

Does influencer marketing offer a financial return on investment?

 BySinesipho Maninjwa

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With the conclusion of both SA Fashion Week and Africa Fashion week, I decided to investigate if influencer marketing really does offer a financial return on investment.



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Social media has given rise to a new form of marketing and the use of influencers, as they are called. These are individuals who are traditionally non-celebrities, who have a high follower count (i.e. in excess of 10,000) and who can influence their audience to engage with what they wear, where they shop, their makeup brands, etc.

Can customer engagement result in an increase in ROI?

Although this is a relatively new form of marketing, the influencer market in South Africa alone is valued in the millions and is growing at a rapid rate. Globally it is expected to be worth \$5-\$10bn by 2020. Now, this platform has given individuals an opportunity to earn an income, by literally just being themselves. But the question is, can the customer engagement result in an increase in return on investment for the brand or the retailer?

Does a few clicks, or trending on Twitter and or Instagram result in an increase in sales, which is the whole point of advertising and marketing? Case in point would be Woolworths.

In 2014 it launched its very first influencers, Pearl Modiadie, Melody Molale, Minnie Dlamini, etc. Woolworths Style by SA featured Instagram influences such as Sarah Langa, Tshepi Vundla and followed on with the “Are you with us?” with Pharrell Williams, launched Distraction by Bonang, Joan Smalls. At the time of the launch, these campaigns were hailed ground-breaking and revolutionary and brought influencer marketing to the mainstream.

| R' million | 2015 | 2016 | 2017 | 2018 |
|--------------------------------------|-------|-------|-------|-------|
| Woolworths Clothing, Home and Beauty | 2,095 | 2,306 | 1,707 | 2,168 |
| Country Road Group | 1,035 | 1,035 | 987 | 1,072 |
| David Jones | 1,532 | 1,839 | 660 | 987 |

The above Table 1 shows an operating profit analysis from June 2015 to June 2018, reporting period.

The rationale for using profitable analysis is that sales can increase, but if you are not recovering your costs your business is simply not making money.

Alienation of traditional customer base

As one can see in the above segmental profit analysis, there has been a steady decline in profitability over the past few reporting periods. On review of the integrated report for Woolworths 2018, management has provided an explanation for the decreasing profit margin and downward operating performance is due to the misalignment in the product offering and the customer.

The only reason for the increase from 2017 to 2018 is due to the expansion of Woolworths Beauty, and not necessarily the other divisions such as clothing, lingerie, shoes and accessories, which have all declined. In terms of Country Road and David Jones, the brands have not been successful in connecting with the SA consumer.



Woolworths to pull David Jones brand from SA stores

1 Nov 2018



If one looks at the various campaigns mentioned above, it is worth noting that if one considers what the traditional Woolworths customer looks like and what they represent, it can be said there was a fundamental mistake made with regards to the strategy of wanting to diversify the customer base. There was an alienation of the traditional customer base that took place. A successful trait of an influencer led marketing campaign is ensuring those selected have actual influence over your current and future customers.

For retail, there are other factors such as macroeconomic (gross domestic product, economic growth, interest rates etc.) buying, merchandising, competition from internationals (eg. Zara, H&M and Cotton On). The marketing strategy and or campaign needs to be followed by sales. Likes and follows are unimpressive without an increase in the bottom line, the closure of Top Shop, Mango, Nine West and large retailer Stuttafords in the past 2 years has shown that no one is immune regardless of size and history.

ABOUT SINESIPHO MANINJWA

Sinesipho Maninjwa is a Chartered Accountant, with just over 5 years of Post Qualification experience which has predominately been gained in the financial services sector. She currently works in Transaction advisory for a boutique Advisory Firm and is a contributor on a segment called Deal Makers on Power Business which is on Wednesdays at Power 98.7 Fm

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