DUFF & PHELPS | Kroll
A Division of Duff & Phelps

Face Value Report

AN ANALYSIS OF INFLUENCER MARKETING IN THE FMCG INDUSTRY

Nearly a quarter of FMCG companies suffered a $100,000-$250,000 loss from a negative influencer experience

By 2021 almost half of respondents are set to spend 31-50% of marketing budget on influencers

More than one in 10 marketers at FMCG companies gained $1.1 mn-$5 mn from most successful influencer campaign

Devotion to our digital devices has skyrocketed during the coronavirus lockdown and has supercharged an already booming part of the marketing industry.

In less than a decade, the influencer profession has leapt from a standing start to what is expected to be a $15 billion global industry by 2022[1].

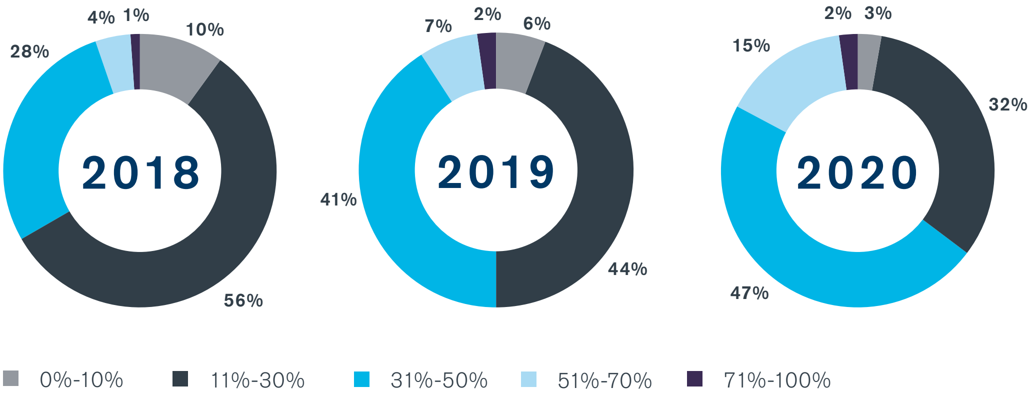
Now, more than a fifth (22%) of brand and marketing managers at FMCG companies around the world spend between $1.1 million (mn)-$5 mn on influencers, whose strong online presence is harnessed by brands to amplify sales of their products.

By 2021, nearly half of marketers at FMCG companies (46%) expect to spend 31%-50% of their total marketing budget on influencers—up more than 20% compared to the average spent between 2018-2020—while nearly one in 10 will spend over 70%.

The use of influencers can be highly rewarding, but it can be exceptionally risky too. Over four-fifths (85%) of FMCG companies have had their brand negatively impacted due to an association with an influencer, with a quarter (24%) of these companies claiming to have been adversely affected multiple times. Furthermore, 70% of respondents have doubted the number of followers an influencer claimed to have.

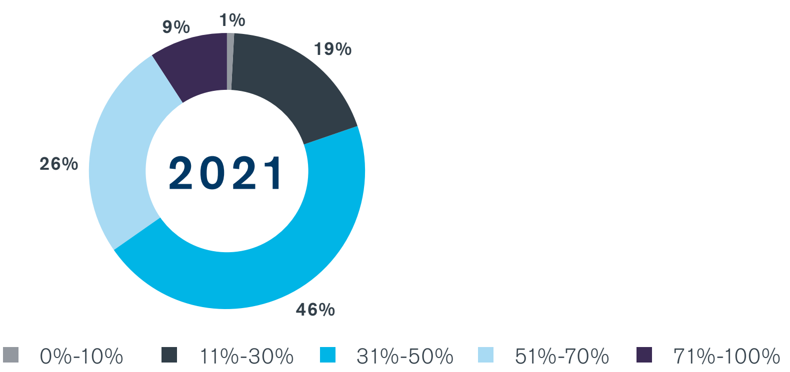
To understand more about influencer marketing in 2020 and beyond, Duff & Phelps and Kroll, a division of Duff & Phelps, surveyed over 900 marketing and brand managers within the FMCG market to find out about the specific products they were responsible for and the influencer marketing trends they were seeing. FMCG companies surveyed included those in cosmetics, food and beverage, clothing and consumer electronics. The respondents were from the U.S., UK, Ireland, Spain, Netherlands, France, Italy, Germany and the United Arab Emirates (UAE).

