

FOR: Market
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Professionals



The Facebook Factor

by Gina Sverdlov , April 9, 2012

KEY TAKEAWAYS

Logistic Regression Modeling Assesses The Likelihood Of Other Events

Market insights professionals can use logistic regression modeling to quantify the impact of a Facebook fan on key brand engagement indicators. The modeling quantifies how much more likely Facebook fans are to purchase, consider, and recommend the brand than non-fans. We call this difference in likelihood the “Facebook factor.”

Four Questions Identify The Facebook Factor

In order to assess the Facebook factor for a brand, market insights professionals need to add four questions to their company’s survey around being a Facebook fan of the brand, likelihood to purchase, amount of money spent in the past 12 months, and likelihood to recommend.

Facebook Brand Fans Are Brand Advocates

Brand engagement is a driver of loyalty and purchase for companies, and Facebook is a great channel for advocates to share brand experiences with others. Facebook therefore should be a leading platform when launching a brand advocacy program. Companies should create social content that will keep fans engaged with the brand.



The Facebook Factor

Quantifying The Impact Of A Facebook Fan On Brand Interactions

by [Gina Sverdlov](#)

with [Reineke Reitsma](#), [Melissa Parrish](#), and Samantha Jaddou

WHY READ THIS REPORT

Quantifying the impact of a Facebook fan can be difficult and elusive for marketers. Forrester uses statistical modeling to analyze the effect of being a Facebook fan on brands. The model gives insight into how fans are more likely to interact with brands than non-fans and shows how engaging with the brand on Facebook affects the likelihood of three events: purchase, consideration, and recommendation of a brand. We call this the “Facebook factor,” and this report describes how our model works and how market insights professionals can use the model to assess the Facebook factor for their company’s own brands. To show how the model works, we analyze the Facebook factor for Coca-Cola, Walmart, Best Buy, and BlackBerry (Research In Motion [RIM]).

Table Of Contents

2 Unlock Insights In Your Social Media

The Theory: Modeling The Facebook Factor

How It Works In Practice: Best Buy, BlackBerry, Walmart, And Coca-Cola Case Studies

Causation Versus Correlation: Understanding The Differences

RECOMMENDATIONS

9 Leverage Facebook Impact To Drive Fans Through Customer Life Cycle

WHAT IT MEANS

10 Facebook Fans Are Brand Advocates

11 Supplemental Material

Notes & Resources

This report is based on logistic regression modeling using inputs from the North American Technographics® Online Benchmark Recontact Omnibus Survey, Q4 2011 (US). Output from the models is used to quantify the impact of a Facebook fan.

Related Research Documents

[Global Social Media Adoption In 2011](#)
January 4, 2012

[It's Time To Make Facebook Marketing Work](#)
November 28, 2011

[Become Responsive Through Push And Pull Social Media Marketing Strategies](#)
September 20, 2011

UNLOCK INSIGHTS IN YOUR SOCIAL MEDIA

Facebook has moved to the top of the hot list for marketers. And rightly so, given that two-thirds of US online adults visit Facebook on a monthly basis and the average online American with a social networking account is a fan of about eight brands on Facebook.¹ With more than 800 million active global users, Facebook is a focal point for companies around the world.² Marketers understand that Facebook is an effective channel for consumers to engage with them, so it's no surprise that 96 of the top 100 advertisers use Facebook.³ But many executives are wondering how customer interactions with their brand are affected when consumers engage with them on Facebook. Market insights professionals are regularly tasked with quantifying and measuring the impact of social campaigns. But how do you measure the influence of a Facebook fan? We have tested a number of options and found that it can be done with analytic rigor.

