II International Scientific Conference GCPMED 2019
"Global Challenges and Prospects of the Modern Economic Development"

THE IMPACT OF INFLUENCER MARKETING ON THE GLOBAL ECONOMY

O. L. Vyatkina (a)*
*Corresponding author

(a) Financial University under the Government of the Russian Federation, 125993, Leningradsky Ave., 49, Russia, Moscow, olgavyatkina@gmail.com

Abstract

The sphere of media and advertising is changing at a rapid rate. The promotion method, which was effective a year ago, may not work now. Social media influencers are Internet users with a lot of subscribers across different social networks, who have significant influence on their followers. Therefore, marketers are starting to look for ways to deliver their message to consumers through influencers without using direct advertising. Marketing strategies, focused on consumers, include content marketing, native advertising and other types of influencer marketing instruments. The use of the Internet opinion leaders, who integrate product or brand information into their content, has become an alternative to the traditional marketing tools and is in direct competition with the related field of paid social media marketing in every company's marketing budget. Consumers trust less brand ad on the Internet and prefer peer-to-peer communications. For this reason, influencer marketing has continued to grow as an essential component of companies' digital marketing strategies. Nowadays, nearly 75% of marketing specialists use social media influencers to spread word of mouth (WOM) about their products and brands on social media. Previous researches show that there is a great number of contradictions about the effectiveness of influencer marketing. That evokes many questions. This article is aimed to clarify what influencer marketing is, to explain why influencer marketing is effective and how to use it properly.

Keywords: Influencer marketing, social media, advertising, communication strategy, celebrity, KPI.

1. Introduction

Influencer marketing is not a new concept at all. For many years celebrities have been influencing a great number of consumers. This industry refers to a form of marketing where marketers and brands invest in selected influential individuals to create or promote their branded content to both the influencers' own followers and to the target consumers of brands (Global Yodel, 2017). The branded content, produced by influencers, is believed to have more direct, authentic and organic contact with potential consumers than brand-generated advertising (Adweek 40, 2015).

Social media influencers are Internet users with a lot of subscribers across different social networks, who have significant influence on their followers (Agrawal, 2016). In most cases they are experts in specific niche, such as beauty, lifestyle, fashion, sport, travelling or food. However, some influencers create only entertainment content (Hughes, Swaminathan, & Brooks, 2019). As social media becomes more entrenched in people's lives and more functional in addition to communication goals, like shopping, the role of influencers is set to only increase (Lou & Yuan, 2019).

However, the market is constantly changing: companies should continually develop their strategies accordingly. Nowadays, it is important for brands to choose a relevant influencer for promotion their products or services (Liu, Jiang, Lin, Ding, Duan, & Xu, 2015). There are four key influencer types:

1. Mega-influencers – social superstars who have more than a million subscribers. They are often famous because of their background in the "real" world. Their reach is used to increase brand awareness.

2. Macro-influencers – influencers with between 100,000 and 1 million followers. Their advantages: high targeted coverage in a particular market, quality of content and openness to cooperation.

3. Micro-influencers – someone who has between 1,000 to 100,000 followers. While the quantity of followers may be small, their authenticity is high. A small but loyal audience provides such influencers with a high level of trust and involvement. Due to the low price, it is more profitable for brands to make ad with the participation of several micro-influencers than to contact a passive audience of "stars".

4. Nano-influencers – somebody with fewer than 1,000 followers, who has immense influence in a special community. For instance, a nano-influencer may be the person with the most credibility in a particular neighborhood. Their advertising looks like friendly advice, so they have the highest level of engagement, but do not provide much coverage.

Mega-influencers do not really benefit all brands. These celebrities may be famous, but they do not always have a great influence on humans' behavior. Just because a person can recognize a celebrity's name, does not mean that he or she respects them enough to buy the products they recommend (De Veirman, Cauberghe, & Hudders, 2017).

Some people think that a nano-influencer will make too little impact, because they do not have enough followers. However, nano-influencers are often the best people to extol brand's values to a narrow or specific niche. If a brand builds a relationship with a nano-influencer, then most people consider it authentic and original (Khamis, Ang, & Welling, 2017).

2. Problem Statement

The effectiveness of influencers evokes a great number of questions. The industry of influencer marketing is unregulated. This eventually causes many challenges. There is no control of how much impact influencers have and how much they should be paid. There are no methods of verification of data from influencers and brands cannot get a guarantee that a particular collaboration will be successful.