FIGURE 1 – PROPORTION OF MARKETING BUDGET SPENT ON INFLUENCERS 2018-2020



[1]*Source: Business Insider Intelligence 'Influencer Marketing' report: https://www.businessinsider.com/influencer-marketing-report?r=US&IR=T*

FIGURE 2 – PROPORTION OF MARKETING BUDGET SPENT ON INFLUENCERS 2021 (ESTIMATED)

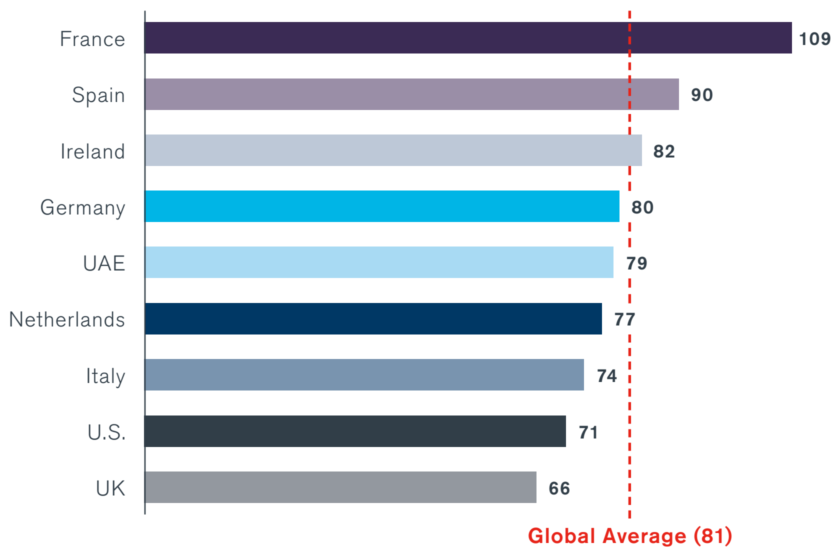


Marketing teams once sought to secure the most expensive celebrity they could afford for an advertising campaign, but this strategy is increasingly obsolete in the digital age.

The proliferation of social media means firms can target different customers through distinct channels with the right influencer for the relevant platform.

To do this effectively, many marketers at FMCG companies will spread their own spend across dozens of influencers; 45% of respondents stated they usually work with 51-100 and 16% said they work with 101-200 influencers at any given time on their product range. This could rise as the influencer method of marketing becomes more entrenched.

FIGURE 3 - NUMBER OF INFLUENCERS USED ON AVERAGE BY MARKETERS AT FMCG COMPANIES BY COUNTRY



Looking at the data a bit closer, UK marketers at FMCG companies appear to use the fewest number of influencers (around 66) for their campaigns. The U.S. uses only slightly more with around 71 influencers. In contrast, Spanish respondents use 90 influencers on average, and in France, marketers at FMCG companies use about 109 influencers each. This differential could be explained by language: it's more likely an English-speaking influencer will have greater international appeal than one that speaks Spanish or French. Therefore, U.S. and UK marketers at FMCG companies can use fewer influencers to reach a bigger audience.

The COVID-19 lockdown hastened the digitalization of the economy with a boom in e-commerce and a surge in all forms of online communication.

Consequently, during lockdown, two-thirds of respondents either maintained their influencer spending at pre-COVID-19 levels or increased it slightly, while nearly a fifth (19%) increased it significantly.

This commitment towards spending on influencers suggests consumer-facing businesses across the world believe in its power.

But, like all forms of marketing, this doesn't necessarily mean everyone benefits to the same degree.

Securing Success

Clear winners emerge when comparing how much companies make from their most successful influencer campaigns against what they spend running them.

