

The Influence of Influencers: Inspiring More Cost-Efficient Marketing



Photo: illumin_arty / Instagram





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Executive Summary



In 2020 brands spent \$98bn on social media advertising worldwide. Over the past four years that spend has been growing at 20% per year making it the highest growth digital marketing category. This growth rate has tracked the number of active Instagram users.

We are witnessing the birth of a powerful new media format, with both the disorder and opportunity that generates. How should businesses negotiate and capitalise on this changing landscape? How well do they spend their \$98bn?

In this report we examine the role that sponsored social media posts should play in a wider marketing strategy. Specifically, we use our immersive randomised controlled trial approach, BehaviourLab, to explore some key questions. How does social media effectiveness compare to traditional print advertising? Which Influencers should a brand recruit? What sponsored content has the greatest impact? How will Advertising Standards Authority (ASA) transparency rules change the market?



Photo: thebodycoach / Instagram

Some headline findings are:

Massive Reach and Big Headaches: Across the three main platforms (Facebook, Instagram and YouTube) there are 4.2bn active users accounting for 72% of the world's adult population. At the same time, there are 3.8m Influencers (defined as >10k followers) to navigate.

More Followers ≠ More Persuasive: Having a larger following or greater follower engagement doesn't make an Influencer more persuasive per se. This means that Instagram's recent removal of likes won't undermine social media effectiveness

Authenticity is Crucial: The posts with the greatest sales impact are by Influencers who are familiar to their followers. Likewise, the most powerful posts are eye-catching, authentic and within the Influencer's area of expertise.

ASA Rules have No Effect: The ASA's new rules requiring greater transparency when posts are incentivised don't noticeably diminish their effectiveness. Followers expect their Influencers to be sponsored and trust them to only engage with the 'right' brands.

Influencers are 30% Cheaper: In a head-to-head comparison with print media, Influencers generate 10% fewer sales but are 40% cheaper per impression. As such, overall, Influencer CPA (cost per acquisition) is 30% cheaper than traditional media.

Based on these insights we make a series of recommendations summarised here, and described in more detail later, to help brands stay competitive and increase their marketing spend efficiency. As JFK once said "Change is the law of life and those who look only to the past or present are certain to miss the future."

RECOMMENDATIONS

- **Budget for Social Media in the Marketing Mix:** Brands should investigate social media to diversify their marketing strategy and increase their ad-spend efficiency. Dismissing social media as inappropriate for your specific market is risky.
- **Instagram is a Good Entry Point:** Instagram is currently the leading platform with the most practitioners. But clearly the over-riding question is which platform your customers are using or will be using in the near future.
- **Midfluencers Over Celebrities:** Per follower, Midfluencers are cheaper and more effective than Celebrities. Their posts carry more weight with their followers and they can be used to deliver tighter campaign targeting.
- **Optimise your Influencer Stable:** Recruit Influencers who are well known to, and liked by, their followers, rather than those who are controversial or remote. They should also have the topic expertise needed to be a convincing ambassador.
- **Don't Let ASA Rules Deter You:** People expect Influencers to be incentivised and aren't offended by legitimate commercial links. Ironically, if an Influencer isn't being sponsored, it's disruptive to confirm that.
- **Keep Content Catchy and Authentic:** Content should include quality creatives that attract attention and appeal to the target audience. Most importantly, the posts should be authentic and 'Influencer congruent'.

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Chapter 01

Reach of the Stars

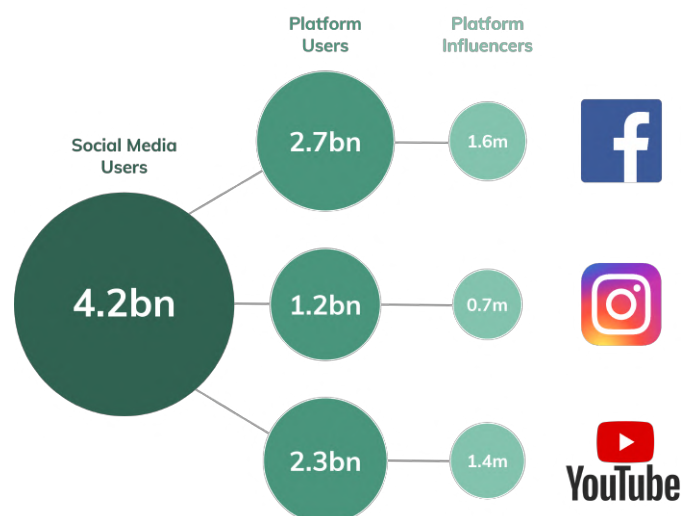
By any measure, social media has extraordinary reach. Cristiano Ronaldo has 277m Instagram followers, with Ariana Grande and Dwayne Johnson not far behind with 232m and 229m respectively. These figures contrast sharply with traditional TV. Sky has 24m subscribers in Europe¹, Comcast has 20m in North America² and Disney+ has 95m globally³.

Whilst appreciating the merits of TV advertising, given the above figures, it would be incredibly foolish for any brand to ignore the effect that social media exerts on its market. As Figure 1 shows, there are around 4.2bn unique, active social media users worldwide. That's 72% of the world's population aged 15 and over⁴. In the UK, 90% of people have used at least one of their 3.4 accounts in the past six months.

