How to Take an ROI-Based Approach to Social Marketing

9 tactics to help evaluate and demonstrate financial value
30-Minute Marketer: How to Take an ROI-Based Approach to Social Marketing

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TACTICS YOU CAN LEARN OVER LUNCH

Welcome to the latest 30-Minute Marketer!

In this report, we focus on how you can help identify and evaluate ROI from your social media efforts. We know this is an ongoing concern for many of you; in the MarketingSherpa 2011 Social Marketing Benchmark Survey, roughly half of our respondents named “achieving or increasing measurable ROI from social marketing programs” as one of their most important objectives for 2011. Around the same percentage had also identified it as one of their most frustrating challenges of 2010.

Social marketing is a relatively new phenomenon, and the process for evaluating its value and measuring ROI is constantly evolving. Many marketers struggle with identifying ways to quantify the financial value of social marketing efforts.

In this report, we'll show you:

- Why the idea of “free” can hold you back
- How to employ less obvious metrics
- The importance of keeping data simple
- Tips for plotting a strategic approach

We know you’re in a hurry, so let’s get started. We’re eager to share tips to help you get into an ROI mindset!

Bobbi Dempsey
Editor, 30-Minute Marketer

About 30-Minute Marketer

MarketingSherpa’s 30-Minute Marketer is designed with you, the busy marketer, in mind. We know you have a lot to do and not a lot of time in which to do it. You need quick, simple tips that you can put into action right away.

For each 30-Minute Marketer, we scour the vast MECLABS library of marketing research, from MarketingSherpa case studies and benchmark reports, to MarketingExperiments optimization tests, and edit the research down into one actionable piece for helping you improve your marketing performance right now...or, at least, by the time you’re done with lunch.
According to the MarketingSherpa 2011 Social Marketing Benchmark Survey, an increasing number of CMOs are taking a “show me the money” approach to ROI. They are no longer satisfied with defining the value of social media in terms of things like engagement or awareness. Senior marketing executives now want either quantifiable ROI or outcomes that contribute directly to ROI, like converting followers into paying customers. Marketers’ views on connecting ROI and social media have made great strides in a very short time, as MECLABS Director of Research Sergio Balegno points out in the blog post, “Social Marketing: Will you monetize social media and measure ROI in 2011?”

Balegno noted that the previous year’s a social marketing survey found that only 7% of marketers thought social media produced ROI and, as a result, were willing to budget liberally. While 49% thought it was a promising tactic that would eventually produce ROI, nearly the same numbers (44%) were much more skeptical and unwilling to invest more. Times have changed. The following chart, also from the MarketingSherpa 2011 Social Marketing Benchmark Survey shows that most marketers, while still taking a conservative view toward investment, now see social marketing as a promising tactic that will produce ROI. This is good news for marketers who are trying to make the case for increasing investments in social marketing efforts.

Chart: CMO confidence in social marketing driving investment

Q. Which statement best describes how you perceive social marketing’s ability to produce a return on investment (ROI) at budget time?

Chart: The promise of social marketing ROI a reality for many organizations
Tactic #1: Don’t fall into the “free” trap

Many marketers are susceptible to believing social media is (or should be) free. After all, it doesn’t cost anything, technically speaking, to create a Facebook page. As Daniel Burstein notes in the MarketingSherpa blog post, “Social Media Marketing: You value (and earn ROI on) what you pay for,” this thinking can sabotage marketers from using social media to the fullest. In short, if we think something is free, we see it as less valuable than something that costs money.

The problem, Burstein points out, is that social media isn’t truly free, since marketers invest time and efforts into its creation and maintenance. If you don’t realize the true cost—and by extension, value—of social marketing, you will never truly invest in it, and will never see the ROI you hope to achieve. This is the ROI currently experienced by many marketers who have embraced social marketing.

Tactic #2: Start with concrete objectives

In the MarketingSherpa article, “Measuring Social Media’s Contribution to the Bottom Line: 5 Tactics,” Amber Naslund, Director of Community at Radian6, and author of Radian6’s Practical Social Media Measurement & Analysis e-book, says measurement for measurement’s sake is likely to confuse and overwhelm your team with a flood of data. Instead, set clear goals and track specific, relevant metrics.

"You need to have two or three very clear objectives of what you’re going to glean from social media in order to track and distill metrics," Naslund says. "Measurement itself is not the goal. Measurement is supposed to teach you whether you're working toward those goals."

For example, if your team wants to improve brand awareness, you can track metrics such as:

- Number of online conversations mentioning your brand
- Website traffic from social channels
- Email subscriptions from social-driven traffic

Naslund also suggests monitoring only two or three metrics related to each goal, as additional metrics often reiterate the same data, and unnecessarily increase your workload.

Tactic #3: Understand metrics may not be obvious

As noted in the MarketingSherpa webinar, “How CMOs are Monetizing Social Marketing and Measuring ROI,” tracking the right metrics for determining the values and costs of social media marketing can be a challenge.

