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#Sponsored: The Emergence of Influencer Marketing

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#Sponsored: The Emergence of Influencer Marketing

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Abstract

As social media platforms grow and evolve, how are brands keeping up and staying relevant? The purpose of this honors thesis is to investigate how brands are utilizing influencer marketing on social media. To further explore this topic, thirteen in-person qualitative interviews were conducted over the span of a week with those who have influencer marketing experience and work in the advertising industry in New York City, the advertising capital of the world. These participants worked at a variety of agency sizes from small and specialized to large and international. During the 30-45 minute interviews, the discussion topics included the origin of social media influencers, along with the benefits and risks involved in working with them. Combining the insights from the qualitative interviews with secondary research, a better understanding of the emergence of influencer marketing on social media is achieved.

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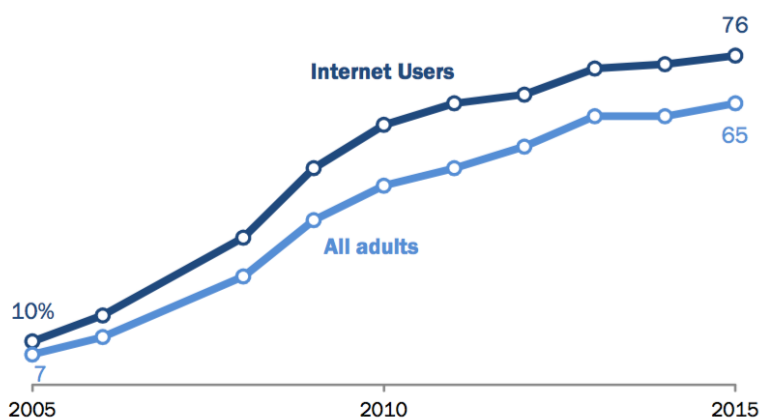
Introduction

As social media platforms expand and evolve, the advertising industry has had to change and adapt to continue to reach consumers. The number of social media users has sustained growth over the years with approximately two billion internet users currently using social networks. These figures are expected to increase as mobile device usage and mobile social networks increasingly gain traction (We Are Social 2016). According to Pew Research Center, in the U.S. 65% of all adults are active on social networking platforms in 2015, which is up from 7% just 10 years ago as seen below in Chart 1 (Perrin 2015). These social networks are also very popular among the generation with the most purchasing power, millennials, with 90% of U.S. 18- to 29-year olds being active on social media (We Are Social 2016). Not only is the audience becoming larger in size, the time spent on social is also increasing year over year.

Chart 1

Social Networking Use Has Shot Up in Past Decade

% of all American adults and internet-using adults who use at least one social networking site



Source: Pew Research Center surveys, 2005-2006, 2008-2015. No data are available for 2007.

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According to the Global Web Index, users are spending 1.72 hours per day on social platforms, which makes up 28% of all online activity (Bennett 2015). While the audience is certainly there, the power of influence is too, with 74% of consumers relying on social media to influence their purchasing decisions (Bennett 2014). With social media continuing to grow and having a great impact on consumers' purchasing decisions, advertisers have been forced to find new and unique ways of reaching consumers on these platforms.

One indication that advertisers are seeing returns on investment in social media is the fact that they are spending more on paid social every year. In 2014, \$17.74 billion was spent on social media advertising, and it is projected to increase by 33.5% to \$23.68 billion in 2015 ("Social Network..." 2015). In 2017, it is projected that digital advertising spending, which includes social, will surpass that of television for the first time ("Digital Ad..." 2016).

With social media growing in influence and advertising agencies allocating more of their media budgets to social, the advertising industry is in search of effective strategies to get the most return on investment when it comes to social. One of these strategies in recent years has been influencer marketing, which is a form of marketing where the focus is placed on specific individuals rather than a target market as a whole. It identifies the individuals that have influence over potential buyers, and orients marketing activities around these influencers ("10 reasons..." 2015). This study is designed to explore the emergence of influencer marketing from the advertising agency perspective.

Influencer Marketing

You log onto Instagram and a celebrity confesses their love of Chipotle with a burrito in their hand. Later you are scrolling through Twitter and one of your friends tweets an image with their Starbucks frappuccino. Both of these are examples of influencer marketing, the only difference being the first one is paid by advertisers and the second isn't. This blurring of the lines between what is a genuine endorsement and what is a paid one through content-rich platforms is what makes influencer marketing so powerful. Influencer marketing is essentially virtual word of mouth, and consumers are much more likely to positively perceive and react to a message that comes from a trusted friend or persona over a sponsored post that comes from a company.

