An Examination on the use of Social Media and Social Media Influencers as a Strategy for Customer Retention

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ABSTRACT

In recent years the marketing industry has been facing a new challenge on how to market to the Generation Z and Millennial generation. These digital natives have grown up in the age of social media and no longer respond to traditional channels of communication. With the advent of Social Media Influencers, a new form of communication has been formed that has captivated the digital natives and influenced their purchasing behavior, redefining the brand-customer relationship as these Influencers have become third party endorser who says public opinion. This paper examines the effectiveness of social media and social media influencers as a strategy for customer retention. This has been done by looking at models and statistics that give us insights into the mind of the Millennial and Generation Z consumer of today. It has been found that, they utilize social media for knowledge acquisition, status, entertainment, and business. While their purchasing behavior is based on trust, perceived authenticity of both the brand and Social Media Influencer and that these lead to an intention to buy resulting in customer retention.

KEYWORDS: Examination of Social Media Influencers, Customer Retention

INTRODUCTION

With the advent of social media, companies have seen a shift in the marketing landscape. As Ozuem & Stokinger (2015) point out, the evolution has occurred from the standard one-to-many media monologue into a many-to-many dialogue. This has created a new marketplace for individuals who have leveraged social media platforms such as Instagram, Facebook, Twitter and Pinterest to create a large following, through content creation and engagement. Resulting in a multimillion-dollar industry that companies have used to boost their brands, expand their customer base, and retain those customers.

Influencer marketing, the process of identifying, engaging, and supporting individuals who create conversations with a brand’s customers, is a growing trend used in public relations initiatives (Glucksman, 2017). Over the year’s companies have moved from celebrity advertising to social media using ordinary people that have garnered a large following and marketing through them to increase brand awareness and sales through customer acquisition and retention. As people become more tech-centered in their lives and use social media as a form of entertainment, knowledge acquisition, business, and status. Consumers are looking to fellow consumers to inform them of their purchasing decision, career decisions, and choices of entertainment. The rise of social media has opened up a new channel for brands to connect with consumers more directly and more organically through social media influencers (Glucksman, 2017). Hence marketers have realized that targeting Social Media communities (individuals who identify with a certain online group) has become a powerful marketing strategy.

With all of this in mind it is essential to differentiate between customer loyalty and social Media Dimensions of customer retention, which is the purpose of this paper. Whereas customer loyalty is a customer reward that occurs once customers have changed their hearts and minds in favor of a particular product or service, customer retention is an organizational reward and focuses on how to keep customers without first having to change their hearts or minds (Customer Institute, 2010).

This paper seeks to examine the effects of social media in general and social media influencers in particular, on marketing strategies for corporations to retain customers. The paper aims to understand if customer retentions exist because of the loyalty that customers have to their social media influencer or if customer retention is based on the satisfaction that they obtain from a company’s product or service. The paper will seek to understand what qualities lead to a large loyal social media following for influencers.
that result in customers putting their faith in and basing their purchasing decisions on what their influencer may have promoted.

Social media is a group of internet-based applications that operate on the Web 2.0 technology, which leads to users building and exchanging content across the "virtual world". Tabrizi et al. (2015) refer to social media as customer retention and attraction through digital channels. Through social media platforms, communities have been formed where users identify themselves with groups through online networking.

Social media can be grouped into six types; collaborative projects, blogs, content communities, social networking sites, virtual game worlds, and virtual social worlds (Kaplan & Haenlein, 2010). The various social media platforms allow for different users to existing, which means marketers must differentiate between different customers in the social media space if they intend to target them and boost their brands and retain customers. Sukoco and Wu (2010) have identified two kinds of interest groups in social media communities. One group seeks to fulfill a self-related interest including knowledge and enjoyment and another follows socially related interests which refer to their search for affiliation and social status (Ozuem & Stokinger, 2015).

Ozuem & Stokinger (2015) Trefoil model identifies four purposes of user interaction on social. That is status, entertainment, knowledge, or business. Status-seekers use social media to construct a certain image, entertainment seekers use social media to have a good experience to feel better. Laroche et al. (2013) hold the view that brand communities form through social networking websites have a strong influence on customer retention and loyalty, that these online communities do increase customer satisfaction. Marketers need to be able to identify these media communities especially those that form under social media influencers.

