From Engagement to Measurement: Social Media Data and ROI Accuracy

By Chel Wolverton

Social media came into being in the early 1990s, and since then we have watched it grow into the category leader of consumer-friendly marketing options and become all the rage for public relations and marketing. It's been said a number of times that there is no way to measure the ROI of social media or that we should come up with alternatives such as return on influence, return on conversation or some other mathematically questionable measures. That may have had some validity in the past, but it's no longer the case with industry-standard tools such as **Google Analytics** providing a way to determine the objective value of our social media activities.

The reality is that social media is often unmeasured by those who don't know where to start. Or, it's measured with poor methodologies that result in even poorer insights or decision-making. C-level executives lack the data and/or the understanding to make decisions based on the social media reporting.

The problem is that vanity metrics often rule the reporting—things such likes, followers and retweets aren't a true measure of success for social media programs. If companies want true answers, they must understand that ROI is first and foremost a financial equation. It isn't ruled by likes and followers but by revenue earned as well as money and time invested.

Some question if social media has a true and measurable impact on business. For public relations professionals or marketers to prove social media's impact, we need to take a trip down the sales funnel with our analytics in hand. In this case, we're going to use example data to show how social media has the impact that the C-suite is looking for.

To understand this we start with the conversion funnel:

If what you want is...	This is whose job it is...
Audience	Media & PR
Leads	Marketing
Revenue	Sales
Evangelists	Service

Audience is made up of the people who come to your website from social channels. They're listening to your messages, clicking on your links and finding themselves reading your blog posts and ebooks or watching a webinar. They become a part of your audience the moment they take one of those actions by showing that they're interested in what you have to say. This is where media such as public relations and advertising shine.

Next, audience members who have been persuaded that you have something of value to offer will raise their hands in some fashion to show additional interest. They fill out a

If You Want to Compete Against Numbers, Compete Against Your Own

There is one metric that truly matters. No, really. The metric that truly matters is **rate of improvement**. One of the greatest fallacies in digital marketing is the concept of the industry benchmark.

"What's a good open rate for my industry?"
"What's a good social media ROI industry average?"
"What's a good or bounce rate for my website for my industry?"

These questions aren't the right questions—not because they are devoid of meaning, but because the data used to answer the questions is typically worthless. Why? There is no average audience. Every company, every industry, every marketer will have their own averages. Within industries, there are incredibly wide variations.

For example, suppose your company was in financial services. Compare these three financial services companies:

- Smallville Credit Union
- Golden Slacks Hedge Fund
- Buy Your House Mortgage Services

All are in "financial services." All have very different audiences, including audiences that have different customer intents and behaviors. People looking to do business with Buy Your House Mortgage Services have very different expectations about how their financial institution deals with them than Smallville Credit Union or the hedge fund. The customers who do business with a hedge fund are likely to have entirely different behaviors in email than those belonging to the mortgage service company.

Now let's say you look at the average social media engagement rates of each of the three examples:

- Smallville Credit Union: 47 percent engagement
- Golden Slacks Hedge Fund: 11 percent engagement
- Buy Your House Mortgage Services: 0.05 percent engagement

These numbers show the severe differences in the behaviors of the three audiences. The small, local credit union that has a personal relationship with its customers will get vastly different performance out of social media marketing than the mortgage services company showing millions of social media ads in the hopes that someone needs a mortgage.

Now suppose you average these together and make the bold pronouncement that the average social media engagement rate in financial services is 19.35 percent. You have a number that isn't helpful to each of the members of that index and doesn't do much to help any of the companies involved in its creation. The credit union is likely to think there's no need to invest any more or expend any additional resources to improve its social media program while the mortgage services company is probably firing its digital marketing agency every 6 months because no one can approach the mythical 19.35 percent open rate for an audience that isn't theirs.

So what does matter, if industry averages don't? Your individual company performance. As long as your engagement rates, clickthrough rates, and conversion rates are never 100 percent, you have room for improvement. Carefully track the individual social media metrics that matter to you and then seek to improve them with every send. At the end of the day, isn't never-ending improvement what counts?

form, request a demo, ask for a sales person to call, or add something to their shopping cart. This is where marketing shines best, helping to nudge people towards a purchase.

