Six Ways to Measure the ROI of Social Media

Six Models for Quantifying the Return on Investment of a Brand's Social Media Marketing Strategies

ignite SOCIAL MEDIA

Executive Summary

NO "ONE-SIZE" SOLUTIONS

For the last five years, we've been thinking, and writing, about social media marketing and the impact of it for a brand. And throughout the time period, people have been asking the question "What's the ROI of social media marketing?" The question implies that there is a single answer, as there might be for other forms of marketing.

Take email marketing, for example. It's a fairly basic set of calculations to figure out, and then to predict, the ROI from email marketing. For email, you can track and average return with:

List Size x Open Rate x Click-Thru Rate x Conversion Rate x Avg. Sale Value

Social media marketing, however, is the application of a complicated mix of tactics, including content marketing, influencer outreach, owned channel management and much more. And these tactics are then applied to solve a wide array of marketing issues, from brand awareness to improved SEO to brand loyalty to ecommerce traffic.

This does not make social media marketing unmeasurable, as some have posited, but it does make it so that no one single mathematical formula will ever be acceptable to all marketers.

VERSION 1.0

For that reason, we have developed six different models designed to quantify the return of social media marketing. They are just that, models. They are based on the best available information that we have and that we can provide.

Two pieces are missing in many cases:

1) Definitive industry standards to punch into calculators based on the real results of dozens or even hundreds of brands; and
2) The actual data that we've seen our clients experience and use in the models we've done for them.

The reason for both omissions is the same. Brands are reluctant to share their business results publicly, for good reason. That does, however, make building these models more difficult.

We would encourage you to do two things:

1) Analyze your own business performance in new ways to plug in as many metrics as you can that are specific to your brand(s); and
2) Question these models. Ask the tough questions. Let us know what you learn as you apply them. We consider these very much a work in progress, and your comments on our blog will help us immensely as we work toward version 2.0 and beyond.

THE MODELS

The models that we outline in this white paper include:

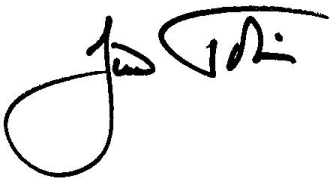
1) **Amplification Model:** This model measures the dollar value of social media activity as if it were purchased through traditional paid advertising means.
2) **Value of Social Traffic versus Display:** This model allows brand marketers to compare the cost of website traffic from social media to the cost of website traffic from display advertising.
3) **Quality of Visitors from Social Media:** While Model 2 compares the cost per visitor; this model evaluates the quality of visitors that come from social media versus those who come from other means.
4) **Revenue from Facebook Fans Model:** Using published data on the propensity for fans to change purchase behavior after becoming a fan, this model provides a framework for estimating the business value from new Facebook fans.
5) **Revenue from Social Media Marketing:** This model allows brands to calculate the estimated sales impact of their various social media marketing efforts in part by evaluating the impact on traffic to business-driving "goal" pages.
6) **Social Promotions Sales ROI:** Using data from Model 5, this final model provides a framework for measuring the return on investment from a given social promotion.

WHAT YOU WON'T SEE

We're providing in this document ROI models, not definitive measurements that can be applied to any company. There have been other studies suggesting, for example, that Facebook fans are worth $3.60 each. To suggest that the value of a fan of Coke (product cost: $1; purchase frequency: daily) and a fan of Chrysler (product cost: $15,000 and up; purchase frequency: every several years) could be the same is silly.

However, by entering Coke-specific metrics into our models, the brand could calculate specific results for them that are reasonable estimates based on best available data. Chrysler can do the same.

Obviously, this industry is still a young one (roughly five years old), so these models will continue to evolve as we proceed. I hope you enjoy where we've taken it so far.



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President, Ignite Social Media
October 2012

Model 1: Amplification Model

The Amplification Model isn't an ROI model in the strictest sense. It does not, in fact, calculate the return on sales from your social media marketing investment. See Model 5 for that.