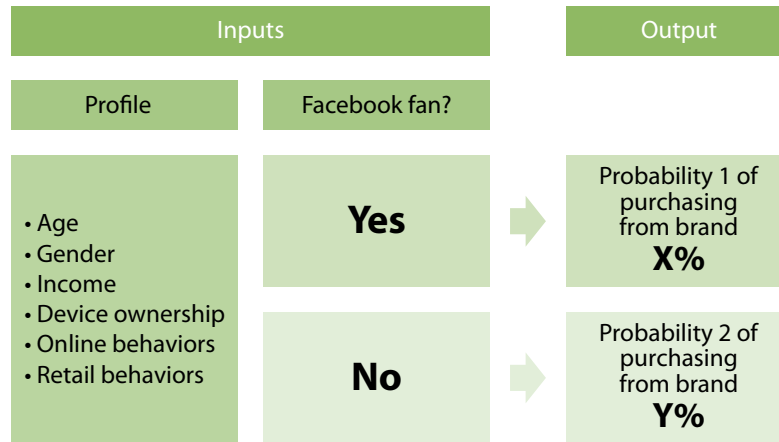
The Theory: Modeling The Facebook Factor

Market insights professionals can leverage logistic regression modeling to assess the impact that explanatory drivers like being a Facebook fan have on key brand engagement indicators.⁴ To spark your statistical memory, by specifying characteristics of an individual or target, a logistic model predicts the probability of occurrence of an event. Very simply said, with everything else being equal, it shows the influence of one variable on other variables (see Figure 1). In this case, we assess how engaging with the brand on Facebook affects the likelihood of three events: purchase, consideration, and recommendation of a brand.

To do a similar exercise for their brands, market insights professionals need to add four simple questions to their company's market research survey (see Figure 2). They need to design a survey that will not only identify respondents who are Facebook fans of the company's brands but also ask about other respondent characteristics that are predictive of their brand engagement. Based on this information, the company's quantitative market insights analyst can assess the "Facebook factor" of the brand.⁵

Note: Companies with a strong customer relationship management (CRM) system and customer intelligence can gather data for question No. 3 from their customer database. To do so, companies must capture a common identifier in both the survey and the customer database (e.g., email address) or select a sample from their customer database for a custom survey.

Figure 1 Inputs And Output Of Logistic Regression



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Source: Forrester Research, Inc.

Figure 2 Sample Survey Questions

- 1** Are you a "friend," "fan," or do you "like" <brand> on Facebook?
- 2** Please indicate how likely you are to consider <brand> for a future purchase.
- 3** Please approximate the amount of money you have spent with <brand> in the past 12 months.
- 4** Please indicate how likely you are to recommend <brand> to a friend or relative.

