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Entrepreneurship and social networks: the rise of influencer marketing

Przedsiębiorczość i serwisy społecznościowe: rozwój influencer marketing

ABSTRACT

Technological development has paved the way for the growth of social networks over the last years. In this context, influencer marketing has arisen as a strategy to reach a wider and more engaged public when promoting a product, a service or a brand. This marketing strategy implies a link between brands and influencers who, thanks to their consolidated reputation and trust from their audience, facilitate companies to sell their products and services. This awareness has led to the birth of new types of agencies and businesses, which work as intermediaries between content creators and brands. The paper examines the relationship between entrepreneurship and social networks, with a focus on the application of influencer marketing strategies in a concrete digital company. Findings suggest that with numerous advantages and challenges the sector is seen as currently thriving and the level of confidence about the future is high, and are in line with previous studies.

Keywords: social networks, influencer, influencer marketing, entrepreneurship, generation Z.

STRESZCZENIE

Postęp technologiczny w ostatnich latach utorował drogę do rozwoju sieci społecznościowych. W tym kontekście *influencer marketing* jawi się jako strategia marketingu internetowego pozwalająca na dotarcie podczas promowania produktu, usługi lub marki do szerszej i bardziej zaangażowanej publiczności. Strategia ta zakłada powiązanie między markami a popularnymi i wpływowymi użytkownikami, którzy dzięki swojej ugruntowanej reputacji i zaufaniu odbiorców ułatwiają firmom sprzedaż ich produktów i usług. W konsekwencji pojawiają się nowe typy agencji i firm, które działają jako pośrednicy pomiędzy twórcami treści a markami. Niniejszy artykuł ma na celu analizę relacji między przedsiębiorczością a sieciami społecznościowymi i zastosowania strategii *influencer marketing* na konkretnym przykładzie. Wyniki sugerują, że dzięki licznym zaletom i wyzwaniom sektor jest obecnie postrzegany jako znakomicie prosperujący, z wysoką wiarą w przyszłość. Są one zgodne z wcześniejszymi badaniami.

Słowa kluczowe: sieci społecznościowe, influencer, influencer marketing, przedsiębiorczość, pokolenie Z.

INTRODUCTION

Nowadays, technology is deeply rooted in daily life. In particular, in recent years, attention has been increasingly given to social networks, such as *Instagram* or *TikTok*, and on the influence that they can have on their audience (Clement,

2020). In this regard, some companies have had the intuition to leverage this potential, entrusting the marketing of their products and services to content creators who work on these digital platforms (i.e., influencers) (Stubb, Nyström,

& Colliander, 2019). Thanks to influencer marketing strategies, such firms have been able to increase the efficiency of their business, not only reaching a wider audience, but also a more engaged one (Campbell & Marks, 2015). As a matter of fact, influencers and other content creators have a higher chance of reaching a public who trusts them (Keller & Berry, 2003) and who is genuinely interested in what they might promote, so what they publicise is not perceived as aggressive advertisement. In this context, different kinds of agencies have been born, such as digital companies, talent agencies, and influencer agencies: their task is to mediate the interaction between companies (who are looking for a way to promote their products and/or services) and content creators (who may be the answer to their needs) (Stoldt, Wellman, Ekdale, & Tully 2019).

The objective of this article is to investigate the relationship between entrepreneurship and social networks, and to examine the rise of influencer marketing strategies and related businesses. In particular, the paper is committed to answering the following research questions: (a) What are the advantages for a business which adopts an influencer marketing strategy?; (b) What are the main challenges to be faced?; and (c) To what extent are the agencies that make use of influencer marketing strategies confident in their performance and optimistic regarding their future perspectives?.

The paper begins with a literature review aimed at defining the basic concepts of social networks entrepreneurship and influencer marketing, as well as providing a brief historical overview. The study has involved a specific Italian digital company, *Web Stars Channel*, that is an intermediary between companies and content creators, and aims to provide a framework of the emerging trends in social networks' entrepreneurship.