One of the most important problems, connected with influencer marketing, is the identification of the right influencers. The growth of social bots and the purchase of fake followers has sowed mistrust among consumers and brands alike.

Some companies still have a poor understanding of the specifics and features of working with influencers. Therefore, it is difficult for brands to plan their marketing budgets. The Association of National Advertisers (ANA) found that, while 75% of marketers currently use influencer marketing instruments, only 36% consider those activities effective and 19% actually admitted they are "ineffective" (Coll & Micó, 2019).

3. Research Questions

This article is based on current literature about traditional marketing communications, digital marketing and influencer marketing. Although the level of influencer effectiveness depends on the industry and marketing objectives, an epidemic of fake followers has undoubtedly hit the entire industry. Thus, the research question is: "Is influencer marketing more effective than traditional marketing communication?"

4. Purpose of the Study

The success of influencer marketing means that budgets for this type of campaign are set to rise. However, not all marketers know how to use this instrument properly. Current literature generated a lot of controversy about influencer marketing. The main purpose of this article is to explain why influencer marketing is effective.

5. Research Methods

In the process of research, the following methods were used: logic analysis, inductive and deductive methods, analysis of scientific literature and other research methods. Works of Russian, European and American scientists lighting the problems of traditional marketing communications and influencer marketing, served as theoretical background for the data analysis in this study. Combined methodological approach allowed the author to structure the process of study and to identify its basic stages.

6. Findings

As social media continues to get more and more popularity, influencer marketing has gained a great significance to large number of brands. This industry has become more than doubled in size since 2016. Marketers have claimed that there are top five challenges for business in working with social media. One of such challenges is measuring return on investment (ROI) (Jargalsaikhan & Korotina, 2016).

Nevertheless, as the usage of social media increases among customers, brands start to apply more resources to operate its use as a marketing tool.

Companies' management have stated that their spending on social media amounts - 12 % of their marketing budgets. There is an expectation of seventy-one percent growth over the next five years. The most noticeable trend is the investment projections on social media influencers. As reported by eMarketer research, 70 % of US marketers, which were surveyed, predict the increase of influencer marketing budgets in 2018. Besides, the assumption of 89 % marketers is that people's trust and loyalty to brand is closely connected with social media influencers (Kapitan & Silvera, 2016).

Moreover, the involvement of micro-influencers in the promotion of the brand or product is on the top of the strategies, which marketing professionals implement (Dinesh, 2017). According to research, 45,8 % of marketing specialists, who work in luxury, fashion and beauty spheres, are sure that micro-influencers with 10k - 100k followers guarantee much more profit than other types of influencers.

As reported by a research, carried out by Nielsen and the TapInfluence agency in 2016, influencer marketing provides a return of investment, exceeding other forms of marketing by 11 times. This survey also demonstrates that thanks to influencer marketing customers tend to buy much more goods and services than thanks to other online marketing tools.

Furthermore, influencer marketing guarantees much more advantages than typical digital marketing campaign. During the campaign, the reach of the brand is bigger, as it operates with benefits of the already built relationships and credibility between media influencers and their subscribers. Display advertising cannot cause such effect, because customers know that this ad is paid material and is not verified by people, whom they trust. With the help of relevant influencers, brand's content is shown to users who refer to target audience of the brand and are already interested in this sphere. As a result, the company does not need to spend additional money on finding appropriate audience. The rightly chosen influencer has already had the audience, which is needed for brand. This also raises brand awareness, as most consumers want to know more about the brand, its values, history and offers.

The use of influencer marketing may cause negative consequences for brand. Therefore, marketing specialists should avoid some important points. First of all, the brand should be well informed of its target audience and its specifications. To choose a relevant influencer is not easy as it seems. This stage is the most important and not all brands make a correct choice. Marketing goals and objectives define the correctness of this complicated decision. Also, it is important to consider the type of industry. In addition, companies should remember about the compliance of the content, used by the influencer, with brand values.

7. Conclusion

Nowadays, influencer marketing is one of the most popular marketing instruments with a great ability to create authentic content and engage a highly relevant audience. This industry has proven success against a wide array of brand initiatives (merchandising drive periods, new product launches, corporate charitable programs, brand loyalty and base support across a brand's portfolio).

