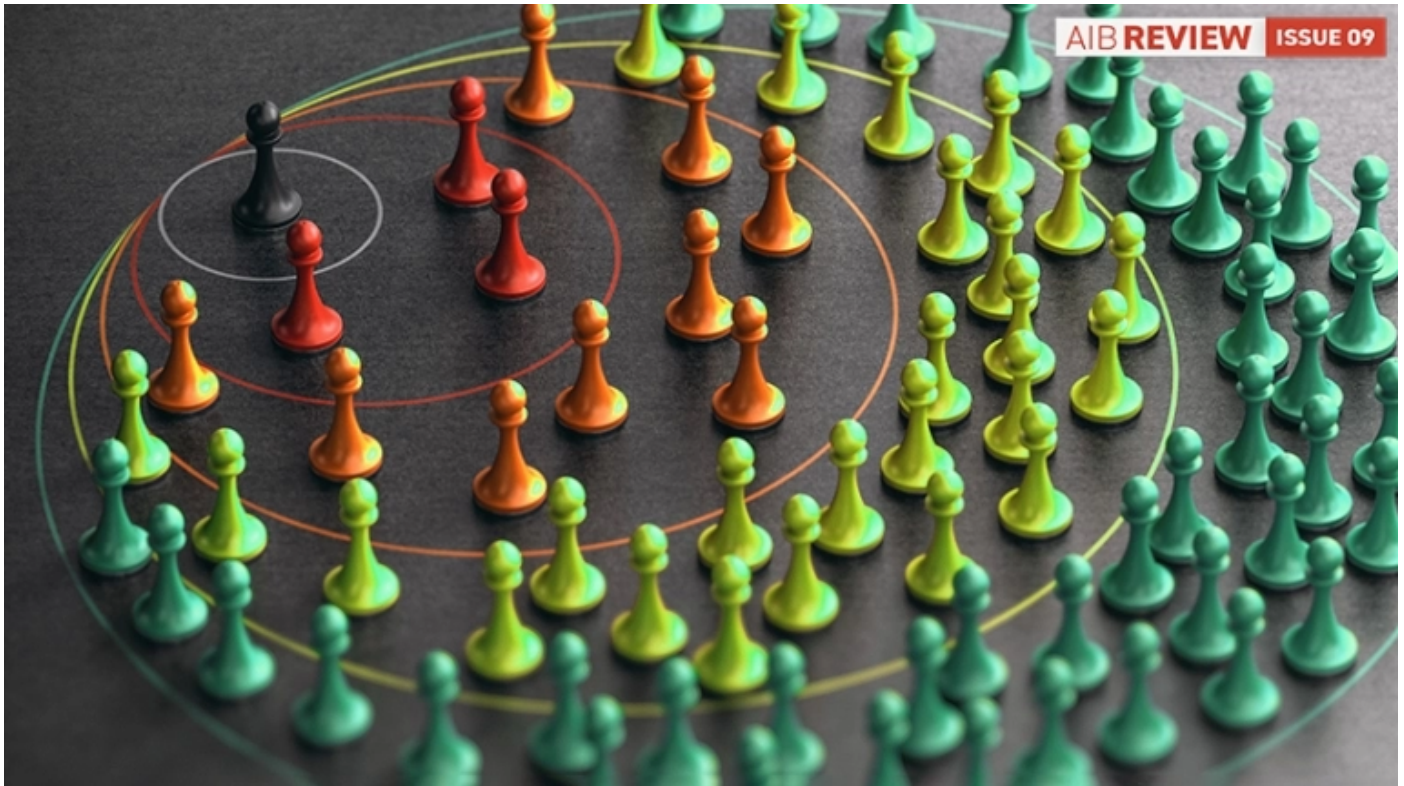


Influencer Marketing is Big Business: Lessons to Date and Future Directions

18 November 2022



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The current marketing landscape is constantly changing, requiring brands to think outside the box to stand out from their competitors. In particular, new and emerging technologies, trends and ideas constantly disrupt marketing strategies. One disruption is the growing importance of influencers in the marketing world. This article sheds light on what influencer marketing is and how it can help your brand.

