deepened in recent years (Ki & Kim, 2019). Existing research posits that the efficacy of influencer marketing hinges critically on the relationship between influencers and

consumers, where trust or identification bonds foster positive consumer attitudes, thereby achieving marketing performance objectives (Luo & Yuan, 2019). As research advances, scholars have begun exploring factors beyond trust and identification, employing parasocial relationships to conceptualize influencer-consumer dynamics and further elucidate influencer marketing's operational mechanisms (Jin & Ryu, 2020). Guided by the fundamental logic of selecting appropriate influencers to maximize marketing outcomes, scholars have examined key influencer characteristics that significantly impact marketing effectiveness (see Table 1) (vrontis et al., 2021).

Table 1

Influencer Characteristics based on Various Theoretical Model

Theoretical model	Influencer characteristics	Mechanism	Key citations
Trust Perception Model	Credibility: expertise, reliability attractiveness	The persuasiveness of the information sender or source affects marketing results	Djafarova & Rushworth, 2017; Luo & Yuan, 2019
Consumer Identity Model	Influencer image: perceived similarity, ideal self-congruence	Individuals may adopt attitudes or behaviors advocated by influencers by modifying their personal perceptions or relationships with the influencers, encompassing compliance, identification, and internalization.	Xu & Pratt, 2018; Shan et al., 2020
Parasocial Relationship Model	Trust, identification, attention, companionship, attachment	Parasocial interaction and parasocial relationships significantly influence consumers' purchase decisions.	Jin & Ryu, 2020; Sokolova & Kefi, 2020

Beyond source credibility, the information value of influencer-generated content and consumer information engagement significantly influence perceived information credibility (Xiao et al., 2018). Lou and Yuan (2019) empirically demonstrated that the utilitarian value (practical utility) and entertainment value (hedonic appeal) of influencer content directly affect consumer trust. Specifically, utilitarian value enhances consumers' ability to assess information reliability. Entertainment value increases acceptance likelihood and willingness to adopt recommendations. Critically, engagement levels are context-dependent: when influencer content aligns with consumers' self-relevance, it activates deeper cognitive processing and credibility scrutiny.

Scholars have also examined influencer content attributes and their behavioral consequences. Ki and Kim (2019) established that content aesthetics (visual appeal, prestige signaling, expertise demonstration) and informational-interactive quality foster consumer recognition of influencers as taste/opinion leaders, subsequently triggering positive behavioral outcomes through emulation desire. Further empirical evidence reveals that visual synchronicity between influencers and followers' posts amplifies engagement (Argyris et al., 2020). Content originality directly increases users' intent to interact with influencers, adopt their recommendations, and advocate follower acquisition (Casaló et al., 2018). Beyond generic content attributes, emerging scholarship examines post-specific technical elements

enhancing endorsement efficacy. Positive attitudes toward sponsored posts require search goods and high brand awareness (Lu et al., 2014).

Extensive scholarship examines influencers' capacity to drive key firm outcomes, including sales performance, market share dynamics, and enterprise value metrics (e.g., Sridhar et al., 2016). Leung et al. (2022) employs a message transmission framework to analyse how sender attributes, receiver characteristics, and message properties shape influencer marketing effectiveness. Empirical evidence indicates that influencer originality, audience scale, and prominent brand integration significantly amplify marketing efficacy, whereas content announcing new product launches triggers perceived commercial intent that diminishes engagement. Conversely, influencer characteristics dominate in driving transactional outcomes like purchase behaviour. The determinants of influencer marketing efficacy remain ambiguous, as divergent studies report conflicting evidence. Whereas some emphasize the beneficial role of post informational value on consumer attitudes and purchase intent alongside the detrimental impact of conspicuous sponsorship disclosures (Ki & Kim, 2019; Kim & Kim, 2021), others observe opposing effects (e.g., Chen et al., 2023). Empirical findings diverge regarding influencer indegree effects on marketing outcomes, collectively necessitating a holistic explanatory framework to reconcile these inconsistencies and advance understanding of influencer marketing drivers (Kay et al., 2020; Park et al., 2021).

