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CHALLENGES AND OPPORTUNITIES OF REWARDING INFLUENCERS IN ORDER  
TO FOSTER BRAND LIFT - THE CASE OF THE BRAND *KIEHL'S* IN PORTUGAL

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under the supervision of Professor Catherine da Silveira.

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## 0.1 Abstract

The objective of this thesis is to uncover the value of the use of influencers as a marketing tool, through the case study of the skin care brand *Kiehl's Since 1851*<sup>1</sup> in Portugal.

The research focus on the activity of twelve influencers selected to help to promote *Kiehl's*. More specifically, we explore the value added by each of the influencers. Through a longitudinal data collection and an analysis into the social media activity of the influencers, an attempt is made to measure the impact of this new marketing technique on the Brand Lift<sup>2</sup>.

The research suggests that the influencers do not have a direct impact on the Brand Lift, but they can help potentialize the brand through the promotion of events, discounts and contests.

## 0.2 Keywords

Influencers, Social Media, Brand Lift, Kiehl's

**Note:** For the purpose of this thesis, a confidential agreement was signed between L'Oréal Portugal, Nova School of Business and Economics and the author. The presented information is strictly confidential.

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<sup>1</sup> *Kiehl's Since 1851* is a brand managed by the luxury division of the L'Oréal Group. We use hereafter the term Kiehl's to refer to the brand.

<sup>2</sup> Brand lift is an increase in interaction with a brand as a result of an advertising campaign, and is primarily used to identify a positive shift in customer awareness and perception (Vigetcom, 2016).

## 0.3 Agenda

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## **1. Introduction and Project Objectives**

The main objective of this thesis is to investigate the effect that awarded and non-awarded influencers used by brands as a way to promote its products and image have on the target market. To do so we start by defining what are influencers and how they can be segmented, based on existing literature on the subject. We then examine the current social media theories and how they fit with this new type of marketing, also explaining the ethical issues that can arise and the impact they have on the consumer decision making.

The next step of the thesis consists in a case study research, on Kiehl's, a skin care brand, part of the L'Oréal Group portfolio and managed by its luxury division. We examine the influencers program adopted, its goals, objectives and "effective" impact. We then proceed into the analysis of the interactions promoted by the influencers and assess their impact on brand lift in social media. The insights from this analysis lead to recommendations to the Brand Manager and Marketing Director of Kiehl's in Portugal.

Influencers are defined as individuals who have a strong impact on a large group of people through social media interactions (Overmyer, 2016). In this thesis, we focus on awarded influencers. The choice of the brand Kiehl's is motivated by the program that this brand is currently developing in Portugal. The program consists in establishing an agreement with twelve people selected for their strong presence in social media. In brief, these people are required to promote the brand and its products under certain conditions in exchange they receive free Kiehl's' products. The thesis evaluates the effectiveness of the program and draws insights on strengths, weaknesses and threats in this type of promotion. We also suggest guidelines that can help Kiehl's to select influencers that guarantee the highest possible return on investment (ROI) a measure that is still very difficult to establish in social media (Fisher, 2009). Further, we explore how the influencers are interacting with the target audience and how they can best achieve the desired outcome.

Brand lift is one of the metrics that helps assessing impact and ROI of marketing campaigns, and thus can help quantify the impact influencers have on a brand (Google, 2011). Effectively, “Brand lift is defined as the percentage increase in the primary marketing objective of a brand advertising campaign. Brand lift can take several forms in practice, and is most often used by brand marketers to measure the extent to which their advertising has shifted consumer perception against one of the key purchase funnel metrics. For instance, advertisers use [the following] brand lift metrics to measure the effectiveness of their advertising in driving consumers: Awareness, Attitudes, Favorability, Purchase Intent, Preference.” (Vizu, 2015).

We conducted a longitudinal research, by following daily the social media life of the twelve influencers and their contributions about Kiehl’s in Portugal from September 1<sup>st</sup> to November 30<sup>th</sup>. We also conducted four exploratory interviews: three within L’Oréal to the Kiehl’s’ Brand Manager, Marketing Director and Public Relations (PR) Manager for L’Oréal Luxe Division, and one outside L’Oréal to the PR Manager of GCI - the agency outsourced by L’Oréal to lead the influencers program for Kiehl’s.

## **2. Background**

### **2.1 The Power of Influencers**

#### **2.1.1 What are Influencers?**

“Influencers are usually experts, bloggers, speakers, authors, or analysts with an established online presence and a loyal audience in a particular niche. Because they have a broad online presence, they can expose [receptive audiences to the brand] through the content they create.” (Tap Influence, 2015). Social media influencers are recognized as having an increasing impact on what consumers feel. Their audience is currently increasing. Additionally, Internet penetration exceeds three billion six hundred million, i.e.,

50.1% of the world's population (Internet World Stats, June 2016). When it comes to social media adoption, almost two in every seven people in the world have a Facebook profile and nearly four in five Internet users visit social media platforms (Nielsen, 2015). In Portugal, the Facebook penetration reaches 5,1 million active users and 1.9 million Instagram users.