1. LITERATURE REVIEW

1.1. Influencer marketing

According to Shane and Venkataraman (2000) entrepreneurship is "an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goals and services, ways of governing markets, process and raw materials through organizing efforts that previously had not existed". As a consequence, entrepreneurship can be applied to different fields and activities, since it "can be initiated by any individual provided s/he is creative, skilful and resourceful and determined enough to tackle any obstacles" (Subrahmanyam, 2019).

Corvino (2020) regards influencer marketing as a digital marketing strategy which takes advantage of the figure of the influencer as a means to promote its brand via social media. Moreover, Bailis (2020) posits that "influencer marketing is when companies partner with influencers in order to increase brand awareness or conversations among a specific target audience".

1.1.1. Historical overview

When talking about influencer marketing, we are led to think it is a recent phenomenon, but the history of this marketing strategy has its roots much earlier than we can imagine. There are plenty of examples from the past in which brands began to make use of *ad hoc* characters, capable of providing a suitable representation of their products and services. Very famous is the case of Nancy Green, hired by the R.T. Davis Milling Company in 1890: her face became that of the pancake mix "Aunt Jemima" (Land, 2017).

Later, around 1940, the multistep flow model was theorized (Ognyanova, 2017). According to this theory, "opinion leaders tend to have a great effect on those they are most similar to, based on personality, interests and socio-economic factors. For this reason, opinion leaders intervene between the direct message of the media and the reaction of the public to that message". The multistep flow model, therefore, assumes that ideas flow from the mass media to opinion leaders before being spread to the rest of the population (Ognyanova, 2017).

In the early 2000s, with the increasing spread of the Internet and the emergence of blogs as sources of information on the net, companies began to implement the first actions of digital PR. In this way, bloggers were required to review products sent by brands, or they came directly in contact with company managers to have an informal discussion (Cosenza, 2018). Digital PR, therefore, offers the opportunity to reach a much wider audience that cannot be reached only with offline methods, and, moreover, "in digital media, PR involves a very active user in contrast to classic PR in which you have an active narrator but a passive audience" (Adlmaier-Herbst, 2014).

In 2006, *PayPerPost* was launched, the first marketplace that pays bloggers to create content for brands. As with any new technology or new idea, a lot of controversy arose after its launch. In fact, it was thought that this new sponsorship model would lead to the placing of non-authentic content on the internet. *PayPerPost* was popular and inspired many other similar programs from other companies, but it was also heavily criticized because these influencers were not required to disclose their involvement with the platform (The History of Influencer Marketing, n.d.).

A few years later, there was the real boom of social media, which made blogs obsolete. In this scenario, the actors significantly increased: companies, influencers, specialized agencies, media centres, talent agencies, tech providers and institutions. About the institutions, it is important to highlight the existence of control and disciplinary bodies that try to guarantee complete transparency (Cosenza, 2018).

According to Bailis (2020), the influencer marketing sector has grown exponentially in recent years and covers a market share of 5-10 billion dollars. The first main parameter to observe is the part of the company budget that is allocated to influencer marketing. According to the statistics

referring to the year 2020 it was estimated that 65% of marketers would increase the budget for influencer marketing. As far as the budget is concerned, statistics showed the following results: the budget for 19% of marketing professionals is around \$1,000–\$10,000 per year, while for 18% between \$100,000 and \$500,000 per year. Only a small share (7%) has planned to give over a million dollars a year to influencer marketing (Bailis, 2020). Furthermore, it is interesting to note that 17% of professionals have planned to spend more than half of their entire budget on influencer marketing, a data which therefore confirms the importance and usefulness of this type of marketing (Bailis, 2020).

Regarding the analysis of the main economic indicators, particular attention is paid to ROI (Return on Investment). This index is used by investors to understand how much the invested capital returns in the form of income and a project will be profitable if this index is positive. Despite the understandable prudence of small business in investing in an emerging channel, “nearly 90% of all marketers find ROI from influencer marketing comparable to or better than other marketing channels”. Finally, the cited statistics also highlight that *Instagram* “With over 1 billion users and a fast-growing network of influencers churning out millions of sponsored posts each year” is currently the most important and most used channel, for this reason “69% of marketers plan to spend the most money on Instagram for influencer marketing” in 2020, which means “over six times more than *YouTube* (11%), the second most-selected channel for top spend”. On the other hand, according to statistics, the least efficient social network in terms of influencer marketing is currently *Snapchat* (Bailis, 2020).