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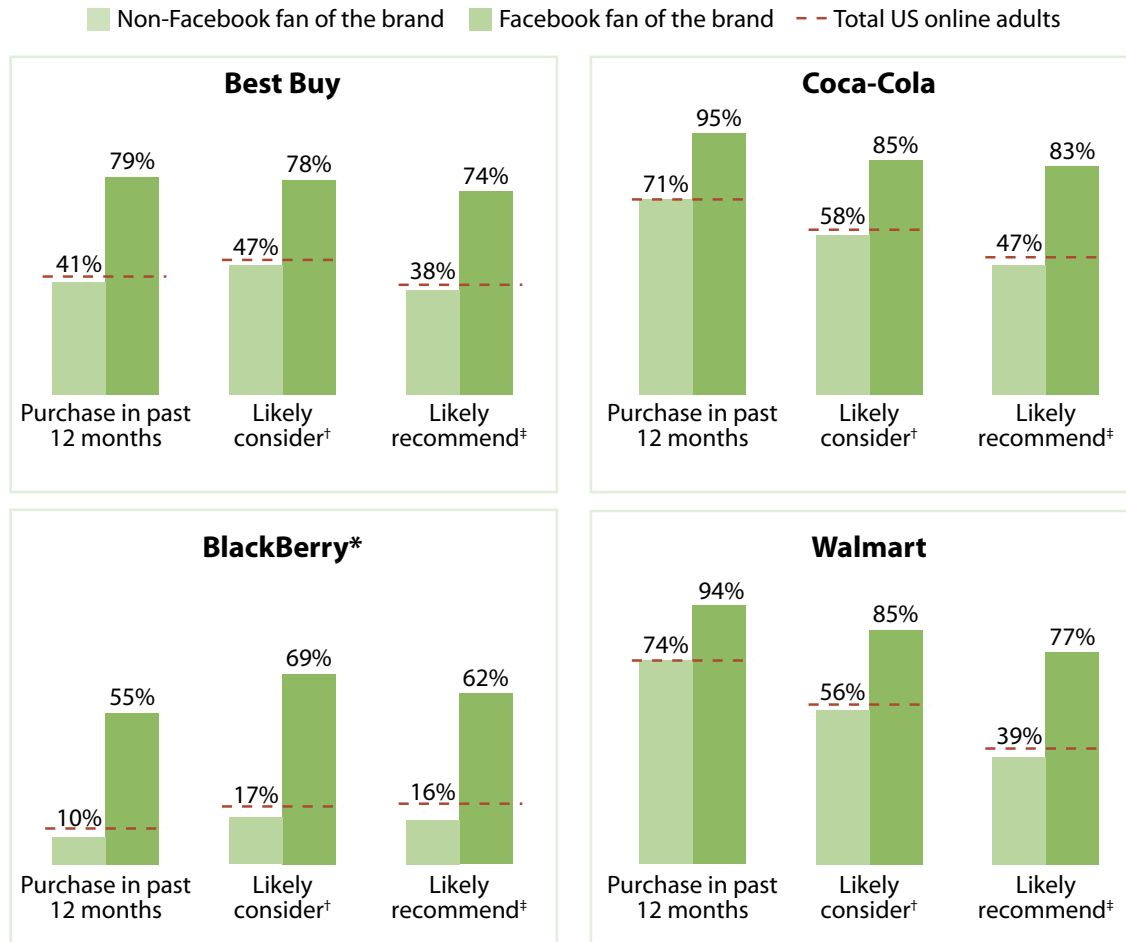
Source: Forrester Research, Inc.

How It Works In Practice: Best Buy, BlackBerry, Walmart, And Coca-Cola Case Studies

This report shows the modeling for four brands, as case studies, to understand how being a Facebook fan affects the probability of three customer life-cycle metrics — purchase, consideration, or recommendation — and how these differ by brand (see Figure 3 and see Figure 4).⁶ Using these logistic models based on Forrester's North American Technographics® Online Benchmark Recontact Omnibus Survey, Q4 2011 (US), we found that:

- **Facebook fans are much more likely to purchase, consider, and recommend brands.** For all four brands — Best Buy, Coca-Cola, BlackBerry, and Walmart — a Facebook fan has a significantly higher probability of making all of these brand interactions. Smartphone owners who are Facebook fans of BlackBerry, for example, are 5.6 times more likely to have made a purchase from BlackBerry in the past 12 months than non-fans, with everything else held equal. And Facebook fans of Best Buy are about twice as likely to purchase from and recommend Best Buy. In the case of Coca-Cola, even though 71% of online Americans purchase the product, Facebook fans have a probability of 95% of doing so.
- **Facebook “fandom” has the largest impact on purchase.** The models for each brand indicate that being a Facebook fan has the largest effect on purchase.⁷ For example, the odds of a Best Buy Facebook fan purchasing the brand are 5.3 times higher than a non-fan, while the odds of a fan recommending and considering the brand for future purchase are 4.7 and 4.0 times higher, respectively. However, the consumer purchase decision is not where marketers can make the biggest impact. The large effect size of being a Facebook fan on buying from these brands indicates the strength of the relationship between fandom and purchase — but many consumers who engage with these brands on Facebook may already be regular shoppers.
- **The value in your Facebook fan base is in their willingness to recommend.** In fact, marketers should focus on the recommendation impact of fans. Facebook fans of each of these brands are much more likely to recommend them than non-fans. BlackBerry smartphone owners who are Facebook fans, for example, have an 87% probability of recommending BlackBerry to a friend or relative, while a BlackBerry owner who doesn't engage with BlackBerry on Facebook has a 44% likelihood of doing so. What's more is that Facebook fans of BlackBerry who regularly tell their friends about products that interest them are more than three times as likely to recommend BlackBerry as non-fan smartphone owners. Having a Facebook fan base of brand advocates is powerful — and a brand's Facebook page provides an excellent channel for influencers to spread positive word-of-mouth buzz. Marketers can analyze their Facebook fan profiles and actively target them to promote the brand to others (see Figure 5).

