Measuring Social Media ROI in the Enterprise: Myths and Facts

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#SocROI

INTRODUCTION

When it comes to social media marketing, there is perhaps no other topic that is discussed more than determining and reporting return on investment, or ROI.

Marketers intuitively understand that building marketplace awareness is essential. Obviously, your customers need to be aware of your brand, product or service in order to buy it. But awareness and brand building aren’t enough.

Businesses like retailers that frequently have a presence both offline and online have numerous variables to factor into ROI, such as point-of-sale information and online purchases. Capturing and interpreting data from multiple, and sometimes disconnected, sources can add additional layers of complication.

Oracle’s recent “Socially Enabled Enterprise” study reports that eight in ten marketing and IT leaders believe their organizations will increase their investment in social business applications over the coming year. An increase in funding should prompt marketers to make demonstrating strategic business ROI a priority in order to continue growing social initiatives.

This white paper makes the case that ROI determination can be approached in a unified, structured and straightforward way. It also provides a framework to expand the definition of ROI and increase organizational maturity for both measurement and monetization. Finally, it dispels some of the myths around ROI and seeks to show the relationship between social key performance indicators (KPIs) organizations may already be collecting, and how to align them with broader organizational and business-oriented goals and objectives.
ADAPTING TO THE SOCIAL CUSTOMER

It has been widely reported that the ground is shifting beneath the feet of marketing and IT. Industry analyst firm Gartner predicted that marketing’s technology budget will be larger than that of the IT organization by 2017.¹

Yet only a third of CMOs report that they are able to demonstrate quantitatively the impact of their overall marketing spend. Social media measurement fares even worse – only 15% of CMOs are able to report quantitative impacts from their social marketing efforts.⁶

Consumers are engaging with organizations in a broad array of ways, across multiple channels (social, online, phone, email, etc.), and have high expectations. When it comes to resolving customer complaints, for example, 25% of customers who complain on Twitter or Facebook expect a response within an hour.⁷ Considering that Facebook has 727 million daily active users on average,⁸ it is increasingly critical to respond to the needs of the socially connected customer and on their terms.

The customer journey, however, is not always as straightforward as an action-reaction-type engagements on a social network. A customer who is contemplating making a purchase is likely to solicit opinions from her social network before buying. One study shows that 90% of all purchases are subject to social influence. The same study also found that 68% of Facebook users are “lurkers” who rarely post but peruse their newsfeeds for information.

The influence of social won’t always be visible for marketers from only basic social analytics, which makes the argument that organizations need a holistic Customer Experience (CX) solution to get a clearer view of the customer and understand cross-channel attribution during the journey from awareness to consideration and eventually choice and affirmation.

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The number of people flocking to social networks shows no sign of abating:

- 73% of adults in the U.S. use a social network of some kind and 42% use two or more²
- Globally, more than 1.8 billion people access social networks, a number set to rise to 2.55 billion by 2017³

Social media users are also increasingly more mobile:

- 76% of active Twitter active users are on mobile⁴
- 874 million Facebook users engage using Facebook’s mobile products⁵

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BIG DATA – TREASURE CHEST OR PANDORA’S BOX?

The amount of data being created and collected is, in a word, vast. Industry analyst firm IDC predicts that overall data will grow by 50 times by 2020.

Notable statistician and writer Nate Silver, who uses data and statistics to analyze sports and elections, tries to put this massive amount of data growth into perspective: “Every day, three times per second, we produce the equivalent of the amount of data that the Library of Congress has in its entire print collection. Most of it is… irrelevant noise. So unless you have good techniques for filtering and processing the information, you’re going to get into trouble.”

DERIVING INSIGHTS FROM DATA

More important than the volume of data is the quality of the capture and analysis of the data – and this is especially true when it comes to analyzing the effectiveness of social media initiatives.

With timely access to data from Twitter and accurate analysis, for example, it’s possible to infer context about what’s happening at a given time and adjust marketing programs accordingly. Analyzed data can also be used for more agile decision making.

One area where decision agility comes into play is crisis and issue management. Time is of the essence when a company faces a crisis or has a high profile service availability issue, for instance, since the reputation of the brand and future sales may be on the line.

Listening solutions need to quickly make sense of the millions of Twitter conversations, Facebook posts, online news pieces and discussions within communities. How does a community manager or marketer make sure the data is accurate and actionable?

Oracle’s listening solution, for instance, uses a variety of advanced technologies to isolate irrelevant noise, discard it and present information with clarity and in context. Clean data coupled with strong analytics capabilities save time and money by helping the organization make better decisions and calculate ROI.

An effective listening solution should accommodate multiple languages and data sources. Multiple language support is essential for brands with a global face since 80% of active Facebook users and 77% of Twitter users live outside of the U.S. and Canada.

