

Facebook Likes could be worth millions: Study confirms online sales are enhanced by social recommendations

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Result of the studies: Likes enhance sales in onlineshops. Credit: Patrick Bal

When online retailers display customer recommendations next to their product descriptions, it can significantly increase the sales of these. This is the conclusion reached following a study undertaken by academics at Johannes Gutenberg University Mainz (JGU) and the Technische

Universität (TU) Darmstadt.

Business informatics specialists from TU Darmstadt and Johannes-Gutenberg-Universität Mainz conducted an experiment in cooperation with an online mail order company to determine whether product recommendations by customers have an impact on other customers' buying behavior. For this purpose, first-time visitors to the online shop www.spiele-offensive.de in early 2013 were randomly assigned to one of two possible groups.

The treatment group was directed to product pages displaying social recommendations in a similar form like the thumbs-up "Like" button used by [Facebook](https://www.facebook.com) or the '+1' button used by [Google+](https://www.google.com/). No such customer recommendations were shown on the pages to which the members of the control group were directed. Following the four-week test phase, the shop registered an almost 13 percent higher rate of sales in the case of the group exposed to recommendations in comparison with the [control group](#).

Customer recommendations influence the buying behavior

"We were actually able to identify significant differences in buying patterns," explained Dr. Jörn Grahl, Assistant Professor at Johannes Gutenberg University Mainz. Together with Professor Franz Rothlauf (also JGU) and Professor Oliver Hinz of the TU Darmstadt, Grahl discovered that the better sales figures were primarily attributable to the fact that visitors tended to spend more time searching on the sites with recommendations. There is a 22 percent greater chance that a visitor to an online shop will buy something if web pages display recommendations than if they do not. "This means that by displaying social recommendations such as 'Likes' companies acquire more new

customers," concluded Grahl. "It appears that recommendations actually counteract some of the uncertainty that new customers initially experience when visiting a site."

Likes play a double role in online shops

All sorts of rumors abound on the Internet about how much a Facebook "Like" is worth. The recent study, entitled "How do social recommendations influence shopping behavior? A field experiment," looks at this aspect. It concludes that a "Like" can play two roles in online commerce. A "Like" is an indicator of the quality of a product, so that good products receive more recommendations than others. A "Like" also generates additional sales.

It is very difficult to separate these two effects. "Despite the fact that 'big data' is currently seen as the solution to all problems, it doesn't really help us in this case," claimed Professor Oliver Hinz of the TU Darmstadt. "What we required here was an experimental methodology and not just vast amounts of data. Our approach has actually allowed us to determine the value of a 'Like'. And it has also become apparent that social recommendations and the 'Likes' represent valuable intangible assets for businesses and companies."

By way of an example: if a visitor to an online shop sees that a total of 300 other customers have given a "Like" to products on that site, the study claims that that visitor is likely to spend an average of 6 euro cents more – a highly significant increase in sales that is solely attributable to the display of recommendations. "This means that a 'Like' has an intrinsic value," specified Professor Franz Rothlauf.

Though the value of a "Like" is only a few cents, such small amounts can very quickly add up to a considerable sum in an online shop. If the fact is taken into account that the online social network Facebook gathers a

billion "Likes" in just a few days, it must be concluded that social recommendations and "Likes" have significant macroeconomic relevance.

The study was carried out in collaboration with Happysshops, a medium-sized online mail order company that operates twenty different shops online. Used for the purpose of the investigation was www.spiele-offensive.de, an online shop selling board and party games.

More information: [www.emarkets.tu-darmstadt.de/f ... 30-Working-Paper.pdf](http://www.emarkets.tu-darmstadt.de/f...30-Working-Paper.pdf)

Provided by Technische Universität Darmstadt

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