Engagement with social media is very high and, consequently, it shapes people's purchasing behaviour. In the UK, 75% of users spend more than an hour per day across the three main platforms and 54% have posted within the past

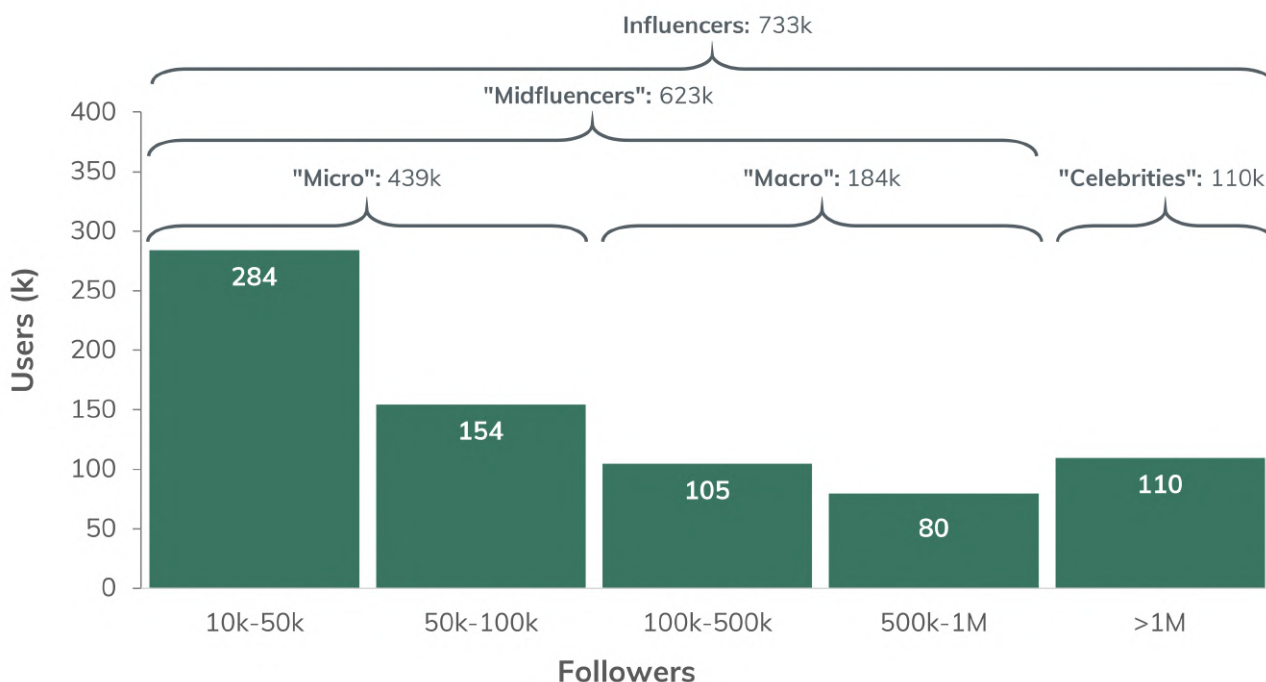
week. For purchases made within the past year, 37% of Instagram's 1.2bn users, some 450m consumers, bought a product that they'd first seen on Instagram. 82% of those transactions were new-to-brand. That's 360m Instagram driven customer acquisitions per year.

Figure 1: Reach of the Big Three



Source: Dectech Calculations 2021^{5 6}

Figure 2: Instagram Influencers



Source: Dectech Calculations 2021

But if you're going to negotiate this remarkable new channel successfully, you'll necessarily need to identify, contact and manage a legion of Influencers. Figure 2 describes the sheer scale of that task. Planning a TV campaign across 100s of channels is one thing, but on Instagram alone there are 110k 'Celebrities' (defined as >1m followers) and 623k 'Midfluencers' (10k-1m followers). That's a total of 733k Instagram Influencers to navigate.

As detailed in Figure 1, there are 3.8m Influencer accounts operated by 1.6m Influencers worldwide across Instagram, YouTube and Facebook. These figures are both daunting and motivating. History has repeatedly taught us that it's important to embrace and master new media channels. In 1969 the UK's first colour TV ad was for Birdseye peas, then owned by Unilever. Today's equivalent challenge is to develop and industrialise the technologies needed to run impactful Influencer campaigns.

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Midfluencers are the only way to run a more targeted and tailored campaign

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Nor should brands shirk this challenge by pursuing a Celebrity-only strategy. Sure, calling Ronaldo's agent simplifies the problem. But there are still hundreds of thousands of Celebrities and their aggregate reach isn't any larger than Midfluencers. Meanwhile, by definition, Midfluencers are the only way to run a more targeted and tailored campaign. The social media brand battle will be won or lost in Midfluencer. Midfluencers are the new 'Avon Ladies' or Tupperware party hosts.





