GRA 19502

Master Thesis

Influencer Marketing

Navn: Anna Elisabeth Hjortaas, Regine Ditløvsen Øverås

Start: 01.01.2018 09.00

Finish: 15.01.2018 12.00

Study Programme:

Master of Science in Strategic Marketing Management

Title:

"Influencer marketing: Is there a difference in return on investment depending on whether a micro or macro influencer is used?"

Supervisor:

Auke Hunneman

Table of Contents

1. Introduction

In recent years, the use of digital technologies in marketing has challenged traditional marketing practices. Studies reveal that marketing executives prefer digital marketing over offline channels, based on greater return on investment (ROI) (Allen, 2016). Digital marketing comprises a variety of online marketing methods, including social media marketing and influencer marketing.

For an increasing number of Norwegian brands, influencer marketing has become a key component of their marketing communication strategies. This trend has further enabled the basis for specialized agencies, such as United Influencers, Inzpire.me and Egmont People that help brands to connect with influencers to get established. According to lecturer and former communication advisor at Geelmuyden Kiese, Cecilie Staude, a growing trend for Norwegian companies has been to engage micro influencers (Aspeli & Krager, 2017). Brands and agencies perceive micro influencers to be less demanding, have a higher willingness to cooperate and be more affordable. As a result, micro influencers are assumed to be more cost effective.

Numbers from Reinhartsen Media (2017) state that the conversions are three to ten times higher for influencer marketing compared to traditional marketing. However, with both social media marketing and influencer marketing being new marketing channels, there are few concrete measures of their actual effectiveness (Crosby, 2017). While remaining a highly trending marketing tactic, determining the ROI of influencer marketing programs is reported as a top challenge by marketers. As budget allocations to influencer marketing increase, accountability will be sought (Linqia, 2016). Therefore, the forthcoming study aims to examine the ROI for using different types of influencers in marketing.

In the report "The State of Influencer Marketing in 2017", Facebook and Instagram are cited by marketers as the most important social platforms for influencer marketing programs. Blogs serve as the third most important channel, primarily being leveraged as a tool for improving discovery and SEO (Linqia, 2016). Reviewing how Norwegian influencers operate, Instagram and blogs appear to be a frequent combination. In keeping with this trend, Instagram and blogs will be the platforms examined in this study.

In a broader, academic perspective, influencer marketing touches upon many aspects of psychology. The theoretical gap identified for the suggested study is the combination of literature on social influence and opinion leaders – in the digital landscape. Due to the similar characteristics of opinion leaders and influencers, existing theory on opinion leaders is assumed to be compatible with influencers. Additional literature of interest is that of required fit in brand extension. With influencers being their own brand, the collaborations in which they choose to engage could be considered comparable to brands that choose to extend. Lastly, including theory on the Two-step Flow of Communication and The Diffusion of Innovation strengthens the assumption of influencer marketing being an interesting topic to undergo study.

1.1 Definitions

In order to facilitate a common understanding of the research topic, the key terms used are defined below.

1.1.1   The concept of influencer marketing

"Influencer marketing is the art and science of engaging people who are influential online to share brand messaging with their audiences in the form of sponsored content" (Sammis et al., 2005).

For a long time, celebrity endorsement has been used strategically to increase brand awareness and brand preference. People are inclined to trust celebrities they admire, and sometimes wanting to be like them. Influencer marketing is a similar concept, where the digital development has lead to considerable growth for online celebrities, namely influencers. A number of these have managed to build widespread, engaged audiences whom they are able to influence. Redefining celebrity endorsement, brands have leveraged the opportunity to expose and market their products through trustworthy intermediators (Sammis et al., 2005).

Primarily, three sources serve as value drivers for influencer marketing; the influencers' social reach, the ability to produce original content and the level of consumer trust.

1.1.2   Micro-influencers

"Micro-influencers are individuals within a consumer's social graph, whose commentary, based on the personal nature of their relationship and communications, has a direct impact on the behavior of that consumer" (Brown & Fiorella, 2013).