According to Nielsen, 92% of consumers believe recommendations from friends and family over all forms of advertising (Whitler 2014). Advertisers are trying to capitalize on this by communicating their messaging through social media influencers, who are trusted nearly as much as a friend. According to a joint study by Twitter and analytics firm Annalect, 56% of users surveyed said they rely on recommendations from friends, while 49% said they rely on influencers (Swant 2016). Taking this trusting relationship and combining it with a large following on one or more social networks, it is no wonder advertisers are paying these influencers to post favorably about their brand or product.

This marketing technique has taken off and become very popular in the advertising community. Greg Manago, co-president of content and entertainment for North America at Mindshare said, "Influencers are such an important part of what brands are doing today. The question (from clients) isn't, 'We want to do something with influencers; what do you think?' It's, 'What's the influencer strategy for this

program?’ (“Influencer Marketing...” 2016). The large majority of advertisers are investing in influencers as a May 2015 study by Schlesinger Associates for Augure found that 84% of marketing and communications professionals worldwide expect to launch at least one campaign involving an influencer in the next 12 months (“Marketers Pair Up...” 2015). In addition to more influencer campaigns, budgets are growing for them. Augurs’s study also found that 61% of US marketers planned to increase influencer marketing budgets in 2015 (“Influencer Marketing...” 2016).

This spike in popularity of influencer marketing is attributed to the favorable results advertisers are seeing. A joint research study found that influencer marketing has the ability to trigger 11 times more return on investment than other forms of traditional advertising annually (Kirkpatrick 2016). This return on investment is measured in terms of reach, engagement, and ultimately sales, where a positive association exists as identified in another joint research study. In this study, around 40% of respondents said they have purchased an item online after seeing it used by an influencer on Instagram, Twitter, Vine or YouTube. Also, 20% of respondents said they shared something they saw from an influencer, while one-third of millennials said they follow an influencer on Twitter or Vine (Swant 2016). This would explain why advertisers are investing more in this type of marketing, and why those who have already attempted an influencer campaign were happy with the results with 81% saying their influencer engagement was effective (“Marketers Pair Up...” 2015).

Advertisers are using these social media influencers in a variety of ways. According to eMarketer research, two-thirds (67%) marketers reported using influencers for content promotion and more than half (59%) reported using influencer

marketing tactics for product launches and content creation (“Marketers Pair Up...” 2015).

When partnering with an influencer, an advertising agency typically goes through an influencer agency. These talent-like agencies represent the influencer by finding them monetary opportunities and helping with contract negotiations. The influencer agencies also have a relationship with the advertising agencies, where they can recommend influencers for a brand or campaign. These influencer agencies typically take a fee out of the influencer’s compensation for their services. The number of influencers available at these agencies has also dramatically increased. At Niche, an influencer agency acquired by Twitter, the number of influencers in the pool to choose from has grown from 6,000 to more than 24,000 in a year (Swant 2016). This can partially be explained by the increase in influencer marketing budgets and also the lucrativeness of the job for the influencer.

There are potential ethical and legal implications associated with influencer marketing. An ethical implication could be the influencer does not believe in or use the product, but they still post a positive review because they are getting paid to do so. This is misleading and practically lying to consumers. If not disclosed properly, the advertiser could get into trouble with the Federal Trade Commission and the influencer could lose credibility among their followers. In 2015, the Federal Trade Commission published a list of endorsement guidelines for this type of advertising. If caught not disclosing a partnership with an influencer, the repercussions are a \$250,000 fine by the FTC and potentially losing the trust and relationship built with consumers due to misleading them (Rodriguez 2015). On social media, advertisers communicate this

paid endorsement by including the words or hashtags: #ad or #sponsored in the post. There are many creative ways to disclose the paid relationship, however, these two are the most common.

With the use of influencer marketing becoming more common, more research needs to be done to investigate beyond the quantitative benefits and examine the application of influencer marketing into a campaign strategy. The current study is designed to further explore this trend of influencer marketing among those who directly work with influencer campaigns from the advertising agency perspective. To guide this study and to find out more about the advertising agency use of influencers, one exploratory research question is proposed.

