



What's a Brand Advocate Worth?

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What's a Brand Advocate Worth?

By Rob Fuggetta, Founder & CEO, Zuberance

In this whitepaper Zuberance states that Brand Advocates are worth at least 5x more than average customers. This is because they spend more and their recommendations drive sales.

What's the Value of a Facebook Fan?

There's been a lot of talk recently about how much a Facebook fan is worth, with estimates ranging from zero to \$137. Forrester, a leading research firm, points out that Facebook fans have no intrinsic value unless they do something to provide business value to the company. "It is what companies *do* with fans that create value, not merely that a brand *has* fans," says Forrester's Augie Ray.¹

Beyond Fans: Brand Advocates

While people may question the value of a Facebook fan, there is little debate that Brand Advocates have real business value. Brand Advocates are highly-satisfied customers and others who pro-actively recommend brands and products online and offline without being paid to do so.

Brand Advocates serve as a powerful Virtual Salesforce for the brand, bringing in new customers to a company, generating highly qualified referral leads, and spreading positive Word of Mouth on Facebook, Twitter, shopping sites, blogs, and more.



Brand Advocates' recommendations are the #1 influencer of billions of dollars in purchases for everything from cars to computers, hotel rooms, movies, enterprise software, and more, studies show. Brand Advocates are thus significantly more valuable to companies than people who click on an "I Like" button and more valuable than loyal customers who may or may not recommend the brand.

Brand Advocates are at Least 5X More Valuable than Average Customers

Zuberance's analysis shows that Brand Advocates are worth at least five times more than average customers based on two key facts:

1. Brand Advocates spend at least twice as much as average customers.
2. Unlike average customers, Brand Advocates go out of their way to recommend their favorite brands and products. These recommendations drive sales.

1. Spend Value = 2X

Spend value is how much Brand Advocates spend on the company's products and services over the lifetime of their relationship with the company or brand. A recent study by Deloitte showed that Brand Advocates spend twice as much on their favorite products and brands as average customers.² Other studies have shown that loyal customers spend five to ten times more than average customers.

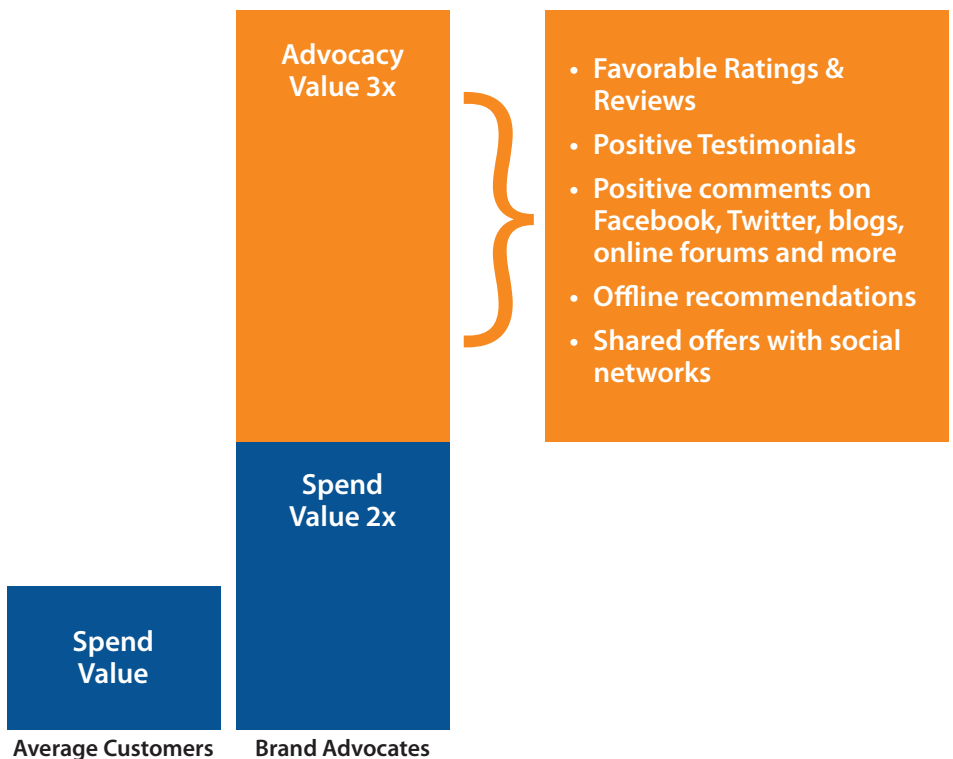
As a brand's most loyal customers, Brand Advocates are often a company's biggest spenders. However, to be conservative, we use the Deloitte finding that Brand Advocates spend twice as much as average customers. Therefore, on the basis of spending alone, we contend that Brand Advocates are worth 2X more than average customers.