ROI is, by definition, a measure of financial value returned on every dollar invested. However, much of the value from social marketing is achieved through indirect routes, such as online reputation building and community engagement. This makes it difficult to easily analyze, but properly planning your process can help you determine several ways in which to measure results.

Obviously, actual sales on e-commerce sites can be tracked to social media efforts, through the use of dedicated URLs and other tactics.
But, you can also place a dollar value on leads derived from social media. Most organizations have calculated the value of a qualified lead, so this value can be used to help measure results. The image below illustrates this, based on an example from the MarketingSherpa webinar (using hypothetical figures).

**Formula for calculating the ROI of social marketing**

\[
\frac{\text{Value gained from investment} - \text{Cost of investment}}{\text{Cost of investment}} = \text{ROI}
\]

- **ROI analysis:** Social lead gen campaign
- **Value:** 500 qualified leads tracked to social at est. value $150/lead = $75k
- **Cost:** Staff plus other expense = $15k

\[
\left(75k - 15k\right) / 15k = 400\% \text{ ROI}
\]

**Tactic #4: Use free analytic tools as a first step**

In the MarketingSherpa blog post, “Social Media Marketing: Analytics are free and plentiful, so use them,” Adam T. Sutton shares a variety of free analytical tools that help evaluate social ROI by tracking important metrics.

His suggestions:

**Brand Sentiment**
You can begin gauging sentiment today by spending two minutes playing with Social Mention. This fantastically simple and free tool provides a stunning amount of data, including a sentiment analysis of your online mentions. You can even click “positive” and “negative” to see a list of results used to generate your score.

**Volume of Social Media Traffic**
Segmenting your incoming traffic by source will reveal which visitors come from social networks, blogs
and forums. You can measure traffic in aggregate or segment it by referring site. Google Analytics is the most popular site analytics tool, and is completely free.

**Engagement with Facebook Brand Page**
Facebook provides detailed metrics on interactions with your profile through its Insights platform. The free service details traffic, ‘likes,’ comments, sharing activity and other data. It will even segment the data by age, sex and region.

**Engagement with Twitter Account(s)**
This one is a little more abstract. People don’t normally go to your Twitter profile to read your updates, right? They see them in feeds or a tool. They really engage with your content (the tweets) by clicking your links, replying, re-Tweeting, etc.

You can monitor clicks and mentions of your links with bitly, the free URL shortening service. Just add “+” to the end of any bit.ly URL to see a dashboard (e.g. https://bitly.com/szahlt+). Also, the site Twitrratr provides free sentiment analysis, and Hashtags.org will chart the mentions of your campaign hashtags over time.

**Frequency of Social Media Brand Mentions**
We have already mentioned Social Mention, but let’s reiterate. Not only will it count the mentions of your brand, but it will rank the keywords, hashtags, sources, and top users around them, too.

**Engagement with LinkedIn Account(s)**
LinkedIn reports the unique views and visits to your company profile and will segment the traffic by industry, job title and company. You can get similar stats on the audience in your LinkedIn group, as well as metrics on your audience growth and activity. Just click the Group Statistics banner ad in the lower right of any group page and you’ll see metrics such as those on the MarketingExperiments Optimization group dashboard.

Of course, free services have their limits, and some metrics are more difficult to measure than others. Depending on what metrics you want to track, you may find that you need to use a paid service. MarketingSherpa research gathered in the MarketingSherpa 2011 Social Marketing Benchmark Survey showed that larger organizations are more likely to use the full-featured, enterprise-level solutions required to track difficult metrics like downstream fans and followers, share of conversation and customer service/support savings.

**Tactic #5: Stress the potential rewards**
It is much easier to motivate your team to invest the energy to optimize your social marketing efforts—and then take the time to analyze and measure ROI—when you realize how great the rewards can be. Here are some impressive statistics, as presented in the MarketingSherpa webinar, "How CMOs are Monetizing Social Marketing and Measuring ROI.”

- The average social marketing ROI is 95%
- 25% of social marketers see an ROI of 100%, meaning they double their investment
- 12% reported a 200% ROI
- 2% saw a 12,000% ROI
Chart: Most frequently reported percentages of social marketing ROI

Q. What is the average return on investment (percent ROI) from your social marketing programs?

Tactic #6: Use basic data correlations

The simple approach is your best strategy, says Amber Naslund from Radian6, adding that people often make the mistake of overcomplicating this process in the belief that it will make them appear more thorough.

For example, what if your team uses Twitter to broadcast a link to a specific product landing page, and your audience re-Tweets it? By looking at your website analytics, you see that subsequent traffic and sales on the page have increased. In this example, re-Tweets improve your marketing performance, which raises the question "How do we get more re-Tweets?"

From here, you can calculate a ratio between the number of re-Tweets and the increased traffic to the landing page and use it as a benchmark to test other efforts.