“What role do social media influencers play in a campaign strategy?”

Method

To find insights into the inter-workings of influencer marketing, the participants in this study consisted of those who had experience in this area and work in the agency setting. Based on the purpose of this study, the method of in-depth, personal interviews was chosen to collect data. Before beginning the recruitment procedure and contacting participants, the study received Institutional Review Board approval. An interview guide was created and included questions related to the advertiser's use of influencer marketing in previous campaigns. Some of the key questions are listed at the end of this section.

All the interviews were administered in-person at the convenience of the participant in their workplace. The interviews took place during the span of a week in late January 2016. Each interview lasted between 30 to 45 minutes. Convenient

sampling was used to determine participants based on relation to the researcher and to the university as an alumnus. In total, 13 advertisers participated in the study. All participants lived and worked in New York City, the advertising capital of the world. These participants were employed by nine different advertising agencies across the city. The agency sizes ranged from small and specialized (niche agency, non-traditional agency, under 100 employees) to large and international (operates under holding company, traditional agency, more than 100 employees.) A sample profile of the participants can be seen in Table 1.

Due to the nature of qualitative research, the interviewer adapted to the responses received by participants and asked probing questions when necessary. Consent forms were signed by participants detailing the purpose of the research and the specifics regarding confidentiality. Along with extensive notes being taken during each interview, the interviews were also audio recorded and transcribed to provide an accurate representation of responses. Analysis and identification of key themes emerged.

Interview Guide Questions

1. "Have you included social media influencers in a social media strategy before?"
2. "How often in your organization are influencers used in advertising?"
3. "How do you decide on who is a good influencer to promote your brand?"
4. "What does the process look like when partnering with an influencer?"
5. "What is the monetary exchange with the influencer like?"
6. "Do you make sure the influencer discloses that they received compensation for their posts/endorsements?"

Table 1 - Profile of Participants

Participant #	Gender	Age	Small vs. Large agency
1	Female	26	Large
2	Female	26	Large
3	Female	30	Small
4	Male	51	Large
5	Female	27	Large
6	Male	29	Large
7	Female	31	Small
8	Male	37	Large
9	Female	25	Large
10	Female	29	Large
11	Male	28	Large
12	Male	24	Large
13	Female	24	Large

Insights

When questioned about their experience working with social media influencers, the participants provided unique and ample responses. Several key insights emerged including the Origin and Proliferation of Influencers, Impressions/Engagement, Trust/Authenticity, Compensation/Budget, Risk/Creative Control, and Disclosure.

Origin and Proliferation of Influencers

The first key insight to emerge was how influencer marketing originated. Social media influencers are present on most social platforms, however, Instagram as a social media channel is one of the first to come to mind when the topic is mentioned. This is due to the visually engaging nature of the platform and the 400 million user base it has

accumulated (We Are Social 2016). Today, brands can pay to have their content featured on Instagram in the form of sponsored posts, however, that was not always the case. One participant disclosed the reason for why and how influencers emerged on Instagram.

“(Working with influencers) was the main avenue before you could have Instagram sponsored posts. This was the way brands did it to promote themselves on Instagram, because you can only promote to your followers and not to other people before you could pay to do so. What people did was they worked with influencers who had like hundreds of thousands of followers on Instagram to then seed in their content. We did it with Instagram” (Participant #6).

Social media influencers, in part, began this way out of necessity for brands to have a presence on these platforms. At this time, Instagram had not allowed brands to integrate content onto the platform as to have a better user experience and build their audience, so advertisers had to find a solution and ended up paying users with a significant following to fuse their product or brand into their posts.

Now there are companies solely dedicated to connecting influencers with advertisers. One participant acknowledged the use of these companies and the service they provide.

“We use a lot of influencer companies who have all these influencers as clients, like an agent or agency. They’ll come to us and be like here’s our top youtube influencers that we think will be great for (your brand)” (Participant #13).

A plethora of these companies exist and a simple google search can help you locate them. IMA, Mediakix, Evolve!, Socialyte, and Viral Nation are all examples of influencer marketing agencies. None of the participants revealed the names of these companies, however, the majority of them acknowledged the use of them. These companies provide lists of influencers that might work for a brand, and the advertiser

then evaluates them individually at their discretion. If the advertiser decides they want to partner with an influencer, they must go through this company, which represents the influencer like a talent agency. Some brands even go so far as to have a board of influencers that are used on a consistent basis and at the disposal of the brand as one participant stated.