The right question to ask is when and how they should be integrated into overall marketing plans. With its growing role, companies need to take a more strategic and proactive approach to define how and when they should use influencers. It is crucial that the influencer's content aligns with brand's overall

image. The use of offensive and provocative content could have a negative effect on the brand's reputation. In order to create an effective strategy for influencer marketing, a brand should have a complete understanding of its own target audience. A clearly defined goal makes it much easier to determine what influencers are the best choices to participate in brands' strategy.

References

Adveek 40 (2015). *10 reasons why influencer marketing is the next big thing*. Retrieved from: http://www.adweek.com/digital/10-reasons-why-influencer-marketing-is-the-next-big-thing/ Accessed: 10.10.2019.

Agrawal, A. J. (2016). Why influencer marketing will explode in 2017. *Forbes*. Retrieved from: https://www.forbes.com/sites/ajagrawal/2016/12/27/why-influencer-marketing-will-explode-in-2017/#30a8bb5020a9 Accessed: 10.10.2019.

Coll, P., & Micó, J. L. (2019). Influencer marketing in the growth hacking strategy of digital brands. *Observatorio, 13*(2), 87-105. https://doi.org/10.15847/obsOBS13220191409

De Veirman, M., Cauberghe, V., & Hudders, L. (2017). Marketing through Instagram influencers: The impact of number of followers and product divergence on brand attitude. *International Journal of Advertising, 36*(5), 798-828. https://doi.org//10.1080/02650487.2017.1348035

Dinesh, D. (2017). Why micro-influencers are a social media marketing imperative for 2017. *EContent*. Retrieved from: http://www.econtentmag.com/Articles/Editorial/Industry-Insights/Why-Micro-Influencers-are-a-Social-Media-Marketing-Imperative-for-2017-115835.htm Accessed: 10.10.2019.

Global Yodel (2017). What is influencer marketing? *Huffington Post*. Retrieved from: https://www.huffpost.com/entry/what-is-influcner-marketing_b_10778128?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8 &guce_referrer_sig=AQAAAGlSdtlCW7VVE67Bt6fscAp0vSHnjH4W2Hw3fl0wFsFIG3fi9Kr6U B3LG4HiqL_oxbaKgbbINxj1ViLAbQ12OTorjohGWAUVN33nZ-pyUrxZgHMaGctMZq1jdurm5grwavTw94HYVdcTxDH4DLxtbHSP9ZNSwQOsWtLMNaKQTV Gg Accessed: 10.10.2019.

Hughes, C., Swaminathan, V., & Brooks, G. (2019). Driving brand engagement through online social influencers: An empirical investigation of sponsored blogging campaigns. *Journal of Marketing, 83*(5), 78-96. https://doi.org/10.1177/0022242919854374

Jargalsaikhan, T., & Korotina, A. (2016). *Attitude towards Instagram micro-celebrities and their influence on consumers' purchasing decisions*. (Master Thesis in Business Administration). Jönköping: Jönköping International Business School.

Kapitan, S., & Silvera, D. H. (2016). From digital media influencers to celebrity endorsers: Attributions drive endorser effectiveness. *Marketing Letters, 27*(3), 553-567. https://doi.org/10.1007/s11002-015-9363-0

Khamis, S., Ang, L., & Welling, R. (2017). Self-branding, 'micro-celebrity' and the rise of social media influencers. *Celebrity Studies, 8*(2), 191-208. https://doi.org/10.1080/19392397.2016.1218292

Liu, S., Jiang, C., Lin, Z., Ding, Y., Duan, R., & Xu, Z. (2015). Identifying effective influencers based on trust for electronic word-of-mouth marketing: A domain-aware approach. *Information Sciences, 306*, 34-52. https://doi.org/10.1016/j.ins.2015.01.034

Lou, C., & Yuan, S. (2019). Influencer marketing: How message value and credibility affect consumer trust of branded content on social media. *Journal of Interactive Advertising, 19*(1), 58-73. https://doi.org/10.1080/15252019.2018.1533501

TapInfluence (2016). TapInfluence and Nielsen Catalina Solutions launch collaboration for CPG brands to measure sales impact of influencer marketing campaigns. Retrieved from: https://www.prnewswire.com/news-releases/tapinfluence-and-nielsen-catalina-solutions-launch-collaboration-for-cpg-brands-to-measure-sales-impact-of-influencer-marketing-campaigns-300246425.html Accessed:10.10.2019.