



DESERT GALLERY BAKERY, HOUSTON TX

There are hundreds of social media evangelists out there who will tell you that your business absolutely needs a Facebook Fan Page or you are all but watching dollars slip away.

Problem is, when you ask those same people what return you can expect from say, creating and maintaining a Facebook Fan Page, the talk about return on investment starts going soft. Suddenly it's all about return on influence, or maybe it's just something you need to trust.

In the business world, the only real proof is the ROI numbers. Is my business earning more money? Have I reversed member attrition? Has the cost to obtain a client gone down? You get the idea.

Now, according to new research from Rice University's Jones Graduate School of Business, there may very well be gold in those Facebook dollars. An article called How Effective is Facebook Marketing? is being featured in this month's issue of The Harvard Business Review.

- *Guests:* Utpal Dholakia is an associate professor of marketing from Rice University's Jones Graduate School of Business, and Sara Brook is the owner of the Desert Gallery Bakery & Café.

- *Interviewer:* Tod Maffin, publisher, CaseStudiesOnline.com

TM: Sara tell me a bit about the bakery and café and what your business is all about.

SB: I started Desert Gallery in 1995, and we make amazing homemade desserts. We have two locations and a commissary. All of our baking and food preparation is done at the commissary and then we distribute to the stores and we also ship from the commissary. We've been in business, this is our 15th year and, I actually studied Sociology and Computer Science at the University of Texas, so I know just enough about this tech stuff to be dangerous.

TM: Right. I think we all start at some point really.

Tell me a bit about the demographics of people that are going into your restaurants. Are these folks that would probably be what you would call 'The Facebook Generation' as it is, or is it wider than that?

SB: It's definitely becoming more so, which I think is really interesting. Over the years it's evolved. It used to be that our Monday through Friday customer was very different from our weekend customer. It used to be that it was very corporate during the week, and on the weekend it was all over the map, young, old, every race, religion, creed, colour, but as we've become more evident on Facebook and Twitter and using eBlast!, and the website, our demographic has definitely gotten younger.

TM: One of the things that I always find interesting when it comes to reading about case studies in business and especially we see this a lot with social media, is that businesses will start out with some kind of presence like a Twitter account or Facebook Fan Page, in the case that you did with the business. That will already be set up and then they'll try to do a little bit more. They'll measure based on the stuff that they already had to begin with, but you didn't have any kind of Facebook presence prior to this. Is that right?

SB: Right. We had nothing. We set it up and in conjunction with the study, so all of the data is literally as a result of the study.

TM: Professor Dholakia, then let me bring you in on the study. Why the impetus to begin with? What was the basis behind the initial study?

UD: So social media is very popular these days and for the last couple of years everyone is interested in knowing about how Facebook works. How effective is Facebook marketing, and more importantly, how much they should invest in Facebook and Twitter and all those types of things.

Given the fact that Sara didn't have a Facebook presence, that gave us an opportunity to really answer this question in a controlled way. So what was very appealing about this is we actually measured customers' evaluations prior to the Facebook presence. Then we let the Facebook presence go on for about three months and Sara did a really good job of doing a lot of promotions and [indiscernible] content. And then three months later we evaluated her customers' responses regarding the store and how much they buy at the store, how much they recommend her store to friends, and so on.

TM: I was just going to ask you, it's interesting because it sounds like you've approached this from a very scientific point of view. I would say almost all of the case studies, almost all of the surveys that are out there are done off game. There's a SurveyMonkey link or something like that, so yours it sounded like you're approaching it from a scientific type review process could be done.

- UD: Right. So the methodology we use is something known as a field experiment so there are uncontrolled aspects of the study. So for example, the survey is still opt-in in the sense that people have to volunteer to participate. Given this methodology we are to control for many of the things which otherwise in just a one-time survey would not be controlled. For example, we are able to compare differences between people before versus after to get an impact of just a Facebook participation, and controlling out of the types of differences.
- TM: You're right, and just looking through the study it's interesting you had even gotten some details – and we'll get into this in just a moment – about what the level of emotional attachment is to the brand. How much more of their eating out dollars are being spent at the bakery?
- I have to say Sara, this must have been kind of exciting for you to watch a university come in and do everything they could to build business.
- SB: You know what? It was really exciting, and of course it's wonderful to have the business, but it was really exciting to do something different and to have it work.
- TM: So tell me a bit about the promotions that you used to try and get some data out of this. You mentioned that earlier Professor.
- UD: I'll let Sara answer that.
- SB: I took some neat pictures in the kitchen and they were making something that was really beautiful, so I would post it. Or, we would run a special.
- One particular experiment, last fall was my daughter's 20th birthday and she's away at school and I wanted to be able to celebrate even though I couldn't be with her in person. So a few weeks before her birthday I decided let's have a big party. So what we did was we announced it on Facebook and Twitter. All of my customers in the community, if your name is Jennifer, come in on September 25th for a free slice of Jennifer's birthday cake.
- TM: And this is the only thing you did. So it wasn't any other marketing. It was strictly social media.
- SB: Absolutely. We had hundreds of people come in for Jennifer's birthday.