Figure 3 Probability Of Brand Interaction By Facebook Fans And Non-Fans




Base: 10,079 US online adults
*Base: 3,187 US online adults who own a smartphone

Source: North American Technographics® Online Benchmark Recontact Omnibus Survey, Q4 2011 (US)

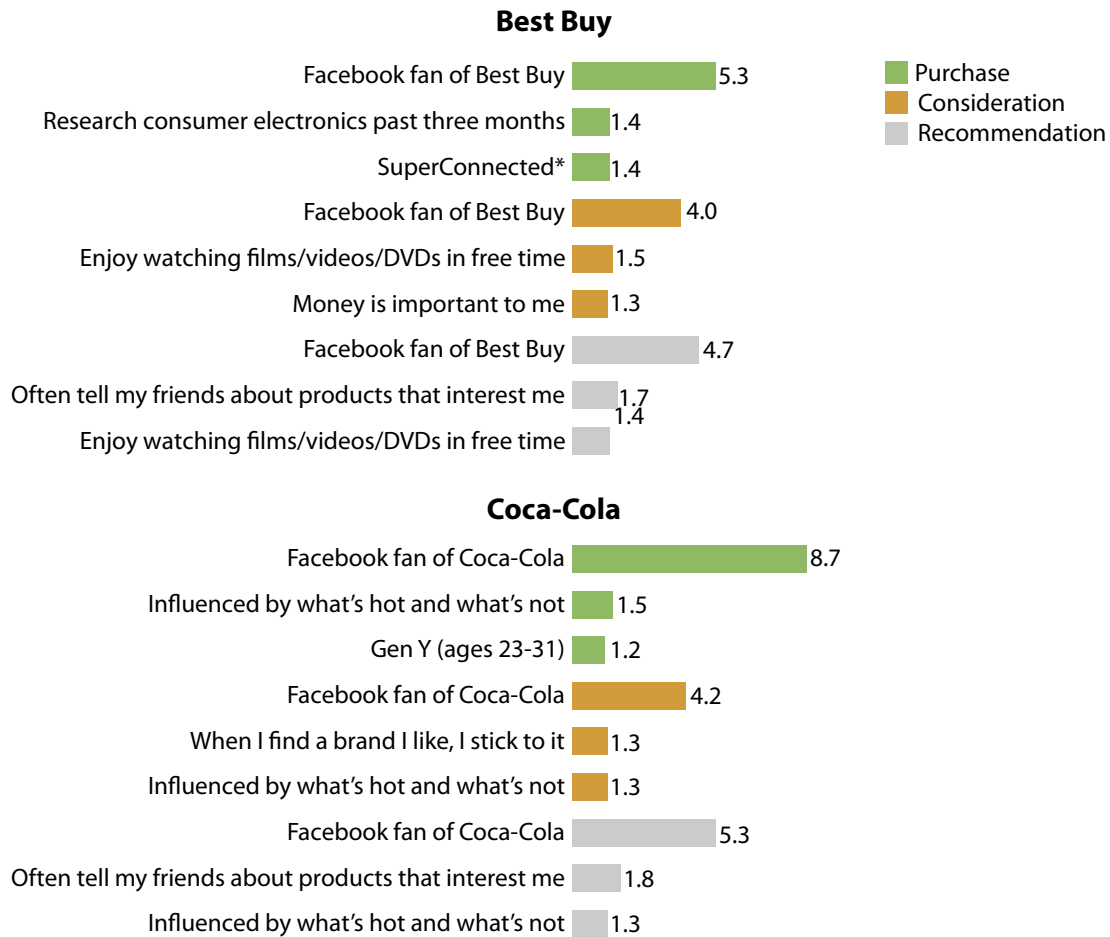
[†]Respondents who are likely or highly likely to consider the brand for a future purchase.