“They have like a council of influencers. Basically a bank of people they can tap into at any time and whether that’s to post content for them or to partner with” (Participant #5).

The brand this participant was referring to was one of the top advertising spenders in the industry. For most brands, this may not be feasible to have a list of influencers consistently on the payroll, however, this brand is spending lots of money on it, so they must be seeing results.

Impressions/Engagement

For any medium, advertisers have ways of measuring the reach and frequency to gauge performance of a campaign. In traditional media terms, reach is the number people that saw an ad and frequency is how many times they saw it. With social media, it is no different and actually much more accurate, but instead of the terms reach and frequency, impressions and engagement are used. Impressions are the number of people who viewed an ad and engagement are the number of interactions with a post such as likes or shares. Influencers can greatly increase these for a brand. One participant said that an influencer “gets more impressions and also gets this residual following” (Participant #6). By an influencer tagging a brand in a post, it makes it easy for users to follow that brand, which is how they build this residual following. Increasing the number of followers for a brand will allow for more people to see and engage with

the brand's content in the future. The real power of working with influencers in advertising is to get the followers of the influencers to share and amplify the post about a brand as one participant stated.

“What’s really great about (influencers) is that not only do you get the engagement from fans who are excited to see their favorite celebrity in a post, but then you get these people with all these social media followers, so all they have to do is retweet it. That’s where the reach comes in and that’s why reach is so important when gaging the performance of a campaign and seeing how many people saw it” (Participant #1).

This amplification of a brand's message is what every advertiser wants. In the case of social media, it is like a snowball effect. An influencer can get the ball rolling and reach a large, engaged audience, who then shares the post with their followers and then with their followers and on and on. This scalable reach is how something goes viral. Virality is ideal for every advertiser, however there is no formula for this. Not only do influencers provide an engaged audience but also a captive one. One participant stated:

“(Influencers) are used a lot, because that’s who the consumers are looking at” (Participant #5).

Most people have negative associations when forced to view advertisements. However, when the advertiser's message comes through an influencer, it is liked and shared. An influencer's followers already have a positive association with that influencer, or otherwise they wouldn't be following them. By utilizing the influencer for their audience and voice, an otherwise ignored advertisement can become a favorable notion for a brand.

Trust/Authenticity

Even though a follower is aware the influencer is being compensated due to the Federal Trade Commission requiring a disclosure in every paid post, followers still view them as authentic as one participant stated.

“I think that the way we are living in the Kardashian era where ... full on endorsement deals don't feel as authentic. So there is like this hybrid influencer world, where we kind of believe that they really like it and doing it even though we know they are all getting paid, but it's that application into a real life that really helps put some context around products and see how the people that we trust are using them. It's inspirational, or that's the hope” (Participant #10).

A good influencer is one that has built up the trust with their audience to where a paid product placement in a post seems authentic even though it is known they are receiving compensation. By consistently creating content and building a relationship with their followers, influencers gain the trust and confidence of those who follow them. The application of a product into a real life also entices followers to view the product favorably, especially if it is used by someone they admire and trust. Celebrities are technically influencers who have a following and are admired by society, but one participant shared why they are not always the best advertising decision over a social media influencer.

“What does celebrity really mean? Is it worth it to pay millions of dollars for the celebrity, or is it more worth it to for this person, who has 2 million followers on her own and who's a super credible resource to talk about your brand in a more authentic way?” (Participant #2).

This sense of credibility and trust of an influencer again comes from the application into real life. A celebrity can not provide this as they are viewed as higher class society and therefore not as relatable as an everyday social media influencer.

Compensation/Budget

Before asking the question regarding compensation, almost every participant brought up the fact that influencers are paid very well and “more than you can probably imagine” (Participant #6). One participant even stated:

“You should stop what you are doing now and go be an influencer, because we pay them so much money” (Participant #3).