Our Amplification Model can also be called a **Purchase Equivalency Calculator** in that it measures and quantifies the value of social impressions and social actions and compares them to the cost of buying that same level of activity through traditional advertising means.

The reason brands still invest vast sums of money in advertising is because getting positive mentions of your brand in front of those with a propensity to buy increases sales.

This question comes about frequently as marketers with limited budgets (virtually all of us) have to make tough decisions as to where to allocate their resources. "Should we just stop all this social media marketing and put it into advertising?" This model provides data to inform that decision.

FOR THIS MODEL, YOU WILL NEED

- Facebook organic impressions (pulled from Facebook Insights)
- Clicks on Facebook links (from tracking links you embed in your updates)
- Twitter impressions (calculated with your data and our formula)
- Clicks on Twitter links (from your tracking links)
- Organic YouTube views (from YouTube Analytics)
- Blog page views (from your analytics tool, such as Google Analytics)
- Online brand mentions (from your monitoring tool, such as Radian6)

HOW THE MODEL WORKS

The reason brands still invest vast sums of money in advertising is because getting positive mentions of your brand in front of those with a propensity to buy increases sales. With social media, we have channels that are largely opt-in (like Facebook and Twitter), and we can often use those to reach friends of fans. We know from lots of research that fans and friends of fans are more likely to buy, so reaching these folks is every bit as valuable as advertising. If anything, it's even more targeted.

- IMPRESSIONS
  - Given that, we calculate the value of impressions the same way a media buy would, with a CPM (cost per thousand) model. For a highly targeted online media buy, you could easily spend $10 CPM, so for Facebook and Twitter impressions (highly, highly targeted) we use a **$10 CPM**. Other brands might use different numbers, such as $8 or $12 for a highly targeted buy, so feel free to edit this as necessary.

- CLICKS
  - What about those who do more than look? They see the post and click on it. We can already measure the value of a click, since many of us spend thousands of dollars on Google pay-per-click advertising, trying to get our prospects to click over to our site. So the value of a click can be estimated as being the same as what you would pay for it. For this model, we use **$0.50 per click**. For you, it may be much cheaper or

much more expensive, depending on what keywords you compete over. Of course, keywords vary dramatically in price, so use a simple average by taking the total you spend in a period on all keywords and dividing by the number of clicks.

- ORGANIC YOUTUBE VIEWS
  - If you measure the number of organic YouTube views you get (subtracting out all those you paid for), you can easily calculate what it would have cost to generate those views through Promoted Videos on YouTube. You can use what you pay for Promoted Videos, or use our average estimate of **$0.20 per view**. It's a simple, dead-on accurate cost of what buying those views would have cost you.

- BLOG PAGE VIEWS AND ONLINE BRAND MENTIONS
  - The trickiest elements to quantify are the values of someone visiting your branded blog or mentioning your brand online. To help with this, we built on the work done by Tourism Ireland in its Social Equivalent Ad Model paper. In that, Henry and Harte argue that these activities are deeper interactions than page views. While they can't be directly quantified, Henry and Harte argue that they are at least as valuable as a click on a Google CPC ad in terms of involvement with a brand. So for this model, we used the same CPC value of **$0.50 per click**.

    Some wonder about using page views instead of unique visitors. Our position is this: A core element of successful advertising is frequency. Years of advertising research shows that multiple brand exposures are required for advertising to be effective. Given that, a prospect reading three articles on your blog has a higher value than a prospect reading just one. And, if this were advertising, you would pay for each of those three exposures.

EXAMPLE IN PRACTICE

Begin to populate the spreadsheet located at http://sdrv.ms/Q5NTvw and input your data. If you don't have Excel, you can work online. Otherwise, it's better to download the file and customize it for your needs.

