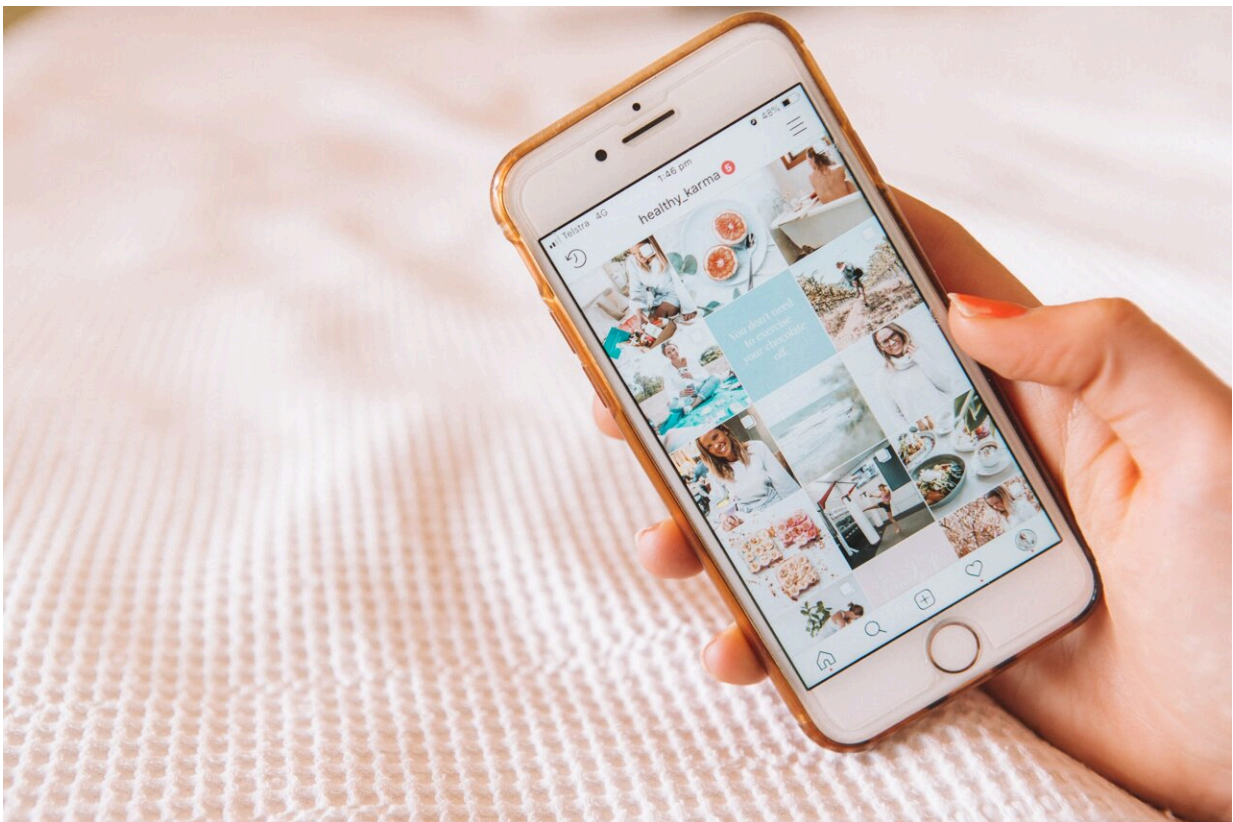


More bang for the buck in influencer marketing: Focus on influencers with smaller followings, say study

February 21 2024, by Marilyn Stone



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Researchers from University of Mannheim, Erasmus University Rotterdam, Reichman University, and University of Basel published a

new study that examines the effectiveness of paid influencer endorsements, particularly for DTC firms.

The study, appearing in the *Journal of Marketing*, is titled "[Revenue Generation through Influencer Marketing](#)" and is authored by Maximilian Beichert, Andreas Bayerl, Jacob Goldenberg, and Andreas Lanz.