Influencers go through a negotiation process when partnering with an advertiser. During this process, a contract is formed and compensation is defined. For the advertiser, influencers are treated as creative entities and the money for this comes from the media budget, which is compensated by the brand. The amount of payment is determined by the level of influence. For example, an influencer with a million followers would be paid more than one with one hundred thousand followers. If an influencer amasses enough of a following and leverages this to advertisers in the form of a beneficial partnership, it can often become their day job.

Risk/Creative Control

When deciding on who would make a good influencer for your brand, many factors must be considered, but an important one is whether the influencer’s voice and image matches up with the brand. For example, a controversial influencer may not mesh well representing a conservative brand. One participant said:

“Their voice needs to be the same as yours and aligned with your brand ethos” (Participant #1)

When it comes to aligning with your brand at its core, more has to be considered than just voice and image. The target audience must also align. A different participant added:

“You have to look at their audience and make sure it lines up with yours, and also how they portray themselves. What’s their brand? What’s their voice? Make sure everything is relevant and lines up with the brand” (Participant #5).

When partnering with any influencer, there is a certain level of risk the advertiser is taking on, which is why the vetting process is a long one. One participant explained why:

“(When choosing an influencer) the most important part is just making sure that everything that they put onto social aligns with what you are saying, because there is a risk when you are working with influencers. There’s always the risk they are going to say something or do something that wouldn’t work with what you are trying to promote” (Participant #1).

The possibility of an influencer creating controversy before or anytime after a campaign launches is a real risk, and one that must be considered when working them. Negative attention brought to the influencer can bring negative repercussions to the brand that partners with them. Not only does the advertiser take on the risk of a future negative association, the actual collaborative work with an influencer can also be a risk. This is best explained by another participant.

“The thing with influencers is that you lose a little bit of creative control. It is not the same as a client that can literally tell us to move a word. Theoretically you are tapping into these people for their expertise in whatever they are talking about so you have to trust that they know what they are doing and that they are going to do it right, because they have to be true to their audience as well as true to the brand that is paying them” (Participant #2).

This creative control is outlined in every contract formed between the influencer and the advertiser. Giving up this creative control is what makes influencer marketing so effective and authentic to the followers. If the message was not in their voice, the influencer could lose credibility with their followers, which is a loss from the influencer

and advertiser standpoint with both brands losing fans. Working with well-established influencers comes with its own challenges as well as another participant points out.

“You have to be very careful, especially with influencers who already have a big following and who are already making a lot of money. They don’t really need you. There’s always that agreement that they get to keep their voice and the whole point of using influencers is to sound like its coming from them and not the brand. It’s tricky because the brand really only gets to make suggestions on the content and ultimately they are going to post what they are going to post, so it’s a dance to make sure that what you want posted gets posted” (Participant #5).

The risk is still there no matter the level of influencer. By partnering with an influencer, they become an extension of the brand’s voice, invoking consequences when something goes wrong. To minimize a portion of this risk, some agencies have set up an approval process as stated by two of the participants.

“They can’t post anything without our approval, and by our, I mean (the agency) and the clients” (Participant #2).

“Even the content they have to write goes through an approval process” (Participant #5).

This strict approval process can have implications for both the advertiser and influencer. The advertiser is trading off authenticity and originality in voice of the influencer for a reduction in risk. The influencer is trading off having creative control for a gain in risk in losing followers for not appearing genuine. The details of the approval process are outlined in the contract signed by the two parties and varies depending on influencer and agency.

Disclosure

In the Federal Trade Commission’s Endorsement Guidelines regarding an advertiser’s responsibility for what others say in social media, it states that “advertisers need to have reasonable programs in place to train and monitor members of their

network” (“The FTC’s...” 2015). In this case, their network is referring to anyone paid by advertisers including influencers. While every agency monitors the performance of their social media campaign as part of the regular process, there is a lot of grey area surrounding these guidelines. However, all those interviewed stated they do the best they can to follow the FTC guidelines and be transparent when partnering with influencers. One participant said:

“In all our social posts, we make sure to say “From our partner,” and so that’s always a disclosure, because we have to comply with FTC regulations” (Participant #3).

In many of the agencies, disclosures are handled by their legal department and also in the influencer’s contract. Advertising Age published an article detailing the FTC’s best practices when working with influencers. Their advice was “when in doubt, disclose, disclose, disclose.” (Ad Age) Another participant outlined the rationale of why it is always best to disclose the partnership.