- TM: Do you know how many people that reach was initially? How many people you had following you on Facebook already and Twitter?
- SB: I had zero when this whole thing started. So, any followers that are on there now have arrived in the last six or eight months.
- UD: Since last summer.
- TM: If you zero to begin with and you put out this promotion -- which if I was named Jennifer I might consider it – how did it get out? You must have had one or two who picked it up and forwarded it, like that old shampoo commercial when you told two people and so on and so on. Was that how it worked?
- SB: Yeah. It was unbelievable. We were on every network. We were in the newspapers. We were on the websites. It was unbelievable, and of course I was excited because it was all about Jennifer’s birthday.
- TM: Did Jennifer ever get down to see it?
- SB: She was very happy to be halfway across the country in Walla Walla, Washington. So she missed all the fuss, which was fine with her. I had fun, and you know what? My staff had fun. The customers had fun. Everybody had fun. Everybody loves Jennifer’s birthday now.
- TM: Now is this an annual thing you do now or just a one time thing?
- SB: You know, Jennifer was four when I opened Desert Gallery, and so she turned five right after we opened. So there was a cake called “Jennifer’s Birthday Cake”. There was that, but we’ve never had a birthday party for Jennifer, especially not when she was living at home. She would never have stood for that.
- TM: Professor or Sara, either of you can jump in. Is there anything you’d have done differently around that? What did you learn that maybe wasn’t a success? Or that you had perceived would be a different result than what you actually got there?
- UD: So actually we did this study with a couple of other restaurants also, which was not reported in the *Harvard Business Review* article and we are analyzing that data right now.



But it turns out that the quality of the content, the types of promotions you run, are extremely important in how successful Facebook marketing is. In fact that is the biggest driver. So it's not enough to just have a Facebook Fan Page and then expect that you're going to have a very effective and successful marketing program. The type of promotions you run, like this Jennifer's birthday cake idea. You need really high quality content like this to make Facebook marketing work.

SB: And you need chocolate chip cookies and cupcakes too.

TM: Are you able, Professor, to find out what kind of promotion would work? Certainly this one obviously worked, but what were the elements of this case study of this particular promotion that worked, other than the fact that it was free chocolate.

UD: Absolutely. So the free part is nice, but at the same time the incentive should not be too much in your face. For example, if you tell me "Come and buy \$20 worth of chocolate cake and I'll give you \$5 off". That sort of thing is not as appealing and engaging as something which is built around some sort of meritable story and something like this.

TM: So it's not necessarily about a coupon, but about building more of a story into the coupon itself?

UD: Right, and that's where the attachment to the brand comes in also because by doing cover promotions like this is how you are creating some meaning into the brand. That's how Desert Gallery comes to be known as this really warm place where you go to have a party, as opposed to a place that gives you \$5 off \$25. You see. That is the essential part of marketing in some ways.

TM: Are you able to measure, or were you able to find out the higher attachment emotionally or psychological loyalty that these folks had as part of the study?

- UD: We measured that using two different measures. One is Brand Attachment, which is more of a psychological measure of liking for this brand. And then there something else called the Net Promoter Score, which is used a lot in business circles these days. The basic idea of underlying Net Promoter Score is to assess how likely people are to recommend this store to other friends and acquaintances. We find a Net Promoter Score is a measure of the psychological loyalty in terms of behaviour towards the store, and there we find significant increases in people who actually were Facebook fans of say a store, versus people who are not Facebook fans.
- TM: So you find that people who have, or stores, or any businesses that have Facebook, have Facebook pages are scoring a higher percentage emotional attachment and psychological loyalty, but is the caveat though to say that it's not just – I'm trying to put words in your mouth perhaps – but that it's not just a much about having that entity there, you've got to be doing things with it such as this emotional idea about telling the story of Jennifer's birthday.
- UD: You have got to use Facebook and Twitter, and all these types of things, in ways which actually create meaning for the customer. A meaning which is valuable to them beyond just offering a short-term incentive. So that I think is a critical part of this success story.
- TM: Any other examples of things like the Jennifer's birthday that you did?
- SB: You know what's really funny? Over Christmas we launched our dog treats and we did it through an eBlast! and Facebook and Twitter, and we had this cute picture of the dog in the Santa cap.
- TM: Can you tell me just briefly what an eBlast! means to you? Is that email marketing?
- SB: I have a list of about 15,000 customers and so I communicate with them regularly and let them know what's going on. So over Christmas we launched our dog treats and we haven't been able to keep them in stock since, and in fact this week we had a contest to name the dog treats and I think next week we'll announce the winner.
- TM: Other than having them behind the counter, how were you using social media? You mentioned that you got these email campaigns and a couple of other routes, but what specifically were you using?

