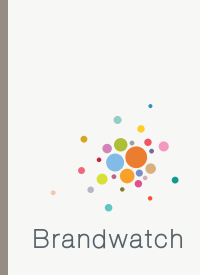


eBooks



Designed to help you get the most out of social media, whatever your goals might be.

There's still a considerable amount of debate about how to measure social media ROI. Businesses' investment in social media continues to rise and this investment needs to be proven beneficial.

By developing robust ROI measures, your social media team can garner more budget to do justice to its strategies and earn deserved respect from upper management.

This eBook highlights some simple steps you can take to prove the value of your social media efforts and even ways this can be translated into monetary terms.



measuring the immeasurable

how to prove social media ROI

how to prove social media ROI

7

www.brandwatch.com

introduction/

Thank you for taking the time to read our eBook on measuring the ROI of social media, the eighth in our series for brands seeking to better navigate social media.

This book highlights the simple steps that organizations can take to prove the value of their social media efforts.

When you can develop robust ROI measures, your social media team can garner more budget to do more exciting things, achieve a higher level of respect from upper management, and open new doors to generating revenue and reducing costs.

We look forward to any input you may have. So please, feel free to post comments on our blog at www.brandwatch.com/blog. We value and read all of your input!

Best regards,
The Brandwatch team

the need for social media ROI measurement/

Marketers have clearly established social media as a legitimate channel in their multi-channel marketing strategies. As such, social media success – and the investments required to achieve that success – must be tracked and reported in the same way that marketing does for all its other channels. In the end, that's ROI (return on investment). The equation is simple enough:

$$\text{ROI} = (\text{Revenue} - \text{Cost}) / \text{Cost}$$

Yet unlike ROI calculations for other marketing channels, marketers struggle to quantify social media ROI. But quantify social ROI they must! Why? Because social media investments are paying off in big ways, which leads companies to invest a larger amount of their marketing budget into social campaigns. Management, in turn, sees these sizeable investments and demands to have quantifiable results to justify them on an ongoing basis.

Fortunately, social media ROI is measurable. The measures may vary somewhat from those of other channels, but the bottom line is that you can get there. Once you do, you'll be able to clarify the impact of your social campaigns to upper management. At the same time, you'll ensure more predictable success going forward, because you'll have objective data to inform you about the types of campaigns and tactics that are working for you over social media.

fact

Only 40% of companies measure social media performance on a quarterly or annual basis, while almost 13% do not measure ROI from social media at all.

Webmarketing123²



cont...

What can a robot teach us?

iRobot, specifically the consumer arm of iRobot, tracks social media mentions of its products and places a value on each comment to eventually arrive at ROI for its social media efforts. According to InformationWeek and Hypatia Research, iRobot calculates the value of a customer compliment (or the cost of a complaint) at a fraction of the \$200 average purchase price of an iRobot product. The calculation is based on the number of people who viewed the comment, about 25% of whom iRobot estimates are actively considering a purchase.¹

quote

iRobot on the impact of social media postings: “so, really, a thousand hits on a negative posting could all be potential customers.”

Maryellen Abreu
Director of Global Customer Care at iRobot



elements of ROI/ revenue generation and cost reduction

Many marketers measure their social media success in terms of the volume of activity occurring around their online properties and the number of people participating in that activity. As a result, popular metrics include the number of fans, friends, followers, Retweets, site visitors, blog comments, social mentions, etc. But these metrics do not constitute ROI.

Recall the equation for ROI: $ROI = (Revenue - Cost) / Cost$

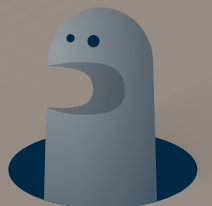
Based on this equation, social media ROI can only be achieved by either generating revenue or reducing costs. Does this mean you shouldn't track the above metrics? No, you absolutely should. But just recognize that they are only the starting points in your social media ROI calculations.

