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Virtual influencers: An innovative way of developing marketing relationships

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Abstract

Emergence of metaverse, where the virtual world and the real world converge, will be inhabited by the virtual characters. Brands have moved towards the virtual influencers in order to attract the customers. These virtual influencers are fictional computer-generated people who have realistic characteristics, features and personalities that of humans. They have a life, back story and a narrative. The present paper is an attempt to understand the landscape of virtual influencers, what motivates brands to go for virtual influencers and why they are so popular. It analyses the future potential of the virtual influencers market and also addresses the ethical issues related to virtual influencers.

Keywords: Computer-generated image, generation Z

Introduction

Brands of the world are delving more deeply into the digital world, and one of the latest innovations they are experimenting with is the use of computer-generated images in the form of virtual influencers. Virtual influencers are Computer Generated Image (CGL) characters, who have realistic features, personalities, thoughts and feelings of real humans, but are created and controlled entirely, from their physical appearance to the messages they put, by their creators which may be individuals or the brands. They have a life, back story and a narrative and a team of skilled writers keep them moving.

It all started in 2016 when Lil Miquela, created by Brud, appeared on Instagram. After that there was a storm of virtual influences occupying the digital space such as Liam Nikuro of Japan, Serah Reikka of France, Aliona Pole from Russia, Thalasya of Indonesia, Zoe Dvir of Israel Lu do Magalu of Brazil, Lia Ziyagil of Turkey, Rubi of Germany, Nila of India, Blawko of USA, Kim Zulu of South Africa, Ivaany of France, Brenn of The United Kingdom, Reah Keem of South Korea, Imma of Japan and Noonoori of France, these characters are 24 by 7 available all over the world. Advocates of virtual influencers have a logic for them. As a social animal, humans tend to change regarding what they talk and where they talk due to the response they expect to get. When they know that there will be no judgment because it is a machine then they tend to be more unfiltered and open. This results in getting emotional utility while talking to a machine. Opening in such a way is often hard with real humans. With this backdrop when the viewer's get into an emotional relationship with robot control conversation and when such conversation connects to their experience and makes them feel special, then they tend to listen to them and form a relationship of trust and authenticity.

Objectives of the study

1. To understand the conceptual framework of virtual influencers.
2. To analyze the industry of virtual influencers.

Landscape of virtual influencers

How they are created

A virtual influencer is created by his creator. First, he has to understand the audience and create empathy maps. This helps understand the persona of the audience which further helps create the persona of the influencer. The study of audience persona will reveal as to what type of person they want to be friendly with and the influencer should fit into this description. The personality of the influencer is then visualized and characters are given.

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The narrative design technology, applied psychology and artificial intelligence tools are also used. Listening technique and machine learning analysis as well as intensive research into the taste and attitudes of the target group is conducted. Tone analyzer which uses technology to detect joy, fear, sadness, anger is analyzed. The tentative tones in the in text are applied to get into the character according to the audience. Natural Language Processing (NLP) tools and software that stimulates written human language is used to generate virtual influencer’s response to the followers, for the caption in the social media posts. The personality behind the influencer is built upon this data-driven foundation. Virtual influencer script writers dream a fictional basis and back stories to provide motivation for the characters action. He decides how they look, what they wear, how they behave and also manages the relationships and conversations of these virtual influences with real people. The companies

behind them add mysterious and appealing events to the story. For instance, LG used motion capture technology in capturing 70000 different expressions and movements and then used deep learning technology on the data for creating the virtual inferences 3D image.

Motivations for the brands to engage them

Virtual influencers become special for the brands as they offer many advantages to them. Companies are actively involved in rolling out the virtual influencers with a mission to attract millennials and generation Z who are well versed with artificial intelligence technology and have interest in virtual personality. According to McKinsey and Company, Millennials and Generation Z have a spending power of USD 350 billion in the US alone.