[‡]Respondents who are likely or highly likely to recommend the brand to a friend or relative.

Figure 4 Top Influencers: Modeled Effect Size

 The spreadsheet associated with this figure contains details about this model.

Consumer attributes that have the largest impact on purchase, consideration, and recommendation:




Base: 10,079 US online adults

Source: North American Technographics® Online Benchmark Recontact Omnibus Survey, Q4 2011 (US)

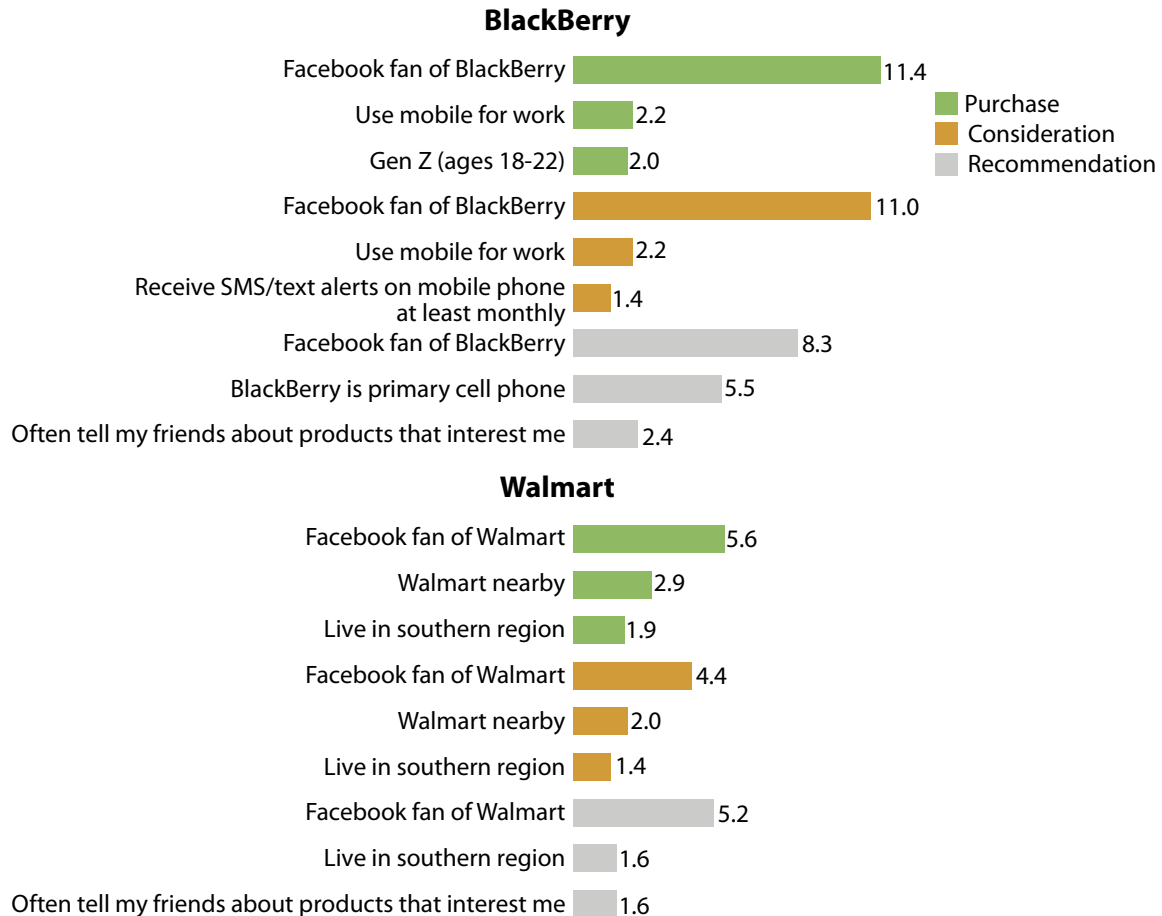
Note: Larger bar size indicates larger impact on stated metric. Effect size is measured by the odds ratio.