### **2.1.2 Paid and Not-Paid Influencers**

There are two types of online influencers: the not-paid influencers and the paid influencers. The first type - not paid or non-awarded influencers - are also called Brand Advocates. "Advocates are individuals who are natural champions for a brand and already have an affinity for a product or brand. They can help drive referrals, provide product feedback, introduce new products to a marketplace, and build long-term relationships with potential customers." (Tap Influence, 2015).

The second type - paid or awarded influencers - are paid to post on social media and promote a brand. A contract is established between the brand and the awarded Influencer and the reward can be made in different forms such as money, products or services. Paid influencers can be divided into two groups: Ambassadors and Micro-influencers. (1) Ambassadors are typically celebrities who use their power to promote a brand in exchange of high fees stated by a legal contract; (2) Micro-influencers are "ordinary" people with more than 10.000 followers that drive more engagement because their content is relatable and authentically resonates with their audience. They are often seen as trustworthy people that produce original content that their followers relate to. Additionally, they have gained the power to influence consumer decision making because of their expertise and/or popularity and/or reputation. "Their audience listens because they are the subject matter expert, making them powerful partners for brands whose target market share the same interests." (Tap Influence, 2016).

Nowadays, consumers have constant information in real time and can easily distinguish what is authentic content and what is not. Even though consumers are fascinated by celebrities, they know that they probably aren't authentic when promoting products or services. That is why it is so important for a paid Influencer to "fit"<sup>3</sup> the brand to turn the partnership successful. The paid Influencer should be a loyal Brand Advocate prior to the contract and, ideally, the partnership should be made for more than a one-time social media publication in order to be trustworthy and create Brand Lift on the long run (Tap Influence, 2016).

## **2.2 Social Media Theories**

Clear rules and guidance for the use of Social Media are necessary to prevent any company from creating a situation that is potentially very dangerous. As Tim Weber (2010) points out: "These days, one witty tweet, one clever blog post, one devastating video - forwarded to hundreds of friends at the click of a mouse - can snowball and kill a product or damage a company's share price.". The problem lays on the fact that once a brand decides to do marketing through influencers, it no longer has complete control on what is posted about its products or services. This increases the risk of potentially publishing destructive content for the brand.

For that reason, it is crucial that companies who support part of their marketing endeavors with such mechanisms also establish clear rules for their guidance. In that sense, there are some best practices that must be transmitted to awarded influencers and reminded in occasion, so that they are not forgotten.

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<sup>3</sup> Concept used by L'Oréal managers to describe a perfect match.

Tim Weber (2010) defines a framework for efficient interactions in the social media environment. Its honeycomb of social media enunciates seven key elements that companies must master in order to guarantee the ROI of its social media presence.

1. **Presence:** Evaluates the extent to how many users are aware of the online presence of the brand. This implies to not only create and maintain a social media active platform but also to guarantee that this online presence feel “intimate” to its users and gives immediate feedback.
2. **Sharing:** Webber measures it as the extent to which users exchange and distribute the content generated by the brand.
3. **Relationships:** Measured as the extent to which users relate to each other and how users influence second level users which in turn influence third level users.
4. **Conversations:** The extent to which users are interacting with one another in the content promoted and generated by the brand. This implies creating content that promotes not only engagement but also discussion and enthusiasm among customers.
5. **Identity:** The degree to which users identify themselves when using public profiles<sup>4</sup>. This implies that the company respects the digital privacy of the person and does not disrespect him/her in any way, having clear guidelines to protect the identity of its customers.
6. **Reputation:** Ability of the brand to capture the high profile reputable people engaged with the brand.
7. **Groups:** The extent to which consumers organize their own groups or communities in which they further foster the reach of the brand. The brand must be able to monitor the content created by groups to manage the outcomes.

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<sup>4</sup> When users allow companies to access their personal information.

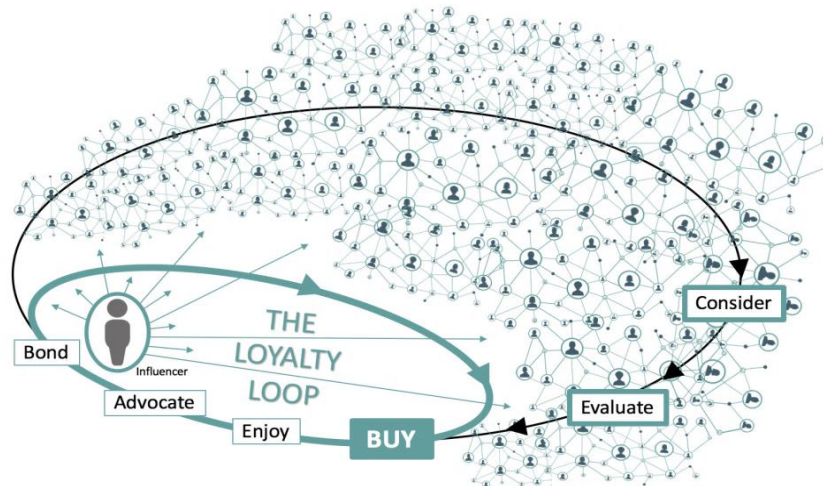
Throughout this thesis those seven key elements are used to better understand the effectiveness of the engagement that influencers are having with their audience.