In the next section, a conceptual framework is proposed to help guide marketers as they categorize the types of available measures and sources of information and data from across the organization – all of which can feed into a trusted understanding of ROI.
MODERN SOCIAL MARKETING ROI FRAMEWORK

In the early days of using social media for marketing, business best practices didn’t exist and determining ROI was elusive. While organizations were able to track the linear progression of basic indicators - fans, likes, clicks, and number of responses – it was challenging to associate any of these measures with ROI.

As time went by and approaches to social media management and data collection improved, the rate at which organizations upgraded social marketing effectiveness and ROI reporting varied. Many got, and continue to be, stuck at the stage of using only basic KPIs and reporting those as ROI.

SOCIAL TRANSFORMATION AND ROI

Increasing the social maturity of an organization can have a direct impact on the bottom line. The most digitally mature companies have measurable performance advantages:

- 9% more revenues on average
- 26% more profitable than their industry competitors
- 12% higher market valuation

To better understand where an organization is today with ROI reporting and reveal the pathway to move forward, use Oracle’s Operational Transformation Model for social marketing. The model looks across the enterprise, including areas that aren’t traditionally considered applicable to social business but can benefit from the company’s social strategy.

There are four steps to transformation:
1. Determine KPIs used to track performance against business objectives
2. Correlate social KPIs with business KPIs
3. Assess current state and determine desired state
4. Identify resources and build a roadmap

1. CONVERT SOCIAL KPIs TO BUSINESS KPIs

Each organization’s business goals, objectives, and associated KPIs vary based on the nature of the business and industry. Examples of business KPIs include:

- Number of customers
- Customer retention
- Share of wallet
- Purchases
- Average order size
- Customer satisfaction
- Customer advocacy

2. CORRELATE SOCIAL KPIs WITH BUSINESS KPIs

Business KPIs can often be correlated with social KPIs and data an organization may already be collecting. Examples:

<table>
<thead>
<tr>
<th>Social KPI</th>
<th>Business KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversations</td>
<td>Number of customers or prospects</td>
</tr>
<tr>
<td>Likes/followers</td>
<td>Customer retention or advocacy</td>
</tr>
<tr>
<td>Customer service requests</td>
<td>Customer satisfaction, customer service resolution cost and/or time to resolve</td>
</tr>
<tr>
<td>Reach</td>
<td>Brand value or engagement</td>
</tr>
<tr>
<td>Demographics and location</td>
<td>Market expansion</td>
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</tbody>
</table>

In Oracle’s study about collaboration in the enterprise, two key benefits that are linked to ROI – faster speed to market with products and services (47% marketing; 43% IT) and reduction in project costs (23% marketing; 36% IT) – scored highly in terms of how many organizations are using these metrics today.
3. ASSESS CURRENT STATE

Within the Transformation Model, there are five areas to assess:

* **ADOPT**
  + Starting to adopt social media activities
  + Having basic interactions with customers through social networks

* **EMBRACE**
  + Getting closer to monetization and determining operational ROI metrics
  + Operating departments still in silos but beginning to leverage some social data

* **LEAD**
  + Beginning to leverage multiple channels and use integrated tools for social marketing
  + Calculating higher level ROI that leverages information such as purchase data or call center volume deflection

* **INNOVATE**
  + Using fully integrated tools and processes across multiple functions and departments
  + Making data actionable across the organization

Within each of these areas, there are four levels by which to rank an organization:

<table>
<thead>
<tr>
<th>AREA</th>
<th>Adopt</th>
<th>Embrace</th>
<th>Lead</th>
<th>Innovate</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>Possess basic knowledge of Facebook, Twitter, etc.</td>
<td>Understand multiple social networks</td>
<td>Leverage multiple social sites and understand complementary media</td>
<td>Leverage integrated channels cross-departmentally</td>
</tr>
<tr>
<td>Metrics &amp; KPIs</td>
<td>Interactions, clicks, fans, followers</td>
<td>Responses, revenue, followers, fans</td>
<td>Basic revenue measures</td>
<td>Business KPIs</td>
</tr>
<tr>
<td>Tools &amp; Applications</td>
<td>Free or paid social point solutions or tools social networks themselves provide</td>
<td>Basic listening and engagement tools</td>
<td>Integrated listening, engaging, publishing, content, workflow, and analytics tools</td>
<td>Cross channel campaign management; business intelligence; dashboards</td>
</tr>
<tr>
<td>Data</td>
<td>Scattered, incomplete</td>
<td>In silos (different departments or groups)</td>
<td>360° view of customer, integrated social data</td>
<td>Integrated social, enterprise and curated data; actionable</td>
</tr>
<tr>
<td>Enabled Processes</td>
<td>Respond to posts; one-off programs</td>
<td>Capture posts and post offers/ads</td>
<td>Integrate social conversations with other channels</td>
<td>Engage internally with cross-channel programs; ROI-driven predictive targeting</td>
</tr>
</tbody>
</table>

Most organizations will find themselves as being further along in certain areas than others.
4. IDENTIFY SOCIAL RESOURCES AND BUILD A TRANSFORMATION ROADMAP

In this step, business goals, social media KPIs and organizational assessment get combined to determine the resources that are required to move from the current state to desired state.