*SuperConnecteds are the most sophisticated users of mobile phones. They access the Internet at least weekly from their phones and/or make regular use of multiple advanced services and applications.

Figure 4 Top Influencers: Modeled Effect Size (Cont.)

 The spreadsheet associated with this figure contains details about this model.

Consumer attributes that have the largest impact on purchase, consideration, and recommendation:



Base: 10,079 US online adults

Source: North American Technographics® Online Benchmark Recontact Omnibus Survey, Q4 2011 (US)


Note: Larger bar size indicates larger impact on stated metric. Effect size is measured by the odds ratio.

Figure 5 Facebook Fan Profiles

5-1 Facebook fan demographics and spending

	Best Buy		Coca-Cola		BlackBerry		Walmart	
	Fan	Non-fan	Fan	Non-fan	Fan	Non-fan	Fan	Non-fan
Average spend on brand in the past 12 months	\$368	\$150	\$134	\$59	\$87	\$7	\$1,103	\$598
Male	60%		49%		52%		39%	
Average age	36		38		34		40	

5-2 Social Technographics® ladder

 The spreadsheet associated with this figure contains the definition of the Social Technographics ladder

	Total US online adults	Facebook fan Best Buy	Facebook fan Coca-Cola	Facebook fan BlackBerry	Facebook fan Walmart
Creators	21%	57%	49%	67%	48%
Conversationalists	31%	75%	69%	79%	66%
Critics	33%	70%	62%	77%	59%
Collectors	20%	51%	46%	65%	42%
Joiners	63%	95%	97%	96%	96%
Spectators	70%	92%	91%	95%	83%
Inactives	17%	N/A	N/A	N/A	N/A

Base: 10,079 US online adults

Source: North American Technographics Online Benchmark Recontact Omnibus Survey, Q4 2011 (US)

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Source: Forrester Research, Inc.

Causation Versus Correlation: Understanding The Differences

Are consumers buying your brand as a result of their Facebook engagement? Or are brand enthusiasts engaging with you on Facebook *because* they are already avid customers? Logistic regression modeling quantifies relationships in data — but says nothing about causation. Interpreting your results therefore can be tricky, so it's important to understand both what it means (WIM) as well as what it doesn't mean (WIDM):

- **A lift in brand interaction metrics from Facebook “fandom” means fans are advocates.** Identifying the impact that Facebook fandom has on the probability of an individual buying, considering, and recommending your brand is important for understanding the brand interaction differences between fans and non-fans. Quantifying the magnitude of that lift will give market insights professionals a measure of brand advocacy among your fan base.
- **A large Facebook factor is not a mandate for fan acquisition campaigns.** It's tempting to infer that since Facebook fans are more likely to purchase the brands they engage with on Facebook, companies need to spend more to get additional fans. However, this is not the case. A company's Facebook fans have an affinity to the brand, but not necessarily as a result of being a Facebook fan. Marketers should not center their social media strategy and dollars around fan acquisition to meet revenue objectives.

RECOMMENDATIONS

LEVERAGE FACEBOOK IMPACT TO DRIVE FANS THROUGH CUSTOMER LIFE CYCLE

Quantifying the impact of a Facebook fan helps companies understand the level of loyalty of their brand advocates. How can market insights professionals leverage Facebook impact modeling?