1.1.3   Macro-influencers

"Macro-influencers are individuals, businesses or media, with a large, active, social following comprised of people with whom they have a loosely defined or unknown relationship" (Brown & Fiorella, 2013).

1.1.4   Instagram

Instagram is the world's leading photo sharing social media platform (Chua & Chang, 2016), allowing users to share photo and video content from all over the world, using metadata hashtags (Holmberg, Chaplin, Hillman & Berg, 2016). Since its launch in 2010, a constantly growing number of brands and influencers have made use of the platform to promote products. Presently, statistics show that more than 2 million Norwegians have an Instagram account (Ipsos, 2017).

1.1.5   Blog

By Google, a blog is defined as *"a regularly updated website or web page, typically one run by an individual or small group, that is written in an informal or conversational style"*. According to numbers from TNS Gallup, more than 200.000 Norwegians had their own blog in 2016 (Eriksen & Ingebrethsen, 2016). Further, 77 percent of Internet users today read blogs (Walker-Ford, 2017).

2. Contribution and implications

Acknowledging the uncertainty of the effectiveness of influencer marketing, the objective of the respective research is to empirically test whether the ROI of using micro-influencers is larger than the ROI of using macro-influencers. The results are expected to be applicable for brands to be cost effective in their budget allocations when developing digital marketing strategies. The provided insights

are further thought to enable brands to do influencer marketing "the right way", hence being valuable for increasing brand awareness and brand equity. Further, the results will be advantageous for agencies managing influencer marketing for external brands, enabling them to develop accurate and accountable strategies.

3. Research questions

In order to uncover whether there is a difference in effectiveness depending on whether a micro or macro influencer is used, the following research questions have been developed:

- Is there a difference in *perceived* effectiveness depending on whether a micro or macro influencer is used?
- Is there a difference in ROI depending on whether a micro or macro influencer is used?
- How important is fit between brand and influencer?
- Is there a difference in credibility depending on whether a micro or macro influencer is used?

4. Literature

In recent years, influencer marketing has been a subject receiving increased attention. Spokespersons within the field of digital marketing have made public statements regarding presumed effects of influencer marketing. However, these suggested tactics and strategies are solely based on vague assumptions lacking empirical support. The literature review for the respective preliminary report includes relevant theories on communication and persuasion. In terms of influencer characteristics, research on opinion leader characteristics and required fit between product category and influencer (endorser) is included. The literature considered to be of greatest importance is briefly summarized in the sections below.

4.1 Social influence

"At its core, influence is a force, created by one person or entity that causes a reaction in or by another" (Brown & Fiorella, 2013). Rooting back to the Garden of Eden, social influence has existed since the very beginning. Through

persuasion, temptation and curiosity, Eve influenced Adam to try the forbidden fruit himself. Similarly, the behaviour of a child is influenced by its parent, retail trends are influenced by fashion designers, and individuals' beliefs and actions are influenced by religion and philosophy of life (Brown & Fiorella, 2013).

An extensive amount of research shows that perceptions and responses of individuals' in a given situation are shaped by others behaviour in that particular social environment (Bearden & Etzel, 1982). This phenomenon is found to be especially present in new or uncertain situations (Griskevicius et al. 2006; Hochbaum 1954; Park & Lessig 1977). Individuals are inclined to use social norms for information-processing advantage and decisional shortcuts (Cialdini, Kallgren & Reno, 1991).

Persuasion is a term closely related to influence. Fennis and Strobe (2010) define persuasion as "any change in beliefs and attitudes that results from exposure to a communication". By looking to science, Cialdini (2001) has suggested that persuasion is governed by basic principles that are predictably rooted in human drives and needs. He composed his research on persuasion to six principles - liking, reciprocity, social proof, consistency, authority and scarcity. By mastering the principles, individuals are armed to persuade others they may interact with.

