



THE VALUE OF A FACEBOOK FAN: AN EMPIRICAL REVIEW

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Executive Summary

As Facebook matures as a viable marketing and customer service channel, many organizations are looking to quantify and understand the impact of their overall marketing investment on their business. Quantifying the Return on investment (ROI) of Facebook marketing efforts includes multiple variables and companies often fail to understand and to properly value their efforts in terms of the potential long-term business benefits of the Facebook channel.

Many brands overcomplicate their measurement requirements by tracking dozens of independent variables. Many oversimplify by trying to apply a single number concept of value, and far too many fail to quantify ROI in such a way as to convince a CFO of the merit of increasing or shifting investment towards Facebook marketing.

Syncapse has adopted a unique approach to understanding the financial returns that social members on Facebook provide to a business. Facebook fan ROI can be understood through a knowledge of key performance indicators that have traditionally led to increased sales and profit in business and the key differences between Facebook users who have opted to “fan” a brand and those who have not.

This study will examine the five leading contributors to Facebook fan value. (1) Product Spending (2) Brand Loyalty, (3) Propensity to Recommend, (4) Brand Affinity and (5) Earned Media Value.

Value is reflected not simply by the action of being a “fan” but rather the value of the audience.

Introduction: Understanding The Value Of A Fan

Brand marketers have been struggling to understand the impact of their Facebook marketing efforts contribution to their overall marketing success. Many are attempting to establish the return through a campaign-based analysis rather than by a consideration of long-term business value. Confusion in the industry is widespread and clear principles for Facebook measurement have not been commonly adopted. This has resulted in missed advantage across agencies, brand teams, and executives in fully realizing the potential benefits of Facebook marketing.

Understanding long-term Facebook fan value is a complex undertaking with advanced calculations required across multiple variables. This understanding is rooted in the measurable differences between users who have “fanned” a brand and those who have not. The value is reflected not simply by the action of being a “fan” but rather by the value of the audience and the benefits “fanning” offers the brand.



Deriving Fan Value

Identifying differences in behavior and motivation between fans and non-fans is significant in understanding the true value offered to an organization. Syncapse has identified and isolated these factors and associated them with key factors recognized across the industry as drivers of shareholder value. The factors studied are widely identified as fundamental to both short-term and long-term sales performance and have been tested across multiple organizations to confirm their importance.

The variables studied in this paper for the purpose of understanding Facebook fan value include:



1. Product Spending:

The ability to understand the methodology of increasing product spending.



2. Loyalty:

The ability to understand the available means to influence and promote brand loyalty within a target audience.



3. Propensity to Recommend:

Probability and propensity for word-of-mouth recommendations leading to sales.



4. Brand Affinity:

The impact on brand perception and recall.



5. Media Value:

Efficiencies of earned reach and frequency via the Facebook platform.



6. Acquisition Cost:

Efficiency of Fans in enticing others to participate and drive organic membership.



Methodology

The quantitative research for this Syncapse undertaking was conducted in conjunction with Hotspex Market Research and consisted of a 25-minute survey using their online panel. Data was collected from over 4,000 panelists across North America in June 2010.

The questionnaire required panelists to self-identify those consumer companies with whom they could be identified as a fan. Then, information on past or projected future consumer behaviors of respondents was collected, together with the feelings of respondents towards the past or projected actions or feelings of others (family, friends, etc.) with respect to their consumer behaviors. Standard Lichert Scale methods were used to profile questionnaire responses.

Brands used in this study were twenty of the top brands on Facebook at the time of conducting this research. In order to ensure that the survey questions were applicable to each product type, research was focused only on consumer brands. Celebrity and un-official pages were not analyzed.

Syncapse analyzed the data utilizing SocialTRAC™, a propriety global platform for understanding social media value and business drivers. Assumptions are supported through in-depth proprietary research and data analyses of two-years available data across millions of interactions.

Findings were then analyzed contrasting fans and non-fans for these top brands: Nokia, BlackBerry, Motorola, Secret, Gillette, Axe, Dove, Victoria's Secret, Adidas, Nike, Coca-Cola, Oreo, Skittles, Nutella, Red Bull, Pringles, Playstation, Xbox, Starbucks, and McDonald's.

A fan base is a self-segmented group of highly valuable customers.

Summary Of Key Findings

Consumers who are fans are more valuable to organizations across all variables studied than are consumers who are not fans. Key value points include:

- On average, fans spend an additional \$71.84 on products for which they are fans compared to those who are not fans.
- Fans are 28% more likely than non-fans to continue using the brand.
- Fans are 41% more likely than non-fans to recommend a fanned product to their friends.



No Two Brand's Fan Values Are The Same

With all variables analyzed across all 20 studied brands, Syncapse's research indicates the average annualized value of an individual fan is \$136.38. Fan value can vary widely by company and product. Factors influencing this variability include product purchase price, purchase frequency, product purchase cycle, product category and brand equity. It should be noted that underlying brand strength is the cause for some of these differences.

For example, the baseline brand equity has a very strong influence on the relative value of a fan. A case in point is the fan value of BlackBerry (\$83.98) versus Nokia (\$180.87). BlackBerry manifests a lower loyalty premium for Facebook fans because the strength of their product among non-fans is much higher compared to Nokia. For Nokia, fans are intense stalwarts but less enthusiasm is evident with non-fans. In that light, fan value is not simply a question of 'good' or 'bad', but rather must be understood in terms of the overall profile of a brand's loyalty inside and outside of the social channel.