Chapter 02

The Brand Reaction

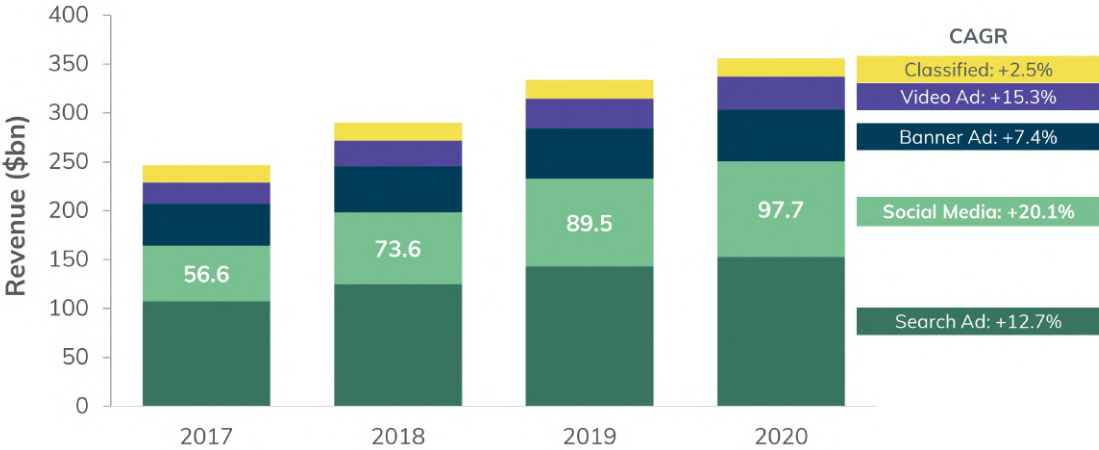
The emerging effects of social media on consumer behaviour isn't news to the marketing vanguard. As Figure 3 documents, digital marketing spend is growing at around 13.2% per year. However, within that digital spend, social media advertising is growing at about 20.1% per year.

In 2020, brands collectively invested \$97.7bn globally on social media, including Influencer

incentives and performance monitoring. The internet is migrating away from a pure paid-advertising model and recognising the need to detect and activate consumer advocates.

Influencer expenditure is currently dominated by Instagram. For example, in 2019 over two-thirds of US sponsorship spend was on that platform. Figure 4 itemises where the money is going. The topics of Fashion, Food & Drink and Entertainment account for nearly half of the

Figure 3: Worldwide Digital Marketing Spend

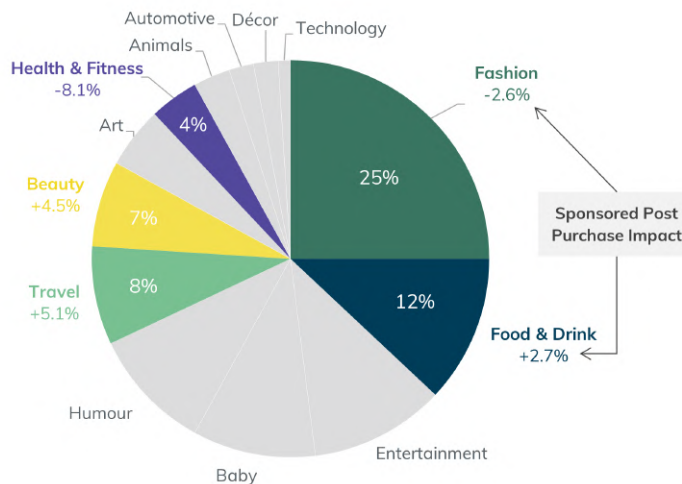


Source: Statista Digital Market Outlook

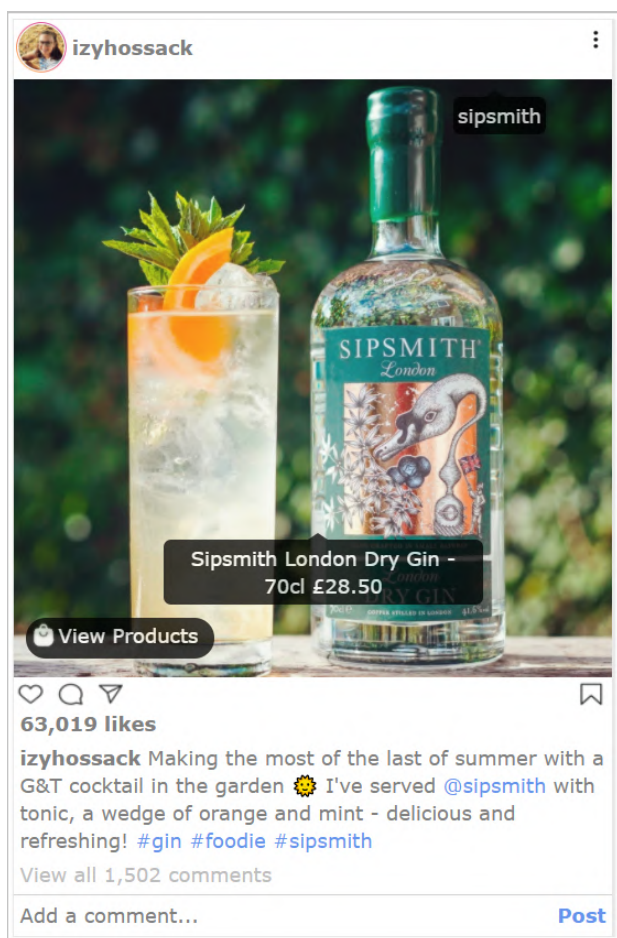
marketing activity. But what return will brands achieve on that investment? Which sectors have most to gain from Influencer advertising? How should brands select their Influencers? What should they ask them to post?