- **Give the modeling a try.** Market insights professionals at companies with a significant social presence should try modeling the Facebook factor. Understanding the impact of being a Facebook fan on your brand will give you a measure of the brand advocacy of your fans. These insights give companies a higher level of understanding of their customer base.
- **Interpret your results in the context of your brand.** Every brand is different. For example, 71% of online US adults have purchased a Coca-Cola product in the past year, compared with 6% who have bought a BlackBerry. The likelihood of a Facebook fan purchasing from the two brands will vary drastically. But so does the value of the fans for the brand — recommending a BlackBerry has a different value than recommending a can of Coke, and converting a consumer into a lifetime customer has higher value than a one-time buy. Companies can use this insight when defining the objectives of their social media.⁸

- **Profile and target your Facebook fans.** Use demographics, marketing preferences, and online and retail behaviors to tailor your marketing strategy to them. Your fans are among your highest-value customers — they spend more, and they are advocates of your brand. Target your customer retention marketing strategy to appeal to these valuable customers. Facebook fans of Walmart, for example, have stronger preferences than the average US online adult for brands that allow them to provide feedback about their products and services and to offer content that they can share with their friends.⁹ A targeted marketing strategy should include content that meets these preferences.
- **Find out what drives your Facebook fans.** Use that information to move them through the customer life cycle. For example, the top reasons for consumers to engage with brands on social media are to receive discounts and to enroll in promotions.¹⁰ Provide this to your customers in a way that drives incremental sales. JetBlue Airways has a Facebook “Go Places” mobile application that grants members 100 TrueBlue points each time they check in with Facebook at a JetBlue airport terminal. Since the minimum award redemption starts at 5,000 points, the application incentivizes customers to book a future flight with JetBlue to cash in their Facebook points.

WHAT IT MEANS

FACEBOOK FANS ARE BRAND ADVOCATES

Brand engagement is a driver of loyalty and purchase for companies. Facebook is a great channel for consumers to engage with companies — and for companies to engage with customers.¹¹ Market insights professionals can use the model to guide their company’s social marketing strategies around the following elements:

- **The positive brand impact of Facebook “fandom” reinforces the customer life cycle.**¹² The fact that Facebook fans are more likely to buy (and spend more on), consider, and recommend the brands they engage with on Facebook shows that the purchase process is not a dead-end road. Facebook fans engage with brands throughout the customer life cycle — fans discover and explore new brand content as part of their purchase process — and Facebook provides a channel for advocates to share brand experiences with others.
- **Locating brand advocates has just become a bit easier for companies.** The modeling will show that for many brands, their Facebook fans are great brand advocates. Facebook therefore should be a leading platform when launching a brand advocacy program. And the good news is that such a program can be relatively low-cost — the chief cost is the time marketers devote to managing the Facebook community.¹³ Cisco Systems locates and rewards brand advocates on its corporate Facebook page with its SuperFan Spotlight — fans are rewarded for sharing information and testimonials about the company.

- **Driving brand advocacy is the next step.** Once market insights professionals determine the Facebook factor for their brand, the next step is to focus on creating social content that will continue to drive advocacy for the brand. This is important to keep fans engaged with the brand. Social content plans need to align with the broader interactive strategy to move people through the customer life cycle.¹⁴
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SUPPLEMENTAL MATERIAL

Methodology

For the North American Technographics Online Benchmark Recontact Omnibus Survey, Q4 2011 (US), Forrester conducted an online survey fielded in October 2011 of 10,079 US online users ages 18 to 88 as a subsegment of the North American Technographics Online Benchmark Survey, Q3 2011 (US, Canada) population. For results based on a randomly chosen sample of this size (N = 10,079), there is 95% confidence that the results have a statistical precision of plus or minus 0.98% of what they would be if the entire population of US online individuals ages 18 and older had been surveyed. Forrester weighted the data by age, gender, income, broadband adoption, and region to demographically represent the adult US online population. The survey sample size, when weighted, was 10,079. (Note: Weighted sample sizes can be different from the actual number of respondents to account for individuals generally underrepresented in online panels.) Please note that this was an online survey. Respondents who participate in online surveys have in general more experience with the Internet and feel more comfortable transacting online. The data is weighted to be representative for the total online population on the weighting targets mentioned, but this sample bias may produce results that differ from Forrester's offline benchmark survey. The sample was drawn from members of MarketTools' online panel, and respondents were motivated by receiving points that could be redeemed for a reward. The sample provided by MarketTools is not a random sample. While individuals have been randomly sampled from MarketTools' panel for this particular survey, they have previously chosen to take part in the MarketTools online panel.