Equally important is the impact of external forces upon value. In the above case the pricing impact of channel partners may artificially distort the overall fan value of premium brands such as BlackBerry or other Smartphone providers due to their inherent need to price discount in order to gain market penetration.

No Two Fans Are Created Equal

The fan base of a brand is unique and comprised of different levels of influencers and customers. The average fan value is \$136.38, but it can swing to \$270.77 in the best case or go down to \$0 in the worst. This is due to the fact that no two fans are alike.

Syncapse has observed that an average fan may participate with a brand ten times a year and will make one recommendation. But, an active fan may participate thirty times and make ten recommendations. The impact this has on fan value is quite dramatic. In the case of Coca-Cola, the best case for fan value reaches \$316.78 but is \$137.84 for an average fan. In the worse case scenario, a fan is worth \$0. This degree of variability in the value of a fan must be a major consideration in determining how brands address different types of fans in efforts to move them up the value ladder. In short, the goal must be to reduce fan variability while moving the average fan value to the active end of the range.



Product Spending (Annual)

Driving new and increased spending per customer is a key focus for most marketers. Understanding the difference in consumer spending patterns between users who have fanned a brand and those who have not provides insight into the importance of the audience to the financial success of an organization.

Syncapse's research indicates strong findings that Facebook fans are more valuable customers and spend more on average than do non-fans. Across the twenty brands examined, fans reported spending, on average, \$71.84 per year more than respondents who were not fans.

Facebook fans reported spending
\$71.84 more per year than non fans.

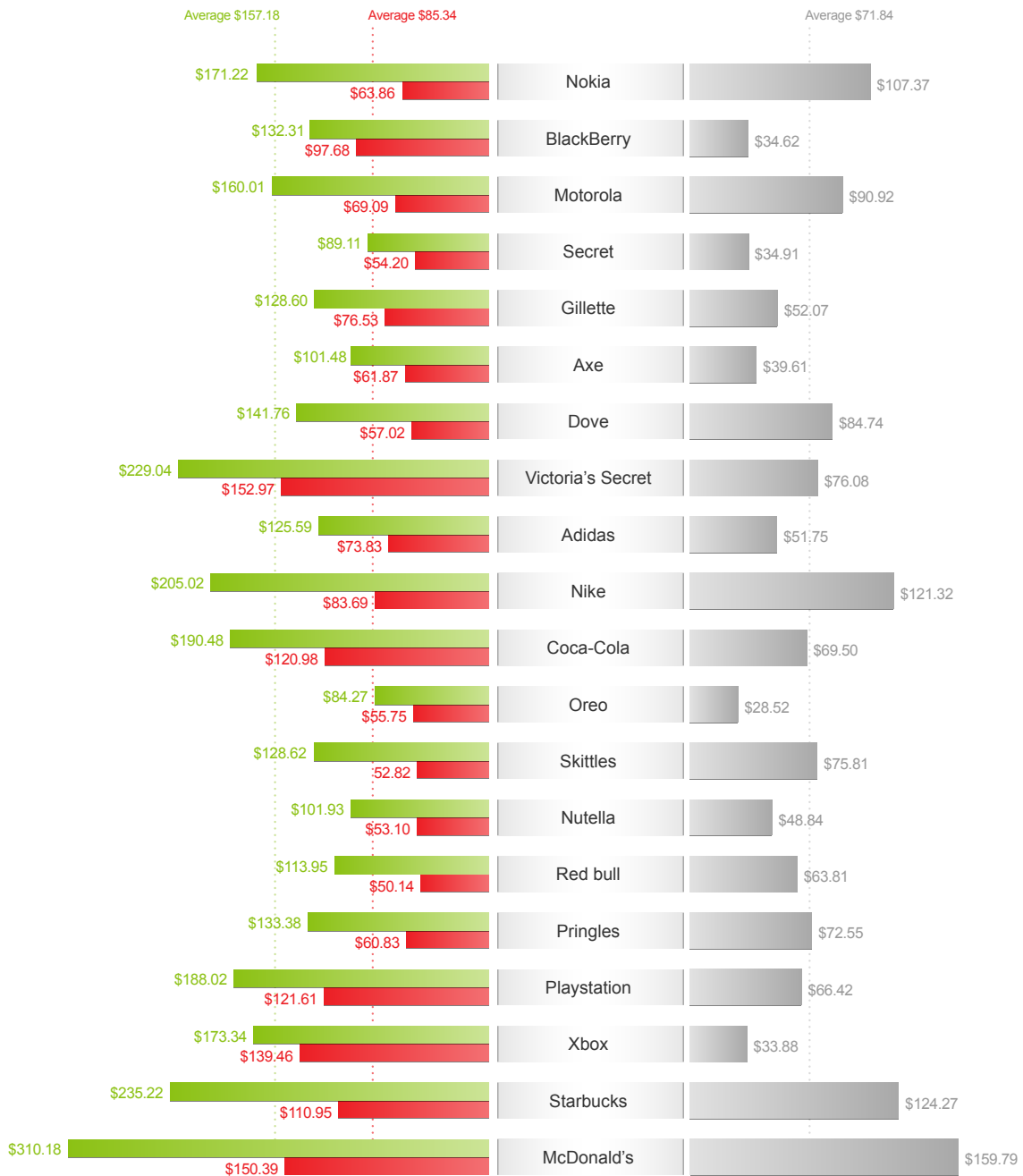
McDonald's saw the largest variability, with Fans reporting spending \$159.79 more per year than non-fans. Oreo saw the lowest value with a difference of \$28.52. Factors influencing these differences may include both product price and purchase lifecycle. Thus, these differences are less an indicator of marketing performance, and more a confirmation that Facebook fans are more valuable customers than those who are not. It is probable that these numbers can be influenced by a number of factors, including sales penetration, brand health, product health, as well as Facebook marketing success. This study did not investigate these mitigating factors as they could vary greatly depending on region, brand, and product category.

