



The Best Practices of Compensating Influencers



Introduction

Influencer Marketing has long grappled with the questions of why pay influencers for their content and how much should they be compensated? The industry has often toed the line on the value of product exchange campaigns; at certain times these types of campaigns are championed as the “new wave” of cost-effective Influencer Marketing, while at other times they are seen as ineffective for both sides and potentially even unethical. So the question is: when do unpaid product exchange campaigns work and when is cash compensation for content creation the best choice?

Based on our experience in the industry, we want to provide some food for thought to our

customers who are considering what route to take and how much to invest in their campaigns.

We will aim to answer the following:

- Is it necessary to always pay creators in cash compensation for their posts or is non-cash compensation ok?
- What should marketers pay the creators they work with and how should those rates be determined?
- Can marketers run a successful influencer practice with a very small budget?
- What is the best way to approach creators for a campaign and assess their pricing?





Strategy: Product Exchange

Are product exchange campaigns effective?

Trying to build an entire Influencer Marketing practice solely on unpaid activations is tricky. It requires a lot of man hours for considerably smaller results. It can be a *part of your strategy* if approached with realistic expectations.

Tips for how to make product exchange campaigns work:

Product + Cash: Sending free products *in addition* to cash compensation can supplement your overall cost. A little of both is ideal, when that's a feasible option for your budget.

Creator Community: Building a community of creators who are natural advocates and are already working with or posting about your brand.

Employee Advocacy: Employee advocacy programs can be beneficial if your employees are great advocates.

Unboxing: Sending product with a fun unboxing approach. Content creators are more likely to post about free products if it's sent in a fun, creative way that allows the creator to document the unboxing. It's a great content approach for both sides.

Higher End Products: Luxury goods, services, or trips. Keeping in mind the value exchange element, any product or brand that is a higher price point will be more compelling for creators. Products that are under \$100 will be viewed as less valuable and worthwhile to creators.

Relationship-Building: Appealing to the individuality of the creator and their life stage.

Building a personal relationship with creators can help bridge the financial gap.

Realistic Performance Expectations: Having realistic expectations that niche creators, high quality and high follower account creators, and astronomical performance results are harder to achieve through unpaid campaigns. You can increase brand awareness but you cannot build an entire business based on free product exchanges.

How to set realistic goals

Before you embark on an unpaid campaign strategy, it's critical to determine your goals and set realistic expectations. Generally, the time and energy that a brand needs to invest in a product exchange campaign is greater than paid campaigns and the overall output and performance typically yields lower results.

We analyzed product exchange campaigns managed through IZEax and there are some very clear trends.

We found that the lower the product value, the lower the acceptance rate Marketers experienced. Products with a value under \$100 saw on average under a 7% acceptance rate. Products with a value over \$100 and under \$1,000 saw on average an 11% acceptance rate. On the other hand, products with a value of over \$1,000 typically saw an average acceptance rate of 67%.

Another component we looked at was the average number of creators per campaign. Campaigns with products under \$1,000 typically onboard less than 10 Creators. Product exchange campaigns with products valued over \$1,000 saw their average number of creators in the double digits.



Strategy: Product Exchange Cont.

There are many factors that can go into these figures, but it is clear that products with a lower price point for product-only exchange campaigns will have a lower acceptance rate and typically, the most successful product-only campaigns are those with products that are at a higher price point.

When setting goals for product exchange campaigns, these are some factors to consider:

What value is your brand providing to the creator? Consider the value exchange element of your interactions. Creators are more willing to work with brands who are respectful, responsive, and care about the people they are working with. If you are sending free product only, consider investing in an unboxing process to the creator's home so they can have fun opening up the product and feel special.

Without payment, flexibility and freedom are key.

It's important to give creative freedom to these folks; having strict content expectations for unpaid activations doesn't align with the relationship you're offering. If you are open to future work with this creator or there are other perks for them, definitely include those in your opening pitch.

As a brand, don't over promise on product exchange campaigns. Lastly, temper your expectations—both internally and externally—of what can be achieved performance wise and creator acceptance wise. Lots of creators don't do unpaid campaigns and never will, so it will take you much more time to find creators who are open to participating. You are also unlikely to snag high-follower count folks with strong engagement and a strong aesthetic. Be realistic about what an unpaid offering can achieve and spend some extra time and energy making sure creators feel the love when cash compensation is not going to be involved.



Strategy: Cash Compensation

Is it important to pay creators? Why or why not?

The short answer: Yes, you should pay creators for the content they create! From our vantage point, paying creators for the work they do is only natural. Here's why cash compensation is important:

#1: You generally get what you pay for.