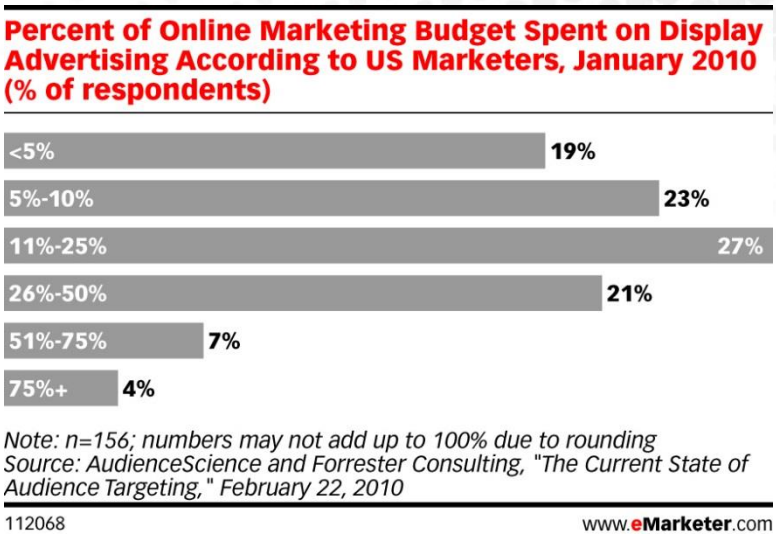
LIKELY QUESTIONS

- How Do I Find My Organic Facebook Impressions?
  - To get this number, export your Facebook Insights, selecting Page Level Data for the given time period. Take the sum of Column AA, "Daily Total Impressions," and subtract from that the sum of Column AG, "Daily Paid Impressions."
- How Were Twitter Impressions Calculated?
  - Since Twitter does not currently measure impressions, we used existing data on active followers from eMarketer, and then we used separate data showing that views are roughly 12% of followers. Sources are mentioned in the footnotes.
- How Do I Determine Organic YouTube views?
  - This data comes from YouTube Insights. Depending on how you buy ads, this might be as simple as subtracting out the YouTube advertising views under "Traffic Sources." However, if you use a third party ad platform (as opposed to just YouTube ads), you may hoe to subtract these embedded views out for each video.

- What time period should I use?
  - In the spreadsheet, we used one month of data as an example. Clearly, the best plan is to use a longer time frame. The month you choose may not be representative of a typical month for you. At the same time, if you've experienced remarkable growth over the last year, you may find that data from a year ago is no longer representative. Based on your situation, choose the longest time frame that is generally representative and adjust the spreadsheet accordingly to annualize it.

Model 2: Value of Social Traffic versus Display

Just as the Amplification Model we described is more about *relative* return on investment than actual sales return, our second model outlines a way for brands to compare the value of social traffic to the value of display advertising traffic. Brands frequently spend significant amounts of their budget on display advertising. However, this advertising is very often sold on a CPM model, which can disguise the true cost when traffic is the marketing objective.



"But banner ads are branding opportunities." That's what the interactive agencies say. And at times, they can be. Some research by comScore suggests that people exposed to banner ads are more likely to visit that brand's website after exposure, even if they didn't click the link.

However, similar research from comScore also shows the same impact for earned social media marketing placements (see "The Power of Like 2"). So the branding impact, or the latent impact of both social updates and banner ads, has been documented.

This model level-sets the dollar investment in each medium and then measures it apples to apples: based on the traffic delivered to the website. It's a far less complicated model than Model 1.

FOR THIS MODEL, YOU WILL NEED

- A display advertising campaign working to drive traffic to a website, section of a website or product page;
- A social media marketing campaign working to drive traffic to the same website, section of a website or product page;
- Tracking of visitors to website from display campaign and from social campaign;
- "Baseline" site traffic when neither type of campaign is running;
- Total cost (development + media buy) for display campaign; and
- Total cost (development + seeding) for social media marketing campaign.