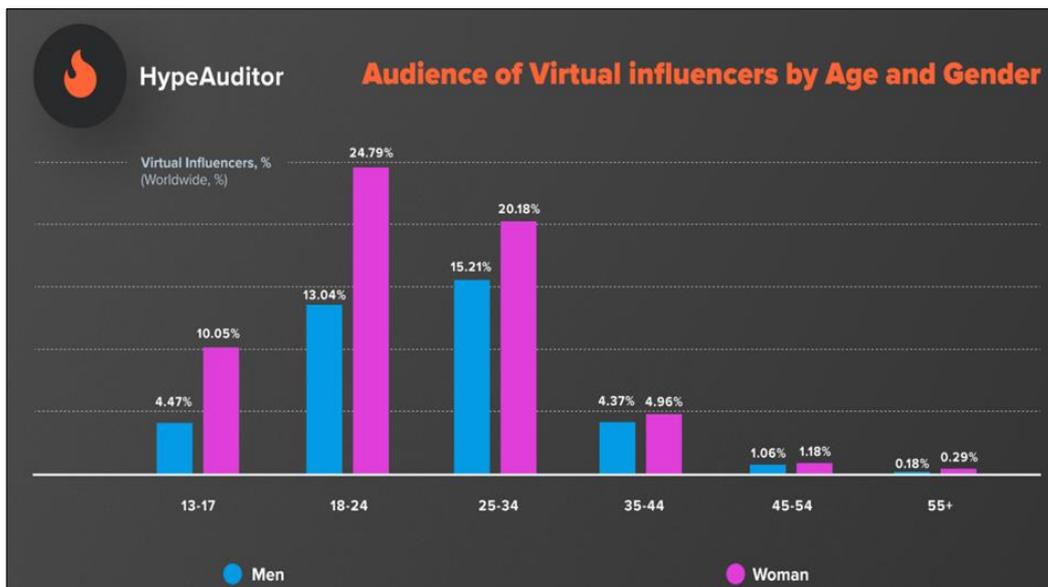


Fig 1: Virtual Influencers Audience According to Gender and Age
Source: Compiled from secondary sources

It is evident from the above figure that the maximum audience of the virtual influencers belongs to Millennials and generations Z. The percentage of women audience is more than men in both the categories. Brands can custom-

design the virtual artificial intelligence influencer that is aligned with the brand image and can be adapted to the exact target group.

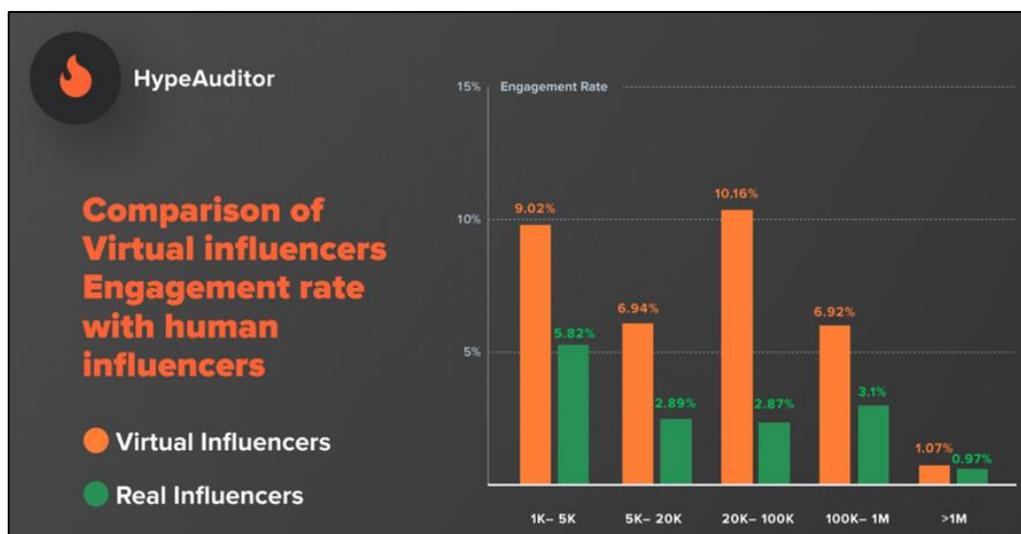


Fig 2: Engagement Rate of Real and Virtual Influencers
Source: Compiled from secondary sources

It is clear from the figure that engagement rate with virtual influencers is quite high as compared to the real influencers. They give more control to the brands as against real life influencers who can have controversies which can bother a brand. But with virtual influencers, as the remote control lies with the brands, they can create brand ambassadors according to the specific industry. The creators make them look like real human beings which make contact and interaction much easier with them. They are created with users' profile in mind which means they will attract only those people who are potentially interested in the product. It leads to the quality traffic.

Connections to target audience, attraction of quality traffic and conversions help bring positive returns on investment (ROI). As brands are creating their own virtual influencers it ends in costing less and there is no need of large number of people. The problem of over paying the real influencer due to the fake followers and engagement is also solved through the virtual influencers. They are virtually immortalized and their career can last up to two decades. Brands get the opportunity to design the models that are aligned with their brand image and can be adapted to the exact target group.

Product life cycle which is created with the life cycle of the influencer narrative and their life story can have the product inserted into each part of the story which is almost impossible to do with the real influencer. Often the real influencers are having the followers. Though the brands are not getting the benefit, every follower of a virtual influencer converts into a follower of the brand and adds to the returns on investment. Virtual influencers are able to gain followers because the stories created around them are highly developed, consistent and intervening.

Collaborations with virtual influences increase the success of the brands on Instagram as they become more and more audible. They also help in business strategizing. 1 Sec Inc. created Liam Nikuro who is a composite personality based on the real people of US and Japan and was used in business partnership with National Basketball Association (NBA) Washington Wizards.