1.1.2. Social networking

Kenton (2020) defines social networking as “the use of Internet-based social media sites to stay connected with friends, family, colleagues, customers, or clients”. Therefore, social networks are increasingly being used as strategic means for different purposes related either to social relationships or to business issues. *Facebook*, *Instagram*, *YouTube*, *Twitter*, *LinkedIn* and *TikTok* are just some of the many – and continuously evolving – social networks used nowadays (Kenton, 2020). These platforms are increasingly being leveraged by marketers who take advantage of them in order to build brand loyalty and foster brand recognition. A key factor of success associated with the use of social networks as a means for promoting a brand is that they can not only make it easily recognizable for its existing customers, but also attract new ones, being more accessible to a wider audience. Moreover, marketers leverage social networks in order to create conversion thanks to constant interaction with potential and already-existing customers, indeed “sharing blog posts, images, videos, or comments on social media allows followers to react, visit the company’s website, and become customers” (Kenton, 2020).

1.1.3. Influencers

Freberg, Graham, McGaughey, & Freberg (2011) define an influencer as an “independent third-party endorser who shape[s] audience attitudes through blogs, tweets, and the use of other social media”. According to Campegiani (2020), anybody can potentially become an influencer, but only those who can really spread wide messages and opinions – thus having an actual impact on their audience – can be defined as real influencers.

It is possible to make a distinction among different typologies of influencers, based on the number of followers they have on social media platforms (Ruggero, n.d.):

- *Everyday influencers* (1 – 1,000 followers): not influential and not likely to be paid for the content they share (e.g.: users who often write reviews);
- *Micro influencers* (1,000 – 20,000 followers): have a relatively small public, but they can reach high levels of engagement;
- *Professional influencers* (20,000 – 100,000 followers): stay in the middle between *micro* and *macro*; can be defined as experts in the sector and they are aware of their influence potential on their audience;
- *Macro influencers* (100,000 – 300,000 followers): real experts; present high communication skills, which make them close to celebrity influencers;
- *Celebrity influencers* (over 300,000 followers): characterized by a very wide and diverse audience and, for this reason, likely to work for an agency of the sector. Their weakness is that many of their followers may follow them because they admire them as people, but they are not actually interested in the products they promote.

There is one last category of influencers, namely *brand advocates* (1 – infinite followers): in their case, the definition of the category is not based on the actual number of followers, but on the influencers’ task, which is that of promoting a specific brand (Ruggero, n.d.).

1.2. Influencer marketing platforms

Influencer marketing helps specific brands to sell their products and services through their endorsement by users of social media platforms with an extremely large following, established reputation and trust with their audience (Cosenza, 2018).

One of the main causes that led to the birth of influencer marketing was Generation Z (henceforth “Gen Z”) (Francis & Hoefel, 2018). This generation is “difficult to reach and engage through any other more traditional marketing channel” (Dogtev, 2020), for instance pop-up branded ads, which they tend to block with *AdBlock* plugins. For this generation, consumption has become a means of self-expression, for this reason purchase decision is conditioned by what is shown by social media celebrities or influencers (Francis & Hoefel, 2018). Influencer marketing platforms have emerged as a consequence of this tendency. These platforms are tech-

nological services used to put the brand in contact directly with influencers and are equipped with databases that can contain hundreds of thousands of influencers. Essentially, they “help influencers monetize their social media channels and brands to reach their potential customers or increase engagement with current ones” (Dogtiev, 2020). This system works in a specific way for both parties. Each influencer owns a profile, where all his/her information and social media account statistics are indicated. Each brand, provided with a platform to search for a particular influencer to work with, can – using a series of filters – search through an influencer platform database and find the one most fitting to advertise a product or service. Once the connection between brand and influencer has been made, the platform also begins to provide statistical data in order to monitor “the impact of promotions made by one or more influencers” (Dogtiev, 2020). To carry out this task and therefore promote a brand, influencers receive a reward, which can be monetary or in the form of gifts (Dogtiev, 2020).