4.2   Influence of media messages: Two-step Flow of Communication

The Two-step Flow of Communication was first introduced in a 1944 study focusing on individuals' decision-making process during a Presidential election campaign. Data from this research showed that voting intention was influenced by informal, personal contacts rather than the mass media (Lazarsfeld, Berelson & Gaudet, 1944). Acknowledging this, Katz and Lazarsfeld (1955) developed the Two-step Flow Theory of Mass Communication. This theory assumes that information directed by mass media flows in two distinct stages. Firstly, it flows *from* mass media *to* opinion leaders and secondly, *from them* to individuals in social contact with the opinion leader. Simply put, opinion leaders pass on the media content, however coloured by their own interpretations.

Opinion leaders

Since as early as the 1940s, scholars have understood the general importance of opinion leaders in shaping public preferences, informing fellow citizens, and altering behavior (Lazarsfeld, Berelson & Gaudet, 1944). Recognizing the significance of opinion leaders, Katz (1957) identified a number of shared traits and behaviours further categorized into a set of dimensions:

- *Who one is:* personality characteristics and individual values;
- *What one knows*: degree of knowledge and expertise; and
- *Whom one knows*: number of contacts and network.

Combining traits and behaviours, opinion leaders help draw the attention of others to a particular issue or product, while at the same time signalling a desired behaviour. By giving advice and recommendations or serving as a role model that others can imitate, opinion leaders are able to influence and persuade others (Weimann, 1994).

4.3   The Diffusion of Innovations

The Two-step Flow Theory has improved the understanding of how mass media influences decision-making. Additionally, it could be considered a precursor to The Diffusion of Innovation Theory. Diffusion of innovations was introduced by Everett Rogers in 1962. The theory seeks to explain the determinants to how new ideas and technologies spread; the innovation itself, communication channels, time and a social network. Further, Rogers suggests five categories of adopters; innovators, early adopters, early majority, late majority and laggards. Innovativeness, defined as *"the degree to which an individual adopts a new idea"*, serves as the basis for categorizing adopters (Rogers, 1962). In relation to influencer marketing, brands can be said to use influencers as innovators and early adopters for the diffusion of their products.

4.4   Fit

Tauber (1988) defines *fit* as *"when the consumer accepts the new product in a brand extension as logical and expected"*. In his study of 276 actual extensions, fit was found to be a key element in predicting success. A variety of studies state that the perceived quality of a brand can be enhanced when allied to a brand that

somewhat fits (Aaker & Keller, 1990). Theoretical perspectives such as cognitive consistency (Heider 1958; Osgood & Tannenbaum 1955), stimulus generalization (Bierley, McSweency & Vannieuwkerk 1985; McSweency & Bierley 1984), affect transfer (Wright, 1975) and categorization theory (Cohen & Basu, 1987; Fiske, 1982; Fiske & Pavelchak, 1986; Sujan, 1985) are compatible with such views. Considering that influencers are their own brand, the collaborations in which they choose to engage could be considered comparable to brands that choose to extend. Therefore, fit is expected to either be a mediator or moderator, depending on how the study will be carried out.

5. Methodology

5.1 Introduction

Acknowledging the lack of empirical literature within the field of digital marketing, the research naturally takes an exploratory approach. In order to thoroughly examine the topic of research, a mixed method with qualitative and quantitative data will be required. A sequential exploratory design allows for the combination of quantitative and qualitative research, where two sets of findings are complementary used to gain a deeper understanding of an issue (Saunders, Lewis & Thornhill, 2012). The proposed study – the relationship between type of influencer and ROI – is depicted in the model below.
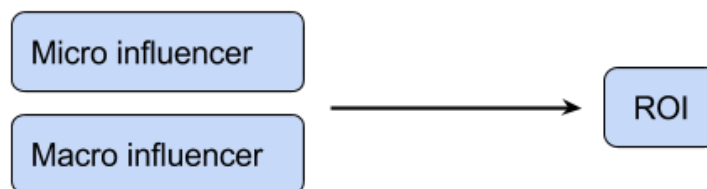

Figure 1: Model illustrating the causality of influencer type and ROI. Note that fit will be included either as a moderator or mediator.