The data suggests that the average amount spent per influencer among marketers at FMCG companies is $22,151 per year. Marketers at FMCG companies in the U.S. stand out as paying their influencers the least, around $13,153 per year. In contrast, Italian respondents pay the most at around $29,972 per year.

FIGURE 4 – INFLUENCER COST

COUNTRY	COST PER INFLUENCER IN USD/YEAR
Italy	$29,972
Netherlands	$26,337
Ireland	$24,952
Spain	$24,861
Germany	$22,622
Global Average	**$22,151**
France	$22,104
UK	$18,415
UAE	$15,612
U.S.	$13,153

Globally, almost a third of marketers at FMCG companies (32%) said their most successful influencer campaign brought in between $250,000-$500,000 worth of sales for their particular product.

Looking at the average sales increase by country, the countries with the most successful single influencer experience for an individual product were France resulting in $1,246,039 worth of sales from an influencer, UAE with $1,006,651 worth of sales and Spain with $949,304. The average sales increase across all countries for the most successful influencer campaign was $813,262.

FIGURE 5 – SALES INCREASE FROM BEST INFLUENCER EXPERIENCE

COUNTRY	SALES INCREASE FROM BEST INFLUENCER EXPERIENCE (USD)
France	$1,246,039
UAE	$1,006,651
Spain	$949,304
Germany	$921,567
UK	$891,131
Global Average	**$813,262**
Netherlands	$736,809
Ireland	$655,094
U.S.	$524,311
Italy	$408,703

Interestingly, the analysis showed that while marketers at FMCG companies in Italy spend the most per influencer, they saw the lowest sales increase from their best influencer campaign at $408,703, almost half the average sales increase experienced among other respondents elsewhere in the world. It's important to note that while the U.S. also had lower sale success rates from their best influencer campaigns than the global average (figure 5), the U.S. also pays its influencers the least (figure 4).

More than one in 10 respondents (13%), mainly larger businesses with more than 500 employees, generated between $1.1 mn-$5 mn in sales from their best campaign, showing that a well-orchestrated influencer marketing program can provide a meaningful revenue boost.

While these figures suggest there can be attractive gains, there are always reputational and financial risks when a company aligns its brand with something or someone—and collaborating with an influencer is no different.

Relationship Problems

A majority (85%) of FMCG companies globally have had their brand negatively impacted due to an association with an influencer, with a quarter (24%) of these companies claiming to have been adversely affected multiple times.

The problems appear to be most acute in mainland Europe, with Spain, Italy, France and Germany registering the highest percentages for multiple influencer incidents.

FIGURE 6 – PROPORTION OF RESPONDENTS REPORTING NEGATIVE INCIDENTS CAUSED BY INFLUENCERS (ALL COUNTRIES)

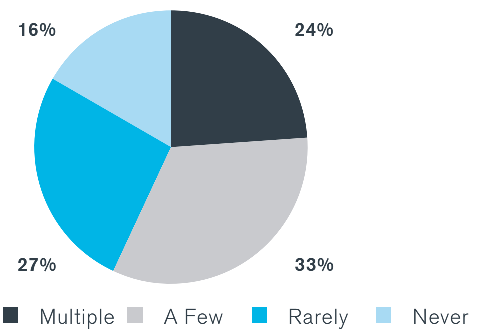
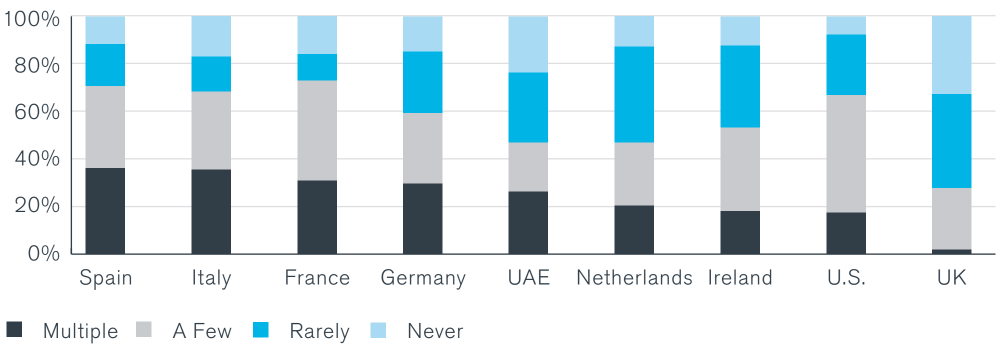