“If it were ever to come out that it was advertising or was sponsored and it wasn’t noted before, you could be facing a lot of backlash and then potentially not only do yourself a disservice, but also do a disservice to that (influencer). It’s definitely important, whether it is like a hashtag where it says ad, sponsored, or in partnership with. They find a lot of different ways to spin it so that it doesn’t seem like a commercial, but yeah it’s really important” (Participant #5).

If caught not disclosing a partnership with an influencer, the consequences are a \$250,000 fine by the FTC and potentially the distrust from consumers for misleading them (Rodriguez 2015). This risk of not disclosing outweighs the rewards, which is likely why all participants stated they do their best to follow the FTC guidelines.

Discussion

The current study explored the emergence of influencer marketing from the advertising agency perspective and several key insights were revealed after the analysis of the data.

The origin of social media influencers was born out of the lack of an opportunity to advertise on social platforms. Advertisers would seed in their content via influencers so consumers would see the message and content. Influencer marketing agencies arose out of this trend and serve as middlemen between advertising agencies and influencers. One of the main benefits of using influencer marketing is the reach and engagement it can garner. Influencers are “who the consumers are looking at” as one participant said, and when they amplify a brand’s message via a virtual word of mouth, it can effectively influence potential buyers to take action.

While it is known that influencers receive compensation for their endorsement, they are able to remain a trusted and authentic source to their followers. The application of a product into a real life entices their followers to view the product favorably, since it is used by someone they admire, trust, and can relate to. Influencers go through a contract negotiation process and treated as creative talent by the advertisers. They are well compensated and their fees come out of the advertiser’s media budget as discovered via question five in the interview guide.

When advertising agencies are deciding who would best represent their brand, which was inquired in question three of the interview guide, they expressed that the most important thing they are looking for in an influencer is that their voice and image align with the advertiser’s brand. Since these influencers are an extension of the

brand's voice, there is risk involved in giving up creative control by using the influencer's voice and potential negative repercussions by an influencer's actions via association. Some agencies have enacted a strict approval process outlined in an influencer's contract to minimize this risk.

When it comes to working with influencers, it is required by the Federal Trade Commission that the consumer is aware of the paid partnership between the advertiser and influencer. This is done in a variety of ways, most commonly by using the hashtags #ad and #sponsored in the post. In question six of the interview guide, the participants were asked about disclosure of an influencer relationship and they unanimously responded by saying they always follow the FTC guidelines. If they were caught not disclosing and misleading consumers, both parties would suffer. The advertiser could face a hefty fine of \$250,000 and reap negative attention, and the influencer could lose their greatest asset, the trust of their followers.

Practical Implications

The current study has practical implications. With advertising agencies increase their spending on social, they have had to change their agency structure to keep up and be effective. Agencies have taken different approaches to how to best accomplish this. One method is to outsource the social component of the campaign to a social agency. There are a multitude of these agencies born out of this social revolution, who are dedicated to providing social-first solutions for their clients. Another approach agencies are taking is to hire an entire social team on an individual client basis. This team would consist of social strategists, managers, and creatives. Thirdly, agencies are creating entire social media departments to service all their clients. In this

configuration, agencies often also have social listening departments to respond in real-time to consumers directly on the social networks and respond quickly in an event of a crisis. A fourth way agencies are incorporating social media is by integrating it into their public relations offerings. Tim Hellige, partner at Bandy Carroll Hellige, said their agency uses this method because “(social media) is strongly linked to brand reputation. Public Relations makes the most sense” (Stines 2015). These are just four common ways agencies can configure their social media efforts. Depending on the agency, a combination of different methods could be used to provide a full service to their clients.

Conclusion

Influencer Marketing is a new research area that has the potential to be explored further. Future research could examine influencer marketing across the U.S., instead of just the use in New York City agencies, and internationally. Another possible research direction would be to investigate the use of influencer marketing among more agency sizes and brand sizes, whereas this study focused primarily on large agencies and corporate brands with large advertising budgets. In addition, future research could look at influencer marketing from the influencer or influencer marketing agency perspective.

Influencer marketing is proving to be successful and will continue to grow in popularity as more advertising dollars are allocated towards it. While working with influencers can be a tricky process, the returns on investment are unparalleled if well executed. Given advertisers' thriving yields, consumers can expect influencer marketing to become much more prevalent in their feeds in the near future.

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