HOW THE MODEL WORKS

This is a straightforward model predicated on two basic data points, applied to each of the campaigns and then worked into a cost-per-visitor calculation.

- NET NEW VISITORS
  - Calculate the number of visitors driven by your campaign. Banner ads can be tagged fairly easily. Social campaigns that are successful are often tougher to track, as good ones get shared widely and tracking links are often not included. Track all social traffic for the months leading up to your campaign to look for an average. Then track social traffic during the campaign to measure the increase.

- COST
  - Determine the cost of each promotion. Be sure to count all expenses, from design fees to media buys, to capture the true cost of each promotion.

- COST PER VISITOR
  - Divide the total cost by the number of visitors to determine the cost per visitor. Divide cost per visitor from display by cost per visitor from social. Outcomes higher than 1.0 indicate that social performed better. Outcomes below 1.0 indicate that display advertising performed better.

EXAMPLE IN PRACTICE

This example uses actual data from one of our clients.

Description	Display	Social	Delta
Net New Visitors (above base)	30,000	170,000	Social = 5.67x more visitors
Cost	$150,000	$130,000	Social = 86.7% of the cost
Cost per Visitor	$5.00	$0.76	**Social = 6.5x better return**

LIKELY QUESTIONS

- If I know that my campaign costs a certain CPM, can I calculate cost per visitor?
  - No. But you simply need the whole budget for the buy (including creative development) and the number of visitors (not the number of impressions) to calculate the cost per visitor.
- Why does my interactive agency always show me the CPM instead of this cost per visitor, which is much higher?
  - They would like to argue that the branding value is better measured by CPM, although we'd argue that the branding value is hard to quantify in reality, as so many of us are conditioned to ignoring banner ads. Having said that, many social media agencies will also talk about impressions or buzz. Those have value too (see Model 1). But in this case, we're looking at actual traffic.

- What time period should I use?
  - In this example, we used the first month of the banner ad campaign (which ran two months) and the associated cost for that time period. We also used the first month of the social campaign and apportioned costs appropriately. This made sense because these promotions had slightly different lengths. To equalize it, we used the first month for each.

Model 3: Quality of Visitors from Social Media

In Model 2, we looked at the cost per visit from a social media campaign versus a display advertising campaign. The natural question that arises is, "But is the traffic of high quality in terms of driving our business objectives?" In our experience, it depends. Many sites can drive high volumes of low-quality traffic from StumbleUpon, for example. For our site, however, StumbleUpon traffic performs rather well.

This model, therefore, sets up a mechanism for determining the quality of traffic that you get from your social media marketing efforts versus the quality of the traffic that comes in from other sources.

FOR THIS MODEL, YOU WILL NEED

- A display advertising campaign working to drive traffic to a website, section of a website or product page;
- A social media marketing campaign working to drive traffic to the same website, section of a website or product page;
- Tracking of visitors to website from display campaign and from social campaign;
- "Baseline" site traffic when neither type of campaign is running;
- Total cost (development + media buy) for display campaign; and
- Total cost (development + seeding) for social media marketing campaign.

HOW THE MODEL WORKS

This is an analysis of the quality of traffic based on at least four different options (although you could certainly pick others, depending on your goals and sales channels). As the percentage of traffic from social media sites has increased, looking at whether the traffic is "any good" is critical.

- PAGES PER VISIT
  - One metric you can use is simple: How many pages does a visitor from display advertising look at? How many pages does a visitor from a social promotion look at?

- TIME ON SITE
  - Better visitors stay long. Look at the time on site for your display traffic visitors versus your social visitors.

- BOUNCE RATE
  - The bounce rate is the percentage of visitors who leave after visiting just one page. This is displayed by default in Google Analytics and can be set up in other analytics packages. The lower your percentage the better.

- GOAL CONVERSION
  - This is potentially the most important metric of all. If you bring people to your site, how many of them get to your "goal" pages? This might be making a purchase (if you have an ecommerce site, in which case calculating direct ROI becomes much easier) or it might be another key page that indicates interest in your

brand. Popular goal pages might be a "where to buy" page or a "download our white paper" form completion page.