Beyond the value exchange that is fundamental in all of our daily work, it should also be remembered that you generally get what you pay for. If marketers are investing minimal budgets, then it's reasonable to expect that the quality and results will be reflected. Managing appropriate expectations is important for all activations regardless of investment level.

budgets aren't necessarily bad, they just require some more legwork and naturally will deliver performance results that are aligned with the investment.

#3 Creators are freelancers with a myriad of skills.

Creators create written and visual content that resonates with their respective audiences in a format that is easily digestible on social channels. They write, compose, digitally format, edit, and creatively conceptualize their posts. Not only do creators foster their audience, stay up on digital trends, and analyze the industry for optimal efficacy, but they are experts in their field. The reason their work is so valued is because of the vast array of skill sets and relevant knowledge they possess in the digital sphere.

Each year, content creators adjust with the market rate and the growth of the industry and their rates have steadily increased.

#2 Skilled creators know their worth.

High-quality and effective content creators know their audience, know their value to a brand's profile and KPIs, and will charge accordingly. High quality creators will, overall, be higher priced, just like more in-demand professionals will command higher salaries. The good news is that there is a spectrum of creators at every level—nano to celebrity—who you can leverage for your brand. It's all about finding the right fit and creator for your company or product and then strategically using the budget available to you. Smaller

A lot of work goes into building a burgeoning social media presence. It's not easy work and many creators, although not all, rely on their work with brands as their primary income.

The conceptualization of influencer marketing as a "side hustle" often doesn't hold weight for the heavy hitters. Creators who are skilled at what they do have chosen to invest in their social presence, sometimes quit their day job, and lean into the social sphere for a living. All of this is to say that creators are professional contractors and should be viewed as such.



Strategy: Cash Compensation Cont.

How much should I pay creators?

IZEA analyzed our historical data to provide a snapshot of how much creators have charged per channel over time. We pulled from our database to showcase the cost of an Instagram post in 2015 vs. the cost in 2019. This chart illustrates that influencer rates have steadily increased over time in a linear fashion. Each year, content creators adjust with the market rate

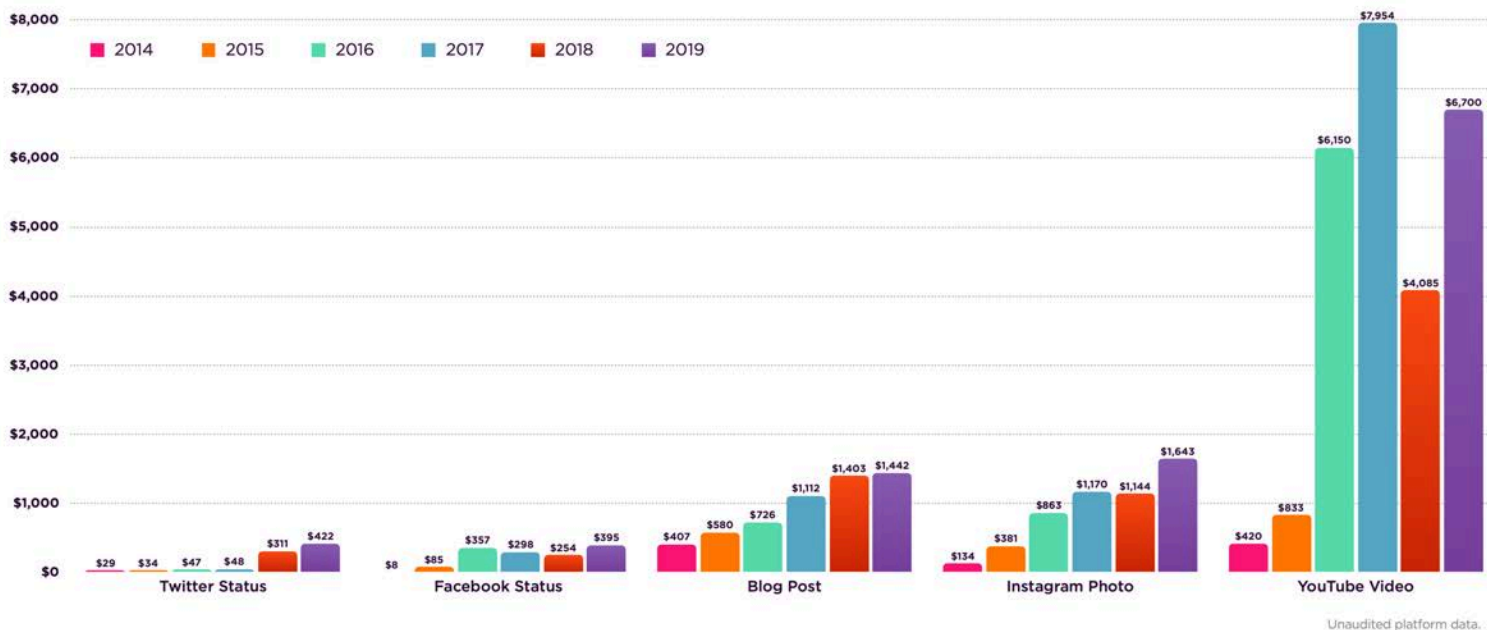
and the growth of the industry and their rates have steadily increased.