2. Advocacy Value = 3X

Advocacy Value is the additional economic value that Brand Advocates provide via online and offline recommendations. These recommendations may be in the form of ratings and reviews; positive testimonials; answers to prospects' questions; comments on Facebook, Twitter, blogs, online forums, shared offers and offline recommendations.

Thanks to social media, Brand Advocates' reach and influence (and thus their value to companies) has increased. According to Forrester, each peer impression on the social web reaches 150 people. There are 500 billion peer impressions each year in the US, rivaling advertising. And since Word of Mouth is proven to be 5X more trusted and influential than most forms of paid media, Word of Mouth has significantly more influence over purchase decisions than advertising and other marketing.

Given that advocacy is proven to drive sales, we argue that Brand Advocates deserve an additional premium over average customers, which we estimate at 3X value. Thus, we conclude Brand Advocates are at least 5X more valuable than average customers (2X spending value + 3X advocacy value.)



Valuing Brand Advocates

Here are examples of the value of Brand Advocates from three product categories: hotels, restaurants, and enterprise software. These examples show that Brand Advocates are between 5X to 7X more valuable than average customers.

Hotel Advocates

An average customer for this hotel spends \$600 (3 stays X \$200 per stay.) A Brand Advocate, however, stays at the hotel 6 times during the lifetime of his relationship with the brand, generating \$1,200 (6 x \$200 per stay.)

In addition, the Brand Advocate influences three other people to stay at the hotel via recommendations on TripAdvisor, Facebook, Twitter, plus offline Word of Mouth. Each of these people stays at the hotel three times during their lifetime. This generates an additional \$1,800 in revenues for the hotel (3 people x 3 stays = 9 stays x 200 = \$1,800). Thus, the Brand Advocate for the hotel is worth \$3,000 or five times more than average customers.

Customer Type	Spend Value (Average Spend over lifetime)	Advocacy Value	Total Lifetime Value of Customer or Brand Advocate
Average Customer	\$600 (3 stays x \$200 per stay)	\$0	\$600
Brand Advocate	\$1200 (6 stays x \$200 per stay)	\$1800 (9 stays x \$200 per stay)	\$3000

Restaurant Advocates

An average customer for this restaurant spends \$100 over the customer's lifetime (4 visits to the restaurant x \$25 per visit.) A Brand Advocate, however, spends \$200 during his lifetime (8 visits to the restaurant x \$25 per visit.)

In addition, the Brand Advocate influences five other people to eat at the restaurant via recommendations on Yelp, Facebook, plus offline. This generates \$500 in revenues for the restaurant. Thus, the Brand Advocate for the restaurant is worth \$700 or seven times more than average customers.

Customer Type	Spend Value (Average Spend over lifetime)	Advocacy Value	Total Lifetime Value of Customer or Brand Advocate
Average Customer	\$100 (4 visits x \$25 per visit)	\$0	\$100
Brand Advocate	\$200 (8 visits x \$25 per visit)	\$500 (5 customers spend \$100 each over lifetime)	\$700

Enterprise Software Advocates

An average customer of the enterprise software company spends \$300,000 over the customer's lifetime (3 years x \$100,000.) A Brand Advocate, however, is a heavy user of the company's software products, spending \$600,000 (3 years x \$200,000.)

