

## WHAT IS THE VALUE OF A FACEBOOK LIKE: THE TRUTH ABOUT FACEBOOK ROI

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### Abstract:

Facebook is an ideal environment for studying human behavior. Every click, like, friend acceptance (or rejection), and peek at an ex's profile is tracked for millions of people every day. Facebook's value as a "petri dish for the social sciences. "Brands spend billions of dollars a year on elaborate efforts to establish and maintain a social media presence. Facebook is the preferred platform: 80% of Fortune 500 companies have active Facebook pages. Each day enormous amounts of brand-generated content—articles, photos, videos, and so on—appear on those pages and on other social media platforms, all designed to entice people to follow, engage with, and buy from brands. Marketers often justify these investments by arguing that attracting social media followers and increasing their exposure to a brand will ultimately increase sales. According to this logic, recruits who socially endorse a brand by, for example, liking it on Facebook will spend more money than they otherwise would, and their endorsements will cause their friends (and friends of friends) to shop—creating a cascade of new business. At first glance the evidence seems to support this rationale: Many brands have discovered that customers who interact with them on social media do spend more money than other customers. A recent influential study by Facebook found that compared with the general population, people who liked Starbucks's Facebook page or who had a Facebook friend who liked the page spent 8% more and transacted 11% more frequently over the course of a month.

Merely liking a brand on Facebook doesn't change behaviour or increase purchasing. But that study and others like it contain a fatal logical flaw: They confuse cause and consequence. It's possible that getting people to follow a brand on social media makes them buy more. But it's also possible that those who already have positive feelings toward a brand are more likely to follow it in the first place, and that's why they spend more than non followers.

**Keywords:** Facebook, Like, Social, Marketing, etc.

### Introduction

The more Facebook Likes our business Page has, there would be more people who will have a chance to see your company's content. If our company's Facebook Page has 300 Likes, and our competitor's Page has 3,000 Likes, our target audience has a greater chance of seeing updates from our competitor than from us. A company that has a Facebook Page with a respectable number of Likes appears to be a well-established business in the eyes of a future customer.

### Some Recent Trends:

- Over the last six months, 40% of sharing through Facebook occurred on the event page (pre-purchase) vs. 60% of sharing which occurred on the order confirmation page (post-purchase). This shows that the motivation to share is higher once the purchase is made and the attendee is committed.
- The BSR (Browsing Share Rate) is 1% — meaning that of the people who look at an event page before purchasing a ticket, 1% of them share that event. Conversely, the TSR (Transaction Share Rate) is 10%, which means 10 times more people share an event from the order confirmation page.
- Not only is the motivation to share post-purchase higher, that share is more meaningful than a pre-purchase one. A post-purchase share on Facebook drives 20% more ticket sales per share than a pre-purchase one.
- Facebook vs. Twitter: Sharing activity on Facebook equalled almost 4 times the amount of sharing on Twitter. This is attributed to Facebook's reach (right now there are simply more people that use Facebook than Twitter (600 million vs. 225 million) and the fact that connections on Facebook more closely mirror real-world, personal relationships.
- A Facebook "Like" (the closest comparison to a tweet) drives on average \$1.34 in ticket sales, compared with a tweet that drives on average \$.80.
- Facebook's hyper-targeted Custom Audiences feature lets you advertise so specifically that advertisers have seen their new customer acquisition costs decline by as much as 73%.
- When it comes to building awareness, the average cost per thousand impressions (CPM) for Facebook ads is around \$7.29 versus upwards of \$35 for television commercials.
- Facebook is also useful in the B2B realm—73% of people say they use Facebook for professional purposes.



**Figure 1: Browsing Share Rate**

Social media doesn't work the way many marketers think it does. The mere act of endorsing a brand does not affect a customer's behavior or lead to increased purchasing, nor does it spur purchasing by friends. Supporting endorsements with branded content, however, can have significant results. Given that social media pages are gathering places for loyal customers, they can offer brands a unique source of customer intelligence and feedback from a crucial cohort. Armed with this knowledge, marketers can build new, more successful social media strategies.

### Testing the Effects of Likes

Basic psychological principles give reason to suspect that liking a Facebook page could indeed change behaviour and increase sales. It is seen that people experience "cognitive dissonance" when their actions don't reflect their beliefs, so it would stand to reason that a social media user who endorses a brand on Facebook would be more likely to buy it.