### **2.3 The New Consumer Decision Journey in the Social Media Era**

The traditional consumer decision journey has significantly evolved to address the rise of social media platforms. In particular, social media has given birth to influencers who impact customers and make them consider new products that they would probably not consider otherwise. These influencers associate themselves to brands, products and services that they use daily and try to have a say over the things other people buy.

This type of advertising is in many ways similar to Word Of Mouth (WOM) marketing, but it offers two distinct features. Firstly, every association that a influencer builds with a brand immediately has a wider range than the typical WOM since this influencer has a thousands of followers which additionally are also followed by other new followers. Secondly, his/her recommendations are not strictly advertising, but are also associated to their lifestyle that the audience appreciates, relates and tries to replicate. It is this unique voice and relation with other customers that has motivated companies to take advantage of this alternative form of advertising. Through increasingly using influencers, companies can now avoid much of the skepticism that is normally associated with advertising campaigns.

Through the New Consumer Decision Journey (McKinsey Company, 2011) consumers consider a set of brands based on exposure and perceptions, and, during the evaluation stages add or subtract brands to finally select a brand at the purchasing moment. After the first purchase, if the consumer bonds with the brand and creates a strong link, he/she repurchases it again without cycling through the earlier decision-journey stages.



**Figure I:** The New Consumer Decision Journey, adapted from McKinsey Company (2011)

In the present social media era, the concept of influencer is leveraged by the consumer decision journey. Through the influencers, the brand gains a voice that can impact consumers during the “Zero Moment of Truth”<sup>5</sup>. The effectiveness of the brand’s marketing through influencers relies on their ability to reach and persuade customers to replicate their behavior and rise target brand awareness at the time of making the decision of buying. The fundamental purpose for having influencers in different social media platforms influencing the audience during the consumer decision journey is reaching the widest number of possible future consumers during the consideration and evaluation stages to convince them to purchase a specific brand, and then eventually bring them to the loyalty loop.

## 2.4 Kiehl’s

### 2.4.1 Brief presentation of the brand

Kiehl’s is an American cosmetics brand retailer that specializes in premium skin, hair, and body care products. Kiehl’s has its origins in a single pharmacy in Manhattan at Third Avenue and East 13th Street in 1851 under the name “Brunswick Apotheke”. The roots of Kiehl’s are still relevant in the brand today and in every of its retail stores. Kiehl’s maintains the look, decoration and vibe of old pharmacies.

<sup>5</sup> The instant when [consumers] open their laptops, pick up their smartphones or grab their tablets, and search [and/or are impacted] to see if a brand meets their needs (Google, 2011).

“Brunswick Apotheke” changed its name to “Kiehl Pharmacy” in 1894 when the apprentice John Kiehl acquired and renamed the pharmacy under his own name. However, it was after 1921, when Irving Morse (an apprentice of John Kiehl who had studied at Columbia University) joined the pharmacy that some of the most iconic Kiehl’s products were developed. The pharmacy was renamed “Kiehl’s Since 1851”. In 1961, the son of Irving Morse, Aaron Morse, introduced a change that would revolutionize Kiehl’s: he started commercializing skin care products for men and these have gained a significant audience. In 1964 the product Blue Astringent Herbal Lotion was introduced, a favorite of the artist Andy Warhol, who produced a publicity work for the product. In the 1970’s, Kiehl’s started to introduce sampling as a way to present other products to its already loyal customer base, as well as to introduce the old time favorites to people who still did not know the brand, without having to make the commitment of acquiring a product they were unfamiliar with.

In 2000, L’Oréal acquired Kiehl’s for an undisclosed price rumored to be between \$100 and \$150 million. To that time the company had remained as one store only company (excluding other points of sale). L’Oréal executives had greater plans for the brand and planned national and international expansion, nonetheless their objective was to maintain the initial business model. Kiehl’s would remain true to its origins and target market, it would continue to be sold in Kiehl’s exclusive retail dedicated stores similar to the original store, it would continue pursuing a premium target market in skin care and it would continue pursuing its sampling distribution marketing technique.

Today, Kiehl’s is globally present in 57 countries with 454 retail stores and 1.674 points of sale in total (including department stores stands and e-commerce). Currently, Kiehl’s is the L’Oréal skin care brand with the highest growth rate worldwide, having had consistent double digit growth in sales since it was first acquired.

Kiehl's' mission is *“to improve in some way the quality of the community... for better citizens, better firms, and better communities”*<sup>6</sup>. One of the brand's statements is not to spend any money on traditional advertising and being known only through WOM. Kiehl's grounds its core values on transparency, honesty and efficacy and on four pillars:

1. **Quality** - Kiehl's' products have the highest standard of quality for any skin type;
2. **Service** - Kiehl's is very well known for its excellent service, making every customer feel important;
3. **Sampling** - Based on the principle of trying before buying, sampling is a key essential root to present the brand and its quality with no strings attached;
4. **Community** - Kiehl's is known for its philanthropic actions and giving back to the communities where the stores are located.