Another interesting point this chart illustrates is the relative value of various types of channels and content types (long-form blog posts vs. static imagery vs. video content) over time. The value has shifted as the popularity of certain channels waxes and wanes. If you want to get granular and see the market rate for each channel across time, please check out our report entitled [Influencer Pricing Data](#).

Influencer Marketing Costs



2014-2019 Average Cost Paid Per Post Per Platform (USD)



Source: IZEA Influencer Pricing Data Report ([Link](#))



Strategy: Cash Compensation Cont.

The general market averages are showcased in the chart above but there is truly no hard or fast rule for exactly how much an influencer's rate is or *should be*. Just like contractors, creators set their rates based on a multitude of factors determined by the industry and their own judgement. Your best bet is to reach out to a creator you are interested in working with, describe the campaign scope and ask them what they would charge for this activation if they are interested.

Example Creator Outreach Verbiage

Here is one of the simplest ways to get a sense of rate. Once you have the scope and timeline laid out, as well as the general KPIs, express your interest to a creator in a brief outreach. Tell who you are, what the campaign is about, exactly what it entails (channels, # of posts, cadence of posts) and timeline, then ask two questions with a timeframe for response baked in:

- Considering this scope, are you interested in participating? Yes or No
- If yes, what would your rate for the outlined activation be?
- Please follow up by EOD today so that we can move forward promptly!

Snippet on Follower to Rate Ratios/ Formulas:

There is no rule of exact # of followers and that corresponds to an exact rate. This is because not all audiences are the same. Some are more

static, while some are more engaged. Also, this approach encourages creators to buy followers to increase their price based on this false equivalency.

Factors That Impact a Creator's Rate

1. Time of year and seasonality
2. Timeline – how quick turn is this activation?
3. Exclusivity requirements
4. Brand or product name recognition
5. Genuine love of and belief in the product, brand, or service
6. Relationship involved & potential for future partnerships
7. What channels, overall scope, and quantity of posts
8. Content or video length – long-form vs. short-form
9. Creator's reach and engagement of their audience
10. How in demand they are from other brands



How IZEAx Can Help With Either Approach

IZEAx allows marketers to manage paid and unpaid campaigns efficiently and gather performance data and quality content across all activations. Key platform capabilities that create efficiencies include:

Directional Flexibility

On IZEA, you can do both Direct Offers and Open Bidding. Direct offers are sending an offer to a creator with a certain amount attached (remember, you can reach out to the creators first to allow them to price themselves according to the scope). Open Bidding means that you can create and flesh out a campaign with all the relevant scope and objective details. Then, creators can bid on these opportunities by raising their hand (digitally) to say they would like to participate and for how much. They can even include a pitch for you to review.

In-Kind & Cash Comp Options

Our Payment modal allows you to succinctly and clearly outline both the cash compensation to the creator and the value of the product, trip, service, or offering that is not cash. We allow you to delineate the value or price of the product you'll be giving to the creator in a way that is clear from the get-go. You can also include a brief synopsis of product or offering to expand on the value or characteristics as you see fit.

Survey Options for Niche Creators

Our ability to run surveys will allow you, with the help and support of your CSM, CM, or AD, to also have creators fill out a more structured Google Form if you are looking for niche creators to participate.

Performance Data

Whether you have a robust budget or are planning to mainly send free product to your creators, IZEA's platform will provide performance data for all your activations, all your creators, and all of your campaigns. We have live API connection access for each of our creators and this allows us to swiftly assess and present performance data to our brands and all you to provide high-level snapshots or super granular deep-dives to your team.

Content Compilation

Our ContentMine asset library automatically saves and stores all of the creator content you have ever commissioned on the platform. Once a creator adds in their finalized links (after you have approved their content to go live, of course!) our backend grabs the performance data, the high res raw images, and the snapshot of the post on the social channel and stores them all accordingly. Plus, you get all of this content auto-tagged by our proprietary AI, performance data surfaced, and relevant keywords to sort by.

Payment is Handled

Payments in IZEAx are automated. One of the most time and cost-efficient elements of the platform is that we have a robust process to ensure that creator content is FTC compliant, that creators only post what the brand approves, and that payment is handled swiftly.