These are all good questions. To answer some of them, we ran a Behaviourlab experiment. Behaviourlab is our immersive randomised controlled trial approach to understanding what's driving, and how to change, consumer behaviour. In practice this meant showing paid participants sponsored Instagram posts and observing the impact on subsequent purchase intention. We used a between-subject design, in which we altered the posts and the Influencers posting them, to test the impact of different levers. Example stimuli and more details can be found in the appendix.

Figure 4: Instagram Sponsored Posts 2019



Source: Dectech Influencer Research (Oct 2020, N = 1,518) ; Industry sources



Sponsored posts were tested for the five sectors shown in Figure 4. The observed purchase propensity in the experiment was calibrated to the 37.2% real-world prevalence cited earlier. By this measure, being exposed to a sponsored Food & Drink post raises the product purchase propensity of the gin brand involved from 37.2% to 39.9%, the +2.7% in Figure 4. The relatively large real-world marketing spend on that sector resonates with this above average effect. Conversely, we find sponsored posts for a Fitness sports watch are less impactful, aligned with that sector's lower Instagram spend.

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Photo: mollymae / Instagram

Chapter 03

Optimal Influencer Strategy

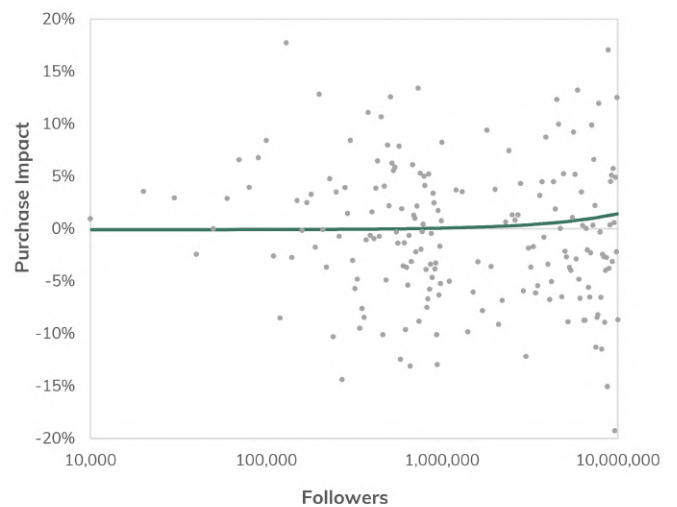
Our experiment tested the effects of Influencer characteristics and post perceptions on propensity to purchase.

For Influencers we independently varied their following, likes and comment volumes to see if these measures of Influencer solidity change post effectiveness. To our surprise, none of the attributes materially altered the outcome. Figure 5 plots the data for followers. Influencers with more followers are only marginally more influential. Beyond having additional reach, there's no halo.

Interestingly, the only observed statistically significant effect is in comment volumes. In that case, more comments has a slight negative impact. For the products we tested, people seem to value exclusivity. Perceived widespread popularity backfires against sales. As such, Instagram's announcement that it will make likes private, and the wider mental health motivated trend towards removing popularity markers on social media, will either not change Influencer effectiveness or, counter-intuitively, make them marginally more effective.

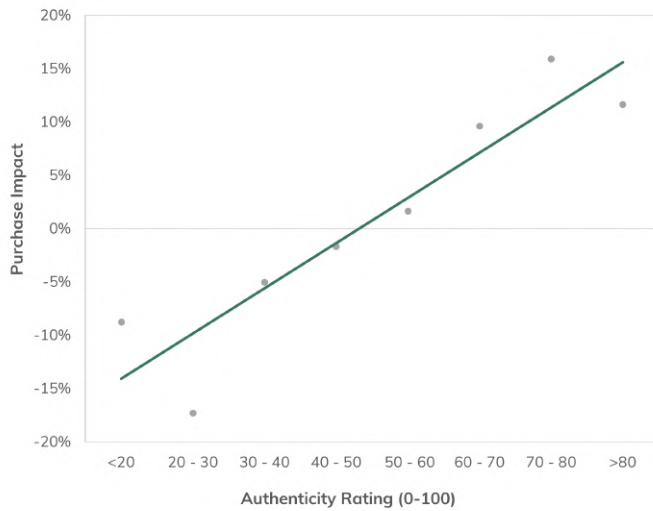
On content there are two main insights across the variables tested. First, purchase propensity increases with Influencer familiarity – the more you feel you know and like someone, the more you will act on their advice.

Figure 5: Example Influencer Influence Finding



Source: Dectech Influencer Research (Oct 2020, N = 1,518)

Figure 6: Perceived Authenticity of Post



Source: Dectech Influencer Research (Oct 2020, N = 1,518)

This works against Celebrities, with their larger and more impersonal audiences. The only advantage Celebrities offer is reach and, since Influencers are paid by Engagement, the cost of a Celebrity is the same, and often more, than several Midfluencers with equivalent reach. Midfluencers are more hassle to recruit and manage but, via this familiarity effect, more persuasive and better value.

Second, as demonstrated by Figure 6, post authenticity matters. People are turned off by incongruent content generated by an Influencer who doesn't have the relevant domain expertise. It makes the post feel disingenuous and therefore less persuasive.