EXAMPLE IN PRACTICE

This example uses actual data from one of our clients.

Description	Display	Social	Delta
Pages per Visit	1.57	2.84	Social = 1.8x more visitors
Time on Site	0:40	2:18	Social = 3.45x more time on site
Bounce Rate	81.40%	45.46%	Social = 44% lower bounce rate
Goal Conversions	3,098	12,603	Social = 4x more goal conversions

LIKELY QUESTIONS

- What if my data shows mixed results?
  - Good question. The data shared above happened to be a clean sweep for social, but it's quite possible that's not always the case. For example, traffic from StumbleUpon is often (but not always) poor performing in terms of these metrics. You should decide before measuring which of these goals is most important to you. I would suspect that would be goal conversions first in many cases. You can also look at the percentage of goal conversions if you're not driving as much social traffic yet. In that case, the goal would be to increase the volume of conversions without damaging the percentage.
- What if I don't have a display campaign to compare against?
  - You can compare against any other "funnel" that you wish. Options include comparing social to "average" traffic on the site (meaning all the non-social traffic).
- Should I compare against PPC?
  - You can. But be aware that people frequently click on PPC links when they are ready to buy. So PPC gets a lot of the credit for "marketing," and other media, like TV advertising, may get no credit in online models. So expect PPC to convert very well.
- What if I don't have a big social promotion to use for this data?
  - We've also analyzed traffic from general social efforts. For example, for one client, we analyzed the propensity to register for the site for visitors who came in through the blog versus those who came in through other means, including PPC. In that case, blog visitors registered about four times more frequently than people who came in through other methods. Because they were pulled in by relevant content first, they turned out to be great prospects. The other way to go is to build a funnel from all social media traffic (*all* referrals from FB, Twitter, YouTube, etc.). See how this converts and, assuming it's good, then set a goal of increasing that volume.

MODEL 4: REVENUE FROM FACEBOOK FANS MODEL

For some of our clients (but not many), they can track clicks from Facebook fans into their ecommerce platforms and compute actual revenue from fans. Given that, they can trend it over time and make certain predictions about future revenue. They can also calculate the revenue value of a single Facebook fan. Most of our clients, however, cannot. So, building on the research of others, we've developed this model for estimating the revenue gain a given company can expect from growing the number of Facebook fans.

FOR THIS MODEL, YOU WILL NEED

- The number of net new Facebook fans gained during the time period studied, in this case per month;
- The percentage of fans likely to consider purchasing your product, or an estimate thereof;
- The percentage of fans who are more likely to purchase since becoming a fan, or an estimate thereof;
- The average price of your product; and
- The normal purchase frequency during the time period (one month, in this example). For some companies, like Starbucks, this may be as high as 20 times per month. For durable goods products, such as appliances, televisions or cars, this might be a small fraction.

HOW THE MODEL WORKS

In its April 2012 report, "The Facebook Factor: Quantifying the Impact of a Facebook Fan on Brand Interactions," Forrester Research used "logistic regression modeling to quantify the impact of Facebook fans on key brand engagement indicators." They looked at whether fans were more likely to buy, consider and recommend the brand than non-fans were, arguing that the difference is the "Facebook Factor."

For the brands Best Buy, Coca-Cola, Blackberry and Walmart, Forrester looked at data from 10,079 US online adults (3,187 US online adults who own a smartphone or Blackberry) and found:

Brand	Purchase in Last 12 Months		Likely Consider		Likely Recommend	
	Fan	Non-Fan	Fan	Non-Fan	Fan	Non-Fan
Best Buy	79%	41%	78%	47%	74%	38%
Coca-Cola	95%	71%	85%	58%	83%	47%
Blackberry	55%	10%	69%	17%	62%	16%
Walmart	94%	74%	85%	56%	77%	39%

Additionally, for the model we need an estimate of the percentage of fans that have become more likely to purchase since becoming a fan. In their 2011 report titled "10 Quick Facts You Should Know About Consumer Behavior on Facebook", Chadwick Martin Bailey published that 51% of fans say they are more likely to buy a product since becoming a fan on Facebook. According to CMB, when asked "Are you more likely to buy since becoming a fan?" 16% of respondents answered, "Yes, for many brands" and 35% answered, "Yes, for some brands."