### Measuring the Return on Facebook Likes

When people like a brand on Facebook, their endorsement is typically broadcast to a subset of their network. Any subsequent engagement with the brand—likes, posts, comments, and shares—also appears in some of their friends' news feeds. In classic marketing,

word-of-mouth endorsements by peers have been shown to increase sales. But the value of endorsements may be lower on social media, for a couple of reasons. First, on many platforms, including Facebook, Twitter, and Instagram, following does not guarantee brand exposure for either endorsers or their friends. Facebook's algorithms determine what content appears in a user's news feed, and a user's liking of a brand is broadcast to only a very few friends (without this intervention, users would be exposed to an average of 1,500 posts daily). Second, some Facebook users appear to like brands indiscriminately or for various one-off reasons—to get a discount, say. There is a way to convert likes into meaningful behaviour: advertising. Facebook's algorithms will probably filter it out. There is no difference in behaviour; those who had been invited to like the Facebook page accumulated no more points than the others. Once again, merely liking a page did not change behaviour. Put another way, liking a company that offers flu shots does not translate into getting a flu shot.

### Unlocking the Power of Likes

The good news is that there is a way to convert likes into meaningful behaviour, and it's straight out of the 20th-century marketing playbook: advertising. Each year Facebook collects more than \$22 billion in ad revenue. Most of that comes from brands seeking to circumvent the platform's algorithms by paying to guarantee that their content will be prominently displayed to large numbers of users. What does all this mean for marketers? As social media swelled in popularity over the past 10 years, many predicted a revolution in marketing strategy. It wasn't uncommon to hear about the end of "push marketing" (in which brands promote and advertise their goods and services) and the rise of "pull marketing" (efforts to draw customers in through social media and other channels). "More judo, less

karate" became a popular aphorism. But it is suggested that marketing on social media will be ineffective if it uses only pull tactics. The modern social media marketing playbook should combine new and traditional approaches.

### Make Likes Work

Facebook does not currently give companies the option of paying it to highlight the posts of engaged customers, something our research suggests could provide significant value by influencing behavior. Savvy firms could overcome this obstacle by monitoring their social media channels for eloquent endorsements and integrating those endorsements into their marketing messages. The athletic apparel brand Lululemon collects favorable customer-generated content by tracking hashtags (such as #thesweatlife) and retweets it. The fashion retailer Free People adds customers' Instagram photos to its product pages. And in a holiday promotion, Lamar Advertising's billboards displayed photos that people had tagged with #ThankfulThisHoliday. More brands could also adopt the increasingly common practice of "seeding" social endorsements by paying influencers to try the brand and send endorsements to their followers. This tactic has spawned several new platforms, such as ReadyPulse, that automatically match brands with appropriate influencers.

### Make Endorsements Meaningful.

Another reason why liking a brand does not influence online friends is that liking is a very weak endorsement; it is seen that it doesn't carry the same weight as a real-world recommendation. Yet it is seen that endorsements and referrals more generally, can spur action. It is demonstrated that people were more likely to download and use an app if a friend recommended it than if they were merely told that their friend had downloaded it. Other indicates that "deeper" social

media endorsements could close the effectiveness gap between real-world and digital recommendations. For example, a study found that Facebook posts indicating that a Facebook friend is using a product—not just that he or she likes it—increase the chances that a member will use the product too. The effect is pronounced when product users send their friends personal messages of recommendation. However, encouraging this level of engagement with a brand can be difficult and expensive. Further when it comes to highlighting customers' engagement, brands will find it fruitful to choose online postings and other user-generated content that are more creative and meaningful than simple likes. For example, TripAdvisor informs users browsing a hotel which of their Facebook friends have booked there. In the political realm, a campaign to increase voter turnout found that telling people a friend has voted makes them more likely to vote. A word of caution, though: This tactic can raise privacy issues. Facebook discontinued its social ads—ones showing the profile pictures of friends who like the product at hand—in part because of privacy concerns.