In addition, the Brand Advocate influences buyers at four companies to purchase the software product via referrals, testimonials, case studies, positive comments on online forums, reviews, plus offline recommendations at trade shows and conferences. This generates an additional \$1,200,000 in revenues for the software company (4 customers x \$300,000.) Thus, the Brand Advocate for the software company is worth \$1,800,000 or six times more than average customers.

Customer Type	Spend Value (Average Spend over lifetime)	Advocacy Value	Total Lifetime Value of Customer or Brand Advocate
Average Customer	\$300,000 (3 years x \$100,000 per year)	\$0	\$300,000
Brand Advocate	\$600,000 (3 years x \$200,000 per year)	\$1,200,000 (4 customers spend \$300,000 over lifetime)	\$1,800,000

Conservative Estimate

We believe our assertion that Brand Advocates are at least five times more valuable than average customers is a conservative one.

- As stated earlier, loyal customers spend significantly more than twice as much as average customers in many industries and product categories.
- The actual number of customers who purchase a company's products or services as a result of a Brand Advocate's recommendation may be much higher than in the examples above given the trust, influence, and reach of Word of Mouth and social media.
- Customers who come to companies as a result of Brand Advocate's recommendations are more likely to become Brand Advocates themselves. In our model, we do not account for this.

Tracking Advocacy Results

Marketers can track the actual number of customers and revenues that result from Brand Advocates by using promotional codes for offers provided for Brand Advocates to share with their social networks. This method doesn't enable marketers to fully calculate the value of Brand Advocates, though, because it doesn't account for sales that result from other Advocate activities that can't be tracked like a customer who purchases a flat panel TV after reading a Brand Advocate's positive review on Amazon.com.

Brand Advocate Costs

As the saying goes, there's no such thing as a free lunch. There are costs associated with developing a structured marketing program aimed at identifying and energizing Brand Advocates. These costs include:

1. **Technology costs:** Word of Mouth/ Advocate marketing software applications that automate the process of identifying and energizing Brand Advocates plus tracking Advocate marketing results.
2. **Staff/Agency costs:** Creating, launching, and managing Advocate marketing programs and campaigns. (These costs are considerably higher if technology is not leveraged.)
3. **Promotional costs:** This includes the cost of specialized Advocate promotional offers and programs.

One Advocate is Worth \$175,000 to Joie de Vivre Hotels

Christine F. is an executive assistant at a large networking and telecommunications equipment manufacturer in the heart of Silicon Valley. One of her responsibilities is booking hotels and meeting rooms for company offsites. Recently, Christine held an event at the Hotel Los Gatos, a hotel managed by Joie de Vivre, an owner and operator of California-based boutique hotels.

Christine was so pleased by her experience at Hotel Los Gatos that she booked several additional company events at the hotel. Christine estimates that the total amount for the events that she's held at Hotel Los Gatos over the last 18 months is \$100,000. But Christine's real value to Hotel Los Gatos goes beyond \$100,000.

As a result of her positive experiences, Christine recommended Hotel Los Gatos and other Joie de Vivre hotels to her colleagues. Based on her recommendations, Christine's peers also booked meetings and guest rooms at Hotel Los Gatos and other Joie de Vivre hotels. This generated an additional \$75,000 in revenues for the hotel group.

Importantly, Joie de Vivre did not pay or provide financial incentives to Christine to recommend Hotel Los Gatos. She recommended the hotel to her colleagues because she had an excellent experience and wanted to share this with others.