FIGURE 7 – PROPORTION OF RESPONDENTS REPORTING NEGATIVE INCIDENTS CAUSED BY INFLUENCERS (BY COUNTRY)



Almost a third of marketers at UK FMCG companies claim to have never had a bad experience with an influencer—the highest number for any of the nine countries surveyed—and two-fifths of respondents have rarely had an incident.

The UAE has the next strongest track record, with nearly a quarter of respondents avoiding an influencer-related issue.

The U.S. experience is variable. Behind the UK, marketers at FMCG companies in the U.S. are the least likely to report multiple incidents, but they are also the least likely to have never had an issue.

Given nearly a quarter of respondents globally suffered a $100,000-$250,000 hit from a negative event with an influencer, and a fifth (19%) endured an impact over $500,000, it is vital to vigorously scrutinize who to work with.

Don't Take it at Face Value

Every business decision requires due diligence, including selecting the right influencer to represent your brand to a particular type of consumer.

It is easy for an influencer to overstate their importance by exaggerating their social media following—a central concern for firms that use this form of marketing.

Our research showed that more than two-thirds (70%) of marketers at FMCG companies had doubted an influencer's follower count on one or multiple occasions compared to just a quarter (26%) who never had any concerns.

It is noteworthy that in the UK, where just over half of respondents (51%) had never had such doubts about followers, the use of third-party influencer verification specialists was among the highest.

Proving direct causation here would be extremely difficult, but such a correlation is also visible in the Netherlands.

Conversely in Germany, where only 4% of respondents have never had cause to doubt an influencer's following, they are more likely to use their marketing agencies to vet influencers for them rather than a specialist.

More than half (59%) of marketers at FMCG companies globally employ a dedicated person or team to vet their prospective influencers, suggesting that companies understand the importance of investing in this skill, regardless of how they go about it.

Sizeable Impact

It's perhaps not a surprise that bigger companies with more resources and working with more influencers would have a higher success rate from their influencer-led campaigns—but the volume of influencer marketing campaigns also means that they could be more likely to have negative experiences.

Within FMCG companies that have a turnover of over $500 mn, 28% of marketers experienced a sales uplift of over $1 mn from their best influencer campaign. The same proportion of marketers from this group (28%) work with over 200 influencers at any one time on their campaigns, and half of them (49%) have experienced multiple negative events working with an influencer, the highest of any group surveyed.

This is potentially concerning given that marketers within the second largest size of FMCG firm surveyed (those with 250-500 employees) were the most likely to have increased their influencer spending significantly during lockdown.

And this cohort of company is less likely to use a third-party specialist to verify the credentials of an influencer, potentially leading them to make more costly mistakes than necessary.