5.2 Research design

The thesis will use a double-phase research design, more specifically a sequential exploratory research design. Applying this design, a qualitative analysis is followed by a quantitative analysis (Saunders, Lewis & Thornhill, 2012). Hypothesis for the quantitative analysis will be developed based on the qualitative findings.

5.3 Participants and data acquisition

Qualitative approach

For the chance to gain a better understanding of perceived effectiveness when using micro compared to macro influencers, data on marketer perceptions will be gathered through in-depth interviews. Ideally, the study will include marketers from a variety of brands, product categories and agencies. Perceived effectiveness relates to the required inputs when cooperating with influencers for a given output. Therefore, the term can potentially cover a broad variety of parameters, such as costs, time requirements, cooperativeness, sales and conversions, leading to an overall evaluation of what type of influencers are most effective.

Quantitative approach

In order to uncover whether there is a difference in ROI depending on what type of influencer is used, sales data will be retrieved from a previous campaign by the brand Swiss Clinic. In addition, a consumer based survey or experiment will be performed to gain an understanding of *why* certain types of influencers are more effective.

5.4 Reliability and validity

In terms of reliability, a sufficient amount of data will be required both for the qualitative and the quantitative analysis. By basing the research on historical sales data, the analysed data will be unaffected by the research. Hence, the data obtained can be considered to have high validity. In addition, control variables will be included for the purpose of eliminating and controlling for alternative explanations for the results. Moderators and mediators will be accounted for in a subsequent stage of the thesis process.

5.5 Measurement

Regression will be applied in order to analyse the quantitative data.

6. References

Aaker, D. A. & Keller, K. L. (1990). Consumer evaluations of brand extensions. Journal of Marketing, 54, 27-41.

Allen, R. (2016). 2016 US Digital Marketing Budgets: Statistics and Trends. Retrieved from https://www.smartinsights.com/internet-marketing-statistics/2016-us-digital-ad-spend-statistics-trends/

Aspeli, I. & Krager, C. (2017, October 19). Hvordan ser fremtiden ut for "influencer-gamet"? *Melk og Honning.* Retrieved from http://melkoghonning.no/hvordan-ser-fremtiden-ut-for-influencer-gamet/

Bearden, W. O. & Etzel, M. J. (1982). Reference group influence on product and brand purchase decisions. *Journal of Consumer Research*, 9(9), 183–194.

Bierley, C., McSweency F. K. & Vannieuwkerk, R. (1985). Classical conditioning of preferences for stimuli. *Journal of Consumer Research*, 12, 316–323.

Brown, D. & Fiorella, S. (2013). *Influence marketing: How to create, manage, and measure brand influencers in social media marketing.* Indiana: Oue Publishing.

Chua, T. H. H. & Chang, L. (2016). Follow me and like my beautiful selfies: Singapore teenage girls' engagement in self-presentation and peer comparison on social media. *Computers in Human Behavior*, 55, 190-197.

Cialdini, R. B. (2001). Harnessing the Science of Persuasion. Harvard Business Review. Harvard Business School Publishing Corporation.

Cialdini, R. B., Kallgren, C. A. & Reno, R. R. (1991). A focus theory of normative conduct: a theoretical refinement and reevaluation of the role of norms in human behavior. *Advances in Experimental Social Psychology,* 24, 201–234.

Cohen, J. B & Basu, K. (1987). Alternative models of categorization: Toward a contingent processing framework. *Journal of Consumer Research*, 13, 455–472.

Crosby, L. (2017). How effective is social media marketing at driving brand loyalty? Retrieved from https://www.ama.org/publications/MarketingNews/Pages/how-measure-social-media-brand-loyalty-driver.aspx

Eriksen, D. & Ingebrethsen, C. (2016, January 1). Nesten 200.000 nordmenn skriver egen blogg. *NRK*. Retrieved from https://www.nrk.no/kultur/nesten-200.000-nordmenn-skriver-egen-blogg-1.12751789

Fiske, S. T. (1982). Schema-triggered affect: Applications to social perception. *Affect and Cognition: The 17th Annual Carnegie Symposium on Cognition*, Clark, M. S & Fiske, S. T, eds. Hillsdale, NJ: Lawrence Erlbaum Associates, 55-78.