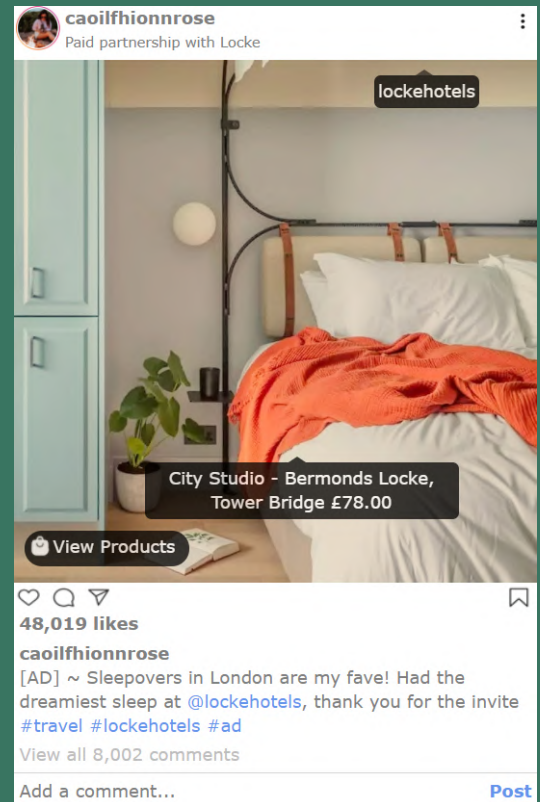
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ASA Regulatory Impact

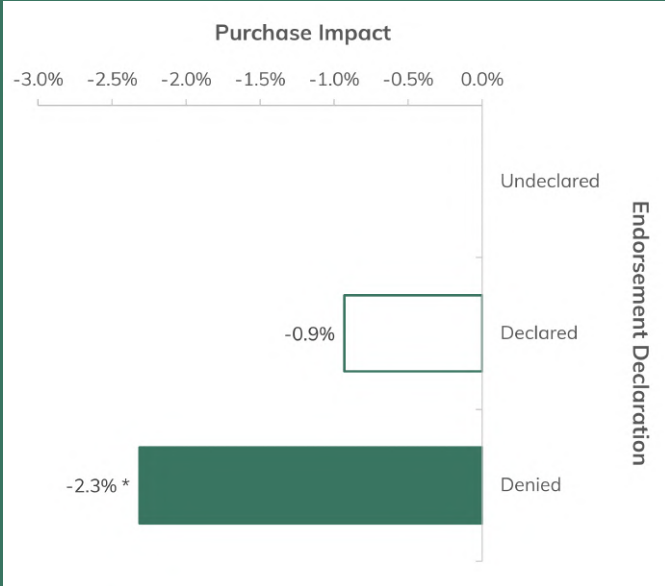
In the UK the ASA recently introduced new regulations designed to increase the transparency of sponsored posts. In general, the regulator wants people to know when an Influencer is making an incentivised endorsement. Since one key advantage of Influencers might be their seemingly independent advocacy of a product, these regulations could potentially diminish Influencer effectiveness and thereby hamper the future growth of Influencer marketing.



So we tested the three scenarios in Figure 7. One participant group saw a post that didn't mention any incentive, another saw a post that did, and a third was served a post that actively denied any incentive. The main finding is that disclosing the incentive has no impact on purchase propensity.

ASA Regulatory Impact

Figure 7: Sponsorship Transparency Regulation



Source: Dectech Influencer Research (Oct 2020, N = 1,518) ;
*Significant at 90% Confidence

Consumers understand that this is how the world works and trust their Influencers to act responsibly, only working with brands they can advocate in good faith. In the end, it's not in an Influencer's long-term interests to upset their followers.

The other finding is that the denial of payment actively undermines people's purchase propensity, albeit only by a small margin. When an Influencer protests their innocence, they are flagging up that there's something going on and their followers are suitably suspicious. 'Pay no attention to that man behind the curtain' isn't a good strategy. This resonates with our other findings on authenticity. Disavowal damages authenticity, and therefore credibility, and reduces sales effectiveness.



Photo: shredbundy / Instagram

Accordingly, brands should find Influencers who are well liked, rather than controversial; who produce quality content, are aligned with their brand values; and who have the relevant knowledge to deliver genuine, authoritative opinions.

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Disavowal damages authenticity, and therefore credibility, and reduces sales effectiveness.

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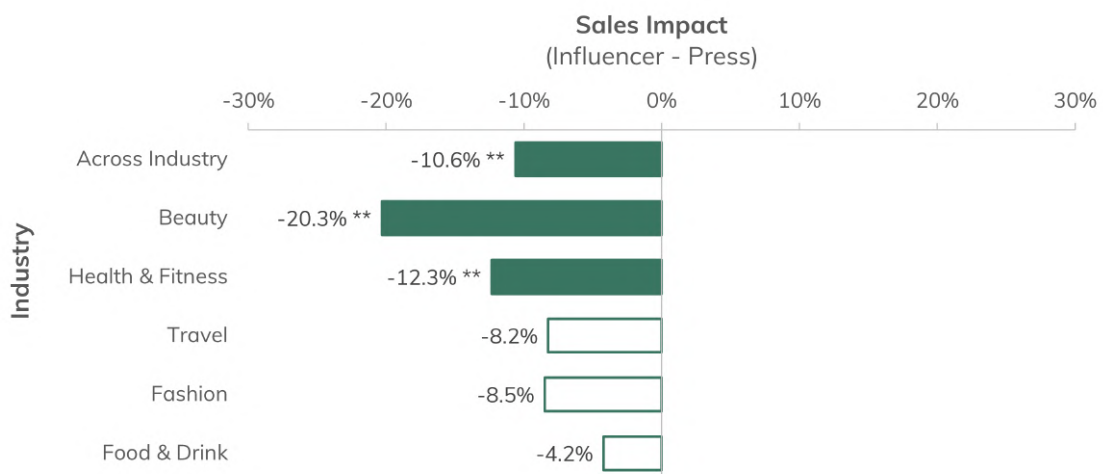
Chapter 04