- SB: We were posting the picture of the dog in the Santa cap on the Facebook page and people are just so excited that now they can come to their favourite bakery and they can get a treat. They can get a treat for dog. Some people wondered what I was thinking when I said I wanted to try dog treats, and I said let's just see what happens, and sure enough there was a response.
- TM: Did you do any testing ahead of time? For this email list, did you send out to a small sample or put up on the Facebook page and say "Listen, we're not sure about this". Are you using the community that you're building for those sorts of things or did you just fly out there with the dog biscuits?"
- SB: We just kind of fly out. We like to find out what people think once we've gotten it out there.
- TM: Having done it differently, would you have maybe have done that? Would you have found a way of focus group testing it with these communities of Facebook Fan Pages or would you have thought that maybe you would have gotten a better result by just putting it out there?
- UD: The thing is, again this is my point of view based on observing Sara's Facebook page as well as other pages. Facebook Fan Pages are not really online communities. There is misconception that they are, but in reality their fans are not communicating with each other on Sara's page. They are actually communicating with Sara and the Sara's brand.
- So from my point of view if you want to have online focus groups for example, Facebook is probably not the best place to have those. You got to give people some kind of a chat room or an online forum where they can actually chat with each other. Most the interaction that happens on Sara's Facebook Fan Page is them posting messages that they like Sara's cakes or some other goodies, for example.
- They're not really talking to each other as much. I'm not sure that you can make them talk on Facebook.
- SB: But you know, the other thing that has been very powerful from where I'm sitting is that the nice postings are great, but the complaints are nice too because it gives me a way to intervene and step up and, maybe somebody didn't have a good experience and it allows me to find out about it and to react to it instead of just letting it go all over Houston with no response from me.

- TM: Can you give me a specific example of a critique that came in and how you handled it?
- SB: Yeah, there was somebody who came in and she didn't like her cupcakes or they weren't as good as they usually are, and she was really disappointed. So I saw it, and the minute I saw it I emailed her directly and I said "I'm so sorry to hear about your experience."
- TM: When you say that you saw it, was this an email to you or was it on the Facebook page?
- SB: No, it was on Facebook. It was on Facebook and so I saw it and I intervened and I made it good, and she came in the next day and spent (quite thankfully) a lot more money and we gave her a free cupcake and apologized. She knew it was sincere and she was excited that the president of the company had contacted her, but it was not a big deal to me.
- TM: Exactly. And what did you do with her original critique? Is it still up there on the Facebook Fan Page and your response? You said that you emailed her, but did you post publicly your response as well or was it just one-to-one communication at that point?
- SB: You know I'm sorry, I don't remember. It was in the fall.
- TM: What is your gut feel about how you would handle it now if I walked in and I'm sure your chocolate cupcakes are delicious, but...
- SB: I'm sure that the first thing we would do would be to put forth a public apology and to stand up for the brand and ask if we can contact them directly. That's actually how we do it now.
- TM: Professor Dholakia, it sounds like a great idea for a small or even a medium sized company, to be able to come and do and have the company's president. There's storytelling in itself, right? It reinforces Sara's brand there, but what happens if you're Sara's Bakery World Conglomerate and you've got 500 stores. The president's not going to be able to do this on every one. How would you still maintain that, and I don't want to say illusion of customer service because I think you can still have customer service in there, but have it scalable to a much larger company.

UD: Actually a lot of companies which are like conglomerates are already doing this to a certain extent. There are many examples of companies which are multinational companies using Twitter and Facebook to do these types of things. One reason is, at least so far, we don't have observed, but other things said in the article is that this might be a strategy that you want to use as a niche marketer. So it's not going to work for everyone who is a customer of yours. It's probably going to work for a small subset of customers who are really Facebook enthusiast and social media enthusiasts, and so on.

If it's Star Fraction that you are interested in and you observe really care about that particular segment, it makes sense to spend the effort and resources to actually use Facebook. What that might mean for a larger company like Comcast or Proctor & Gamble or something like that, is that they probably want more employees just working the Facebook Fan Page and updating content.

Another example. I'll just give you one quick example, is Nescafe. If you look at Nescafe's Facebook presence, they are very, very active in using it to do similar types of things that Sara does. So I would recommend you take a look at that Fan Page to get a sense of how a larger corporation uses Facebook.

TM: Thank you both very much. I appreciate your time.

UD: You are very welcome. Thank you for asking us.

SB: Thank you.