The existing literature on influencer marketing has predominantly focused on optimizing influencer selection mechanisms to enhance marketing effectiveness, particularly through audience alignment and content personalization strategies (Beichert et al., 2024). Despite these advancements, a critical gap persists in understanding organizational strategy formulation, particularly the insourcing-outsourcing paradox faced by resource-constrained SMEs. Prior studies neglect the strategic paradox SMEs face when balancing in-house influencer cultivation against external partnership dependencies. This study addresses the gap by developing a hybrid framework grounded in TCT and RBV, which reconciles SMEs' need for strategic flexibility with their operational resource limitations. Please do not use the decimal system of headings.

Research Methodology

This study adopts a theoretical approach to develop a model that elucidates the insourcing-outsourcing trade-offs for SMEs in influencer marketing, grounded in TCT and RBV. The methodology adheres to guidelines for theoretical articles, which emphasize advancing management and organizational theory through the development of new theoretical insights, significant challenges to existing theory, synthesis of recent advances, or identification of novel theoretical problems. The approach involves theoretical synthesis, and logical reasoning to construct a novel theoretical framework that extends TCT and RBV to the context of influencer marketing for SMEs based on a systematic literature review (e.g., Leung et al., 2022; Lou & Yuan, 2019). This methodology ensures the model is both theoretically robust and capable of generating testable knowledge-based claims. The literature review employed a systematic search strategy across multiple databases, including Web of Science, Scopus, and EBSCO Business Source Premier, using keyword combinations such as "influencer marketing," "transaction cost theory," "resource-based view," "SMEs," "outsourcing," and "social media governance" to capture relevant peer-reviewed articles from management, marketing, and organizational studies journals (e.g., Journal of Interactive Advertising, Journal of Marketing,

Journal of Retailing and Consumer Services). The review process involved identifying key themes, synthesizing findings, and pinpointing gaps in the application of TCT and RBV to influencer marketing, particularly for SMEs (Cuypers et al., 2019; Ngo & O'Cass, 2012). The theoretical development process involved applying TCT and RBV to the novel context of influencer marketing for SMEs, synthesizing insights from the literature review to construct a framework that addresses the research question. The theoretical model posits that SMEs choose the governance structure (insourcing or outsourcing) for influencer marketing that minimizes total transaction costs and fits SMEs' capabilities. As a theoretical study, the model's validity is supported by its logical consistency with TCT, RBV, and its alignment with empirical observations in the literature on SME marketing strategies and influencer marketing practices.

A Proposed Conceptual Framework

Through the lens of TCT and RBV, this paper develops a theoretical model that guides SMEs in aligning their resource allocation with strategic marketing goals, thereby enhancing competitiveness in an increasingly fragmented digital marketplace. TCT and RBV provide a robust theoretical framework for examining SMEs' insourcing-outsourcing trade-offs in influencer marketing due to its inherent capacity to address how asset specificity, uncertainty, and transaction frequency shape resource-constrained firms' governance decisions (Williamson, 1991).

This study adopts TCT as the foundational framework, augmented by RBV, to explore underexamined factors, dynamic capabilities and marketing capabilities in this case, in shaping influencer marketing outsourcing decisions. These capabilities are included in this framework as the moderators. Dynamic capabilities enable firms to reconfigure influencer portfolios in response to market volatility, reducing uncertainty-related transaction costs (Ngo & O'Cass, 2012). Market capabilities enhance the motivation of outsourcing influencer marketing and strategic goal of improving competitive advantages through in-house influencers cultivation (Mu, 2017). These capabilities, however, remain underexplored in extant influencer marketing literature (Vrontis et al., 2021). Therefore, TCT's applicability is further validated by its ability to reconcile cost-resource interdependencies unique to SMEs (Konstantopoulou et al., 2019). While prior research isolate campaign expenses, TCT integrates hidden costs like relational capital erosion and opportunity costs from protracted vendor selection (Gulbrandsen et al., 2017). This integration of TCT and RBV addresses the research gap of neglecting transaction costs in influencer marketing and how SMEs' resource limitations interact with platform-driven volatility (Ki & Kim, 2019).

To sum up, by adopting TCT and RBV, this study advances beyond the prevailing outsourcing influencer marketing strategy, instead positioning influencer marketing as a trade-off where SMEs optimize hybrid governance to balance digital adaptability and resource constraints. This framework provides actionable insights for SMEs navigating platform-era marketing complexities. The theoretical model is illustrated as follows (see Figure 1).