Social media’s characteristics make it unique compared to other forms of digital media, as Valos et al. (2015) point out that the characteristics include achieving interactivity, collaboration across channels, integrated communication marketing across channels, and collecting information. These characteristics enable marketers’ to effectively promote their brands to a broad audience and even niche groups through interaction and data collection that provides them with insights into their customers who are most likely to be retained. These insights open a window into the customers’ mindset as many online users are willing to share a piece of themselves through their online activity.

With social media becoming an important aspect of customers’ lives, organizations have found it more difficult to build a customer-brand relationship. Organizations face the challenge of effectively conducting social customer relationship management (CRM) tactics (Huang et al., 2018). With social media users being susceptible to a plethora of information from competing firms on social networking sites, coupled with the immense volume of information that emanates from social media influencers on certain product or service and online word of mouth information from their peers or online friends. Understanding the nature of social media interactivity in brand communities is the key to building successful social CRM (Huang et al., 2018). A brand community is a virtual community based on a structured set of social relationships among the consumers of a brand (Muniz Jr & O’guinn, 2001). With an increasing number of users of social media, organizations tend to establish their communities for customers to contribute their opinions and experiences. These interactions can affect the retention of customers as they perceive their experience to be either positive or negative.

With social media competing with the traditional channels of communications many critics believed that social media’s existence would be temporary. However, with the advancement of enhanced algorithms that allowed search engines such as Google and social networking sites such as Facebook to be able to directly target specific users, it has allowed companies to better boost their brands. Coupled with data analytics gathered from technology companies it has created an added tool to marketers to better understand their customers and understand how to retain them. This has led to amplification as a success factor of social media marketing, as people thrive on the sharing and multiplication of messages. Whereas traditional advertising tools could be accessed even by non brand consumers, social media platforms and the technologies that support them ensure marketers can specifically target a group without wasting resources, increasing the possibility of customer retention.

Ozuem & Stokinger (2015) point to the conversation enabling the nature of social media as being able to spread negative word-of-mouth publicity for a brand leading to consumer detachment from a company with a loss of customer retention and revenue. Companies thus cannot afford to ignore social media users' perception or criticism of a brand due to the rapid nature of social media's ability to spread information across customer segments. Therefore marketers need to leverage information shared between social media’s users’ peers and social media influencers followers who can have an impact on the way consumers feel about a product and service.

The evolution of Social Media Influencers. Who are they? Social media’s evolution has led to a new type of third-party brand endorser, the Social Media Influencer. Before television celebrities held a monopoly on a third-party endorsement in the marketing space, social media has seen a rise in ordinary individuals becoming online celebrities in their own right. Their rise has been through their ability to create online content that is attractive to social media users and they shape their audiences’ attitudes towards a brand. Marketers are recognizing their value and are seeking to forge partnerships with Social Media Influencers to promote their brands. According to Mediakix (2020) 80% of
marketers hold the view that Social Media Influencers are vital as a marketing tool.

Social Media Influencers promote brands through their personal lives, making them relatable to the average consumer (Glucksman, 2017). Social Media Influencers’ relatability allows them to be viewed as a credible authority on any issue on a brand’s product or service, affecting a brand’s reputation. The result of it all is that a new industry if being formed online where these individuals are being sought after by brands to promote their products and services to the online community. The industry can be further divided into smaller tiers of different types of Social Media Influencers. Broadly speaking, there are five on Instagram, arguably the most important channel for influencer marketing (Mediaiax, 2020). The tiers are: Nano-Influencers: 1-10,000 Followers, Micro-Influencers: 10-50,000 Followers, Mid-Tier Influencers: 50-500,000 followers, Macro-Influencers: 500,000-1,000,000 followers and Mega-Influencers: 1,000,000+ followers (Mediaiax, 2020).

These tiers allow marketers a variety of options in deciding which influencer to target as their followers are niche. With Nano-Influencers having the smallest following among influencers, they provide a more personal attachment for their followers by providing engaging content and allowing their small group to be able to engage with their influencer and provide marketers with insights about customer perceptions. At the other end of the tier, Mega-Influencers allow marketers to reach a wider audience, and more often this audience is across different demographics and borders, allowing them instant reach. Mega-Influencer followers can share content with non-followers leading to an increase in potential customers. Influencers truly serve as the ultimate connection between a brand and a consumer (Glucksman, 2017).