We've taken Forrester's report a step further by building a model in which you apply this Facebook factor and Chadwick Martin Bailey's findings against sales data to get an (admittedly rough) estimate of the revenue impact of Facebook fans. The model looks at:

- The number of net new fans who are likely to consider now;
- The percentage of fans who are more likely to purchase since becoming a fan;
- The dollar amount of an average purchase for the brand;
- The frequency of purchase that a customer makes, on average, from that brand.

EXAMPLE IN PRACTICE

This example uses actual data from one of our clients, changed slightly to protect client confidentiality.

Description	Number	Notes
Net New Facebook Fans	283,786	For a year
% Likely to Consider, Fan	69%	Blackberry is closest analogous brand in this case
% More Likely to Purchase Since Becoming a Fan	16%	Conservative estimate from the 2011 Chadwick Martin Bailey Consumer Pulse
Price of Product	$250	Fictitious, changed from actual client example
Purchases per Year	0.33	Fictitious, changed from actual client example
# of New Facebook Fans Who Are New Customers	31,330	New Fans * % Likely to Purchase * % More Likely to Purchase Since Becoming a Fan
Total Estimated Revenue (Year)	$2,584,722.89	New Fans Who Are New Customers * Price of Product * Purchases per Year

LIKELY QUESTIONS

- How good of an estimate of actual revenue is this?
  - Honestly, it's rough. And getting the data that Forrester got for four brands is very difficult for most people to obtain. You'll likely pick the brand "closest" to yours, which is subject to all sorts of variation. But we're getting that sort of data more often, so we built this model for when we can make reasonable comparisons and for when other models aren't available.
- Does simply being a Facebook fan impact sales?
  - Yes. It appears so. Data from comScore shows that fans who saw a Facebook update had a 38% lift in *actual purchase behavior* at Starbucks over fans who did not see an update. Fans are, by definition, more likely to see these updates. So, like most marketing, getting positive, branded impressions in front of people inclined to buy does impact sales.
- Can't you argue that they are more likely to become a fan because they are more likely to buy?
  - Yes, you can. And it's likely to be a virtuous circle. More interested consumers become fans, allowing brands to message them. Exposure to messages increases purchase frequency.

Model 5: Revenue from Social Media Marketing

Admit it, you skipped to this model first, right? I mean, it's the holy grail of ROI, the whole point, the big enchilada. But if you could measure clicks from social media into an ecommerce site (or, even better, have multi-touch attribution so you could track socially influenced sales as well), you wouldn't be reading this white paper. At that point, you'd have return and you'd have investment. You'd be set.

In this case, however, we assume you don't have that. But we also assume that your product is a "considered purchase." By that we mean that people do research before they buy your product, and a reasonable subset of them also come to your page to get information about your product. This is true for carmakers, like our client Chrysler Group, and for television makers, like our client Samsung. It's not true for brands like Coca-Cola, which is rarely heavily researched before it's purchased.

If that's the case, and you have "goal" pages that indicate a consumer's purchase intent, you can match this with social data to quantify the potential revenue impact.

FOR THIS MODEL

- The number of goal pages that prospects reach in a given time period;
- The number of sales that you make in the given time period;
- The average selling price for your product; and
- The number of goal pages reached by prospects coming to your site from social media in the given time period.