Return on Investment

The Holy Grail of advertising is Return on Investment (RoI) and the resultant media buying optimisation. In fact, Marketing Mix Modelling involves so many complexities, unknowns and prejudices that the parallel with a divine quest doesn't feel entirely inappropriate.

That said, one suspects that anyone who actually found the Holy Grail would endure a lifetime of questions over its authenticity, in sharp contrast to the person who found a way to optimise media mix. That person would oversee high growth sales, be hosed down with money, and retire to the French Riviera.

Figure 8: Head-to-Head Sales Effectiveness



Source: Dectech Influencer Research (Oct 2020, N = 1,518) ; ** Significant at 95% Confidence

So with a copy of 'Sotheby's International Realty' open at Cannes, we ran a head-to-head trial to test the relative effectiveness of Influencers compared to press advertising. The first participant group saw an Influencer post and the second an equivalent press advert with identical imagery and branding. Both groups were then asked if they wanted to buy the product.

The results in Figure 8 reveal that, under these noise-free lab conditions, the press advert is more persuasive, particularly for a Lancôme Mascara (see image below). Overall, the Influencer post generated 10.6% fewer sales. If the press ad drove 500 sales, the Influencer post would generate 447.

But wait, so much for the 'R', what about the 'I'? Figure 9 examines that trade-off. We used the London Metro for a press advert cost benchmark of 1.88p per impression (the circulation is 2.4m⁸ and a full page colour ad is £46k⁹). Meanwhile, an average Influencer is paid 28p per engagement. Since the average Influencer

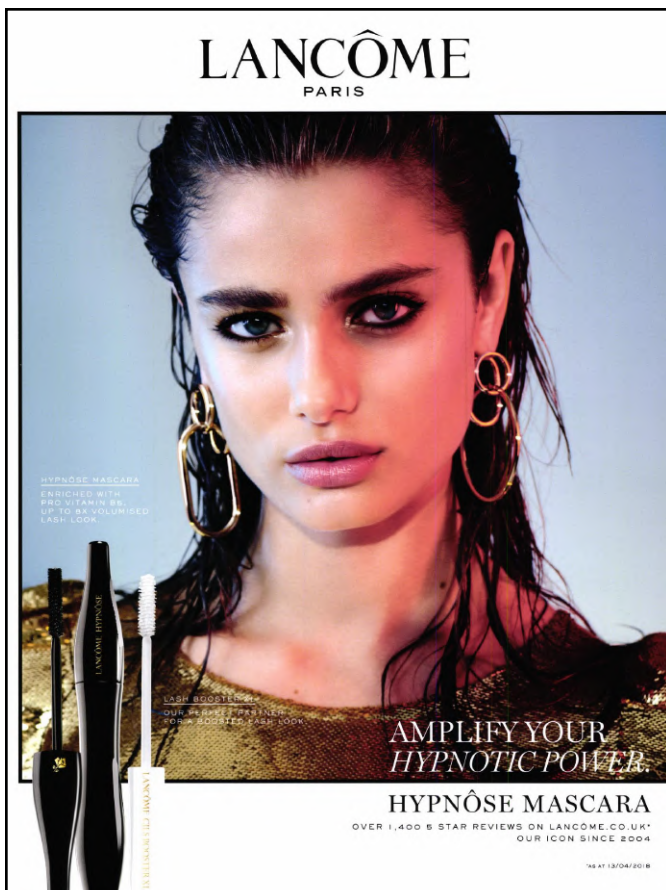


Figure 9: Return on Investment

	Press	Influencer	Difference
Reach	1,000,000	1,000,000	
Ad Cost	£18,800	£11,900	
Cost per Impression	1.88p	1.19p	-36.7%
Incremental Acquisitions	500	447	-10.6%
Cost per Acquisition	£37.60	£26.63	-29.2%

Source: Dectech Influencer Research (Oct 2020, N = 1,518)

engagement rate is 4.3%, that works out at 1.19p per Impression. Influencers are about 36.7% cheaper than press advertising. This more than offsets their marginally lower effectiveness and, as a result, Influencer cost per acquisition (CPA) has a 29.2% advantage.

Clearly, in practice, these numbers will be all over the place. Some newspapers are more expensive because they have larger circulations or are more effective. Likewise, Costs per Engagement rates for Influencers can range from 5p to 100p, and beyond, depending on the topic, whether there's an agent involved and so forth.

Finally, outside Figure 9, and the lab environment we used to run the test, there are other forces in play such as the ability to target customer segments, 'in field' impression attention, media context effects, various forms of advertising fraud, and so on.

