

Is Facebook an Effective Marketing Tool?

This article pinpoints the effectiveness of a Facebook Page by quantifying impressions, Fan spending behavior, and three levels of Fan Page activity.

Loyalty Improvement Series

PAYTRONIX
systems, inc.

Social media is a complicated frontier, a tool that has yet to be understood to its fullest capacity. According to an article by eMarketer, a study “found [that] 78% of executives thought a social business strategy was somewhat or very important to the future success of their business.” Over the past two years, restaurant marketers’ attention has been attracted to the development of successful Facebook Pages. Despite the growing enthusiasm for Facebook, many executives are finding it difficult to pinpoint how to best utilize it and quantify the expected return for their efforts. In other words, while they instinctively know a Facebook Page is important, they just do not know how to quantify the importance.

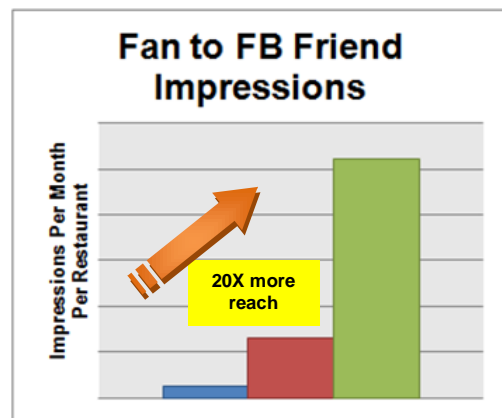
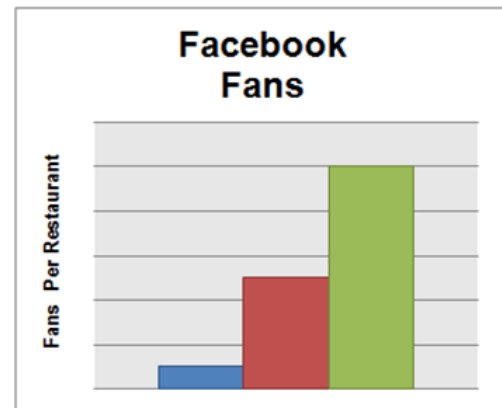
In this article, we uncover the value of Facebook Fans and the costs involved in creating and maintaining a fruitful Fan Page. Our findings began with the discovery of three distinct bands of Fan Page activities. We labeled each level: FANtom (low-level activity), FANtastic (mid-level activity), and FANominal (high-level activity) and found that those restaurants engaging guests at the FANominal level experience 20 times the reach of the lowest level. Once we ascertained the differences in behavior on Fan Pages, we diagnosed the value of each Fan. Finally, we uncovered the costs involved in maintaining an active Fan Page.

Why Should Restaurateurs Care About Facebook?

Restaurants understand that the best way to fuel their growth is word of mouth from happy guests. It always benefits a restaurant to spur positive guest dialogue that influences a greater number of guests to visit. This process is usually initiated by Brand Advocates. Until the advent of virtual social networks, it was impossible to identify these Brand Advocates, encourage them to speak-up, and monitor their conversations. Facebook is a forum that allows a restaurant to do all of these things.

Currently, Facebook ranks as the number one social media website. Facebook itself estimates that “people spend over 700 billion minutes per month on Facebook.”

Restaurant Facebook Fan Pages



FANtom Pages (Light Activity) ■
FANtastic Pages (Medium Activity) ■
FANominal (Heavy Activity) ■

Moreover, the most dedicated Facebook Fans, otherwise known as Brand Advocates, will influence the purchase decisions of their friends and family using the medium. The high volume of time spent on Facebook, coupled with the gathering influence online recommendations have on others, renders Facebook's potential power irresistible.

If the process of motivating people on Facebook to talk about a brand, disseminate coupons for a brand, like and post that brand's messages succeeds, Facebook is an effective marketing tool capable of generating a positive ROI.