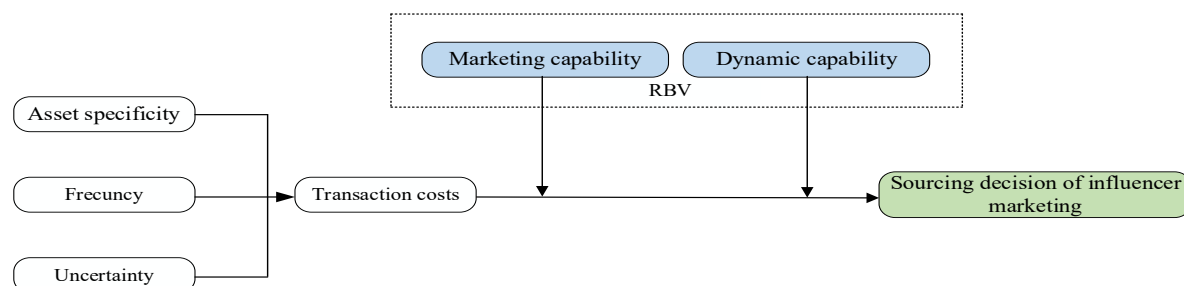


Figure 1. The Conceptual Model

In the context of influencer marketing outsourcing, asset specificity, defined as investments tailored to a unique transaction that cannot be redeployed without significant loss of value, amplifies transaction costs by creating bilateral dependencies between brands and influencers, thereby increasing the costs of search, negotiation, monitoring, and enforcement (de Camargo Fiorini et al., 2018). When brands engage influencers with high asset specificity (e.g., niche audience segment and unique content-creation collaborations), these investments are non-transferable to other partnerships, necessitating extensive efforts to identify compatible influencers (elevating search and information costs) and customize contracts to safeguard against opportunism (increasing bargaining and decision costs). Post-contract, policing and enforcement costs rise due to measurement challenges in quantifying returns on influencer-specific investments (Cuypers et al., 2019). Empirical evidence further validates this mechanism. In the Chinese beauty sector, "Perfect Diary" invested in micro-influencers for marketing of a skincare series targeting sensitive skin by in-depth training, product trial, and brand development. This specialized investments significantly increase transaction costs for redeployment problems. Williamson (1985) notes that high asset specificity heightens bilateral dependency, wherein both parties face incentives for opportunistic renegotiation or hold-ups, further necessitating costly monitoring mechanisms like third-party analytics tools or milestone-based payments. Thus, while asset specificity enables access to valuable influencer resources, its inherent non-redeployability and dependency effects systematically inflate transaction costs across all stages of influencer marketing outsourcing. Therefore, this paper postulates that:

Proposition 1: Asset specificity positively influences transaction costs in influencer marketing of SMEs.

Higher transaction frequency, defined as the repeated engagement of influencers for multiple campaigns or content deliveries, amplifies transaction costs by necessitating recurrent investments in search and information gathering, negotiation and decision-making, and policing and enforcement across successive transactions. Each new campaign requires brands to reinvest resources in identifying suitable influencers, verifying audience authenticity, and negotiating performance-based contracts tailored to evolving campaign goals, thereby elevating search and bargaining costs even when re-engaging the same influencers due to fluctuating market rates and influencer availability (Um & Kim, 2019). Furthermore, frequent transactions intensify monitoring and enforcement costs, as brands must track compliance across multiple deliverables (e.g., content adherence, disclosure compliance) and measure ROI for each campaign to mitigate opportunism risks like inconsistent content quality or missed deadlines (Shervani et al., 2007). Williamson (1985) emphasizes that high frequency intensifies bilateral dependency, where repeated interactions create opportunities for influencers to exploit relational gaps, forcing brands to

implement costly governance mechanisms such as milestone-based payments or multi-campaign frameworks. Thus, while transaction frequency may marginally reduce per-campaign search costs through established partnerships, its aggregate effect systematically raises transaction costs by expanding recurrent expenditures in governance, adaptation, and risk mitigation across the outsourcing lifecycle. Therefore, this paper postulates that:

Proposition 2: Transaction frequency positively influences transaction costs in influencer marketing of SMEs.