The chart on the next page outlines the total annualized spending and contrasting results between fans and non-fans. Differences are not proposed to be representative of overall marketing effort success, but rather represent a snapshot of reported spending differences between the two audiences.



Product Spending: Facebook Fans vs. Non Fans

Fans   Non-Fans Difference



Source: Syncapse Corp



Brand Loyalty

As more organizations look to platforms like Facebook to foster and grow relationships with their customers, loyalty values become key indicators of marketing and product performance.

Research across all 20-brands studied indicated that Facebook fans were more loyal to the fanned brand than consumers who were not fans. On average, Facebook fans are 28% more likely to continue using a brand than are non-fan consumers. This data illustrates the importance of the audience on short-term and long-term marketing efforts of an organization.

Adidas had the highest variance of loyalty between fans and non-fans with 42.5% of fans indicating a heightened likelihood of continued product usage. Secret saw the lowest difference in loyalty, only 15.83% between the two groups. Loyalty is often viewed as a key indicator of brand and product health. The data further suggests the heightened value of the Facebook fan Page audience and the difference between the potential of the general mass market versus that of fans.

Facebook fans are more loyal to the fanned brand than non-fans.

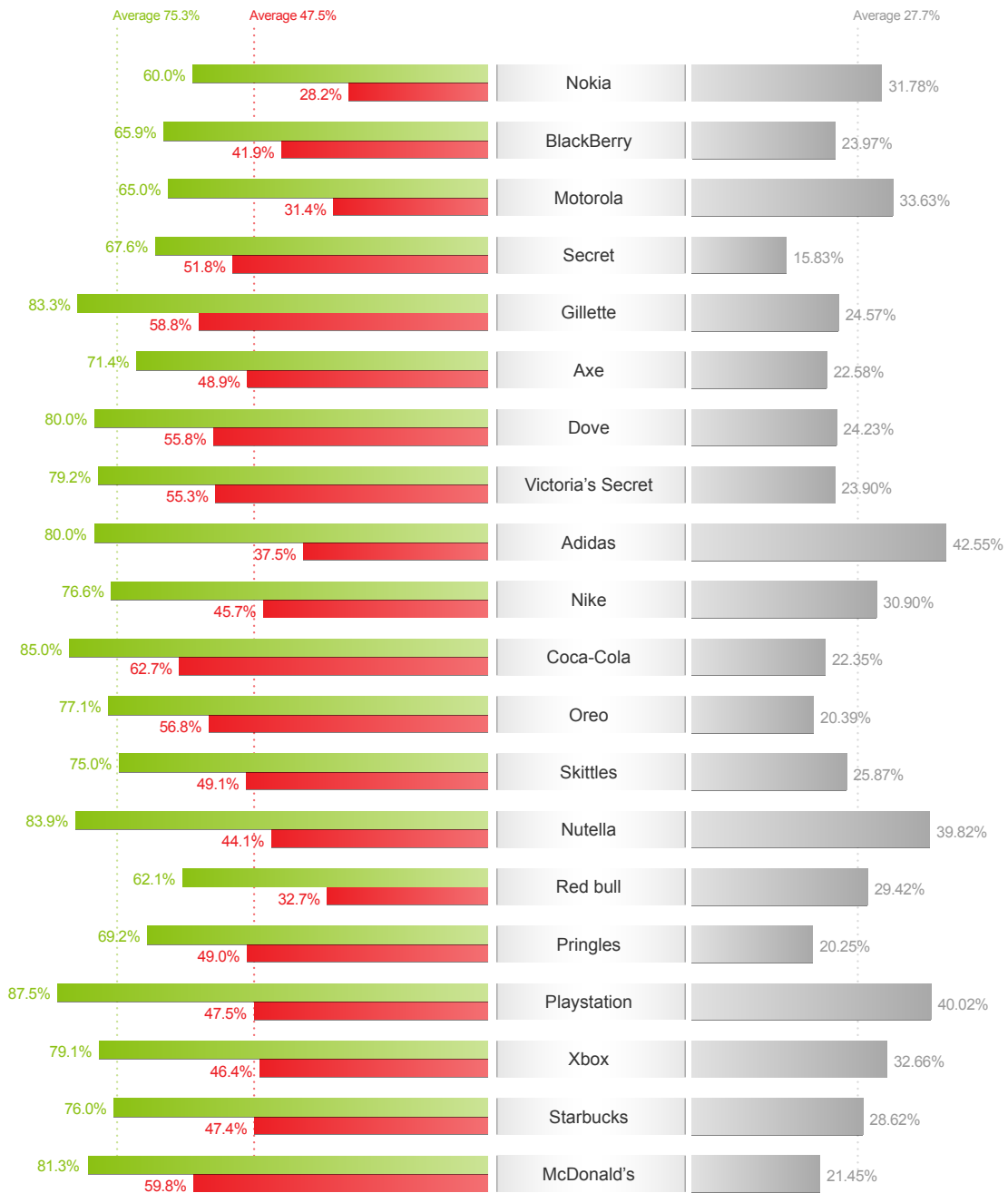
The chart on the next page outlines the percentage of fans compared to non-fans who have indicated they are “very likely” to continue using each brand. Again in this case, the data is not suggesting success of specific Facebook marketing efforts, but rather profiles the overall value of the audience to the organization.