Besides platforms, there are also influencer marketing agencies. This type of agency “allows brands to work with any influencer, regardless of reach, the social media platform they are on, size or affiliations” (Dogtiev, 2020). These agencies are particularly important for brands, as they can provide advice and help them choose the best influencer to partner with. As a matter of fact, they are in contact with major social media influencers and they manage to find the perfect brand/influencer combination thanks to the expertise of their staff, and not through software algorithms. They then work to identify influencers and negotiate rates with them on behalf of the brand, while offering a strategy for a brand’s campaign to maximize audience engagement and reach. Hence, their main goal is to ensure that a marketing campaign goes smoothly and also to provide post-campaign analysis for brands.

2. METHODOLOGY

The research was conducted among the employees of *Web Stars Channel*, an Italian digital company based in Milan and founded in 2012. The mission of the agency is to create an in-

dustry rooted in the potential of content creators of the new generation. To the present date, it has 20 employees and cooperates with a wide range of Italian influencers and content creators, as well as with more than 400 companies and brands.

The data was collected through a questionnaire, distributed via mail to the employees in December 2020. The questionnaire was divided into six sections that sought to understand the strengths and challenges of the sector, the most efficient social networks to reach the public, the resilience of the company faced with the Covid-19 pandemic, the efficiency of the company and the previsions about the future of the influencer marketing sector.

3. RESULTS AND DISCUSSION

Out of 20 employees, 13 responded to the questionnaire. Most of the participants belong to the middle-aged class, with a majority of 46.2% in the range of 31–40 years old. Almost a half (46.2%) have been working in the sector for about 5–6 years. There are also employees with great experience, for instance two respondents who have been working in the sector 12–13 years, as well as employees with less than 3 years of working experience.

Message-target coherence and non-aggressive advertisement and innovative way of marketing were regarded as the most relevant factors of success (61.5% and 53.8%, respectively). As far as challenges are concerned, the most agreed ones among the participants were: *generate conversion*, as expressed by 69.2%, followed by *influencers’ trustworthiness* as indicated by 53.8% and *be reliable*, as chosen by 46.2% of the participants.

Some social networks were considered more effective to reach the audience and stood well beyond the average (Fig. 1). These networks were: *Instagram* (92.3%), *YouTube* (76.9%), and *TikTok* (53.8%). These results are in line with those of Bailis (2020) which placed *Instagram* at the first place and *YouTube* at the second in terms of efficacy. Furthermore, in our survey, none of the participants selected *Snapchat* as an effective channel upholding once again Bailis’ (2020) considerations.