#### **2.4.2 Kiehl's in Portugal**

Kiehl's entered the Portuguese market in August 2007 opening its first store in the heart of Lisbon – Chiado. It since has opened two more stores at Centro Comercial Colombo (May 2013) and Principe Real (June 2016) and a point of sale at the department store El Corte Inglés Lisboa (October 2016). Currently, Kiehl's is the only brand of the L'Oréal Luxe Division selling exclusively in owned selective retail stores. The brand is planning to enter the online market with an e-commerce store in the beginning of 2017 and to open a new offline store at Oporto before the end of 2017.

Kiehl's Portugal has an active local Facebook page with approximately 6.000 followers and an average daily reach of 1.544 fans, which 28% is organic reach and the remaining 72% paid reach. These concepts are developed in the following pages.

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<sup>6</sup> Source: Kiehls.com.

A Customer Relationship Management (CRM) program has been developed since 2014 and the brand had in the end of November 2016 a total of 9.986 customers on their data base, which 85% are women and 15% are men with an average age of 38 years old.

Kiehl's total sales in 2016 were 1.13 million euros, with annual growth of 20.2%. During the period studied (from September 1<sup>st</sup> to November 30<sup>th</sup> 2016) total sales have increased 52%, in comparison to the same period in 2015. This result is, however, a consequence of opening a new store and one a point of sale. Comparing only the two stores that already existed in 2015, the increase in sales is 9%. We should have into consideration that cannibalization between old and new stores may have happened.

#### **2.4.3 Kiehl's Influencers Program in Portugal**

Aligned with its main philosophy of not investing money in traditional media, Kiehl's' managers launched the influencers program based on the WOM principle. This new program allows Kiehl's to be present in social media without having to "corrupt its roots". Further, it allows Kiehl's to have different voices online promoting and sharing their enthusiasm for the brand. The influencers are not paid in money but are awarded with Kiehl's' products.

A potential drawback that the Influencer program could have is that it is not as controllable as traditional marketing, since influencers have autonomy to make their own posts and promote the brand in the way they see it. After weighting the advantages and possible outcomes of negative publicity, Kiehl's' managers decided to go ahead with the program, since it was expected to generate high gains for a limited investment.

To start the influencers program, L'Oréal selected the PR agency GCI to lead the project. The influencers had to be Micro-Influencers or celebrities to make sure they had a strong social media presence. Taking into account that these influencers usually work for

brands in exchange of money, they had to truly “love” the brand to be able to accept being rewarded with products. The agency presented twenty possible influencers that had “fit” with Kiehl’s and the team selected the final twelve influencers. The chosen influencers include two actors, two singers, two celebrities’ agents, one fashion producer and five bloggers. The influencers agreed to join the Kiehl’s program through a verbal agreement and accepted the defined rules (presented in Appendix I). The program was launched on August 2015.

The Kiehl’s influencers are divided into three groups according to importance, reach and reward value:

1. **First Level influencers**, include a singer and a very well-known actor in Portugal who receive 1.100€ and 920€, respectively, worth in Kiehl’s products per semester. They are required to “make” two public appearances, one monthly Instagram post and one lifestyle production, such as go to a Kiehl’s store and post about it on social media.
2. **Second Level influencers**, include five bloggers with strong digital media influence, who receive 725€ worth in Kiehl’s products per semester. They are required to “make” one monthly Instagram post, one creative trimestral post and one in-store social media post.
3. **Third Level influencers**, include an actress, a singer, a fashion producer and two celebrities’ agents, who receive 500€ worth in Kiehl’s products per semester but are not required to post on social media. The reason why these five influencers are part of the program is because they have 100% “fit” with the brand. Even though a large audience does not follow them, they know many other celebrities and ensure that Kiehl’s is constantly at the trendiest places, i.e. these third level influencers are expected to create awareness among other possible future influencers which in turn have large audiences.

To help measure the impact of the influencers program, GCI forecasts the public relations return using the advertising value equivalency (AVE) measurement. AVE is traditionally used by PR professionals to assign value to clips<sup>7</sup>. AVE attributes a monetary value on a public relations placement by using the currency amount that should have been paid for equivalent advertising space and number of impressions (Rockland, 2015).

Kiehl's offers a total of 8.145€ per semester worth in products to its influencers. The cost that these products have for L'Oréal is approximately 15% to 20%<sup>8</sup> of the retail price. The influencers program costs Kiehl's, approximately, 1.425€<sup>9</sup> per semester, plus an agency fee of 400€ per month. The expected AVE for First Level influencers is 3.500€ to 5.000€ and 150 € to 350 € for Second Level influencers, that is a total AVE between 7.750€ and 11.750€ per semester. With an investment of 3.825€, Kiehl's has total estimated return of 9.625€. We estimate that the predicted  $ROI = (AVE - Investment) / Investment * 100 = \sim 152\%$ , considering the AVE measurement as a return (Cision, 2015).

#### **2.4.4 Ethical Issues**

According to European legislation and due to the possible conflict of interests that may arise from the sponsoring of posts of influencers, the L'Oréal Group, amongst other recognized companies, decided to implement a company wide policy that obliges sponsored content to be identified as such (see Appendix II). These guidelines aim to make clear to the customers which is sponsored content, i.e., all the influencers are obligated to disclose their relation with Kiehl's in every post.