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Influencers are about 36.7% cheaper than press advertising.
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But whilst there remains plenty of scope for a savvy media buyer to add value by trading-off all these considerations, the central case in Figure 9 will tend to prevail. Influencers are an important new media development. They have incredible reach. They are already influencing consumer behaviour. They can offer better RoIs. Influencers represent a tremendous opportunity to create a diversified, targeted, nuanced, persuasive media campaign. But globally there are about 50k newspapers and 25k TV channels compared to the 1.6m Influencers on the three most popular social media platforms. There is therefore an enormous logistical challenge to identify, negotiate, and monitor Influencers in that vastly higher dimensional ad space.



Photo: heideexyz / Instagram



Photo: kiz / Instagram

Recommendations



The very first Instagram post was an unassuming photo taken from the desk of co-founder Mike Krieger at 5:26 pm UTC on July 16, 2010¹⁰ (see image below). Whilst Facebook significantly pre-dates Instagram, it's probably that date which should mark the beginning of Influencer marketing.

Ten years later brand managers are finally starting to grasp the rapidly expanding power of this new media and how to navigate its complexity. Based on this research, we offer the following advice:



- **Budget for Social in the Marketing Mix:** Brands should use Influencers to diversify their marketing strategy and increase their ad-spend efficiency. Influencer marketing is low cost but with an impact roughly comparable to traditional media. No brand should dismiss social media as irrelevant to their market. Everyone should budget for at least some investment. To not explore social media given the evidence would be careless and lazy.
- **Instagram is a Good Entry Point:** Instagram is currently the leading platform for Influencer marketing. As such, it's the obvious place to start since it's a more developed channel with a wider selection of experienced practitioners. But clearly the over-riding criteria is which platform your customers are using or will use in the near future. For example, you may want to explore TikTok given its momentum.
- **Midfluencers are Better than Celebrities:** Don't blindly select ambassadors based on followers, likes or comment volumes. These don't make an Influencer more persuasive per se. For the same reach, Midfluencers are cheaper and more impactful since they are more familiar to their followers. Moreover, this diversified portfolio approach supports tighter targeting and de-risks the campaign against one idiosyncratic individual.
- **Your Influencer Portfolio needs Optimisation:** Although popularity measures, such as follower volumes, don't mean Influencers are more persuasive, there are other characteristics that do. Recruit likeable Influencers, rather than controversial or divisive ones, who are well known to their audience, rather than remote. They should also have relevant domain knowledge and carry the authority to be a legitimate brand ambassador.

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- **Don't Let ASA Rules Deter You:** The current ASA regulations, and the general trend towards sponsorship transparency, don't undermine effectiveness. People expect Influencers to be incentivised and aren't surprised or offended by such commercial links. Indeed, somewhat ironically, if an Influencer genuinely isn't being sponsored, they shouldn't confirm that since it goes against people's expectations and can be disruptive.
 - **Content Should be Authentic:** Editorial policy should follow three main guidelines. First, posts should use an eye-catching creative that attracts attention. Second, the post should be interesting and appealing to the target audience. Third, and most importantly, the post must be authentic and 'Influencer congruent'. Posts that jar with the Influencer's style or lack credibility are less convincing.
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Photo: angelalikesfood / Instagram



Photo: iamchefblog / Instagram

Detailed Methodology

Sampling

The primary research undertaken for this report was conducted online from 1st October 2020 to 8th October 2020 with a nationally representative sample of 1,518 UK consumers aged 18 and over that had an active Instagram account.

Behaviourlab Paradigm

Behaviourlab is our bespoke online test platform that uses a randomised controlled trial to address key commercial questions more accurately and definitively. The method follows modern academic standards of eliciting consumer preferences and behaviours.

Figure i. Example screenshot of an Influencers Instagram account

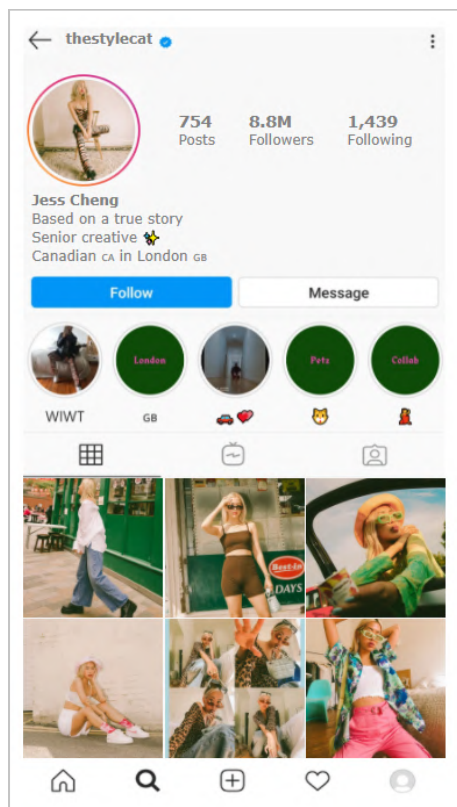
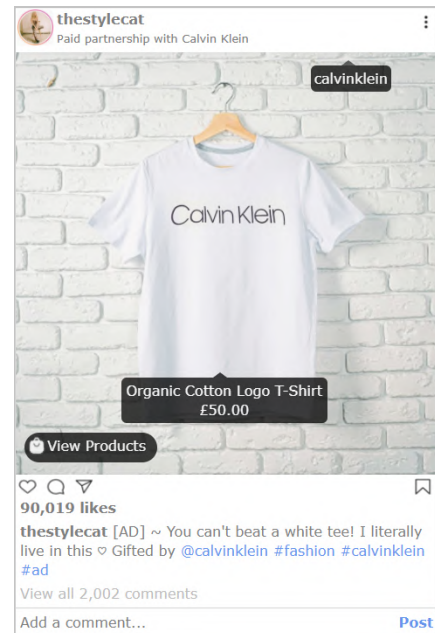