Uncertainty, manifested as unpredictability in customer engagement, platform algorithm changes, influencer behavior, or market trends, amplifies transaction costs by necessitating extensive safeguards, adaptive resource allocation, and continuous monitoring across all stages of collaboration (Khalid & Ali, 2017). High environmental and behavioral uncertainty elevates search and information costs to identify influencers whose audience demographics and engagement patterns align with volatile campaign goals; while bargaining and decision costs surge due to the complexity of drafting flexible contracts that account for unforeseen events (Geyskens et al., 2006). For instance, when partnering with influencers, brands face measurement uncertainty in quantifying ROI amid fluctuating engagement metrics, requiring performance-based clauses and third-party tracking subscriptions, which inflate policing and enforcement costs. Behavioral uncertainty, such as influencers diverging from brand guidelines or underdelivering on bespoke content, further escalates enforcement expenses, as brands deploy milestone-based payments or legal oversight to mitigate opportunism risks. Williamson (1985) emphasizes that uncertainty intensifies transaction costs by increasing "adaptation costs," wherein parties must renegotiate terms or adjust strategies mid-campaign, exemplified by real-time content revisions during viral trends or crises, incurring unplanned labor and coordination expenses. Thus, uncertainty systematically inflates transaction costs by demanding proactive risk mitigation and reducing the efficiency of market-based influencer engagements. Therefore, this paper postulates that:

Proposition 3: Uncertainty positively influences transaction costs in influencer marketing of SMEs.

When companies outsource influencer marketing, rising costs, driven by unique needs, unpredictable outcomes, and frequent collaborations, push them to handle these activities in-house. This happens because the growing expenses of finding, negotiating with, and managing influencers make outsourcing less efficient. High transaction costs make internalizing the function becomes economically preferable to mitigate hold-up risks and control ex post adaptation expenses (Williamson, 1991). Transaction costs act as the mediating mechanism linking these dimensions to outsourcing decisions: asset specificity, uncertainty, and frequency elevate transaction costs, which in turn diminish the relative efficiency of market-based outsourcing (Cuyppers et al., 2019). These factors inflate transaction costs, tipping the governance balance toward internalization. Therefore, this paper postulates that:

Proposition 4: As transaction costs increase, SMEs shift from outsourcing to insourcing influencer marketing, with transaction costs mediating the relationship between asset specificity, uncertainty, frequency, and outsourcing decisions.

Superior marketing capabilities, encompassing in-house expertise in audience analytics, content strategy, brand positioning, and performance measurement, intensify the

positive link between transaction costs and insourcing decisions by lowering the internal governance costs associated with vertical integration, thereby making insourcing economically viable (Brouthers & Brouthers, 2000). For instance, firms with advanced data analytics tools and creative teams can efficiently manage influencer collaborations internally, reducing ex post adaptation costs that would otherwise exacerbate transaction costs under outsourcing arrangements (Grover & Malhotra, 2003). High marketing capabilities mitigate resource-based barriers to insourcing, as firms possess the skills to replicate or surpass external influencers' effectiveness (e.g., leveraging owned media channels for authentic engagement), thus transforming transaction cost savings from internalization into tangible competitive advantages. Whereas low-capability firms face higher internal coordination and quality risks, weakening the transaction cost–insourcing relationship despite rising market governance expenses (Takata, 2019). Critically, marketing capabilities act as efficiency multipliers for internalization: when transaction costs surge due to asset specificity or behavioral uncertainty, high-capability firms internalize to avoid external dependencies. Thus, marketing capability strengthens the transaction cost–insourcing link by lowering the marginal cost of internal governance, tipping the cost-benefit calculus toward internal control. Therefore, this paper postulates that:

Proposition 5: Marketing capability positively moderates the positive relationship between transaction costs and insourcing preference, such that higher marketing capability amplifies the tendency for firms to insource influencer activities as transaction costs rise.