The persuasive capabilities that Social Media Influencers have on their followers have made companies to develop data analytics technologies and methods to identify which Social Media Influencers are the perfect fit for the brand. Most of these efforts to identify Social Media Influencers rely on factors such as the number of daily hits on a blog, the number of times a post is shared, or the number of followers (Freberg, et al., 2011). Though these key metrics that companies use to decide on which Social Media Influencer to use are important, marketers recognize that it is quality of and not quantity alone that must be focused on. The quality of the content that Social Media Influencers produce is what captivates their audience and increase their following. Public Relations practitioners need additional tools to evaluate the quality and relevance of particular Social Media Influencer to their organizations and brands and to compare audience impressions of one Social Media Influencer to another (Freberg, et al., 2011). The landscape is evolving, as is the number of agencies and brands that want to get involved, leading to the rapid emergence of new influencer marketing trends (Mediaiax, 2020).

The evolution of Social Media Influencers has resulted in them launching their products and collaborating with companies to sell their products under the organization’s brand. Social Media Influencers have leveraged their large following to create their revenue streams that do not involve the brand’s product, but their own. Marketers have realized the potential of this new revenue stream as Social Media Influencers introduce their products that the brand themselves can utilize as their own. Resulting in long-term influencer partnerships in product collaborations instead of the one-and-done method of influencer marketing that occurred from the beginning of the influencer marketing age (Mediaiax, 2020). This has created an entrepreneurial influencers industry (Mediaiax, 2020), and with followers viewing their influencers as credible, they are more likely to purchase a product that is directly linked to an influencer leading to customer retention.

Using the Bryan Solis framework, one can determine the characteristics that make up a successful Social Media Influencer. Solis (2012) holds the view that Social Capital is fundamental in building influence in the social media space, defining it as “online networks of relationships among people in a particular society, enabling that society to function effectively”. Solis (2012) goes on to explain that three pillars (reach, relevance, and resonance) develop an influencer’s social capital.

Reach is seen as the ability of an influencer to increase the use of information and be able to reach a wide variety of followers and being able to connect with those followers using that information. Reach is hence a consequence of the popularity, proximity, and goodwill that the influencer can bring to bear (Abreu, 2019). Relevance is crucial as it is what enables an Influencer to obtain a following as followers will look to those influencers that have content that they have an affinity towards and trust. This requires an Influencer to take time and invest in the correct content and niche market, especially Nano and Micro-Influencers who have a small following and high levels of engagement. So, when there is reach capability and relevance potential, resonance can be built (Abreu, 2019). Resonance is how the online community responds to an Influencer’s content. Marketers use measurable data, translated from the number of shared posts by the followers, the number of likes and comments, and the number of calls to actions (that is the number for followers who go on to follow links to purchase a product).

Solis (2012) points to the fact that the follower’s perception of the attractiveness of the Influencer does affect the level of success. The factors familiarity, sympathy, and similarity are crucial to the audience feel attracted to the Influencer, they are a way to show how the public identifies themselves with the Influencer and consequently with the brand (Abreu, 2019). Customers are likely to continue to be repeat customers if they view that the product that the Influencer promotes will likely increase their attractiveness, this is true especially in the cosmetic and fashion industry especially where an Influencer promotes their products in a partnership with a reputable label.

The age of Social Media Influencer is changing the way businesses interact with customers. The industry estimated to be worth $5-10 billion in 2020 (Mediaiax, 2020). Social Media Influencers have become an important aspect of marketing strategies and will continue to provide marketers with varied options to access and retain customers. As the industry has a multi-tier setup that presents them with options to target different groups.
Social Media Influence on Consumer Behavior

All marketing decisions are based on assumptions and knowledge of consumer behavior (Hawkins, et al., 2007). Research into consumer behavior has become more important for marketers, especially during the internet age. Knowing how and why consumers act in certain ways in making their buying decisions helps companies improve their marketing strategies and be more successful in the market (Stankevich, 2017). Predicting and enticing consumers to purchase products and services and become repeat customers is one of the great challenges of marketers. Especially when competition for online attention is stiff and the attention span of consumers is spread across multiple platforms and the information that consumers receive from their peers and other actors (brands, influencers, host of news media entities, and other organizations) is in high volumes. Therefore, the knowledge of buying behaviors shed light on the psychology of how consumers think, feel, argument, and select among existing alternatives (e.g., brands, products, and retailers) (Stankevich, 2017).