Exploding in popularity in recent years, influencer marketing is now big business. According to the [Influencer Marketing Benchmark Report 2022](#), 1,360 platforms and agencies focused on influencer marketing have entered the market in the last five years, and the influencer marketing industry is expected to be worth US\$16.4 billion by the end of 2022. The resulting value of product and service sales through the use of social networking – social commerce – is estimated to reach US\$958 billion by the end of 2022 and US\$2.144 trillion by 2025, accounting for 17% of all ecommerce spending. Summarising the opinions of more than 2,000 marketing agencies, brands, and other relevant professionals from around the world, the report found that 90% of survey respondents believed influencer marketing to be an effective form of marketing. In addition, 75% of respondents intended to dedicate a budget to influencer marketing in 2022, most commonly 10-20% of their total budget. This is an increasingly wise move given that businesses are making \$5.78 return on investment for every \$1 spent on influencer marketing.

So, what is influencer marketing, why is it so effective, who is using it, what have we learned to date about using it as a marketing tactic, and what does its future look like?

What is Influencer Marketing?

Influencer marketing involves a social media influencer collaborating with a brand to promote its products. It should not be confused with celebrity endorsement, which is where a brand [uses a famous person to amplify a product or service](#). Celebrity endorsement essentially trades on the ways that people ‘worship’ celebrities and wish to be like them. However, influencer marketing leverages word-of-mouth marketing by people who have built large followings on social platforms, often (but not always) because they are considered experts in their industry.

According to venture capitalists [Yuanling Yuan and Josh Constine of SignalFire](#), content creation—including social media influencers, bloggers and videographers—is the fastest growing type of small business, with more than 50 million people globally considering themselves content creators. Despite the creator economy emerging only a decade ago, a survey conducted by [Harris Poll on behalf of Lego](#) found that children aged 8–12 in the US and UK are three times as likely to want to be YouTube stars (29%) as astronauts (11%) when they grow up, indicating the impact influencer marketing has had over a short period.

Why is it So Effective?

According to [Neilson](#), 88% of consumers trust recommendations from friends and family more than any other source. Influencers become like friends—fans watch and interact with their favourite influencer every day and, most importantly, feel like they know them on a deep, personal level. Since creators had built an established audience who trusted whatever they had to say, brands began to recognise the benefits of paying creators to promote their products and services and improve brand recognition through brand mentions and endorsements. While some content creators were monetising products—such as [Michelle Phan who built a US\\$500 million beauty empire](#) selling make-up glam kits to her five million YouTube subscribers—most made very little from advertising revenue and were happy to begin collaborating with brands in return for cash, free products or rewards.

Influencer marketing is proving extremely effective, particularly for reaching millennials, who comprise 25% of the population and spend US\$200 billion annually. As Forbes contributor Andrew Arnold has reported, [millennials hate ads, but 58% of them don't mind if they are from their favourite digital stars](#). Fundamentally, millennials want to be entertained and feel part of a cause, as Arnold outlined:

Brands showcase their products and services on their sites and on their social media platforms. But they do this within the context of developing relationships and trust, of entertaining and inspiring, and the products and services are of secondary importance. Brands know that Millennials will purchase based upon their 'feelings' about a company, not on the hard sell of a product.

Who is Using it?

Increasingly, top consumer brands are utilising influencer marketing. GRIN, the world's first influencer marketing platform, identified [nine brands who nailed influencer marketing with amazing results](#). Bach Flower Remedies collaborated with influential bloggers to promote the brand's range of natural products together with a 'buy one, get one free' coupon, which generated over 6,000 clicks and 133 million social media impressions and increased the brand's follower count by 258%. Adidas used influencers to target a younger audience on Instagram with the #MyNeoShoot contest, which generated 12,000 entries, 41,000 new followers for the brand's Instagram account and a 24.2% increase in sales—simultaneously, competitor Nike's sales dropped by 9.1%.

Influencer marketing is also proving extremely effective for business brands. Influencer Marketing Hub recently identified [seven great business to business \(B2B\) influencer marketing examples](#). Recognising that it is people who make business buying decisions, SAP used influencers such as business consultants, academics, and authors to influence decision-makers in companies likely to appreciate their products. American Express utilised influencers who lead powerful and luxurious lifestyles to post about how much they enjoy the benefits of their Platinum card. G.E. offered certain targeted influencers the opportunity to share exclusive inside access to G.E. jet engine testing centres with their followers on #GEInstaWalk.

Influencer marketing is also being used effectively by not-for-profit organisations. [The World Health Organization \(WHO\) used a computer-generated influencer](#), 20-year-old [Knox Frost](#), in its COVID-19 messaging to reach millennials and Generation Z to promote COVID safety and raise funds.

What Have We Learned?

