



BY **KIM PITTAWAY**, Consulting Editor at Dalhousie University

MEASURING YOUR SOCIAL MEDIA ROI

NOT SURE WHAT your return on investment (ROI) for your social media efforts is? You're not alone: recent studies suggest that between four and eight out of 10 American companies aren't calculating ROI on the money they spend on social channels. But just because they're not doing it, doesn't mean you shouldn't try.

THE CHALLENGES

The key challenge in measuring the ROI of social media is that there is no clear single metric—or even a clear set of agreed-upon metrics—upon which to base your calculations. At the root of this challenge is an even bigger issue: there's no single metric because there's no singular variable affected by social media efforts and few clear-cut, straight line relationships between those efforts and business outcomes. Add to the mix the rise and fall of social media platforms and the unique measures potentially attached to each and, well, you can understand why the picture isn't always clear.

WHAT ARE YOU TRYING TO DO?

In the absence of universals, the sensible thing to do is to focus on particulars: your particulars. What are your social media goals? What business outcomes do you hope to produce with your investment in social media? These could include:

- Increasing page views and ad revenue
- Driving subscriptions
- Driving purchases of other brand-related products and services
- Increasing customer engagement and loyalty
- Reducing customer service calls
- Generating ad revenue on social media-based campaigns

The likelihood is that you will be trying to move the needle on a number of these potential outcomes, which means that you will likely need to track a number of metrics.

WHAT METRICS SHOULD YOU TRACK?

The specific metrics you track will depend on your social media goals. The easiest things to count will be your followers/friends/fans/likes—the basics that allow you to say, “We have more than we had yesterday.”

But while “more” might look good in reports and presentations, it doesn't necessarily tell you if you're making a difference to your bottom line. To assess that, you'll need to go deeper, looking at your web analytics to determine referrals from social media sources, tracking subscription and other purchases from social media sources, and accounting for ad revenue related to social media campaigns. If you want to measure “increased customer loyalty” and “reduced customer service costs,” you'll have to go deeper still, analyzing the engagement levels of social media-connected customers and tracking customer ser-

vice costs against customer-service oriented social media activities by, for instance, measuring the cost of customer service activities pre- and post-launch of a customer service Twitter account.

THREE SIMPLE STEPS

It sounds complicated—and it can be. But in essence, it all boils down to three simple steps:

1. Decide what your goals are and determine what metrics are attached to those goals.
2. Capture your baseline metrics—ideally before you launch your social media efforts.
3. Track your metrics and correlate them to the timing of specific social media activities.

THAT'S THE RETURN. WHAT'S THE INVESTMENT?

Those three steps should allow you to quantify the return, but don't forget to measure your investment. This can include:

- Person-hours spent on social media activities
- Subscriptions to social media tools
- Technology set-up costs

Toughest of all to add to the mix is lost opportunity: if you hadn't been focused on social media, could that time and investment have netted you a better outcome spent elsewhere?

REVISIT, REVISE, RE-MEASURE

Social media activities aren't, unfortunately, “set it and forget it.” You'll need to measure and track your return and investment on your activities, revise them based on those measures and measure again to see if you're producing positive results. Designating a staffer to gather, analyze and report the data is essential, as is reviewing it on a regular schedule.

READY TO GO DEEPER?

Check out Altimeter Group's *The Social Media ROI Cookbook (July 2012)* for case studies and suggested methodologies for measuring social media ROI, including:

- Anecdotal
- Correlation
- Multivariate testing
- Links and tagging
- Integrated analytics
- Direct commerce

As well, take a look at Forrester.com and Syncapse.com for research and products related to measuring social media effectiveness—and a Google search using the terms “social media ROI” will net you the latest research available.

 **DOWNLOAD MORE HOTSHEETS AT** magazinescanada.ca/cultural/hotsheets