The speed at which technology has altered the way consumers interact with brands has resulted in consumers demanding more active participation in the way brands market to them. People are looking for and finding smarter and more efficient ways to solve their problems (Stankevich, 2017). Brands have been forced to find ways to personalize the experience of each brand community and even the individual. Using artificial intelligence and machine learning to learn and predict what a consumer needs and wants to see at a particular time has enhanced that online experience. No more so in the e-commerce market. Companies like Amazon, eBay, Alibaba, and a plethora of others can offer products that are specific to a specific consumer. Consumers no longer have to filter through websites searching for what they require because artificial intelligence and machine learning systems are in place that can provide for that personalized shopping experience.

It is essential to consider the generations that use the internet the most – Generation Y (Millenial generation) and Generation Z (Digital Native generation). While lumped together, they are quite different in their behavior and view of social media, and in turn, respond to very different marketing tactics (Durfy, 2019). The group of people born between 1980-1995 known as the ‘Millenials’ are the early adopters and pioneers of 21st-century social media platforms and the technologies that support those platforms. Their most popular social media platforms are Facebook (occasionally referred to as the Facebook generation) and Instagram. Also, YouTube was the most popular for purely video content (Cadwallader, 2019). They are also early adopters of e-commerce; therefore, they rely on social media to find new social trends in fashion, cosmetics, and gaming. More than three quarters have admitted either being influenced or purchasing products based on the Instagram they follow (both friends and influencers) (Durfy, 2019).

Generation Z (Gen Z) on the other hand, born between 1996-2012 are a generation born at a time when technology and social media are a part of their life from the time they are born. The main characteristics of the generation: digital native, future-focused amongst others (Bruns, 2018). Unlike Millennials, they have never known a world without social media – 44% check their social media profiles on an hourly basis (Durfy, 2019). Generation Z is more attuned to visual media. Their attention span of an average of eight seconds, they prefer a visual, short-lived style of communication such as pictures, emojis, or short videos (Brums, 2018). Therefore, their most popular social media platforms are Instagram, Snapchat, and YouTube, with Facebook becoming a distant fourth (Green, 2019).

Using the profiles of Millennials and Generation Z it sheds light on their social media preferences and buying behavior. Both groups are a prospective segment because they have grown up using the internet for product purchasing. According to the KPMG survey (2017), millennials in China alone will see a significant increase of income of up to 31% over five years from 2017 to 2022, with an increase in spending on luxury goods. As Willi Sun Global Strategy Group KMPG China highlighted “Millennials buying luxury in China are strongly influenced by digital content, social media, celebrities and fashion influencers such as key opinion leaders. They are looking for quality products, inspirational content, and a truly unique experience.” This strongly suggests that social media influence is and will continue to be a strong influence on consumer purchase intentions.

The Best way to understand how the Generation Z and Millennials respond to Micro-Social Media Influencer marketing is to use the Bruns-Siddiqui intention to buy model (Abreu, 2019). This model connects the factors that influence consumers buying behavior based on Influencer driven social marketing, perceived Authenticity, Trust and Intention to Buy (Bruns, 2018).

![Bruns-Siddiqui model (2018)](image-url)
The starting point of influence for both Millennials and Generation Z to believe Social Media Influencers opinion on a brand is Perceived Authenticity. Influencers must be authentic, their reviews of a brand both positive and critical do affect their follower’s perception of the brand. This is because Millennials and Generation Z view an individual who is like them (the influencer or peer) as someone who can tell the truth more than an advert that is full of “spin” being promoted by a brand. It is a matter of social connection with the Influencer that deems him/her authenticity.

Once consumers perceive an Influencer to be authentic, a level of trust is formed. Here the consumers view the Influencer and the content produced by them as credible. This can be due to previous experience and knowledge of the brand that the Influencer promotes. Here consumers become willing to be vulnerable to the actions and word of mouth information of the influencer and the expectation that the Influencer will be consistent in their honest praise or criticism of the brand. At the point of trust consumers can become retained customers, as it is their level of trust in the brand and influencer that convinces them to be repeat customers. Millennials and Generation Z being digital pioneers and natives, they are more capable of filtering through vast amounts of information and be able to make judgments much faster than previous generations when it comes to Social Media Influencer. These young people are very practically oriented and very skeptical by nature, this is explained by the fact that they grew up in that era of fake news and have a tendency to strive for the truth (Bruns, 2018). This ability to filter through a vast amount of information and detect false information and “spin adverts” affects their brand loyalty.