While influencer marketing can be an effective way to market your products and services, there can also be downsides if it isn't used wisely. So, what are some of the lessons learned to date about this marketing tactic? Researchers Rebecca Mardon and Hayley Cocker from Cardiff University and Kate Daunt from Lancaster University studied consumer responses to brand endorsements by leading UK-based beauty vloggers on YouTube and identified [five mistakes the stars \(and those brands who sponsor them\) should avoid](#). These are:

- [Inadequate disclosure](#) of endorsement activities (both written and verbally). While influencers are blamed for inadequate disclosure, resulting negativity can impact your brand.
- [Inauthenticity](#) caused by product promotion dominating organic content that is unbiased by endorsements. While not damaging to a brand, it reduces the effectiveness of an influencer as an endorser of your brand.
- [Overemphasis](#) of brands over valuable content that detracts from viewer enjoyment. It's best to grant creative freedom to an influencer over how your product is featured in a way their viewers will enjoy.
- [Brand fatigue](#) caused by commissioning multiple influencers within the same online community to post similar endorsements in rapid succession. Again, it's best to allow an influencer creative control to produce varied endorsements that avoid brand fatigue.

- [Overindulgence in freebies](#), causing endorsements to be perceived as less trustworthy. Scaling back influencer incentives or ensuring their activities benefit others in the community such as through giveaways and competitions avoids this mistake.

Avoiding these recognised pitfalls and following these key tips will help you harness the power of influencer marketing effectively:

What Does the Future Look Like?

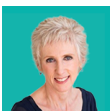
The dynamic influencer marketing industry is continuing to grow and change; however, it is possible to make some predictions about its future. For example, as consumers spend more and more time online and influencer marketing continues to grow rapidly, complaints to authorities regarding fake reviews and other misleading endorsements are also increasing. In 2021, the UK Advertising Standards Authority released a report on [Influencer Ad Disclosure on Social Media](#), which analysed 24,000 individual Instagram 'stories' by 122 UK-based influencers. The report revealed a disappointingly low overall compliance rate with the CAP Code (the UK Code of Non-Broadcast Advertising and Direct and Promotional Marketing), which sets out rules to clarify when influencers are being paid to promote a product or service. Globally, many such industry codes are underpinned by national legislation relating to protecting consumers from unfair trading. Crucially, if an influencer fails to sufficiently disclose that a post is, in fact, marketing, they may well be breaking the law. In October 2022, [Kim Kardashian was fined by the US Securities and Exchange Commission](#) for failing to disclose that she was paid for an Instagram endorsement of a crypto company. To address these kinds of concerns, further investment in educational events and resources is required to help the influencer marketing industry understand its responsibilities under advertising rules.

Influencer fraud is another increasing concern for the industry. Paying an influencer for posts to followers who do not exist is a waste of money. Fake influencers are buying followers—at one point, you could even purchase followers from [vending machines in Russia](#). Fortunately, influencer platforms have recognised these areas of concern and implemented tools to discover and deter influencer fraud. Additionally, widespread publicity regarding the practice has undoubtedly made brands warier when selecting influencers with whom to partner. To [steer clear of influencer fraud](#), it's important to be aware of 'red flags' such as [disparities between numbers of followers and likes, comment bots and compensated engagement](#).

The use of virtual influencers in marketing has also expanded rapidly in recent years, with major brands including Audi, Bose, Calvin Klein, and Samsung engaging computer-generated influencers to attract large audiences on social media. However, the use of virtual influencers is largely unregulated. Thus, there is an urgent need for ethical guidelines to help producers and brands navigate this new territory and consumers understand that they are not interacting with a real human being. However, who should take the lead on this? As Professor of Internet Studies at Curtin University Tama Leaver and Rachel Berryman point out, ['virtual influencers' are here, but should brands such as Meta really be setting the ethical ground rules?](#)

Summary

Influencer marketing is having an increasingly significant impact on brands in our digital world; however, its use is not without complications and criticism. Beyond understanding how it works and why it is so effective, it is equally important to be aware of the responsibilities associated with influencer marketing and the pitfalls that must be avoided to utilise it effectively. Crucially, successful influencer marketing must match influencers and brands appropriately and focus on authentic and transparent messaging. To remain ahead of the game in our rapidly changing world, it's worth considering whether influencer marketing is a marketing tactic you can use to execute the strategy of your brand successfully.



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Diane has over 25 years of experience as a professional marketer contributing to the success of major brands including Bristol-Myers Squibb, Faulding Pharmaceuticals, SOLA Optical and Australia Post. Diane also has entrepreneurial experience building multi-million-dollar businesses and Board experience with not-for-profits. Diane completed her doctoral degree (PhD) in 2007 on the topic of developing a market orientation using an action research approach while working full-time in industry.



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