In what has quickly grown into a \$17.4 billion industry, more than 80% of companies in the U.S. are using [influencers](#) for marketing purposes. In a swiftly evolving digital landscape, influencer marketing is a significant trend that has been further spotlighted by Instagram's 2023 expansion of advanced analytics tools for influencers and brands.

Instagram is the most prominent user-generated content network for both brands and influencers, with 3.8 billion annual sponsored postings. For direct-to-consumer (DTC) firms, identifying influencers who drive positive return on investment (ROI) remains the biggest challenge when considering influencer marketing as a [revenue](#) channel.

This new study explores the effectiveness of paid influencer endorsements, particularly for DTC firms. The research sheds light on the entire influencer marketing funnel—from followers on Instagram, to reached followers, to engagement with the sponsored posting, and to actual revenue.

Looking at the achieved immediate revenue and the related cost, the research team finds there is a significant gap in understanding the true ROI of these campaigns and zeros in on a key challenge for DTC companies: identifying influencers who drive positive ROI.

Nano-influencers: When less is more

"Our investigation led us to an intriguing conclusion, namely that nano-influencers, with a smaller following, are more cost-effective in revenue generation compared to their macro counterparts, who boast larger followings. This finding challenges the prevalent industry norm that places a higher value on influencers with larger audiences," says Beichert.

The study finds that the engagement between influencers and their followers plays a crucial role in this dynamic; in essence, a more intimate connection between nano-influencers and their audiences leads to more effective marketing outcomes.

The researchers employ a combination of secondary revenue data and field studies. They analyze data from one of Europe's leading DTC firms, which include influencer-specific discount codes shared on Instagram and are linked to nearly 1.9 million sold products, amounting to over €17 million in revenue.

Further, the results are confirmed for YouTube and TikTok. The analysis is complemented by three distinct field studies with 319 paid nano- and macro-influencers on Instagram. This highly managerially relevant comparison helps resolve controversies about whether macro influencers make use of their greater reach and whether they are more persuasive when it comes to the purchasing decision.

Bayerl says, "Interestingly, our results do not negate past findings that favor macro influencers. We propose that the rapid growth of social media platforms and the subsequent increase in followership sizes have led to a shift in the influencer landscape. What was once considered a macro-influencer is now potentially falling into the micro category."

Additionally, past research often did not incorporate complex measures like ROI, primarily due to the unavailability of relevant data. A key

aspect of this study is examining the level of engagement before a sponsored post.

"We follow social capital theory, which suggests that influencers with more followers might encounter lower engagement levels with their followers. We also use language style matching (LSM) to delve deeper into the relationship between influencers and their followers. Our findings indicate that nano-influencers align more closely with their followers' communication styles, enhancing their relatability and effectiveness in influencer marketing," explains Goldenberg.

Lessons for marketers

The study holds significant implications for DTC firms and marketers.

- Brands should consider leveraging nano-influencers for more effective marketing campaigns. This approach not only promises higher ROI but also fosters a more authentic connection with audiences.
- Influencer marketing platforms enable marketers to work with hundreds of low-follower influencers at the same time and efficiently leverage their potential at the cost of handling only one high-follower influencer.
- Marketers need to consider the whole influencer marketing funnel; i.e., from followers (e.g., on Instagram), to reached followers (via the sponsored posting), to engagement (with the sponsored posting), to actual revenue. Across ROI metrics, nano-influencers consistently outperform macro influencers.
- Return on influencer spend, or ROIS, which considers both revenue and costs, is more than three times higher for nano-

influencers compared to macro-influencers. Even though the revenue is six times higher for macro-influencers, the associated costs are 18 times higher than for nano-influencers.

This research suggests that in the ever-changing world of digital marketing, a more nuanced approach to influencer selection is paramount. Lanz says, "DTC firms and marketers should consider the powerful impact of nano-influencers and the significant engagement they foster with their audiences. By doing so, they can unlock new potentials in influencer marketing, ensuring that their investments yield higher returns."

More information: Maximilian Beichert et al, Revenue Generation Through Influencer Marketing, *Journal of Marketing* (2023). [DOI: 10.1177/00222429231217471](https://doi.org/10.1177/00222429231217471)

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