Quantifying Facebook's Benefits

After conducting a study of more than 25 restaurants' Facebook activities, we were surprised by the results. We found three distinct bands of activity that we used to categorize the performance of the restaurants Facebook initiatives. Each group demonstrated similarities within metrics that we measured, which included the number of Fans, Fan activity and impressions generated on the brand's virtual community. Presented in Table 1 is a quantified look at Facebook Fan Page activities within the three groups of activity levels identified in the study.

Restaurant FB Activity	Fans Per Store	Avg. Guest Age	Avg. Monthly Brand Posts	Measured Per Store, Per Month			
				Brand-to-Fan Impressions	Total Comments and Likes	Fan-to-Friend Impressions	Fan-to-Fan Impressions
FANtom	≤ 100	35-45	4	400	2	260	200
FANtastic	500	35-45	30	15,000	10	1,300	5,000
FANominal	≥ 1,000	25-35	30	60,000	40	5,200	80,000

Table 1. Facebook Activity Profiles

Once the three unique groups emerged, we identified the following common characteristics:

- **FANtom:** Pages with fewer than 100 Fans per store exhibited sporadic posting behavior, often skipping a month's worth of interaction at a time. These Page managers have a "set-it-and-forget-it" method of managing their Pages. They have tepid Brand-to-Fan communication, which results in a low number of Fan-to-Friend and Fan-to-Fan impressions.
- **FANtastic:** These restaurants put forth a high level of effort to manage their Page, but do not quite achieve high levels of valuable Fan-to-Fan or Fan-to-Friend communication. A potential roadblock to success may be the age of the brand's typical guests, since older guests are less inclined to 'like' and participate.¹
- **FANominal:** The most successful restaurants have a prosperous communication flow throughout the Facebook community – reaping the benefits of Fan-to-Fan and Friend-to-Facebook-Friend chatter. A FANominal Page's higher volume of Fans per store encourages a more frequent and vibrant dialogue. Those who manage FANominal Pages relate to their Fans with appropriately timed and open-ended statements and questions that result in a large volume of comments and likes. Restaurants exhibiting a FANominal level of Page activity have a younger average guest age.

The results of Fan Page activities are directly related to two things: A restaurant's Facebook strategy and the age demographic of its guests. Facebook strategies lie in the control of the marketer, but having a large impact on the age demographic of your brand's guests is more difficult. Despite all efforts to incorporate best practices in a restaurant's Facebook Activities, as

¹ eMarketer. Sept. 9, 2011, *eAge, Gender Affect Whether Consumers Will 'Like' an Ad*

shown in the results of this study, the age of your guests plays a pivotal role in the level of success a restaurant will enjoy on Facebook.

These bands can be useful in determining the reach of a restaurant's Facebook Page. They may also be used to prioritize marketing efforts that promise various levels of reach. Keep in mind that Fan-to-Friend impressions can be considered more valuable than other types of media impressions due to the fact that consumers are more likely to act on a Fan recommendation than an advertisement.

Defining the Four Types of Social Media Impressions

1. **Brand-to- Fan Impressions** – Defined as posts initiated by the brand on their Fan Page, viewed by Fans of the brand on both their news feed and on the page itself. This statistic is calculated by multiplying Fans per store by the average brand posts per month.
2. **Fan-to-Facebook Friend Impressions** – Fan activity (comments, posts, etc.) on the restaurant's page that is published on the Fan's personal page. According to Facebook's statistics, the average user has 130 friends, each of whom have the potential to see this activity. This impression may occur in the form of a friend looking at the Fan's personal page or receives an update about the activity in his or her News Feed. This statistic is calculated by multiplying 130 friends by the sum of comments and likes per month per store.
3. **Fan-to-Fan Impressions** – Activity among Fans of a Page, including posts, comments and likes. This statistic is calculated by multiplying the sum of comments and likes per month, per store by the average Fans per store.
4. **Fan-to-Brand Impressions** – Fans initiating a post on brand's Page. In most cases, this type of activity does not to foster a high volume of comments and likes within the community.

