



Influencer Marketing: The Next Big Investment

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About the Report

Social media isn't a new phenomenon in digital marketing, and the use of Influencers aren't either, but what may be a surprise is that the two together actually are. Fifteen years ago "Influencers" were mostly mommy bloggers, today it is completely normal for anyone who scrolls through TikTok or Instagram for more than 2 minutes to see multiple Influencers. The amount of time we spend on our phone seems like it increases year by year, and companies (small and large), researchers, and the marketing world took notice of this, and started to invest. Results were seen, and it has caused this industry to boom. Influencer marketing is extremely beneficial for businesses that want to be precise in their targeting of promotional materials (niche), create lasting relationships with real customers, and maximize their return on investment. Through looking at the history, growth, engagement, and the psychology of influencer marketing, this report aims to explain why, as well as prove that influencer marketing is an investment worthwhile. Influencer marketing solves the difficulty. It simply makes it easier to market and sell products to more invested customers.

Background

According to the dictionary definition, an Influencer is a person with the ability to influence potential buyers of a product or service by promoting or recommending the items on social media. In simpler terms, instead of marketing directly to a large group of consumers, you pay influencers to do it instead. Like mentioned before, Influencers are not new to the marketing world. History shows the use of influencers dating back to ancient Rome when gladiators actually endorsed products. However, the word "influencer" only entered the modern lexicon in the past decade and was only officially added to the English dictionary last year (Suciu 2020). It all began in 2005 when YouTube was established, but didn't see steady growth until 2009 when the platform received a huge influx of bloggers and YouTubers. The likes of Alfie Deyes, Zoella, Tanya Burr and PewDiePie took the world by storm and kickstarted the influencer phenomenon. These everyday people became the "first" influencers, and turned being honest about themselves and having fun into a career which jump started a billion dollar industry.

Growth

Influencer marketing is massive, and still growing. This is largely in part to the COVID-19 pandemic, which is when influencer marketing saw the most growth, during this time, likes and comments surged by 67.1% and 51.3% . If it taught the world anything, it's that you can do pretty much anything and everything from home, and make a lot of money doing it. Researchers saw these trends and dove deeper into the projected growth. They found that consumers global sales through social media platforms were estimated to be \$560 billion In 2020 , and social commerce sales have

continued to rise at increasing rates since. With many people now preferring to shop from home using their phones and other devices rather than in a store, it is estimated that the value of social commerce sales will reach \$958 billion in 2022 (Figure 1), potentially reaching \$2.9 trillion by 2026 (Geyser 2022).

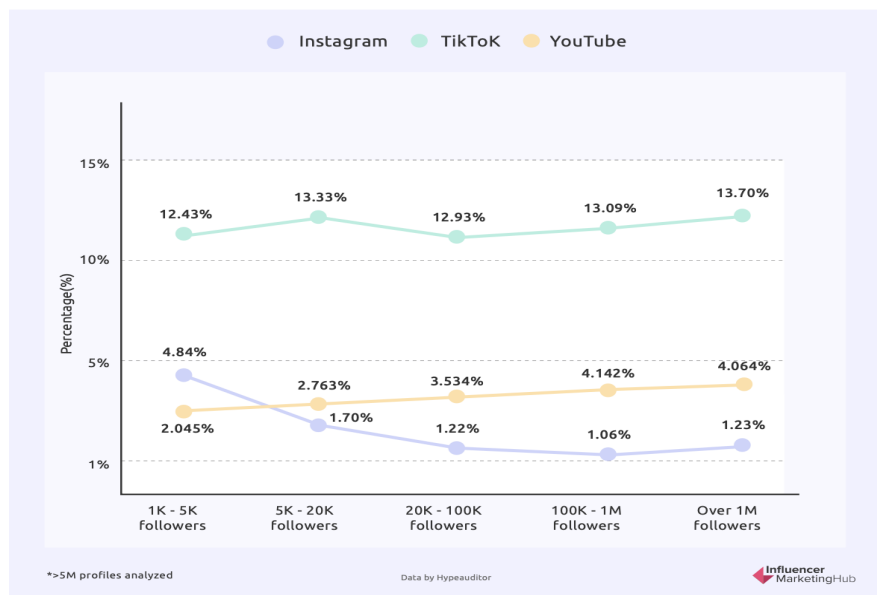
Influencer Marketing Global Market Size



Engagement

Influencer marketing can be extremely simple to execute. Of course larger brands and campaigns require more work, but that is the beauty of it. This trend is attainable for any size business or budget. In fact, evidence shows that there is only a small variance between the engagement from an online audience and the amount of followers the platform has. Figure two¹ from Influencer Marketing Hub represents the average real engagement rate for accounts with varying amounts of followers on the platforms Instagram, TikTok, and Youtube.