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<sup>7</sup> Media stories that mention a brand (Moran, 2009).

<sup>8</sup> Approximated value due to confidential issues. Only reflects the cost of production and ignores the fixed costs associated with the retail operation (rental space, overhead, electricity,...) and transportation.

<sup>9</sup> Calculated with a 17,5% cost estimated.

### 3. Case Study Research

#### 3.1 Methodology

We developed a longitudinal analysis throughout three months and conduct four exploratory interviews in order to study Kiehl’s’ Influencers program in Portugal. The data inventory is presented in the following table.

Data Type	Quantity	Original Data source	Original (intended) data audience	Period of data collection
Longitudinal analysis	3276 = 12 Influencers for 91 days on 3 social media channels	Facebook, Instagram and Blogs	Analysis for this case study	From September 1st to November 30th, 2016
Open-ended semi-structured interviews	4	Kiehl's Brand Manager; Kiehl's Marketing Director; L'Oréal Luxe Public Relations Manager; Public Relations Manager of GCI	Analysis for this case study	October and November, 2016
Data related to the brand Kiehl's (i.e., unstructured Facebook data, operational and financial reports, strategic marketing plans, clients data base, companies directriss)	Approximately 20 digital documents	Kiehl's Brand Manager; Kiehl's Marketing Director	Kiehl's Marketing Trainee	From August to December, 2016

Table I: Case study data inventory. Source: Author, structure adapted from Gioia et al. (2010).

#### Tracking the impact of the influencers:

We followed from September 1<sup>st</sup> to November 30<sup>th</sup> all the social media actions of the 12 influencers selected by Kiehl’s. For each of them, we also measured the number of likes, comments and shares on every post they made on their Facebook, Instagram and Blog within the first 24 hours. As an example, we present below two days from the Influencer “AC”, selected randomly. A summary of the data collected per influencer during the whole period is presented in Appendix III and the complete raw data is presented in Appendix IV.

	Instagram			Blog		Facebook					
	Category	#Likes	#Comments	Brand Mention	Category	Brand Mention	Category	#Likes	#Comments	#Shares	Brands Mention
14/09/16	Food/Drink	678	15		Lifestyle		Food/Drink	35	1		
14/09/16	BSkinCare	224	1	Eucerin	BSkinCare	Eucerin	Lifestyle	18			
14/09/16							BSkinCare	122	1	14	Eucerin
15/09/16	Travel	455	3	Seat			BSkinCare	12	1	1	Kiehl's
15/09/16	BSkinCare	249	0	Kiehl's							
15/09/16	Travel	799	19	Seat							

Table II: Social media actions and impact of “AC” in 14/09 and 15/09/2016. Information extracted from the research.

We conducted the first following analysis of the influencers work to understand how many times they had made posts about Kiehl's during the longitudinal analysis. We also analyzed how many times the influencers made posts for other brands, but this did not make a "fair" comparison possible because we do not know which type of agreement the influencers have established with those brands.

	First Level Influencers		Second Level Influencers					Third Level Influencers				
	ST	JC	AC	CF	DR	FB	MN	IS	JO	SS	TB	JB
Blogs	n/a	n/a	5	1	1	1	5	n/a	n/a	n/a	n/a	0
Facebook	0	1	1	0	0	0	0	n/a	n/a	n/a	1	0
Instagram	1	2	2	1	3	1	3	5	1	1	1	0
<b>Total</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>

Table III: Number of times each Influencer posts on Kiehl's during the studied period.

Moreover, we conducted a deeper analysis to the three social media platforms used by the influencers. **Blogs:** The Second Level influencers – five bloggers – have significant number of visits per month on their blogs, according to data provided by the SimilarWeb<sup>10</sup>: e.g. "AC" has more than 30,000 visits per month (see Appendix V); **Facebook:** Evidence suggests that Facebook is not an effective channel for the influencers, as we can observe their low rates of engagement and low reach; **Instagram:** The only online channel used by the twelve influencers and the social media platform with the larger and most loyal audience. We conducted the following analysis of the influencers work to compare data among them.

	Influencers	# Followers (thousands)	# of Posts on Kiehl's	Sum of Instagram Likes on posts on Kiehl's	Avg Likes per Post	% of Likes vs Total Followers
First Level	ST	0,4	1	187	187	46,75%
	JC	108	2	4800	2400	2,22%
Second Level	AC	17,3	2	561	281	1,62%
	CF	39,8	1	277	277	0,70%
	DR	20,4	3	766	255	1,25%
	FB	6,6	1	56	56	0,85%
	MN	13,6	2	693	347	2,55%
Third Level	IS	32,4	5	2032	406	1,25%
	JO	13,3	1	68	68	0,51%
	SS	10,6	1	88	88	0,83%
	TB	18,1	1	397	397	2,19%
	JB	6,7	0	0	n/a	n/a
	<b>Total</b>	<b>19</b>	<b>20</b>	<b>9925</b>	<b>242</b>	<b>1,31%</b>

Table IV: Analysis of influencers posts on Kiehl's on Instagram.

<sup>10</sup> Website traffic measurer.