The overall aim of Influencer Marketing is that it affects the purchase decision of consumers positively (Bruns, 2018). Once Perceived Authenticity and Trust are created within Influencer Marketing, Purchase Intention will then be made based on the information that a consumer obtains. Be it a comparison of similar products, reviews of the product by the Influencer, or by consumers’ peers. An individual’s impulse to take action can be seen as the most important determining factor when it comes to the actual behavior (Bruns, 2018). The attitude of the consumer towards the brands from past experiences is also critical in determining the purchasing intentions. Referring to this to social media, the recommendations of Opinion leaders have a positive effect on purchase intention (Bruns, 2018). For a consumer to intend to buy they must be willing to purchase the product, positively perceive the authenticity of the brand and Influencer and trust the Influencer and the brand. It helps if the consumer has experience with the brand already, this experience cannot be established without trust being established beforehand. This trust is crucial in retaining customers therefore marketers need to be authentic when promoting their brands with Influencers. Millennials and Generation Z can filter through information and detect false news. Therefore, they hold high expectations when it comes to advertisements, and trust Influencers who share common values, traits, and beliefs in the product or even the cultural beliefs. This is where interaction between Influencer and their followers is critical; trust and authenticity are established through this interaction. The content that the Influencer creates helps with that interaction. Testing products and showing their day-by-day experiences should enhance consumer trust, the preference of content about lifestyle or product reviews created by Influencers might enhance the Intention to buy of those individuals (Abreu, 2019).

Is Social Media Influencer Marketing Effective?
Influencer marketing is one of the fastest-growing advertising channels (Medialix, 2019). Before the practice was formed, consumers looked towards celebrities and opinion leaders for product inspiration and guidance. With the creation of social media platforms, Influencer marketing has created a new form opinion leader “the Influencer”. Studies show that 70% of millennial consumers are influenced by the recommendations of their peers in buying decisions over brands (Peters, 2018). According to Edelman 58% of people have purchased a product because of an influencer recommendation (Pusztai, 2019), while HelloSociety study found that 82% of people will purchase because they liked Influencers content. The effect of Influencer marketing is that the brand not only gains access to the Influencer's followers, it also gains the network of peers of those same followers and have word-of-mouth advertising from peer to peer, thus expanding the brands advertising effect. About 74% of people who follow Influencers consider themselves influential among their social circles (Williams, 2019).

A Medialix study found that 80% of marketers find Influencer marketing effective. Measuring Return on Investment (ROI) is the best guide to find the effectiveness of Influencer marketing. Medialix (2019) found that marketers earn eleven times more on ROI for Influencer marketing, while Buffer (2018) found that the average earned media value per $1 spent on Influencer marketing is $7.65. It’s important to point out that Influencer marketing doesn't necessarily mean relying on celebrities to endorse brands. Influencers, especially Nano and Micro-Influencers are found in communities and have a small but highly engaged following, with very loyal customers who trust them. Thus, Influencer marketing effectiveness can be found even within Nano and Micro-Influencers who can interact with their communities and create a potential for customer retention.

Another measure of Influencer marketing’s effectiveness is the engagement and customer traffic rate. There are 71% of marketers rating the quality of customers and traffic from Influencer marketing as better than other marketing sources (Medialix, 2019). While some studies have found that the engagement rates for sponsored Influencer ads for Nano and Micro-Influencers are at 6.3% and 8.8% respectively (Pusztai, 2019). This shows that customers who follow Influencers are likely to inquire from the Influencer for more information about a brand, like and share the content the Influencer posts about the brand with their peers, therefore, further expanding the reach of a sponsored Influencer post.

Conclusions
Social media has altered the brand-customer relationship, with the advent of social media; companies have seen a shift in the marketing landscape. Social Media Influencers have presented themselves as third party endorsers of brands that influence the consumers that brands are looking to target. Customers are now active participants in the brand-customer relationships, by interacting with the brand's online presence through Influencer's content or a brand’s
online advertising. Brands have been forced to evolve and provide consumers with a memorable experience, which is authentic and trustworthy. Forming online brand communities are a way of ensuring this experience. Social Media Influencers have become the online gatekeepers of the online generation, Millennials, and Generation Z. These two generations will continue to drive online consumption, their trust in Social Media Influencers over traditional celebrities and traditional marketing will continue.

This study has shown that Influencer marketing influences consumer behavior, interactivity, and responsiveness. Technological advancements have provided brands with the ability to target specific consumers with a high level of Return on Investment, with most marketers believing that Influencer marketing has positive effects on their brands. This has led to customers becoming repeat customers and being retained. The findings imply that brands will continue to have to categories the different generations and their choice of social media platforms to be able to increase customer retention.

REFERENCES