### **Social Proofing & Competitor benchmarking**

There is also very real value in what I refer to as “social proofing.” This essentially means that Likes, comments and shares provide a sense of legitimacy around your brand. Our credibility goes out the window when you only have a few Likes for our branded Pages and page posts. Quite often, one of the first things a consumer will do is look at our social pages. The various things consumers look for include whether we have a high number of followers; whether our page posts are getting lots of (positive) engagement; whether we have brand evangelists, reviews and so on. When we're hitting a favourable level of perceived credibility, the psychological “warm and fuzzies” are

built up in the form of social proofing. There is valuable brand positioning that occurs when you're the most popular brand in our competitor set.

### **Use “pull” marketing to find our best customers, and listen to them.**

One reason Facebook advertising can be effective is that a brand's social media page reaches a highly desirable audience; likes illuminate a path for targeting ads. Yet even if a brand decides not to spend money advertising, it can use its social media channels to gain intelligence from its most loyal customers. This need not entail recruiting new followers through flashy content and other lures; in fact, such tactics might backfire by attracting people who are not strongly attached to the brand. Companies pursuing this option should favor organic growth, letting customers seek out the brand. Almost by definition, the people who go to the trouble of finding a brand on social media will be its most devoted, and thus most valuable, customers. As a group, these customers are a great asset: they will enthusiastically provide feedback to improve product development, management, and delivery; defend the brand against unjustified complaints; and be early adopters of and evangelists for new offerings. For example, Lego uses its social media channels to gather customers' ideas for new products and to tout new product lines. MyMuesli, a German maker of customizable granola, asked customers to publish images of their own granola mixes on Instagram and subsequently sold some of the customer-created products through its website. The Dutch airline KLM clearly uses its Twitter account as a customer feedback tool; in addition to responding to customers' tweets, the airline shows that it is listening by prominently posting its estimated response time in its Twitter header (and updating it every five minutes). Knowing that their voices will be heard can make customers more willing to

offer information and might even cause them to be more civil when they (inevitably) have complaints.

### **Turning Likes into Loot**

While Likes as a standalone endorsement do not provide a high return, meaningful dollars can be made when you take a pragmatic and holistic approach. Remember to always test and measure, and then test again. I like to say that your social media presence is a direct extension of every single channel and department of your organization. Make it the central hub of your marketing focus, where all earned, owned and paid efforts are combined. Spend our social dollars wisely on tactics and strategies that produce real, measurable results for our brand. An important thing to note is that not all customers take the same journey on their path to purchase. This journey is increasingly complex and unique for all brands, and social offers an opportunity to nurture consumers in a customized way. We cannot look at pull and push social efforts in isolation. Branding and paid efforts need to do a delicate dance within our organization. Promote positive brand interactions, endorsements and experiences — consumers will respond more favorably when presented with a direct response message.

### **Conclusion**

As social media has grown as a marketing channel, so too has enthusiasm for its potential to drive sales. Amplifying efforts with advertising can provide higher returns on investment while creating an opportunity to connect with the most-loyal customers. The 'like' itself has a weak value for social media users. Optimizing campaigns and measuring success with 'likes' is not an indicator of future success with business objectives. To achieve success with Facebook it is recommended brands focus on the following:

- Paid Social Content: The number of posts created on Facebook

and the algorithm makes it so paid efforts have to appear on user's feeds. Brands should focus on creating paid content that is targeted not only to current customers but also potential users of the brand.

- **Thumb-Stopping Moments:** Creating high-quality content will earn the user's attention as they quickly scroll down the feed. Specifically, brands should focus on creating motion content including videos, animations and cinemagraphs.
- **Align KPIs to Business Objectives and Tactics:** Vary success KPIs according to business objectives, whether they are sales, traffic or branding. Additionally, brands should adjust the measurement to each tactic. For example, in video, views could serve as a primary KPI.
- **Change How You Measure Engagement:** Old engagement rate formulas heavily weighted likes, resulting in skewed results. Today, engagement metrics should include views and clicks. Keep in mind that content shouldn't be optimized for engagement, but this metric is still useful to measure a user's attention.
- **'Likes' as Customer Intelligence:** While 'likes' are not a good indicator of performance, they can be useful for gathering information about potential customers. Brands can use this information to create lookalike audiences for advertising. There's also an opportunity for brands to understand sentiment by taking a closer look at reactions (wow, sad and angry) instead of just 'likes'.

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Thus a Facebook Like is the beginning of an information journey that will make us a better marketer and a more successful salesperson.