One Brand Advocate is Worth \$565,000 for Software Company

In the book "Answering the Ultimate Question," authors Richard Owen and Dr. Laura Brooks state that a single Promoter for an enterprise software company is worth \$565,000 based on the value of new customers gained from referrals.³

The authors studied recommendation behavior of "Promoters," customers who have said they are highly likely to recommend the software company to others. The author's findings are summarized below:

Made a positive referral in past 12 months?	81%
# Referrals per customer over 12 months	4.2
Conversion rate (% customers acquired through referrals)	16%
# Customers acquired from referrals per Advocate	4.4
Average Spend per Customer	\$1,005,000
Value Per Promoter (Advocate) (Each Advocate delivers .54 customers to company)	\$565,000

Source: "The Ultimate Answer" Owen Brooks

10X Return on Advocacy (ROA)

Measuring return on investment (ROI) is critical for all marketing programs. Getting Brand Advocates to become a marketing force for your company is the most cost-effective form of marketing with a very high return on investment. Our analysis shows that, on average, companies are getting a 10X Return on Advocacy (ROA.) For example, a consumer electronics company that manufactures and sells a digital video recorder and subscription service generated a 10X ROA.

The media created by Brand Advocates (positive reviews and ratings, testimonials, Advocate comments, etc.) has distinct advantages over advertising and other paid media. Compared to paid media, "Advocate Media" is more trusted, influential, targeted and relevant. But does Advocate Media merit a \$100 CPM? We believe it does. Let's continue the conversation at the Zuberance blog. And look for Zuberance's upcoming white paper on how to measure the value of Word of Mouth & social media.

To learn more about how to measure the value of your Brand Advocates, contact Zuberance at info@zuberance.com or visit Zuberance.com.

3-Year Investment in Brand Advocate Marketing Program	Value of New Customers Brought in by Brand Advocates	Media Value of Brand Advocates	Lead (Click) Value	Total Return on Brand Advocate Marketing Program
\$750,000	\$6,800,000 (20,000 new customers brought in as a direct result of Brand Advocate Recommendations x \$340 average lifetime value per customer)	\$495,000 (4,950,000 impressions @ \$100 CPM)	\$300,000 (150,000 clicks @ \$2 cost per click)	\$7,595,000

Zuberance Brand Advocate Value Calculator

By entering your own data, you can calculate the value of your Brand Advocates.

Line #	Spend Value Items	Amount
1.	What's the average price of your product or service?	
2.	How many times does the average customer purchase your product or service over the lifetime of their relationship with your company?	
3.	Multiply line 1 x line 2 to find your total customer spend value.	
4.	Multiply line 3 x 2 to find the total spend value per Brand Advocate (Brand Advocates spend 2x as much as average customers).	
Line #	Advocacy Value Items	Amount
5.	Estimated number of new customers who will purchase your product or service as a result of a Brand Advocate's recommendation (for example, 4).	
6.	Multiply line 5 x total spend value per customer (from line 3 above).	
Total Value of Each Brand Advocate (Add lines 4 and 6 from above).		

About Zuberance

Zuberance is the leading social marketing technology company. The award-winning Zuberance Advocate Platform enables companies to systematically identify and energize Brand Advocates across Facebook, Twitter, MySpace, LinkedIn, brand websites, email and more, driving sales and positive Word of Mouth. Zuberance's powerful analytics enable companies to track results of Advocate marketing campaigns and get unique Advocate insights. Forrester named Zuberance the winner of the prestigious 2009 Forrester Groundswell Award in the Energizing B2C category. Zuberance customers include leading B2C and B2B companies across multiple verticals. Zuberance is backed by Emergence Capital Partners, the leading venture capital firm focused on early and growth-stage Technology-Enabled Services companies. Zuberance is a member of the Word of Mouth Marketing Association. For more information, visit www.zuberance.com.

¹ "What Is The Value of a Facebook Fan? Zero!" Augie Ray's blog, Forrester, July 8, 2010

² "A new breed of brand advocates; Social networking redefines consumer engagement," Deloitte, 2010.

³ "Answering the Ultimate Question," Richard Owen and Laura Brooks, PhD.