Brand Loyalty: Continued Product Usage

Fans   Non-Fans

Difference



Source: Syncapse Corp



Propensity To Recommend

Word-of-mouth is extremely credible as a sales driver and plays a direct role in driving an organization's revenue. Word-of-mouth is often hard to measure as it takes place in both the digital and physical worlds. This makes dashboards or other trending indicators nearly impossible to construct. Business ranging from SMB's through the world's largest companies all experience sales lift or decline as a result of positive or negative word-of-mouth. Understanding Facebook's ability, through continued engagement, to influence and impact a customer's Likelihood to Recommend, becomes a critical part of the methodology of assessing effectiveness of social media marketing.

Overall, 68% (on average) of Facebook fans indicated that they are very likely to recommend a product across the 20-top leading brands. This is contrasted by 28% for non-fans. Gaming brand Playstation led overall Likelihood To Recommend with 81.4% followed by Victoria's Secret with 79.4%. Notably, the lowest Likelihood To Recommend by fans was still quite favorable at 59.5% for Secret. On average, Facebook fans were 41% more likely to recommend a product than their non-fan counterparts.

This research suggests that a large of base of fans would result in an increase in consumers willing to participate in brand-based recommendations and discussions. These findings, at a brand level, become a key driver in reporting fan value throughout the marketing and executive portions of the organization. This data, supported by averaged conversation rates and margins, demonstrates long-term financial advantage to the organization that far surpasses simplistic campaign-based calculations.

The chart on the next page outlines the percentage of fans who responded that they are "very likely" to recommend a product or brand as compared to non-fans. The data is designed to highlight the importance of Facebook fans and their propensity to recommend a brand in comparison to the population as a whole.

68% of Facebook Fans indicate they are very likely to recommend a product.

Impact Of Recommendations

As noted previously, recommendations are important as they help drive product sales. Understanding if there is a difference between recommendations coming from a best friend or a casual acquaintance is important as it illustrates the impact of word-of-mouth based on its source.

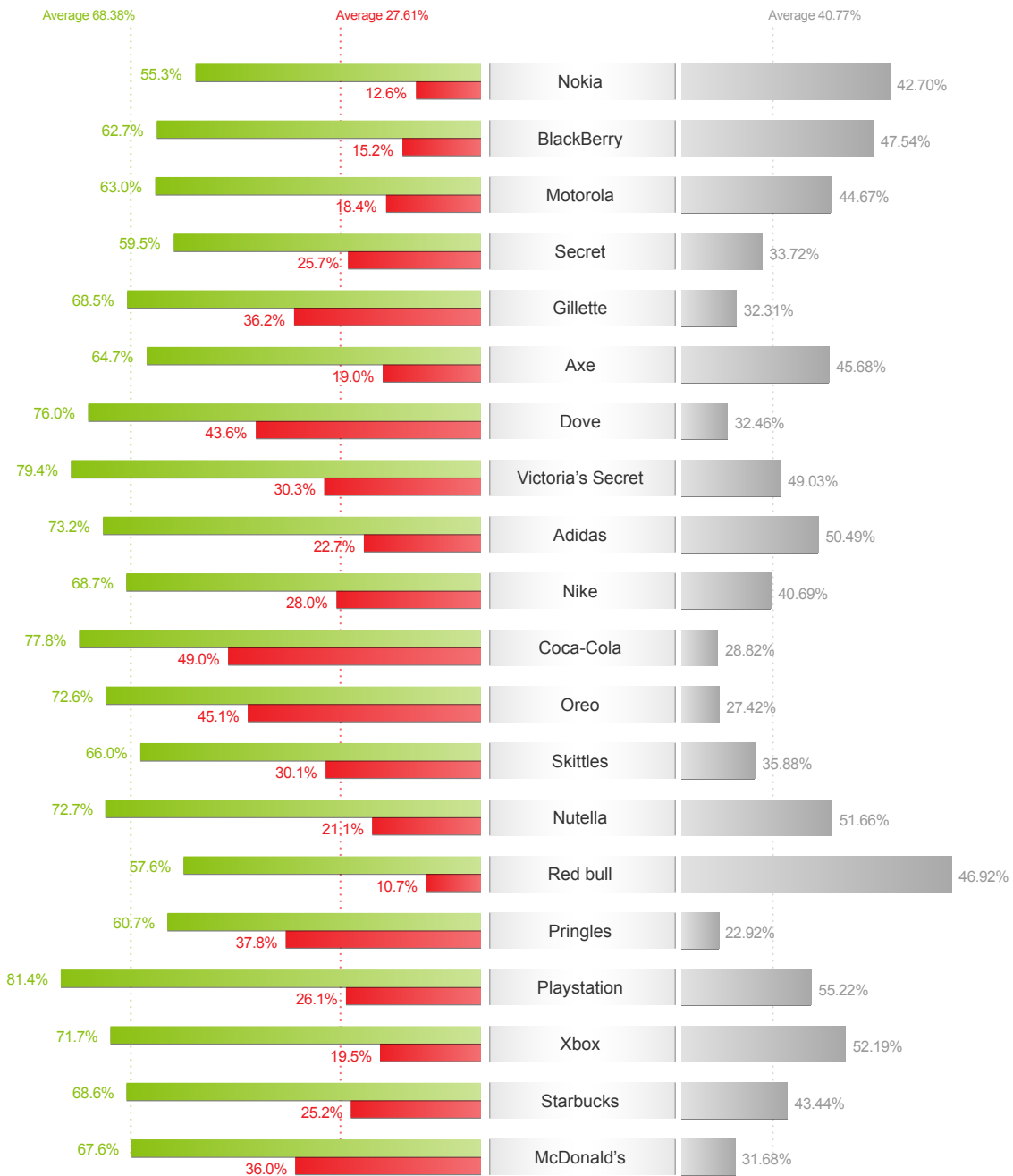
Fanning has a demonstrable impact on others. Thirty-eight percent of respondents reported that they would likely become a fan of a brand if they saw a family member or close friend do so. This influence surprisingly is only reduced to 34% if it is a person known through Facebook rather than a family member. Likelihood to try a product if somebody else became a fan is 44% if it was a close family member or friend, moderating to 36% for a Facebook friend.