## Measuring Brand Lift - In Depth Analysis

We first considered the variable “sales in stores”, as a proxy to get insights on brand lift. We experimented three different methods:

### 1<sup>st</sup> Attempt – Influencers Program and Kiehl’s Sales

Firstly, we tried to link the sales in stores with the posts that were made on social media by the influencers. This was a challenging task for several reasons. First of all, there is a natural pattern of shopping in the Kiehl’s Portuguese stores on Fridays and Saturdays: 44% of sales are made on these days.

Days \ Stores	Chiado	Colombo	Príncipe Real	El Corte Inglés
1. Monday	11,29%	9,98%	0,00%	9,61%
2. Tuesday	10,72%	9,85%	14,56%	8,07%
3. Wednesday	12,32%	9,61%	12,43%	10,65%
4. Thursday	17,53%	10,22%	14,59%	7,57%
<b>5. Friday</b>	<b>16,22%</b>	<b>18,76%</b>	<b>16,18%</b>	<b>21,44%</b>
<b>6. Saturday</b>	<b>23,80%</b>	<b>29,49%</b>	<b>30,93%</b>	<b>29,60%</b>
7. Sunday	8,11%	12,08%	11,30%	13,07%
<b>Grand Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

Table V: Sales deconstructed by day of the week and stores.

The next challenge is related to the time frame when the influencers engagement generates outcomes, since there is no clear day of impact (it may be on the same day, next day or following weekend after a post or an event) it is difficult to measure the impact on sales caused by Influencer’s interaction.

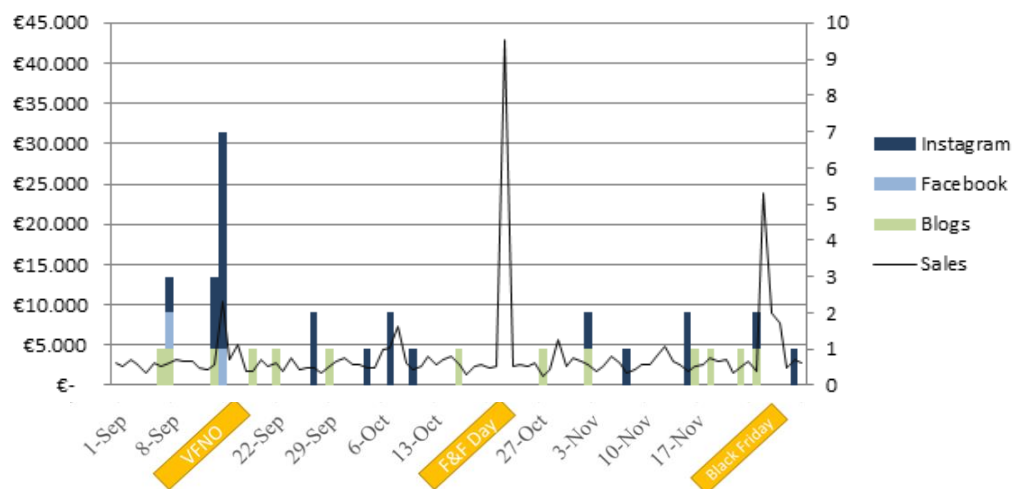


Figure II: Kiehl’s Sales vs Kiehl’s number of mentions of the influencers on social media (Instagram, Facebook and blogs). VFNO - Vogue Fashion’s Night Out; F&F Day - Family and Friends Sales Day; Black Friday - Black Friday weekend.

Our analysis (see Figure II) suggests that major events - Vogue's Fashion Night Out, Family & Friends Sales Day and Black Friday weekend - strongly impact the sales which constitutes a challenge to directly assess the impact of the influencers on sales. We should have in consideration that these three major events were promoted on Kiehl's Portuguese Facebook page, by newsletter and by text message. These insights should be pondered by the fact that social media influencers certainly contributed to the success of every major event as part of their agreement but when we tried to measure the relevance of the influencers, we observe that their social media interventions coincided mostly with the outlier days. In other words, even though there is a link between the Influencer's posts and Kiehl's' sales, these specific variations on sales are strongly driven by a third variable which is the brand promotion through its own resources and, especially, the discounts during these same days. Additionally, other types of variables are impossible to control.

### 2<sup>nd</sup> Attempt – Kiehl's' Facebook Page

The difficulties presented above lead us to a different analysis. We decided to include in our analysis the data from the Portuguese Kiehl's' Facebook page. We tried to link the activity on Kiehl's Facebook page with the social media posts of the influencers. The available data allowed us to collect insights about the interactions between Kiehl's and its followers. According to the Facebook Country Manager<sup>11</sup> in Portugal, when evaluating the success of a page, managers must look at how their variable *reach*<sup>12</sup> is performing. In practice, reach is the number of distinctive people that are impacted by a post in their Facebook feed. Facebook reach can be paid (e.g. sponsored by brand) or organic (e.g. fans who go to the Facebook page of a brand without being persuaded). In the case of Kiehl's the distribution between paid and organic Reach is as follows.

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<sup>11</sup> Presentation at L'Oréal Portugal on October, 2016.