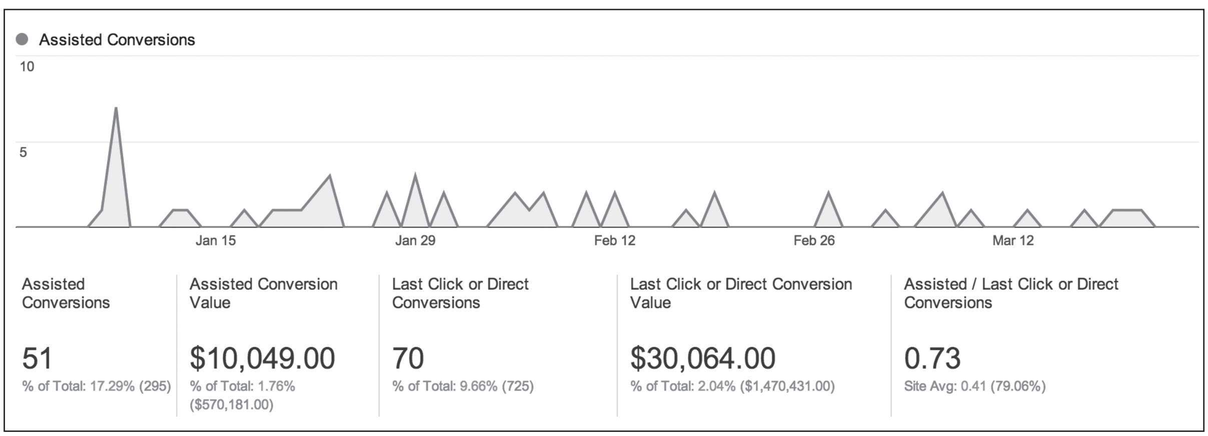
From there, ideally, someone shows interest enough times that he/she suddenly hires you to work with them (also known as sales).

This is easily found by taking a look at your analytics platform of choice. In this example, we're going to use Google Analytics. We can see that the Goals and Goal values show the return on the investment of time that we've made in creating a particular piece of content. From tweets to a newsletter, each piece of content takes time to produce. And time isn't free.

The investment of your time can be calculated roughly using a simple equation. Take your annual income (or total cost of an employee) and divide it by 2,080. That gives you the effective hourly rate of an employee. Then calculate how much time that employee spent on social media. Was it 10 hours a week? 40 hours a week? Let's say in the example that you spent 10 hours a week over a period of 12 weeks and your employee's effective hourly rate is $25/hour. The amount of time as money spent is 10 x 12 x $25, or $3,000. Now we know the investment, I, in ROI.

In this example, in one quarter, social has contributed 51 assisted conversions and 70 last click conversions. You can do the basic ROI calculation of (earned – spent) / spent.

In this example, if we say that social media has 51 conversions worth $10,000 and 70 conversions worth $30,000, your total earned is $40,000. We spent $3,000 in time, or in investment. Our ROI calculation is ($40,000 - $3,000) / $3,000, or 12.333% ROI. That's a pretty spectacular ROI. You'll want to do similar calculations with your own efforts to ensure that you're achieving a positive ROI.



Can you do these calculations with your own tools? Absolutely. We use Google Analytics, but you can use any audience measurement platform or marketing automation platform. Be sure the numbers that you use paint a complete picture for the values above, otherwise you'll make some bad decisions based on faulty data.

If you have Google Analytics and don't have Goals and Goal Values setup, make sure you do that as soon as you can. You can find that in the Admin section of Google Analytics. You'll want to calculate your own values based on the price of your product or services.

If you already have this data and are looking at assisted conversions, remember that assisted means that social media contributed to the process of someone making a decision to purchase. It was a touch point in their determination to buy, but only a single touch point. Others contributed to it. It could have been social, your newsletter or even a simple search that lead them to your site in the first place. As long as a piece of your marketing puzzle is leading to conversions, you can calculate the ROI to see if it's worth continuing that part of your program.

Measuring ROI is a matter of understanding the numbers related to the sales of your own products. One of the biggest pain points right now is that public relations agencies, firms and marketing agencies do not usually have talent that is comfortable with analytics and data. That's OK—start small and get Google Analytics setup and running. Set up your Goals and Goal Values and get ready to measure the ROI of all efforts that lead to sales. PRN

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