HOW THE MODEL WORKS

We know that few brands can say that 100% of their customers come to their website prior to making a purchase. We also know that not every page of a brand's website is equal in terms of indicating a good prospect. Different visitors are at different stages of the funnel, so to speak, with some of them just learning who you are and others searching for locations to buy your product. Clearly, the latter is the more valuable visitor.

But we can take a look at how many of those good prospects you have to get to your key pages to make a sale. Let's take a simple example. Let's say you sell 10 widgets a month for $49 each. And you get 1,000 visitors a month to your site, but only 100 of them visit your "Store Locations" tab. In that case, we know that it takes 10 visitors to your goal page (in this case, "Store Locations") to sell one widget. (The other 900 visitors aren't relevant in this simple example.) So one visitor to a goal page is worth $4.90 in revenue.

All things being equal, if we can use social media to drive more traffic that ends up on the "Store Locations" tab, we can quantify the estimated revenue impact. (It should be obvious that driving garbage traffic to this page would fundamentally change the equation. The goal should be to drive quality traffic to the site that ends up choosing the "Store Locations" tab on their own.)

EXAMPLE IN PRACTICE

This example uses actual data from one of our clients, changed as needed to protect client confidentiality.

	Number	Notes
Visitors to Goal Pages	4,830,827	In a given time period
Products Sold	345,324	For the same time period
Goal Pages/Sale:	13.989	
Social Media Traffic to Goal Pages	27,716	Visitors from social networks, blogs, etc. who landed on one of the goal pages in the time period
Products "Sold" Through Social	1,981	Social media traffic to goal pages / (goal pages/sale)
Average Sales Price per Product	$135	Revenue during the period / unit sales during the period
Revenue from Social "Sales"	$267,435	Products "Sold" x Average Sales Price
Cost of Social Media Marketing	$97,500	For the same time period
ROI	$1.74	(Revenue – Cost) / Cost

LIKELY QUESTIONS

- How good of an estimate of actual revenue is this?
  - Like Model 4, it's a rough estimate. But it does make use of existing data points that many digital marketers are trying to drive. As digital marketers, we can't impact every stage of the sales process (except in rare cases), so our job has to be to move the needles we can move. In this case, this means driving qualified traffic to our key sales pages. This model does provide a way to quantify the impact of each traffic source on an equal footing, and that's very important as you make budgeting decisions.
- If not every sale goes through the website, is it valid to divide the traffic to goal pages by the products sold?
  - Unless you know the percentage of buyers who come to your website first, it's probably the best available number. (If you do know that percentage, you should certainly add it to the calculation.) But we'll stress again that this model becomes most relevant when you compare it against the investment in the space. In other words, what's the ROI, using this model, of banner ads? What's the ROI of pay-per-click?
- How do you quantify the impact of television in this model? It's the biggest part of our budget.
  - Good question. Unless you do direct response advertising, it's likely that television advertising will be undercounted or not counted at all in this model. It's also likely that search (both organic and paid) will be significantly overcounted in this model. In my experience, the TV, the PR, the social media and the event marketing typically create the interest that leads to a search query. But if you're aware of that phenomenon going in, it won't guide you too far astray.

Model 6: Social Promotions Sales ROI

If you were able to do some of the calculations in Model 5, you've set yourself up to be able to measure the projected return of any social promotion designed to drive lower funnel activity (meaning the goal pages you set up earlier that indicate that someone is close to purchase). Not every social media marketing campaign should attempt to do this, as there are multiple valid business objectives that would lead you to different goals.

Having said that, if you know the dollar value of a given visitor to a goal page, and you know the number of visitors that you drive with a social promotion, you can calculate the return of that promotion.

FOR THIS MODEL, YOU WILL NEED

- The number of goal pages that prospects reach during the promotion;
- The value of a visitor to a goal page (computed in model 5); and
- The cost of the promotion, including agency fees and out-of-pocket (including media buys).

HOW THE MODEL WORKS

If we know how many goal page visits it takes to sell a given product, we can fairly easily put a dollar value on each visitor to a goal page. Given that, the value of a promotion designed to drive this sort of lower funnel activity can be estimated.