<sup>12</sup> "Number of people who received impressions of a Page post. Reach might be less than impressions since one person can see multiple impressions. For example, if a person sees a Page update in News Feed and then sees that same update when a friend shares it that would represent a reach count of one." (Facebook Help Center, 2016).

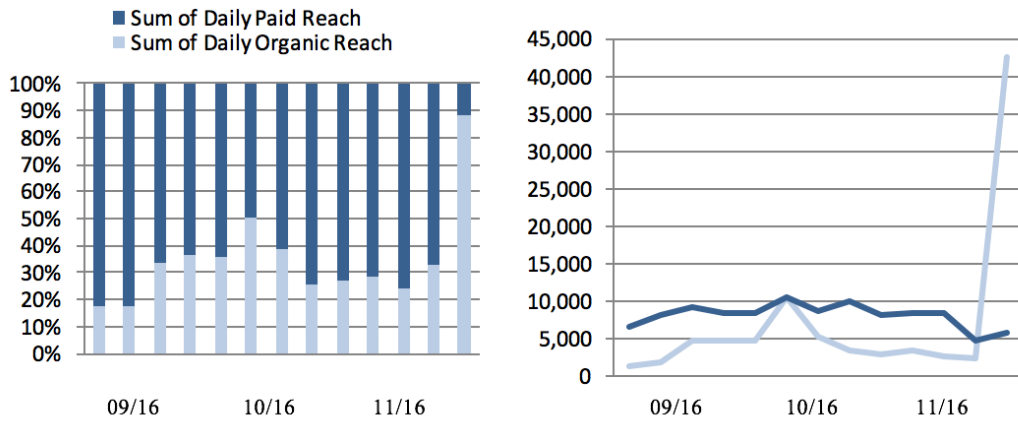


Figure III: Organic and paid reach by Kiehl's Facebook in percentage.

Figure IV: Organic and paid reach by Kiehl's Facebook in absolute values (thousands).

As figure III and figure IV suggest, there was one event that motivated tremendous increase in organic reach: The Black Friday weekend event of discounts was promoted both by Kiehl's Facebook page and by the Second Level influencers on their own social media, therefore making it challenging to separate the effects of each on the campaigns.

### 3<sup>rd</sup> Attempt - Kiehl's Facebook and Kiehl's Sales

Finally, we decided to conduct a deeper analysis with the available Facebook data from the Portuguese Kiehl's' Facebook page. We found evidences of a relationship between the sum of weekly sales and the sum of weekly reach on Facebook, which both follow a very similar pattern and are strongly correlated.

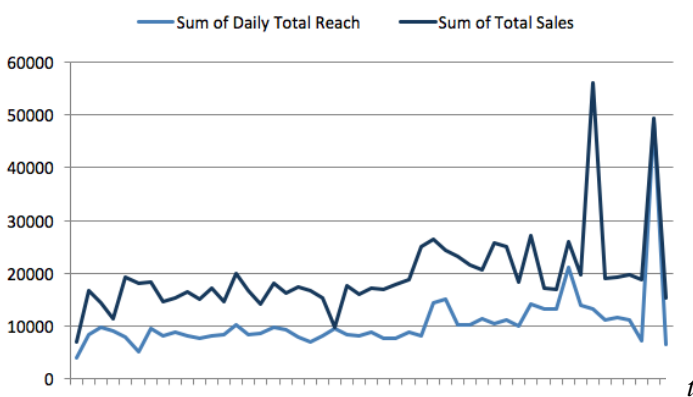


Figure V: Kiehl's sales and Facebook reach per week.

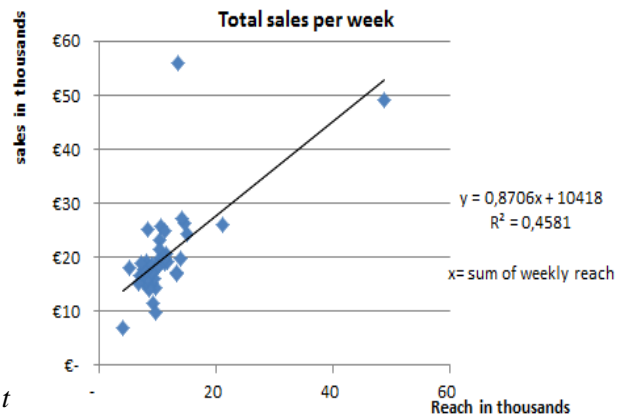


Figure VI: Scatter plot of Figure IV.

As figure V and figure VI suggest, the relevance of Kiehl's' Facebook reach can be confirmed by the regression analysis: the dependent variables (sales) total variability can be explained by the total variability of the independent variable (Facebook reach) with an  $R^2$

equal to  $0,46^{13}$ .  $\beta_1$  equals  $0,87^{14}$  (See Appendix VI) and there is a positive correlation equal to  $0,67$  between the two variables. We found this important relation between the two variables after first trying to explore a daily relationship between the same variables, however because consumers are not immediately motivated to buy after seeing the Facebook page, we tried to find other patterns. We may suggest that it seems clear that a percentage of people that access to the Kiehl's Facebook page, somewhere within the same week, visit the store and make a purchase.