Virtual influencers are a good option to spend a word about the event. People love an opportunity to see what virtual celebrities are doing and they Judge their humanity. Pictures of Lil Miquela was being put up on billboards in Time Square and she is becoming iconic who is by far the most realistic looking influencer and has a great following. Real and virtual are getting more mixed-up. International example of this marketing strategy is Lil Miquela's success, which proves that it makes a little difference for people whether the star is real or virtual.

Major virtual influencers storming the world are as follows:

✓ Lil Miquela

She is the first virtual influencer and was created by Brud in 2016. She is a Brazilian American, 19-year old digital image. She has over 3 million followers on Instagram, 1.3 million on Facebook 26.9k, on Twitter and 261k subscribers on YouTube. The average engagement rate is 2.7 %. She posts extensively on lifestyle, fashion, virtual life, advocates for equality and goes with a forward mindset. She has worked with major brands such as Prada, Calvin Klein, Samsung, Chanel, Diesel, Barmer Dior, Olive Garden, Nike, Ambush, Tommy Hilfiger, Pat McGrath. She has

appeared in many magazines like Vogue, The Cut, and Guardian. Her music is also available and as a musician her work can be found in Spotify, Sound Cloud and YouTube music.

✓ Imma

Imma is the first virtual model of Japan operated by Aww Inc. and is known for her kawaii style and pink hair. She follows the topics of race, gender, art, lifestyle Japanese culture and environment. She has over 1.36 million followers on Facebook 333k on Instagram, 247k on Tiktok and 7.7k on Twitter. The engagement rate is 4.24%. She has appeared for brands such as IKEA, Dior, Puma, Nike, Hermes, Tiffany &Co., Calvin Klein, Adidas Tokyo and Burberry. She appeared in the I-D magazine, CG World Magazine and Design boom.

✓ Noonouri

Noonouri is created by Joerg Zuber and is operated by "Opium effect". She is a 19-year old cartoon figure hailing from Germany. She has a following of 371k on Instagram and 5.7k on Tik Tok and 957k subscribers on the YouTube. The engagement rate is 1.9% and the posts are related to fashion, beauty, travel, design and tourism. She has 58% followers as females and 42% as males. She has worked with brands like Lacoste, Bulgari, Netflix, TikTok, Versace, Miumiu, Siemens, Burberry and Fendi. She has also appeared in Vogue, Forbes and Deutschland.de.

✓ Shudu

The first digital supermodel of the world is Shudu. She was created by Cameron James Wilson and is operated by the "Digitals". She is shown as a fashion queen coming from South Africa and her maximum posts are on lifestyle and fashion. She has a following of 214 Kk on Instagram and 2k on Facebook. Her engagement rate is 4.72%. Other virtual influences associated with Digitals are Dangy, Koffi, Aspen, Boyce, Brenn and Galaxia (who is the first alien supermodel). She is involved with brands like Fenty Beauty, Soul Sky, Samsung and Smart Cars. She also featured in Vogue, The Cosmopolitan, Hindustan Times, and harper's bazaar.

✓ Knox Frost

Knox Frost from the USA is operated from a private account. He has 906k followers and an engagement rate of 1.42%. He has ties with the World Health Organization (WHO) and has featured in major magazines such as Business Insider, Ad week, Buzz Feed, Forbes, Fortune, CNN.

Market of the virtual influencers

According to Business Insider Intelligence, the value of influencers marketing will be USD 15 billion by 2022. The International Data Corporation predicts worldwide spending on artificial intelligence could rise to more than USD 35 billion. The virtual influences market is expanding at a very fast pace. According to the South China Morning Post, China's virtual influencers market is expected to be 1.5 billion RMB in 2023. The Brud was worth USD 125 million after a round of financing led by Spark Capital where the investors took a part of 'avatar' action.