Dennis Yu, CEO of Blitzlocal, refers to many of the social activities or gains from the above metrics as “assists” in the revenue generation process. An assist doesn't necessarily represent revenue or a sales transaction, but it ushers a buyer along to an eventual purchase. Here's a paraphrased excerpt of how Dennis explains it:

“If you live and die by conversion rate and cost-per-click, you get a false sense of where to spend marketing dollars based on last-click attribution, wherein the last thing someone did gets all the credit. Recognize the “assist”, so if you're doing lead generation for a \$200 product, and you know that 1 of 10 email recipients buys, each email is worth \$20. So ask, “how many fans did you get? Of them, how many enter a store and how many buy? Then you can put a value on each additional fan.”³

tip

“Like a Facebook fan or Twitter follower, a business card merely represents potential — so, you can't accurately measure the ROI of a business card, just as you can't measure the value of a Facebook fan.”⁴



cont...

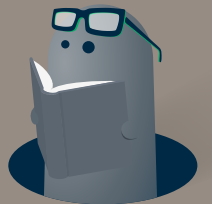
Whether your organization sells B2C or B2B, the concept remains the same. You need to track how your fans, followers, and other social connections transform into leads/prospects and then track when they convert into sales. You can achieve this type of tracking in a variety of ways, from special promotion codes for Twitter followers, to actual coupons from your Facebook page. Running such tracking campaigns will also inform you which social sites contribute the highest ROI.

quote

Marketers don't ask, "What's the ROI of this email newsletter?" Instead, they ask, "What's the conversion rate for our email campaign?"...Social media should be treated the same way.

"You can't just ask, 'What's the ROI of social media?'" Thomas says. "You have to ask, 'What's the ROI of specific activities that we engage in via social media?'"⁵

Erica Swallow quoting **Hal Thomas**,
a content manager at BFG Communication



get specific on your measures/

To truly know the impact of your social efforts, you need to know the delta between where you were before you started and where you are after your social media activities. This means establishing a baseline of your key metrics before the start of a social media campaign. By developing metrics and baselines, you will force yourself to clearly define the goals and corresponding metrics of your social campaigns.

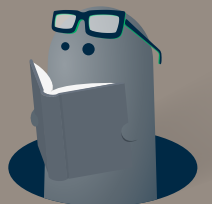
Let's say, for example, that your primary goal is to increase the number of social media mentions of a product that your company recently improved or repositioned in the market. Set your baseline by using a social media monitoring tool to understand the volume of product mentions that are happening today. **Note: It's advisable to use an advanced monitoring tool with comprehensive coverage, so that you're confident your baseline is accurate.**

Once you establish the baseline volume of mentions, you must make sure that it corresponds to a revenue number. In this case, you would use the current revenue of the product at the latest date possible leading into your social campaign. This way, you can track mention volume in relation to revenue for the product over time. The end result, if your social media campaign is successful, should look something like the chart to the right.

quote

Watch your retention rates as you start participating in social media... Zappos, which uses Twitter, MySpace, Facebook and YouTube for its social media efforts, has exceeded \$1 billion in sales. Some 75 percent of its orders are repeat customers. Make sure you monitor your repeat customers and shower them with love."⁶

JD Lasica

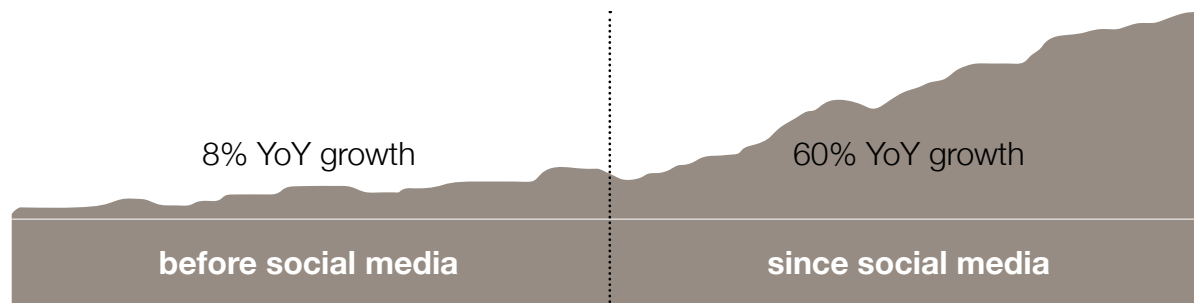


cont...