### 3.2 Main Insights and Discussion

After analyzing the data that we collected during three months, it is suggested that it is challenging to prove that Brand Lift was fostered by Kiehl's' influencers program. As previously explained, Brand Lift is the sum of all the metrics that can promote the status of a brand, such as brand awareness, sales, likes, comments, shares, views, reach and impressions.

When evaluating the effect of the influencers program on Kiehl's Brand Lift taking into account the honeycomb presented by Tim Weber (2010), the following insights on the influencers program were suggested.

- 1- **Presence:** The existence of the influencers program gives Kiehl's a stronger online presence with reliable voices.
- 2- **Sharing:** The existence of influencers helps Kiehl's being shared more often on social media, through channels that the brand does not own.
- 3- **Relationships:** The influencers help customers by replying to their comments about Kiehl's, which gives the brand other voices that are reliable and trustful to users.

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<sup>13</sup> The variance of sales is 46% explained by the variance of the Facebook reach.

<sup>14</sup> When reach increases by 1, the total sales increase by 0,87€ all other variables remaining constant (*ceteris paribus*).

- 4- **Conversations:** Users comment, share and like the posts made by influencers engaging in conversations between each other and the influencers.
- 5- **Identity:** The program follows the L'Oréal policy about data privacy.
- 6- **Reputation:** Kiehl's gains respect through its influencers, as they are already recognized in the social media channels as impartial and trustful.
- 7- **Groups:** The influencers program is a group itself of key personalities that make the influencers Program thrive.

Indeed, we can observe that Kiehl's had a positive Brand Lift impact during the studied period but we cannot prove that this is instigated by the influencers program. Our main assumption is that it is extremely challenging to connect an influencers program with the sales of the brand, even when mitigating the effect of other independent variables, i.e., stores openings and discount days. We can assume from the research that the influencers have a positive effect on Kiehl's' Brand Lift but not a significant one. In spite of this, because the influencers program does not have a high cost to Kiehl's, it generates a return of 2,5 times the investment. This is only possible because Kiehl's is a "love brand" and the influencers accept to be rewarded with Kiehl's' products. For that reason, we believe that the program should continue.

Nonetheless, we suggest that the Kiehl's influencers program should end their partnership with three influencers: "FB", "JB" and "SS". After analyzing the 12 influencers social media actions, offline power, online reach, fit with the brand and efficiency, we suggest that these three should be switched with new ones. We also suggest that Kiehl's should end the contract with GCI because they do not have enough work with the influencers program to justify their monthly fee. The work done with the influencers should be done in-house by the L'Oréal Luxe PR team, for efficiency reasons and saving time and money.

We can also suggest that Kiehl's in-house promotions can have a stronger effect on the interactions with the consumers if aligned with the power of the influencers, creating synergies between the Kiehl's Facebook page and influencer's social media platforms, creating defined and strong plans of how to promote together partnerships, contests and sales.

We suggest the creation of unique discount codes for each Influencer to be given to their followers and measure their real impact on offline sales and, in 2017, traffic to Kiehl's e-commerce store and online sales. Additionally, we suggest that promotion through Kiehl's Facebook is key to boost sales and that should be a priority to the brand. Having real and measurable results, as shown by the regression made at the third attempt of the analysis, we understand that Kiehl's should invest more money on their Facebook page to achieve more reach and, consequentially, boost sales.

#### **4. Main Contribution of the Project**

Influencers programs are an excellent opportunity to promote a brand in the social media era mainly because of two aspects, first it is considerable far less expensive than traditional advertising and secondly it effectively transmits the key messages to the desired audience.

Nevertheless, there are many challenges for brands that may want to start an influencers program that rewards the influencers with products. Firstly, the brand must be a "love brand" so that it has the "power" to persuade the influencers to accept to work with them in exchange of products (to maintain the advertising initiative at a low cost). Secondly, the brand must do a very detailed analysis to choose the influencers that truly "fit" their brand. Finally, the brand must be able to have time to manage the program, build a solid relationship with their influencers to make sure that their partnership is healthy and achieves the long-term objectives.

Our analysis suggests that the influencers can potentialize the major actions provided by the brand, if both the brand and the influencers work closely together to create synergies. The influencers should be focused on helping the brand promoting their key events, discounts and contests, and building awareness.

## **5. Research Limitations**

Firstly, influencers constitute a new subject of study in the current social media era and for that reason there is still a very limited amount of literature regarding this topic. Even though a strong online presence is seen as indispensable for brands (Naylor, Lamberton & West, 2012), the format in which to use influencers has not yet been widely covered.

Secondly, there is a struggling challenge in trying to estimate the individual power of the influencers, i.e, to measure whether their promotion produces impact or not. Our belief is that the impact of one action by an Influencer can simultaneously produce an immediate impact for some consumers but a forthcoming impact on others.

Finally, there was not an abundant data about Kiehl's generated by the influencers on their online channels, which made it more challenging to measure the impact of each influencer on the success of the program. On the other hand, when there were actual interactions made by the influencers, there were also important discount events promoted by the brand through their own channels. This made it increasingly difficult to isolate what was driven by the influencers and what was direct effect of the promotion made by Kiehl's.

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