Measuring Facebook Brand Advocates' Activity

Who are the people discussing a restaurant's products on Facebook Pages and what are they worth to the organization? Our theory was that people who are taking the time to say good things (including liking, commenting, or posting) are driving restaurant sales. We defined the Facebook Brand Advocate (FB Active) as someone who accrued two likes or comments and/or

posted to the restaurant's wall. Because the restaurants we studied were also operating loyalty programs, we were able to measure the FB Active loyalty member's in-restaurant purchasing behavior.

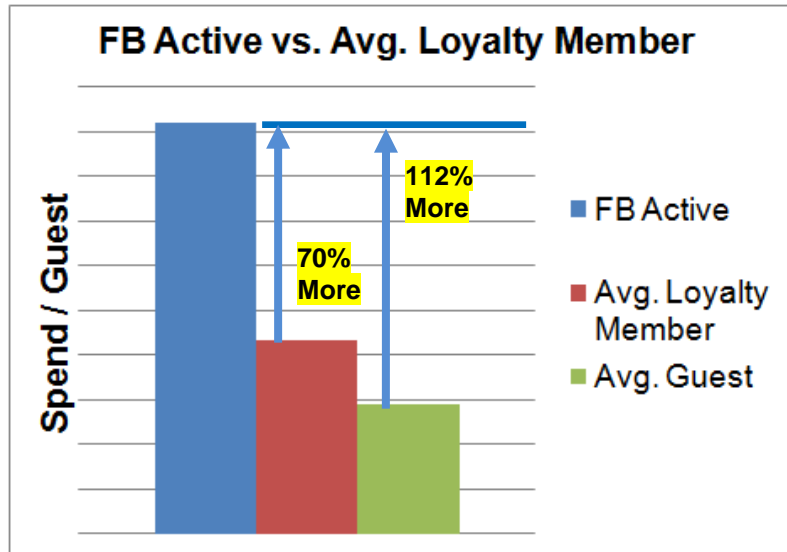


FB Active Brand Advocates actively participate on your restaurant's page.

At the outset of this study, it became clear that the more integrated a restaurant is to a customer's daily routine, the more likely he or she is to participate in the brand's Facebook conversation. For this reason, we chose to focus our research on quick service and fast casual restaurants rather than table service.

With help from the capabilities of Paytronix's guest database, we were able to track the in-restaurant activity spending and visit behavior of those who were both FB Active and Loyalty Members. Ultimately, we found that the majority of Fans were also active members of the restaurant's loyalty program.

We were able to establish a quantifiable value for restaurant FB Active guests who are also loyalty members. Individuals within this group spend approximately 70% more than the restaurant's average loyalty members and, in turn, spend more 112% more than the average non-loyalty member. FB Active loyalty members, therefore, are not only more active on social media venues but they also drive more in-restaurant spending.



One Page's FB Actives outspent average guests by 112% over the course of 5 months.

Cost Associated with Facebook Pages

Stacey Kane, Marketing Director of East Coast burrito favorite California Tortilla, noted that, "{In 2009} I don't think anyone knew what social media was going to become." But owing to California Tortilla's successfully "rich heritage of engaging customers, both in store and the [monthly] newsletter," they figured that setting up a Facebook Page would be a no-brainer. Fans already loved Founder Pam Felix's infectious emails, so for a vibrant online presence like California Tortilla, they considered adding a Facebook Page as "low risk."

As technology evolves, email is taking a backseat to the instantaneous communication of sites like Facebook. Facebook, therefore, now demands more attention from high-level eMarketers like Kane. She estimates that she spends approximately 5 minutes every hour maintaining the California Tortilla Fan Page, and up to about an hour and a half each day. It is therefore important to understand that Facebook strategy and maintenance is never free.