ENDNOTES

- ¹ Source: North American Technographics Online Benchmark Recontact Omnibus Survey, Q4 2011 (US).
 - ² Source: Facebook (<http://newsroom.fb.com/content/default.aspx?NewsAreaId=22>).
 - ³ Many brands are embracing Facebook as a marketing channel. However, many aren't using Facebook to its full potential. See the November 28, 2011, "[It's Time To Make Facebook Marketing Work](#)" report. Source: Forrester interview with Facebook, November 2011.
 - ⁴ Note: We define a Facebook fan as an individual who reports being either a Facebook fan of the brand or who "likes" the brand on Facebook.
 - ⁵ Logistic regression modeling with survey data can be done with SPSS. Source: IBM (<http://www-01.ibm.com/software/analytics/spss/>).
- Modeling the Facebook factor can be done for brands that have a large enough Facebook population. The sample size of the survey needs to be large enough to capture a sizeable population of Facebook fans.
- ⁶ As this was a pilot project, the survey did not include all possible explanatory drivers of brand engagement relevant for each of the brands involved. However, our model shows that it has a strong predictive power and can assess the lift in probability of brand engagements from being a Facebook fan based on the information collected. The brands for this study were selected from the Forrester client base. Each brand required a substantial Facebook fan base. The percent of cases that the models predict correctly range from 61% to 88%.
 - ⁷ Effect size is measured by the odds ratio. For example, the odds ratio for being a Best Buy Facebook fan in the recommendation model is 4.7. This means that the odds that an individual who is a Facebook fan of Best Buy will recommend Best Buy are 4.7 times higher than the odds of someone who is not a Facebook fan of Best Buy (all other things being equal). Do not confuse odds with probability.
 - ⁸ Companies can use Forrester's POST method as a systematic approach to social strategy. Source: Josh Bernoff, "The POST Method: A systematic approach to social strategy," *Forrester Empowered Blog*, December 11, 2007 (<http://forrester.typepad.com/groundswell/2007/12/the-post-method.html>).
 - ⁹ Source: North American Technographics Online Benchmark Recontact Omnibus Survey, Q4 2011 (US).
 - ¹⁰ Among respondents who report engaging with any of the brands in the survey question (Best Buy, BlackBerry, Coca-Cola, Walmart, Oreo, Old Spice, Pillsbury, and Purina One) on social networking sites, 49% were influenced to do so by an offer or discount and 39% by enrolling in a promotion or sweepstakes. Source: North American Technographics Online Benchmark Recontact Omnibus Survey, Q4 2011 (US).
 - ¹¹ Facebook marketing, when done right, can help accomplish business objectives. For example, Facebook marketing can generate word of mouth, drive people down the sales funnel, and increase loyalty. See the November 28, 2011, "[It's Time To Make Facebook Marketing Work](#)" report.
 - ¹² Marketers need to think beyond the traditional marketing funnel to the customer life cycle where the customer is at the center. The customer life cycle is a dynamic process whereby customers' relationship with a brand continues to grow as they discover, explore, and engage with the brand. See the October 28, 2010, "[It's Time To Bury The Marketing Funnel](#)" report.

- ¹³ Marketers should identify and respond to active participants in brands' Facebook communities. Key influencers of the brand will distinguish themselves on social media sites — marketers need to maintain social conversation with these brand advocates. See the September 20, 2011, "[Become Responsive Through Push And Pull Social Media Marketing Strategies](#)" report.
- ¹⁴ An interactive content plan needs to meet the needs of your customers and drive them from one point in the customer life cycle to the next. Marketers should develop one editorial calendar for publishing across media channels designed to achieve specific business objectives. See the August 17, 2011, "[How To Develop An Interactive Marketing Content Plan](#)" report.

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