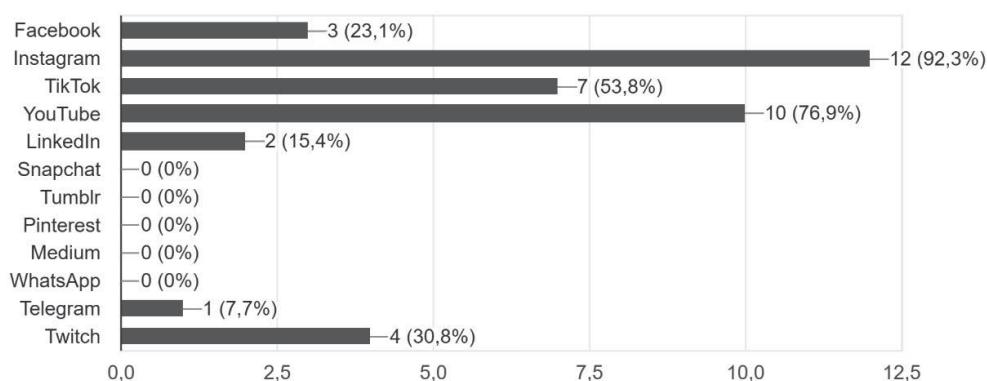


Fig. 1. The most effective social networks to reach the audience

Source: Authors' construction

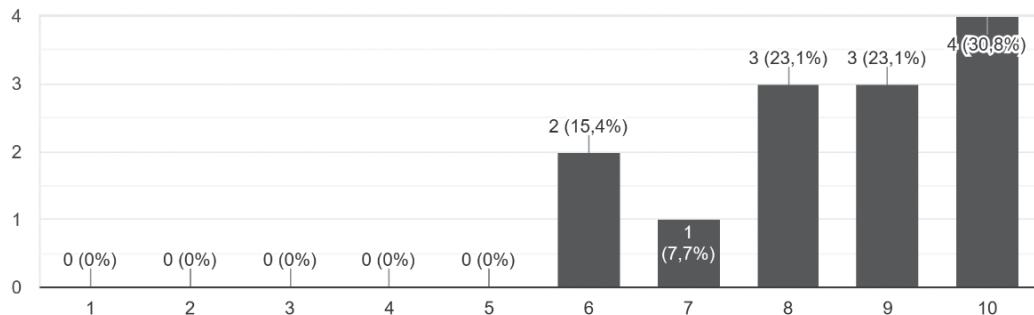


Fig. 2. Resilience of the agency to COVID-19 global pandemic

Source: Authors' construction

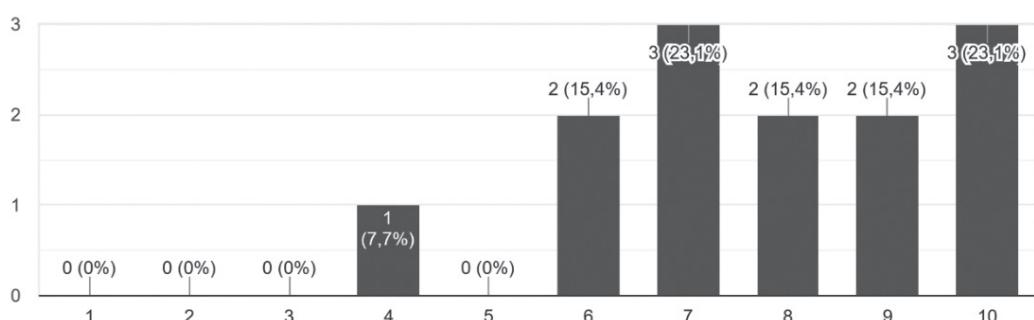


Fig. 3. Revisions about the future

Source: Authors' construction

Participants seemed to be fairly optimistic about the current situation and the resilience of the company in the context of the current global pandemic. On a scale from 1 to 10, over a half considered the company to be highly resilient to external conditions (56% marked between 8 and 10 on the provided scale). The lowest score was 6 (Fig. 2).

Likewise, most participants turned out to be satisfied with the efficacy of the company, with a minimum rating of 7 indicated by 30.8% and a maximum of 10 as selected by 15.4%.

General optimism could also be perceived in the answers to the question "How do you imagine the influencer marketing sector in 10 years?". Indeed, on a scale of 1 (declining) to 10 (flourishing), 23.1% of the participants provided the highest score and 15.4% indicated the 9. There was one respondent who did not feel so confident about the future and who indicated the response 4 (Fig. 3).

SUMMARY

The study aimed to examine the advantages and challenges faced by companies working with an influencer marketing strategy and to understand how the employees perceive the resilience of the company and the future of the sector.

Influencer marketing takes advantage of social networks highly used by Gen Z and seeks to build brand loyalty and prompt brand recognition, thus maintaining existing customers and attracting new ones. The application of influencer marketing strategies helps businesses increase brand

awareness as well as conversions among a defined target. Influencer marketing has been found to be very useful in order to increase ROI if compared to other kinds of advertisement strategies. However, these advantages are not simply reachable and imply the selection of influencers that guarantee credibility. It is important to stress that the phenomenon of influencer marketing runs the risk of being replaced by others, as happened when social networks took the place of blogs. Nonetheless, as for now, the participants in the survey expressed satisfaction and optimism about the future of the sector.

In the future, the study could be replicated among the companies in the sector involving a larger sample size in order to allow generalizations.

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