Sector Influence

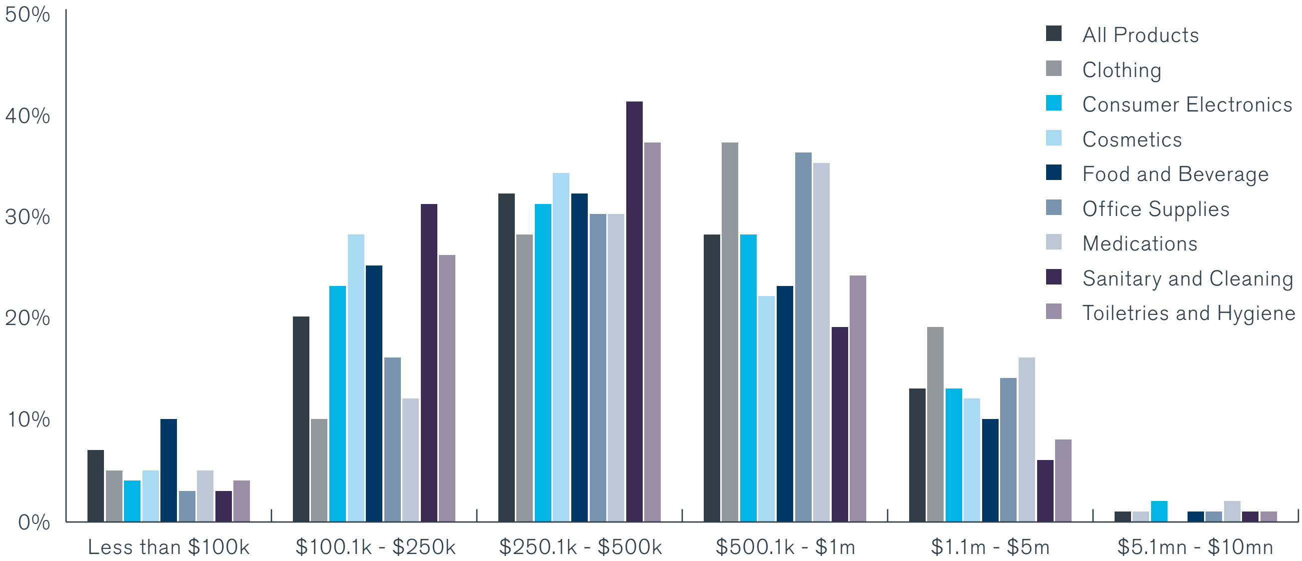
Influencers are central marketing tools for many firms but within the FMCG sector, they have particular traction with certain industries.

Nearly two-fifths (37%) of marketers at sanitary and cleaning product companies spend between $5 mn-$10 mn on influencers each year, while almost a quarter (23%) of marketers at food and beverage companies spend such amounts.

Rapid rises are also predicted in several areas. In 2021, double the number of respondents expect to spend 51-70% of their marketing budget on influencers compared to 2020 in five of the eight industries surveyed, which include sanitary and cleaning, consumer electronics, toiletries and personal hygiene, cosmetics, and food and beverage.

These FMCG companies will be hoping for returns commensurate with the increased financial risk they are taking.

FIGURE 8 – SALES INCREASE BY INDUSTRY FROM INFLUENCER MARKETING



And the gains can be significant. The clothing industry in particular has proven this, with a fifth (19%) of respondents recording a $1.1 mn-$5 mn sales increase from one campaign.

That being said, two-thirds (66%) of respondents in the clothing industry have suffered a few or multiple incidents with influencers.

This is something that occurs for over half (60%) of food and beverage marketers, whose companies are most likely to never have had an issue with an influencer (15%), and the financial impact caused by any incident is also likely to be the lowest.

Analyzing other sectors, it would appear a healthy skepticism is warranted when deciding which influencers to work with.

Both the consumer electronics and sanitary and cleaning sectors are least likely to have had multiple incidents with influencers, and they are the most likely to doubt follower counts.

Who Can You Trust?

Success on social media is a numbers game, and it is therefore common for would-be influencers to inflate the size of their online presence.

Fraudulent follower counts and erroneous engagement statistics are expected to cost brands $1.4 bn in 2020[2]. To tackle this issue, companies should carefully assess an influencer's following and investigate any inorganic spike in followership.

FMCG companies globally tend to be more pessimistic the smaller an influencer's following is: 92% of respondents have doubted the follower count of a nano-influencer (someone with less than 10,000 social media followers), twice as many as for mega-influencers (those with 1 mn+ followers).

FIGURE 9 – TYPES OF INFLUENCERS BY FOLLOWER COUNT

Nano-influencers:	less than 10,000 followers
Micro-influencers:	10,000-50,000 followers
Mid-tier influencers:	50,001-500,000 followers
Macro-influencers:	500,001-1,000,000 followers
Mega-influencers:	more than 1,000,000 followers

From our research, we found that FMCG companies predominately work with micro-influencers (41%) and mid-tier influencers (34%). The UK had the highest proportion of companies working with macro-influencers at 31% and the UAE had the highest proportion of companies working with mega-influencers at 11%.