Propensity to Recommend

Fans  Non-Fans 

Difference



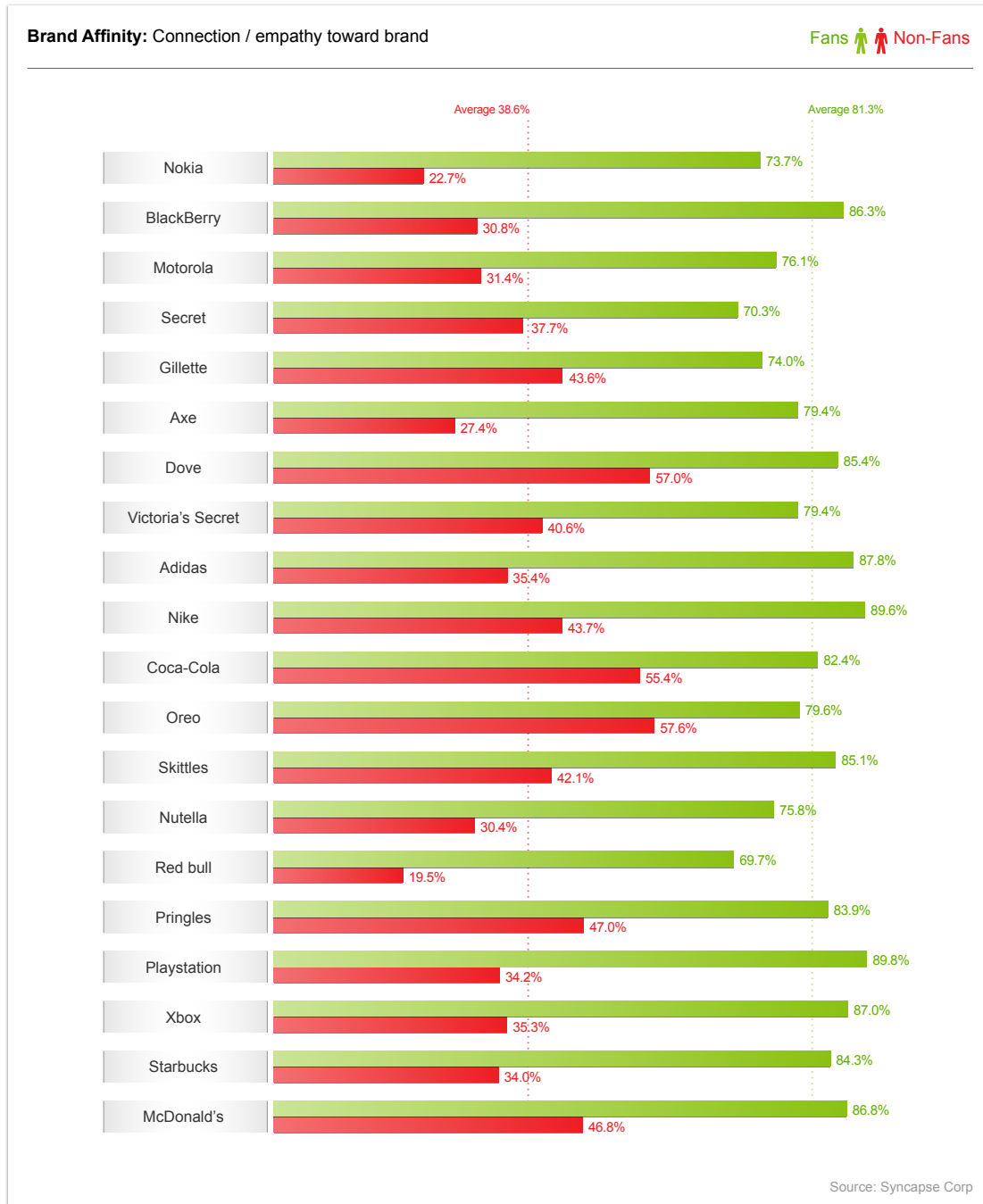
Source: Syncapse Corp



Affinity with the Brand

Brand affinity is important to understand as it demonstrates the ability of a brand to drive repeat purchases and long-term success.