To show social media's impact and to make your ROI case to management, be sure to track all the activities of your social campaign, including the dates for major activities (i.e. press releases, social contests, blog posts). Then overlay this data with the revenue/sales metrics:

1. Product revenue
2. Revenue per transaction
3. Number of transactions per customer (retention rates)
4. Volume of net new customers (which can also be measured against number of new social media connections to yield a ratio for future predictions)
5. Volume of sales transactions (to show how growth in social connections increases transaction volume)

Now we're getting specific on social media ROI. But we can get even more specific!



define where you had social success/

Your success on social media will likely be uneven across different types of social sites and through different campaign types. So once you know you're having success, find out where it's coming from... and where it's not.

For example, are people from your online forum and from Facebook going to your website in equal numbers? That's good to know. Now, imagine a much higher percentage of the people from your forum convert to a sale compared to the number of people that convert from Facebook. This information will help you to adjust how you lead Facebook users to your site – perhaps by changing expectations. Maybe you've over-promised, or maybe you simply have more dedicated fans in your forum. In either case, you can get to the “why” behind varying levels of success and make adjustments for even higher success rates.

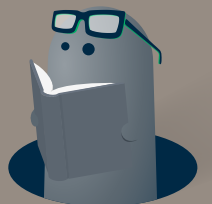
This deeper dive into where success comes from also depends on the use of an advanced social media monitoring tool. An advanced monitoring tool will enable you to track sentiment by site as well as overall. Digging into site-specific sentiment and topic data will help validate your numerical findings.

Sony monitored words for Even Greater Success. Even after Sony was enjoying strong sales of their VAIO laptops, the company's marketing team continued to monitor word trends. Despite Apple being far ahead of Sony in the timing of its launch of colorful computers, the Sony team surprisingly found that word trends related to Sony VAIO on social media continued to show that “color”, “design”, and “style” dominated. As a result, Sony's marketing team continued to stress color in its social media campaigns.

quote

Every social media network has its own set of strengths... be prepared to break it down network by network. This will let you determine which networks are best helping you meet specific sales and marketing goals...and which aren't making the cut.⁷

Corey Eridon
HubSpot



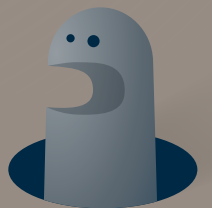
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Both product reviewers and consumers of the Sony VAIO line continue to focus on the hip and cool characteristics of the computers because of their color schemes, making “color” the primary reason for purchase.

In this case, the Sony marketing team realized ROI in two ways from their monitoring efforts. First, they validated the importance of design and color for the product development group. Second, their insights into an emotional driver of purchases helped make their marketing campaigns more effective.

tip

In reporting ROI, you need to rely on the numbers. But also be ready to provide the “so what” behind the numbers. As in, “so here’s what we’re going to do to make them better.”



tying it all together/

Some companies have reached the point, after a period of social media monitoring, at which they know which sites offer the best revenue opportunities for them. At this stage, they can more readily develop a standardized process for measuring lead generation ROI. Here's an example:

Assume that a company knows Twitter is the one site yielding the majority of mentions about their brand and competing brands. By continuously monitoring Twitter, marketing staff can intervene in the most appropriate discussions and suggest the value of the company's products/services.

Once a Twitter discussion turns into a lead, marketing attaches a value to the progression of that discussion by applying the value of a lead. Thus, the ROI of monitoring Twitter and engaging consumers who progress into the sales cycle becomes a simple calculation:

ROI = (# of Leads x The Value of a Lead) / Cost of Twitter Engagement

(The "cost" element comes from the staff hours spent on Twitter engagement – the company minimizes cost with streamlined processes that leverage email alerts and smart monitoring.)

cont...

A similar scenario for calculating ROI takes place when you measure responses to your own social content. For example, assume you blog on your own site and comment/participate in others' blogs. By simply asking new prospects where they heard about your brand, you can begin to recognize which blog posts and blog sites are working best to generate interest in your brand. The same calculation applies, with your cost factor changing to the value you place on time spent blogging. An additional benefit to this measure is cost avoidance. If you discover the blogs that do not yield leads, you can decide to stop using them and reduce the time and effort spent blogging by focusing only on the high-impact blogs.