Average Engagement Rate



¹ Note. Figures from "The State of Influencer Marketing 2022: Benchmark report," by W. Geyser, 2022

A myth that surrounds influencer marketing is that only celebrities can do it, and as you can see from the figure above, even smaller businesses and influencers can get in on the action. Smaller influencer accounts actually have better engagement, which makes sense because popular influencers have a tougher time responding to every comment and engaging as closely with each follower, unlike many smaller influencers. This is due to the fact that people only have so much time to interact. Many users choose to passively follow popular influencers, blissfully "lurking" and admiring posts without actually engaging. This allows the smaller companies and influencers alike to create lasting, mutually-beneficial relationships.

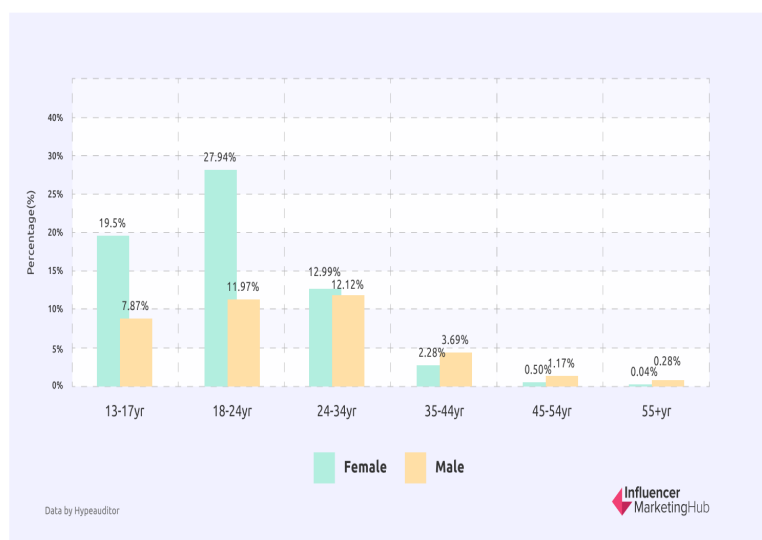
Return on Investment (ROI)

The industry of influencer marketing is giving companies a huge return on investment (ROI). According to Influencer Marketing Benchmark Report for 2019 published by Influencer Marketing Hub, up to \$18 in earned media (publicity a firm gains from promotional efforts other than paid advertising), is made for every dollar they spend on influencer marketing. The report even states that average firms achieve impressive results, with an average earned media value of \$5.20 per dollar they spend on influencer marketing. Influencer marketing is even better for companies in the position to focus on long term growth. In a study done by TapInfluence with in 2016, Influencer marketing content delivers 11 times higher ROI than traditional forms of digital marketing, with the ROI doubling after three months.

Demographics

Influencers are able to connect to their audience in a way that traditional campaigns simply cannot. Most themselves, and consumers are able to relate and connect on a different level teens and young adults especially. Figure 3² shows that the majority of platform TikTok are under the age of 25. This along with teens' emotional attachments to YouTube stars being 7X greater than traditional celebrities (ex. Rogen or Jennifer Lawrence (Ault2015), tells us through influencers, brands and companies alike are able to build influential relationships with consumers that are financially beneficial. In fact, 40% of people say they've purchased an item online after seeing it used by an

TikTok User Demographics



² Note. Figure from "The State of Influencer Marketing 2022: Benchmark report," by W. Geyser, 2022

that they rely on recommendations from influencers (Geyser 2022).

Why it Works

While there isn't an official "theory" behind influencer marketing, there is an obvious psychology to it. Studies suggest that humans are naturally hardwired to conform to social norms and expectations. The study done in 2016 by Scott Slick found that participants showed heightened activity in the part of the brain that plays a role in valuations and decision-making, when they were led to believe that their peers like a particular food more than they did. The study also found that those individuals showed an increased preference for those foods upon rerating them. Aside from just enjoying the content, followers have a desire to follow influencers for guidance on social expectations and self-assurance. This all explains the idea of influencer marketing and gives insight on how it affects the brain.

Conclusion

Influencer marketing has evolved from deals with gladiators in ancient Rome, into the fast-growing, billion dollar industry it is today. Its simplicity engages targeted consumers, and provides a situation where everyone wins. Businesses get to sell their product/service, influencers get paid to sell, and consumers get to purchase services/products with confidence. Steady growth within the industry is trending and maximizing companies' return on investment in the marketing department. Our brains are wired to like what other people like, and conform to social expectations. Consumer habits will always change, and we can never fully predict what will happen next. Influencer marketing is based on something that fundamentally won't change. Social media is here to stay, influencers included, and how the marketing world decides to use them truly is the next big investment.

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