"Most people will say 'We'll just ask people to re-Tweet our stuff,'” Naslund says. "But what really motivates a re-Tweet is free content. So that means we need to generate more great content that points people to those landing pages in order to repeat that process."
Tip: Compare lists to segment your audience. There can be a lot of value in comparing your community database with your sales database, Naslund says. She saw an online B2B healthcare community's team overlap their databases to uncover which community members were not customers. They developed a specific strategy to market to these community members and they saw great success. "It wasn't complicated. They did it with a couple of Excel spreadsheets."

**Tactic #7: Take a strategic approach**

When conducting social marketing efforts, many marketers and agencies lack the disciplined, strategic approach they take with other areas of marketing. Using a well-planned strategy allows you to optimize your efforts, so you can then realize and measure ROI.

The MarketingSherpa webinar, “**Strategic Social Media Marketing: Get your business or agency started with an ROI-based approach**,” outlines a six-step strategy for a successful social media program.

1. **Step 1: Perform a competitive analysis.** Identify the strengths and weaknesses of your major competitors, and then try to develop an innovative approach they haven’t used yet.
2. **Step 2: Determine platform(s).** Decide which platform(s) to focus on. You will first need to identify your audience, find out where they hang out and target them accordingly.
3. **Step 3: Set up profiles.** Create profiles and map an overall architecture, using a “hub and spoke” design. The hubs will be for content and conversion, while the spokes are focused on engagement, and building communities and relationships.
4. **Step 4: Build your community.** You can promote your profile(s) in a variety of ways, including:
   1. Inviting friends and family
   2. Running PPC ads
   3. Promoting your profile on other industry-related profiles, blogs, accounts, etc.
   4. Creating an attractive offer, promotion or contest
5. **Step 5: Engage and grow.** Turn your community into brand ambassadors. Be prepared to invest continuous efforts to generate and maintain constant activity.
6. **Step 6: Avoid common mistakes.** Some common missteps include selling too much, not interacting with the audience enough and neglecting to do feedback-based testing.

**Tip:** You can also employ the ROAD map strategy (Research, Objectives, Actions, Devices), for mapping a social media program, as outlined in the MarketingSherpa webinar, **“How CMOs are Monetizing Social Marketing and Measuring ROI.”**

**Tactic #8: Track social media impact on sales**

In some cases, it may be possible to pinpoint a direct connection between social media efforts and sales. The MarketingSherpa case study, **“Social Media Marketing: GNC increased sales and traffic through niche influencers”** showed several ways in which the GNC team monitors and tests their social media strategy's impact on sales, including:
**Geo-targeting**
Some trends emerge in specific regions. By sending geo-targeted discounts to members of GNC’s Facebook audience in these cities, and monitoring sales of specific products, the team is able to estimate a return on its efforts.

**Product-group monitoring**
By monitoring the sales figures for products promoted by the team, the team can attribute some sales lifts to its efforts. Sometimes this is done for a specific product, other times it is for a small sub-category of products.

**Couponing**
The team also sends coupon codes to some influencers to pass to their audiences. Although the codes always run the risk of going viral and undermining margins, this tactic helps the team track sales it’s influenced through its work.

**Tactic #9: Factor in the value of savings**

Generating increased income is one side of the social media ROI equation. But reducing costs will also have a positive impact on ROI. One effective (but often overlooked) financial value is improving the cost efficiency of customer support programs.

Using social media to enable customer “self-service” can significantly reduce associated costs, which increases financial value. Not to mention, retaining customers you already have is very good for your bottom line.

The MarketingSherpa article, “Reputation Management: How Dairy Queen handles customer service using social media,” provides examples of how Dairy Queen incorporated Facebook, Twitter and the company blog into its customer service efforts to improve customer relations.

**Useful Links and Resources:**

[Marketing Research Chart: Top Metrics Used for Measuring Social Marketing Impact](#)
[Marketing Research Chart: The promise of social marketing ROI driving client investment](#)
[Social Marketing All-in-One Toolkit](#)
[Marketing Research Chart: CMO confidence in social media's ability to produce ROI](#)
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MarketingSherpa is a primary research facility, wholly-owned by MECLABS, dedicated to determining what works in marketing via exclusive case studies, surveys, and results data analysis. Then we publish what we learn so our community of marketers and weekly readers can improve their results and train their teams.

Praised by The Economist, Harvard Business School’s Working Knowledge Site and Entrepreneur.com, Marketing-Sherpa is distinguished by offering practical, results-based marketing information researched and written by a staff of in-house reporters.

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MECLABS deploys a rigorous methodology to conduct research. This research is compiled from:

- More than 10 years of research partnership with our clients
- 1,300 experiments
- Over 1 billion emails
- 10,000 landing pages tested
- 5 million telephone call
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MECLABS has consulted with companies like Cisco, Johnson & Johnson, The New York Times, 1-800-Flowers, and NetSuite to optimize sales and marketing processes and achieve triple-digit ROI gains.

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