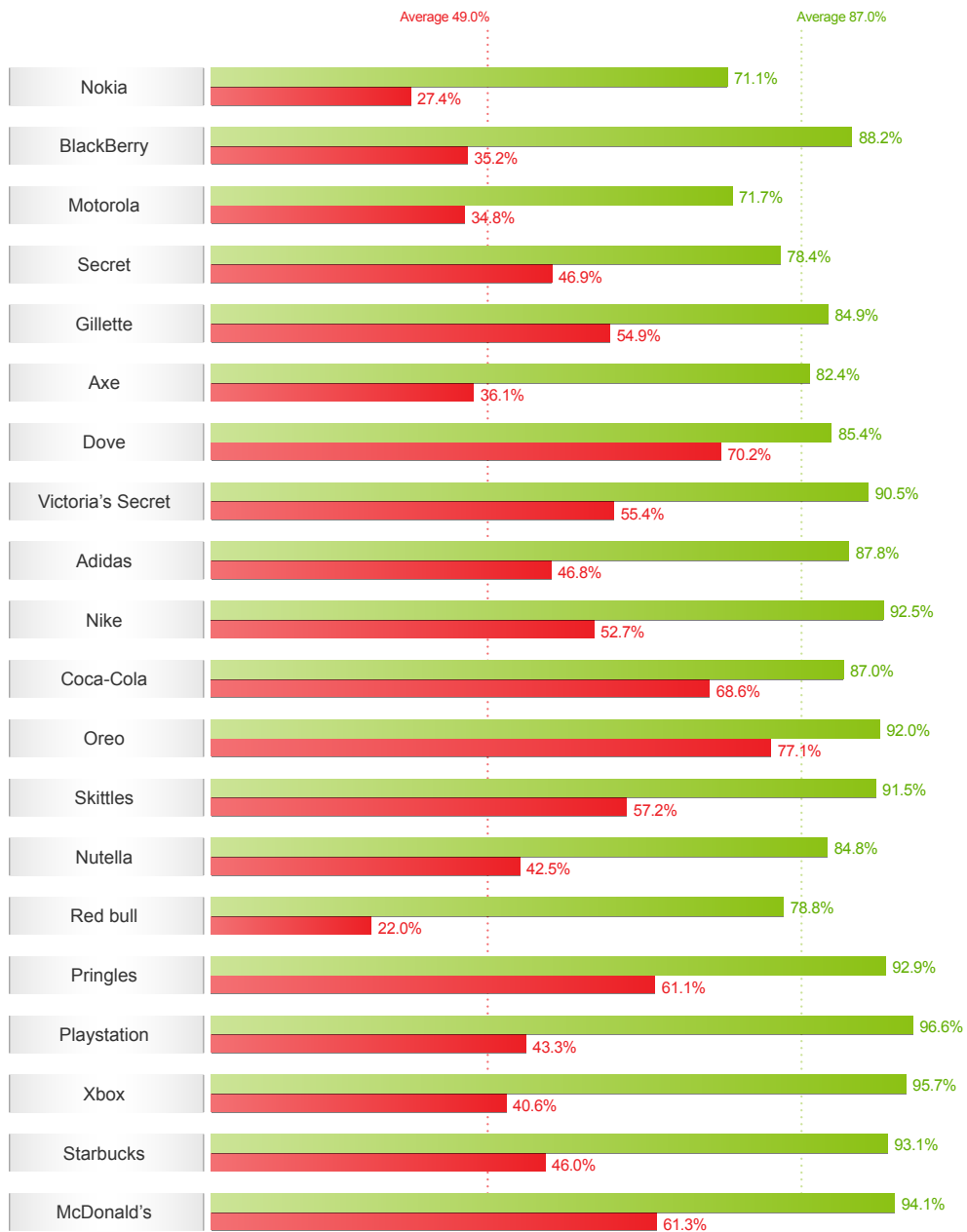
Research indicates that 81% of fans said they feel connection/empathy with the brand, compared to 39% of non-fans. 87% said they felt warmth, gratitude, happy or satisfied, compared to 49% of non-fans. Most brands show a significant gap in results between those who are fans and those who are non-fans. This provides further evidence of the value of an audience to an organization and the necessity of factoring in fans as a key aspect of long-term marketing value.