EXAMPLE IN PRACTICE

This example uses the same data we used in Model 5, with a few new fields around cost.

	Number	Notes
Total Cost of Promotion	$195,404	Including ads
# of Goal Page Completions	34,812	Use actual if it can be tracked with tracking links. If not, measure "above baseline" during tracking period. Counting unique visitors would be best.
Goal Pages per Sale	13.989	From model above
Products "Sold" Through Social	2,489	Goal page completions / goal pages per sale
Revenue from Social "Sales"	$336,015	Products "Sold" x Average Sales Price of $135
ROI	$0.72	(Revenue – Cost) / Cost

LIKELY QUESTIONS

- When is this model best?
  - There are some who believe that social media is not about driving traffic and others who believe that social doesn't impact sales. Both statements are nonsense. They are about more than that, but they certainly are about those things. If not, why do them? This model is best when you use it to show an estimated value for the traffic your promotion drove, and how that traffic indicated purchase intent.
- The ROI is under 1. Isn't that bad?
  - No. Negative ROI indicates that a program cost more than it took in. Any positive ROI indicates a program took in more than it cost. Some people divide cost by investment. In that case, an ROI under 1 is essentially negative. But do keep in mind that demonstrating a measurable ROI on marketing programs is difficult in lots of areas, not just social. Thus the old quote, "I know that half my advertising budget is wasted. I just don't know which half."

Summary

We've outlined above six different ways to begin to measure the business return on social media marketing. None are perfect. All are better than doing nothing, and all compel the savvy social media marketer to begin to consider how to measure their contribution to the business. To not do that is to relegate social media marketing to the bottom of the business needs pile. Done well, it deserves better.

Having said that, it's also clear that these models can be improved. We'll continue to do so, but we release these in an effort to move the conversation forward.

Ask people working on your brand to provide the ROI models they use in their disciplines. What ROI model are they using for the advertising budget? The PR budget? Events marketing? CRM? You should see them—the actual spreadsheets—so you can build a similar model.

COMPARING OTHER MARKETING ACTIVITIES

We will say that there are a number of folks who ask social media marketing to "prove the ROI" in part because they are fearful of the impact on their job or they resent the budget shifting away from traditional marketing (that they may control). For these folks, there is a seventh model, which we call the "Show Me Yours" model.

In this model, you ask people working on your brand to provide the ROI models they use in their disciplines. What ROI model are they using for the advertising budget? The PR budget? Events marketing? CRM? You should see them—the actual spreadsheets—so that you can build a model that matches what they are used to looking at.

This is a can't-lose question to ask. For those who have the ROI models, you'll learn how they quantify key parts of the purchase process. And you should absolutely apply the same metrics to your models. They will have done a lot of the work for you. More often than not, however, you won't get anything back.

For many brands we've worked with (including some of the best in the world), these models simply don't exist. That reorients the debate and takes the pressure off of social to deliver what other areas are not being asked for. You can take some degree of satisfaction in that, but then you should get to work on social media ROI anyway. It will make you a better marketer.

About Ignite Social Media

Ignite Social Media is the original social media agency®. Formed in 2007, the company brings together people with experience in advertising, public relations, search engine optimization and web development to focus on nothing but social media marketing.

The agency works with major brands, including Chrysler, Samsung, Warner Bros., Radisson Hotels, Country Inns & Suites, Procter & Gamble, Microsoft and many more developing and implementing social media marketing strategies.

Jim Tobin, the president of the agency, and Lisa Braziel, vice president of strategy and special programs, also wrote the 2008 book "*Social Media Is a Cocktail Party: Why You Already Know the Rules of Social Media Marketing*."

You can learn more at http://www.IgniteSocialMedia.com or connect with the agency at http://www.facebook.com/ignitesocialmedia or http://twitter.com/ignitesma.

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