Larger companies, for instance, may outsource their Facebook development (including design and developing a company posting voice and applications) to a third party. Others, like California Tortilla, have an internal resource develop the Page. Dedication of employee time, whether internal or external, is synonymous with a dollar investment.

So how does Kane account for prioritizing Facebook higher than other marketing efforts? She notes that as long as "the number of active Fans is increasing," the effort is worth it. The Page's total number of Fans is not her standard for success. Without their active voice commenting, posting and liking, Fans are just a number. For an example of successful Facebook buzz, she cites a recent promotion for Shark Week, where California Tortilla encouraged guests to wear their shark fin hats and say the "secret password" (shark) to the cashier in order to win a free taco. The promotion, announced on Facebook, came full circle when pictures of friends and families enjoying fish tacos, wearing their shark hats, swarmed the Page. Facebook is worth the cost of 5 minutes each hour, for Kane, if she sees that she has succeeded in generating a high number of Fan/brand interactions, hence creating a community feeling that can only lead to excited customers who are willing to spend and visit more.

Another simple Facebook Page ROI metric is the cost of Fan acquisition. As an example, consider the method Pizza Hut uses to acquire Fans. According to an article on

PizzaMarketplace.com, Pizza Hut offered all new “likers” of the Pizza Hut Page a coupon for a free P’Zone. P’Zones, a hearty mixture of pizza filling in a calzone shape, retails for \$5.00 each. On the first day alone, “more than 50,000 Fans of Pizza Hut took advantage of the offer.”

Assuming approximately 25% of the new Fans redeem the coupon, the cost to acquire Fans for this promotion is:

$$.25(\text{redemption rate}) \times \$5(\text{retail price of P'Zone}) \times .45 (\text{typical cost of goods})$$

$$.25 \times 5 \times .45 = \text{Cost per Fan} = \$0.56$$

Therefore, Pizza Hut must believe that the value of 50,000 new Fans outweighs \$0.56 per Fan. Not only did Pizza Hut gain a Fan that they can market to for months to come, but they also get a chance to reach their friends, on average, another 130 people per Fan. Restaurants should compare acquisition costs across mediums to determine the most effective mix for their specific target audience.

Final Thoughts

The value a Facebook Page brings to a restaurant is dependent on the marketer’s ability to foster a productive social network that enables the nurturing of the Fans’ affinity to the brand. Proper Page maintenance is a must in order to sustain a constant conversation with Fans.

California Tortilla’s Stacey Kane noted that the toughest job in maintaining a Fan Page is thinking of a new post. But when the posts connect with the Fans, the pay-off is richer than any general advertisement. Consider the 70% higher spending rate among FB Active loyalty members coupled with the impact of word-of-mouth reach among Facebook users when making decisions about the time and effort it takes to manage a successful Page.

One day, Kane posed a concise query to Cal Tort’s Fans: “What makes you like a company on Facebook?” The post generated many responses, but one Fan summed it up best with the post, “I love when companies “humanize” themselves...It’s all about building a dialogue.”

Read more Loyalty Improvement Series articles on our website:
www.paytronix.com

- *Boost Loyalty Program Results*
- *Building Your Loyalty Program ROI*
- *Choosing a Loyalty Program That’s Right for You*
- *Correctly Accounting for Comp Programs*
- *Free or Fee: Should You Charge for Your Loyalty Program*
- *Loyalty Program Success Starts with Enrollment and Registration*
- *Loyalty Promotions – The Promise... and the Complexity*
- *Optimizing Your Loyalty Program Return*
- *Product on a Card: Add Power to Your Gift Card Portfolio*
- *Reward Yourself with Bankable-Points Programs*
- *Shifting from Mass Media to 1-to1 Marketing*

PAYTRONIX

Loyalty | Gift | Comp | Email

phone: (617) 649-3300

email: solutions@paytronix.com

www.paytronix.com