Fiske, S. T. & Pavelchak, M. A. (1986). Category-based versus piecemeal-based affective responses: Developments in schema-triggered affect. *The handbook of motivation and cognition: Foundations of social behaviour,* Sorrentiono, R. M & Higgins, T, eds. New York: Guildford Press.

Griskevicius, V., Goldstein, N. J., Mortensen, C. R., Cialdini, R. B. & Kenrick, D. T. (2006). Going along versus going alone: when fundamental motives facilitate strategic (non)conformity. *Journal of Personality and Social Psychology*, 91(2), 281–294.

Heider, F. (1958). *The psychology of interpersonal relations*. New York: John Wiley & Sons, Inc.

Hochbaum, G. M. (1954). The relation between group members' self-confidence and their reactions to group pressures to uniformity. *American Sociological Review*, 19(6), 678–687.

Holmberg, C., Chaplin, J. E., Hillman, T. & Berg, C. (2016). Adolescents' presentation of food in social media: An explorative study. *Appetite,* 99, 121-129.

Ipsos. (2017). Ipsos' tracker om sosiale medier Q3'17. Retrieved from https://www.ipsos.com/nb-no/ipsos-some-tracker-q317

Katz, E. & Lazarsfeld, P. F. (1955). *Personal influence: The part played by people in the flow of mass communication*. Glencoe, IL: Free Press.

Katz, E. (1957). The two-step flow of communication: An up-to-date report on an hypothesis. *Public Opinion Quarterly,* 21, 61–78.

Lazarsfeld, P.F., Berelson, B. & Gaudet, H. (1944). *The people's choice: How the voter makes up his mind in a presidential campaign*. New York: Columbia University Press.

Linqia. (2016). *The State of Influencer Marketing in 2017*. Retrieved from http://www.linqia.com/wp-content/uploads/2016/11/The-State-of-Influencer-Marketing-2017_Final-Report.pdf

McSweency F. K. & Bierley, C. (1984). Recent developments in classical conditioning. *Journal of Consumer Research*, 11, 619–631.

Osgood, C. E. & Tannenbaum, P. H. (1955). The principle of congruity in the prediction of attitude change. *Psychological Review*, 62(1), 42-55.

Park, C. W. & Lessig, P. V. (1977). Students and housewives: differences in susceptibility to reference group influence. *Journal of Consumer Research*, 4(9), 102–110.

Reinhartsen Media. (2017). Influencer marketing. Retrieved from http://www.reinhartsenmedia.com/tjenester/#influence_marketing

Rogers, .E. M. (1962). *Diffusion of innovations*. New York: Free Press of Glencoe.

Sammis, K., Lincoln, C., Pomponi, S., Ng, J., Rodriquez E. G. & Zhou, J. (2005). *Influencer marketing for dummies.* New Jersey: John Wiley & Sons, Inc.

Saunders, M., Lewis P. & Thornhill, A. (2012). *Research methods for business students* (6th ed.). Harlow: Pearson Education Limited. Retrieved from http://www.myilibrary.com.ezproxy.library.bi.no?ID=819487

Sujan, M. (1985). Consumer knowledge: Effects on evaluation strategies mediating consumer judgements. *Journal of Consumer Research*, 12, 11-21.

Tauber, E. M. (1988). Brand leverage: Strategy for growth om a cost-controlled world. *Journal of Advertising Research*, 28, 26-30.

Walker-Ford, M. (2017, December 4). The Benefits of Blogging: 20+ Stats Business Owners Need to Know. *Social Media Today.* Retrieved from https://www.socialmediatoday.com/news/the-benefits-of-blogging-20-stats-business-owners-need-to-know-infograph/511816/

Weimann, G. (1994). *The influentials. People who influence people*. Albany: State University of New York Press.

Wright, P. L. (1975). Consumer choice strategies: Simplifying vs. optimizing. *Journal of Marketing Research,* 11, 60-67.