Brand Affinity: Feel warmth, gratitude, happy or satisfied

Fans  Non-Fans 



Source: Syncapse Corp

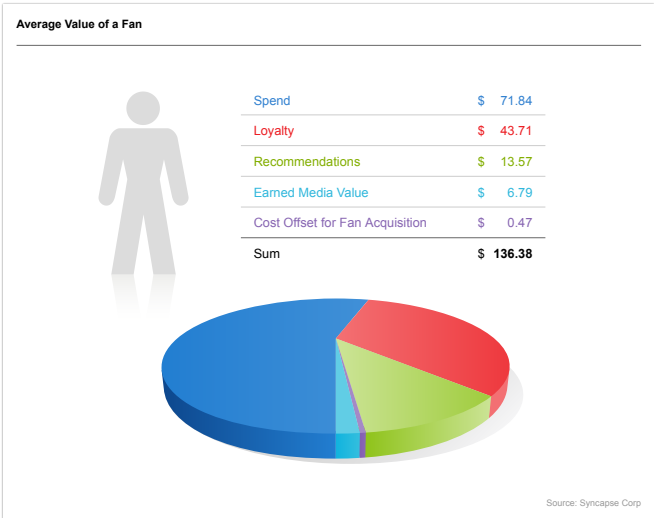


Understanding “Value of a Fan” Calculations

Across the twenty brands that were evaluated in this study, the average value of a Facebook fan was \$136.38 factoring in all areas measured within the Syncapse model. In calculating the average, there were many factors beyond the simple media value that they hold. In understanding the value of a fan, what we are really seeking to understand is the monetary value provided by the audience to the organization. For the purpose of this study we are proposing the value offered to the organization by Facebook fans in comparison to the Internet audience as a whole. In other words, what additional dollars can be expected to be attributed to a Facebook fan in comparison to a Facebook user who is not a fan.

The Syncapse model utilizes key research findings across all five measured variables, specifically (1) Product Spending, (2) Brand Loyalty, (3) Propensity to Recommend, (4) Brand Affinity and (5) Earned Media Value. Averages and participation rates across multiple Facebook programs were then assigned based on Syncapse SocialTRAC™ databases. It is important to note these values are not a simple reflection of Facebook marketing efforts and engagements. They are complex calculations that look to understand differences in audience values and declared spend levels.

Additional internal client data, including specific engagement levels within Facebook, product margins and product lifecycle, along with other factors, would be required for a specific non-average based model. This data was not available for all brands at the time of this study. This study was based on customer reported data versus internally provided data which is consistent in terms of consumer perception, but which can differ on client value based on the product category.



The Average Value of a Fan is **\$136.38.**

For example, in the case of mobile handsets, consumers reported spending \$155 per year. However, without the subsidies provided by carriers, the actual amount would be higher. When this model is applied in a client funded versus a generic model real data along with balances and controls are utilized to minimize the risks of uncontrolled variables. Thus, in the case of smartphone providers, the value of their fan can be understated due in part to the larger subsidy applied by the carrier to actively promote increased smartphone penetration, which drives higher carrier fan value through increased mobile data usage.



Value Per Fan

Not all fans are created equal. Some are extremely active with a brand while others sign up and never participate again. This results in the monetary value of fans varying dramatically. Best case scenarios take into account intensely socially active fans while the worst-case presumes totally inactive users. The most valuable fan in the survey was that of McDonald's who presented an annual value to the organization of \$508.16. This would be a frequent visitor to their establishments, highly loyal, frequently referring, and participating actively in their Facebook community. An average McDonald's fan netted the organization a value of \$259.82.

The lowest Best Case Fan was reported by Oreo. This would be a highly loyal, frequently referring, and participating customer. However, the product price is lower and the frequency of purchase is much lower thus impacting the total value to the organization.

If one were to multiply the average value of the audience across the entire fan base, a marketer can begin to understand the value an audience offers the organization. In the case of McDonald's, that value would equate to \$580,003,461 worth of annualized value based on a fan base of 2,232,328 at the time of study. It is important to note that this audience would still have value without Facebook, although arguably much less discernable value.