Superior dynamic capabilities, encompassing a firm's ability to sense market shifts, seize opportunities, and reconfigure resources, counteract the typical insourcing impetus driven by high transaction costs by enabling firms to efficiently manage external partnerships, thereby reducing the perceived governance risks and adaptation expenses that otherwise incentivize internalization (Heaton et al., 2023). When dynamic capabilities are strong, firms can proactively mitigate transaction costs associated with influencer outsourcing through real-time environmental scanning (e.g., anticipating platform algorithm changes or influencer reputation risks), agile contract redesign (e.g., pivoting campaign terms in response to market feedback), and relational governance (e.g., leveraging trust-based networks to minimize enforcement costs), which collectively diminish the need for insourcing as a risk-aversion strategy. For instance, firms with advanced sensing capabilities can identify trustworthy influencers early, reducing ex ante search and vetting costs, while seizing capabilities allow rapid onboarding via standardized yet flexible contracts, curtailing negotiation expenses; simultaneously, reconfiguring capabilities enable dynamic resource allocation (e.g., shifting budgets across influencers based on performance data), lowering ex post adaptation costs and opportunistic risks (Zahra et al., 2006). Consequently, high dynamic capabilities transform outsourcing from a transaction-cost-intensive liability into a strategically manageable function, as firms leverage internal agility to offset external governance inefficiencies. Thus, dynamic capability acts as a negative moderator by decoupling transaction cost escalations from insourcing decisions: when transaction costs surge, high-dynamic-capability firms retain outsourcing preferences by leveraging sensing, seizing, and reconfiguring mechanisms to govern external relationships efficiently, whereas low-capability firms default to insourcing as a costly but controllable alternative. Therefore, this paper postulates that:

Proposition 6: Dynamic capability negatively moderates the positive relationship between transaction costs and insourcing preference in influencer marketing, such that higher dynamic capability weakens the tendency for firms to insource influencer activities as transaction costs

rise.

Discussions and Conclusions

This purpose of this study is to develop a sufficiently general yet parsimonious theoretical model bridging SME strategy theory and influencer marketing application by modelling the causal pathways linking contingent factors to decision outcomes. The main objective of this study is to develop an integrated conceptual model regarding SMEs' insourcing-outsourcing trade-off of influencers. This study of SMEs' insourcing-outsourcing trade-offs in influencer marketing addresses a critical gap in both academic research and business practice. As evidenced by the rapid growth of China's social commerce ecosystem and the dominance of influencer marketing in industries like cosmetics and electronics, SMEs increasingly rely on this strategy to compete in the digital economy. However, their decisions often lack theoretical grounding, leading to suboptimal outcomes such as overreliance on short-term profits or mismatched resource allocation (Ozuem et al., 2024). By systematizing these trade-offs through the TCT and RBV lens, this research provides SMEs with a scientific framework to evaluate transaction costs and the contingent roles of internal and external environments. This study provides comparative insights reveal divergent contextual constraints: SMEs in developing economies (e.g., India) face stronger institutional voids, compelling heavier dependence on external influencers for market access despite higher transaction costs; conversely, SMEs in developed economies leverage mature digital infrastructure and specialized legal frameworks to insource influencer operations, prioritizing brand control and long-term capability building.

This study contributes to influencer marketing theory by addressing three underexplored dimensions. First, while prior research focuses on managing external influencers, this work reveals the paradoxical dynamics between insourcing and outsourcing. For example, cosmetics SMEs face conflicts when balancing in-house campaigns to preserve brand identity versus outsourcing to influencers for maximizing visibility. Second, by applying TCT to influencer marketing, this research examines how digital specific transaction costs reshape traditional outsourcing logic. Findings will validate whether TCT's emphasis on asset specificity and governance mechanisms remains robust in data-driven markets. Third, the proposed theoretical model integrates TCT with RBV theory, offering a novel lens to explain how SMEs iteratively rebalance insourcing-outsourcing strategies in response to environmental heterogeneities. This bridges micro-level influencer interactions with macro-level strategic adaptation.

The study also holds practical implications for SMEs' marketing management. First, SMEs gain a structured approach to evaluate trade-offs using quantifiable metrics. For instance, electronics SMEs can calculate the break-even point for insourcing technical livestream teams versus outsourcing to niche influencers. Second, The TCT-based model contributes to the SMEs to design contracts that curb influencer opportunism. By focusing on China's consumer goods sectors, this research establishes industry benchmarks for influencer marketing management, content production costs, and contract terms. This empowers SMEs to benchmark performance against peers and adopt best practices regarding influencer marketing activities. This study not only enriches academic discourse by resolving the control vs. reach paradox in influencer marketing but also equips SMEs with actionable tools to navigate the complexities of digital-era marketing. By grounding strategic decisions in TCT and

RBV logics, SMEs can transform influencer data traffic into a sustainable competitive advantage.

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