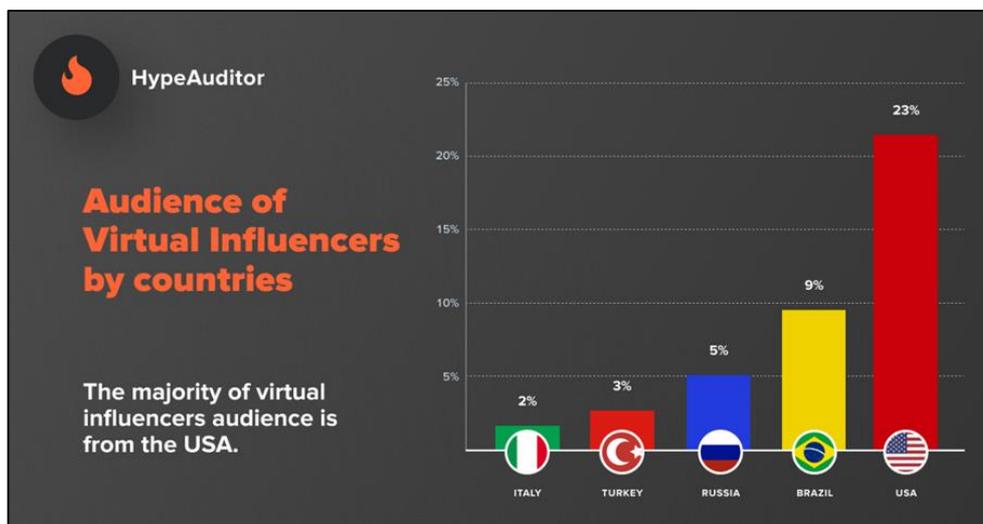


Fig 3: Country-Wise Virtual Influencers Audience
Source: Compiled from secondary sources

The USA has the maximum number of people who are the audience of virtual influences which are 23% followed by Britain with 9%, Russia with 5%, Turkey with 3% and Italy with 2%. This points towards the dominance of USA both in demand and supply of virtual influencers market.

Virtual influencers are becoming the top earners leaving behind the real influencers. According to 'On Buy' UK based online marketplace, Lil Miquela makes USD 11.7 million a year and Noonoori makes 2.6 million dollars per year. Influencers Marketing Hub has estimated the earnings per post of some virtual influencers such as Lu Do Magalu USD 10054 to USD 16756, Lil Miquela, USD 6033 to USD 10055; Knox Frost, USD 2416.5 to USD 4027.5; Thalasya, USD 1482 to USD 2470; Imma USD, 993 to USD 1655; Shudu, USD 644.25 to USD 1073.75; Balwko, USD 468.75 to USD 781.25 and Bermuda, USD 886 to USD 1477.50.

Brands like Ugg and Balmain encourage virtual influencers in their campaigns and SK-11, Yoox, Waviboy are creating their own special avatars. L'Oreal brought Mr Ou to the Chinese market as their virtual brand ambassador. ESteem and SIDUS Studio X created ROZY, the first virtual influencer of South Korea. Consumer electronics giant LG opted for virtual influencer Reah Keem to present their latest products. The Japanese startup AWW Inc. who created Imma raised USD 1 million seed money from Coral capital. The animated entertainment startup Superplastic Inc. who is behind the virtual influencer Janky and Guggymon, also raised USD 16 million as seed funding. S V Angels, Crafts Venture, Scooter Braun, Plustic Boy all have invested in the virtual influencers market. Brands such as Renault, Puma, Balmain and Yoox have their own virtual ambassadors.

Concerns and the problems

The rise of virtual influencer raises a lot of legal and ethical issues. They are in conflict with the rules set by the advertisement watchdogs. For example, the Federal Trade Commission in The United States has stated that the most important principle of an endorsement intent is that it must represent the accurate experience and opinion of the endorsee, which virtual influencers can never do. Similarly, Truth in Advertising (Tina) which is a US based nonprofit organization which protects consumers from deceptive advertising, insists to expand the definition of endorsement

and scrutiny level of virtual influencers up to the level of real influencers.

Some virtual influencers look so lifelike and this could potentially mislead the public. A survey by a firm 'Full Screen' found that 42% of the millennial and generation Z have followed an influencer on the platform without realizing that they are computer generated. Therefore, this leads to a call for the virtual influences to be regulated so that they are not able to deceive the public. The authenticity of endorsements by the virtual influencers is also a big question mark. There are no clear guidelines with respect to advertising disclosure for the virtual characters. The motivation of the virtual influencers is not specific as identity of the persons working behind is not known and we do not know the parties behind the computer-generated image graphics. For instance, support for black live matters, pride and other trending social movements by virtual influencers are more often considered as publicly stunts aimed at increasing the following, rather than an authentic world view. Shudu, the creation of Cameron James Wilson virtual supermodel, was in controversy when she was performing for an advertisement of a brand for misleading the audience when it was revealed that she was not real.

Recommendations

Clear ethical framework and more transparency about the motivation of people working behind virtual influencers would be the first step towards building authenticity and followers' trust. Virtual influencers capturing social trends and movements is a dangerous dynamic that may face public negativity. All the characters which are followed as virtual influencers must be directly regulated by FTC. Like human influences some legislations are also expected on them.

Conclusion

The new wave of virtual influencer's content may become the face of the growing digital age. They are extremely engaging online personalities with real people pulling the strings so they act like real people. The companies are building their own virtual models and managing their brand image. Messages are better controlled; the appearance of virtual influencers can be tailored to the specific industry and any background can be molded within an exhaustible

workplace. The demand of virtual influencers due to the increasing audience, and the requirements from brands is rapidly increasing leading to a tremendous growth of the market. The market is expected to reach new heights in coming years.

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