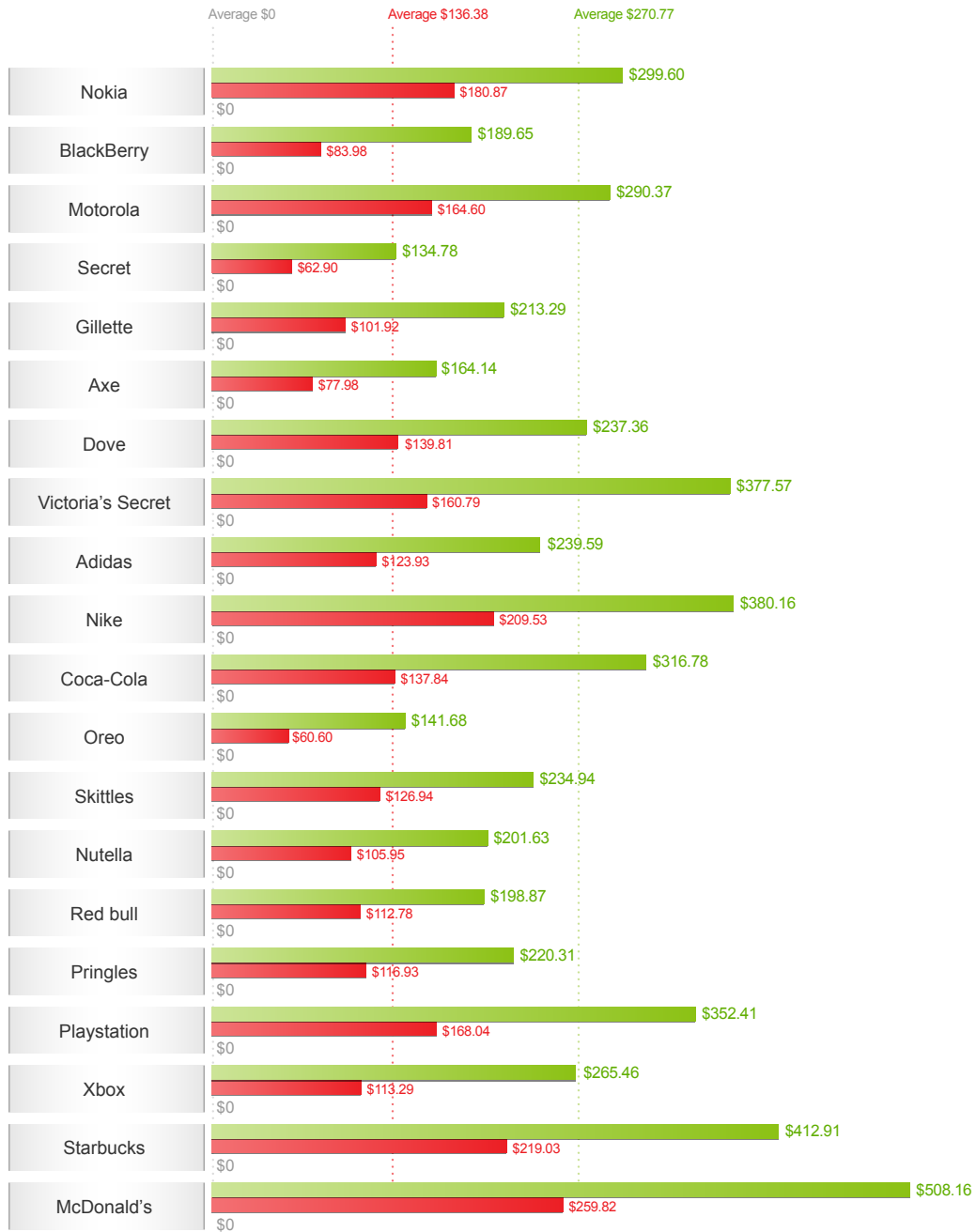
Monetary value of fans varies dramatically. Some are intensely active while others are totally inactive.

The chart on the next page outlines the high, average and low values that EACH Facebook fan offers the organization as an influencer.



Fan Value: By Brand

Best  Average  Worst 



Source: Syncapse Corp



IMPLICATIONS FOR THE ORGANIZATION

Score The Fan Base

Understanding current value and the factors that influence the value of a Facebook membership base is important. Multiple factors that happen both on and off Facebook influence the value of the audience. A clear understanding of these variables is key to aligning stakeholders and driving marketing performance. Defining the variables that matter to an organization's bottom line, deployment of a measurement platform that allows stakeholders to track their performance over time and adherence to a protocol that supports executives in discerning value within the business are vital.

Understand Performance Of Social Channels

Brands need to understand the causal relationship between their social programs and its effect on key performance indicators. Understanding Earned Media Value generated by a social base is a direct indicator of the amount of word-of-mouth conversation about a brand. Understanding Community Health is a leading indicator of the future sustainability of a community and the ability to nurture high value customers. Mining the conversation and understanding the tone and focus provide insights into the association fans have with a brand and how marketers can use such allegiance to their advantage.

Execute Strategies Against Key Factors

Loyalty, Spend, Recommendation, Fan Acquisition Cost, Affinity, and Media Value are the key factors that impact fan value. Brands need to develop strategies that address these areas. In Syncapse's experience, we have observed that focused strategies will yield more positive fan engagement and overall community health than will an ad hoc approach. Focusing efforts on these factors will help increase fan value over the long term. Campaign-based practices typically do not produce sustained positive results.

Manage And Build Off The Trends

Fan value is cyclical and ever changing based on the ongoing marketing performance of the activities described within this paper. It becomes incumbent upon Brands to institute a long term view if they are to successfully learn and evolve from independent campaign orientations to an approach of defining, measuring and increasing the value of their fans over an extended period of time. The key performance indicators identify the levers marketers must pull to improve their ROI performance and fan value.

Conclusion

As growing audiences migrate to social networks like Facebook, a brand's ability to connect and influence these customers must shift from traditional marketing strategies. Facebook fans represent a significant opportunity to drive revenue enhancement, brand, and loyalty without incurring the considerable cost-per-person of conventional marketing. More importantly, such Facebook strategies allow for a discernable ROI that is not allowed by most other approaches.

Fans are an extremely valuable segment of the Internet audience and should be addressed with specific strategies to nurture their ongoing participation and influence. Unlike traditional campaign-based marketing, Facebook-based marketing through well crafted fan utilization has no defined shelf life and can be more readily integrated into the day-to-day operation of the enterprise.



ABOUT SYNCAPSE

Syncapse Corp. is a global leader in the areas of community building, technology solutions, and digital measurement. Founded in 2007, Syncapse Corp. has offices in Toronto, New York, London and Portland. Syncapse works with Fortune 500 companies and global media agencies to reinvent how organizations use social media to their competitive advantage.

To learn more visit <http://www.syncapse.com>

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