In these scenarios, the steps to measuring ROI are simple:

1. Monitor for buying signals
2. Engage in the conversation
3. Track prospects through to leads (and sales)

cost reduction/ don't forget the other side of the coin

Although cost reduction does not provide as much sizzle and buzz as revenue generation, it's an important aspect of social media and can provide substantial ROI. Think of all the help forums that provide hints and tips that would otherwise turn into costly instances of live customer support, either by phone or in person.

Once again, let's take a look at Sony as an example. In this case, the Sony CyberShot camera. Sony's social media team discovered from monitoring social media forums and other sites that consumers who had purchased the CyberShot were seeking technical help and tips on using the camera more than talking about it in emotional terms.

Sony homed in on the keywords that appeared in CyberShot discussion (questions) and used those words in the headlines of self-help videos that the company uploaded to YouTube. They also initiated a social forum for the CyberShot where people could get direct help from Sony and other users.

As a result, customers began getting help from the YouTube videos and social forums.

How did Sony calculate the ROI? Sony came up with a figure to represent the cost per call made to its customer support center and began tracking the number of calls avoided by social media self-help solutions. The company also experienced a lower rate of product returns for the CyberShot following its social campaign and could add that value to the equation.

cont...

While customer support forums and tools can help avoid costs, they can also generate revenue. In considering the CyberShot, imagine users who wanted help knowing about advanced features of the camera. Once Sony provides them with answers, it also has the opportunity to suggest upgrades or complementary products. And what better time to do that than right after gaining the trust of a user by helping solve their most pressing issues?

summary/ measure social media ROI across the enterprise

We presented ROI here in terms of revenue generation and cost reduction to align with best practices for calculating ROI. Yet, social media is special, because it provides the ability to achieve ROI in so many additional ways.

Perhaps the engineering team within a company wants to monitor a wide swath of discussions across multiple topics in an effort to dream up the “next cool thing”. Or maybe the marketing team is looking to spice up its dull brand image by teaming with other brands that enjoy high levels of positive social sentiment.

Whatever the goals are, it’s important to strictly define them and establish “before” and “after” metrics to measure the ROI of the social activity that supports them. Here are a few suggested measures to help you frame your own ideas:

- 1. Engineering:** the volume of new innovative ideas presented to the VP of engineering as a result of listening in on science and technology forums
- 2. Marketing:** the number of partnership options identified through monitoring
- 3. Customer Service:** the volume of help tickets resolved online. Taking this a step further, the volume of “positive sentiment” mentions specifically tied to issue resolutions
- 4. PR:** the number of industry influencers discovered and engaged through social media. Eventually track and measure the value of consumers whom these influencers lead to your company

quote

“Social media requires that we first establish what it is we want to accomplish, at every level, and how we can then transcend conversations to conversions.”⁸

Brian Solis



cont...

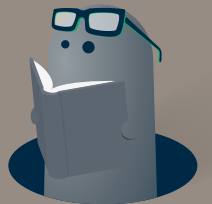
In all successful social media measurement exercises, you must establish a baseline to determine the value of your progress. This is where advanced social media monitoring tools really help to make your case. They enable you to find the relevant discussions wherever they may be taking place. More importantly, they can quickly calculate the baseline figures and the after-effect figures that form the basis of your ROI calculations.

quote

“We first have to know what it is we’re trying to achieve and then understand the baseline from which we’re measuring. Only then are we able to determine whether or not we’ve been successful.”

Scott Monty

Head of Social Media, Ford Motor Company



end/

We hope you've gleaned some useful insights into the best ways to measure the ROI of your social media campaigns by using advanced, enterprise-class social media monitoring tools.

To see how Brandwatch can help give your business the edge in social media, visit the website and book a live demo with our team.

about brandwatch/

Brandwatch is one of the world's leading social media monitoring tools, with offices in the UK, US and Germany.

Innovative brands and agencies all over the world use Brandwatch for:

Research – Understanding the market

Sales – Identifying leads

Customer Service – Responding and engaging quickly

Marketing – Targeting new networks

Reputation Management – Limiting negativity and building on positivity

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measuring ROI/ end

thank
you

to see how brandwatch can help give your business the edge in social media, visit the website and book a live demo with our team.

brandwatch.com/demo

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