Nearly all mega-influencers (97%) often or always hit the targets set for them by the brand they are representing, although nano-influencers perform strongly too, with almost three-quarters (74%) of them often or always achieving the stated aims.

However, companies should be most cautious when working with nano-influencers. Of the respondents surveyed, 84% have had at least a few issues with this group. What's more worrying is every FMCG company surveyed who uses nano-influencers has had at least one negative incident with the group. Micro-influencers were the second most likely to cause a negative incident among FMCG companies, with 66% stating that this group had either caused a few or multiple incidents.

[2]*Source: CHEQ report – 'The Economic Cost of Bad Actors on the Internet'*
https://www.cheq.ai/affiliatefraudcosts

Interestingly, macro-influencers tend to cause the costliest damages when things go wrong. When asked about the worst incident and the damages caused, respondents reported that almost a fifth (18%) of macro-influencers caused a $1.1 mn-$5 mn financial hit to the brand they were representing.

Mistakes by mega-influencers only cost up to $100,000, suggesting that companies may be spending more time analyzing the historical social media activity of this influencer group to spot potential issues before they escalate.

Investing in the big names does seem to pay off. While fewer companies work with mega-influencers, 58% said they had never caused an issue and 35% disclosed that they rarely caused an issue. Furthermore, marketers at FMCG companies reported that a third of mega-influencers have increased their sales by between $1.1 mn-$5 mn – far above any other type of influencer – and they are twice as likely to secure a $5.1 mn-$10 mn revenue boost, albeit this is rare.

It's conspicuous that spending on mega-influencers was the most likely to be either increased slightly or significantly during the COVID-19 pandemic out of any type of influencer.

Brand Protection

Companies spend years creating a brand that engenders trust and loyalty, characteristics that are hard-fought for but easily lost, and very difficult to get back. When a negative incident with an influencer occurs, the reputational damage for the company that follows can have long-term commercial impacts: from loss of sales to surmounting legal fees or reduced share price.

The potential danger of using influencers is potent enough that some firms listed on the stock exchange cite the use of social media influencers as a potential financial and reputational risk for would-be investors.

Damages caused by an influencer from a single incident can continue to flare up long after the occurrence has passed and could permanently alienate valuable customers.

This suggests every company, whether listed or not, should thoroughly research the person it is entrusting with its brand to ensure it maximizes the chances of success and mitigates the likelihood of reputational damage.

Many companies are now taking a more proactive approach to managing influencer risk. Firms like Kroll can provide services to identify potentially sensitive issues on both standard and audio-visual platforms, including those posted many years ago, to allow brands to establish whether or not an influencer's values match their own.

Contact

Contact Kroll, a division of Duff & Phelps
for more information about Social Media Influencer Risk Assessments.

Contact Duff & Phelps
for more information about Valuation Services.

Methodology
Duff & Phelps and Kroll commissioned a survey of 917 marketing/brand managers working in fast moving consumer goods (FMCG) businesses across the UK, U.S., France, Germany, Ireland, Netherlands, Spain, Italy and the United Arab Emirates, to assess the current state of influencer marketing for FMCG brands and establish whether the COVID-19 pandemic had an impact on marketing spend. The research was conducted via an anonymous survey in June 2020.

About Duff & Phelps

Duff & Phelps is the world's premier provider of governance, risk and transparency solutions. We work with clients across diverse sectors in the areas of valuation, corporate finance, disputes and investigations, cyber security, claims administration and regulatory compliance. With Kroll, the leading global provider of risk solutions, and Prime Clerk, the leader in complex business services and claims administration, our firm has nearly 4,000 professionals in 25 countries around the world. For more information, visit www.duffandphelps.com.

About Kroll:

Kroll is the leading global provider of risk solutions. For more than 45 years, Kroll has helped clients make confident risk management decisions about people, assets, operations and security through a wide range of investigations, cyber security, due diligence and compliance, physical and operational security, and data and information management services. For more information, visit www.kroll.com.