Figure ii. Example screenshot of a sponsored Influencer advert



This research involved putting participants through a realistic simulation of seeing a sponsored advert from an Influencer on Instagram. Each participant was shown two adverts for two different products selected at random from the following five industries: Fashion, Beauty, Health & Fitness, Travel, and Food & Drink.

We explored the impact of a number of different levers that might influence a consumer's likelihood to purchase the advertised product, including Influencer, brand, size of following, number of likes and comments, and endorsement declaration. The products mirrored a brand's real-world pricing and proposition, with the product category fixed within industry to ensure comparability. For each industry we included 6 brands and 9 influencers which were found using the Wearisma platform.

To provide some context on the Influencer, respondents were shown a summary of the Influencers Instagram account page first (see Figure i) and were then asked how familiar they were with that Influencer. The accounts replicated the Influencers actual account, but the size of following was varied, personal contact details were removed, and the six most recent images were handpicked to ensure they were representative of the types of content the Influencer typically posted.

Participants were then shown a sponsored advert from that Influencer (see Figure ii). The images used were manufactured to ensure there were no differences in creative quality between brands and so that they could be used for any of the influencers included in the experiment. Participants were then required to indicate their likelihood to purchase the product in the advert and rate the post and the influencer on a number of different perception statements. The analysis involved statistically modelling whether the different levers increased purchase likelihood.

Figure iii. Example screenshot of press advert



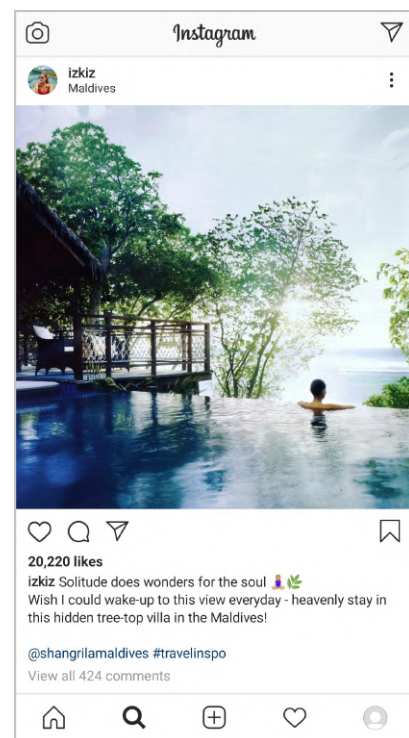
AB Test

To compare Influencer marketing with more traditional marketing we ran an AB Test exploring the impact of an Influencer ad vs a press ad.

Each respondent was shown three adverts from either an Influencer or press for three different industries. We used real press adverts which were adapted for the Instagram posts to control for differences in quality between press and Influencer (see Figure iii and Figure iv). Any key details included in the press ad were also included in the Instagram comment. Participants were asked to indicate their likelihood to purchase the product included in the advert.

The analysis involved statistically modelling whether purchase likelihood was significantly different between press and Influencer channels.

Figure iv. Example screenshot of Influencer advert



Modelling

For the Behaviourlab experiment and the AB test, an ordinal logistic regression was used to model purchase likelihood. Choices were modelled across all industries as well as separately for each industry.

The purpose of modelling is to determine the impact of other information (such as consumers' age) and to control for these factors, thereby isolating and estimating the impact of different benefits on the probability of purchase.

The set of controlling factors were:

- Personality traits
- Financial literacy
- Age
- Gender
- Marital status
- Employment status
- Income
- Education level
- UK region
- Social media usage
- Past purchase behaviour on Instagram
- Interest in specific industry

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4. <https://www.cia.gov/the-world-factbook/countries/world/#people-and-society>
5. <https://datareportal.com/social-media-users>
6. <https://www.statista.com/statistics/272014/global-social-networks-ranked-by-number-of-users/> ; Platform Influencers calculated by Dectech using various data sources.
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8. <https://www.tmwi.co.uk/newspaper-advertising-cost/>
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About Dectech



Dectech strives to provide the most accurate and best value forecasts available on how people will behave in new situations.

Founded in 2002, we've conducted more than 400 studies involving over three million participants. We hold that people make very different decisions depending on their context and often struggle to self-report their beliefs and motives. So we developed Behaviourlab, a randomised controlled trial approach that immerses participants in a replica of the real-world decision environment. Over the years we've shown how Behaviourlab can provide higher accuracy forecasts and more actionable insights.

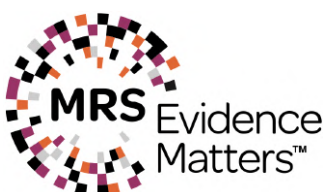
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