EXAMPLE: IMPROVING CUSTOMER EXPERIENCE

If an organization wishes to map social to improving the customer experience and increasing sales, it may follow this progression:

<table>
<thead>
<tr>
<th>Current State - Adopt</th>
<th>Milestone 1 - Embrace</th>
<th>Milestone 2 - Lead</th>
<th>Desired State - Innovate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic community engagement</td>
<td>Improve program effectiveness</td>
<td>Improve targeting and work across silos</td>
<td>Make measurable impact on sales and customer service (business KPI)</td>
</tr>
<tr>
<td>+ Targeted key messages</td>
<td>+ Listening, publishing and engagement solutions</td>
<td>+ Demographic and geographic data/targeting</td>
<td>+ Fully integrated marketing automation, SRM, commerce and CRM solutions</td>
</tr>
<tr>
<td>+ Participating in conversations</td>
<td></td>
<td>+ Cooperation between marketing and IT</td>
<td>+ Cross channel campaign management</td>
</tr>
</tbody>
</table>

MEASURE SOCIAL’S PERFORMANCE IN OTHER PARTS OF THE ORGANIZATION

The power of social can—and should—be woven into the fabric of the organization. It will also require cooperation between groups that may not be accustomed to working with one another.

While working across departments may be challenging, it will pay dividends to increase the amount of cooperation between marketing and IT in particular. When IT and marketing collaborate, 74% of marketing and 71% of IT leaders indicate that they are “more effective.” Other benefits reported by marketing and IT leaders who collaborate more include stronger/more compelling marketing messages, faster speed to market, greater product/service adoption and fewer defects in products and services.16

Taking advantage of social business practices and sharing insights across the organization can benefit the entire business.

As social becomes more integrated throughout the business, positive impacts can be felt in many areas such as product development, sales, call center, and more. It also increases the profile and stature of marketing executives. Oracle’s “Socially Driven Collaboration” study shows that when marketing collaborates with IT, benefits can come that get to the heart of ROI: stronger/more compelling marketing messages, faster speed to market, greater product/service adoption and fewer defects in products and services.
Here are some additional measures that groups can employ:

<table>
<thead>
<tr>
<th>Business Function</th>
<th>Data Collection</th>
<th>ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing and Communications</strong></td>
<td>+ Fans</td>
<td>+ Customer loyalty</td>
</tr>
<tr>
<td></td>
<td>+ Followers</td>
<td>+ Faster time to market with products</td>
</tr>
<tr>
<td></td>
<td>+ Likes</td>
<td>+ Stronger and more relevant messages</td>
</tr>
<tr>
<td></td>
<td>+ Impressions</td>
<td>+ Consideration and choice</td>
</tr>
<tr>
<td></td>
<td>+ Sentiment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ Fan weight (eg. influence score)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ Conversions</td>
<td>+ Increase share of wallet</td>
</tr>
<tr>
<td></td>
<td>+ Average sale size</td>
<td>+ Increase market share</td>
</tr>
<tr>
<td><strong>Commerce and Sales</strong></td>
<td>+ Number of social posts</td>
<td>+ Call center cost savings</td>
</tr>
<tr>
<td></td>
<td>+ Customer issue resolution</td>
<td>+ Improve customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>+ Conversions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+ Clicks</td>
<td></td>
</tr>
<tr>
<td><strong>Customer Support</strong></td>
<td>+ Job post views</td>
<td>+ Talent pipeline</td>
</tr>
<tr>
<td></td>
<td>+ Applications received</td>
<td>+ New hires</td>
</tr>
<tr>
<td></td>
<td>+ Prospects identified</td>
<td></td>
</tr>
<tr>
<td><strong>Human Resources</strong></td>
<td>+ Share best practices across departments</td>
<td>+ Improved customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>+ Leverage wider knowledge pool and resources globally</td>
<td>+ Speed to market with new products and services</td>
</tr>
<tr>
<td><strong>Internal Collaboration</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CONCLUSION**

Becoming a social business won’t happen overnight, and some areas of the business will take to social more readily than others. However, one thing is clear – once a business starts going down the path, demonstrating tangible ROI can help justify future investments in social programs and attract other groups within the organization.

Social can help so many areas of the business: drive brand awareness, grow revenue, promote brand loyalty, convey thought leadership, nurture leads, attract new employees, and enhance overall customer relations. Using a structured process, it’s possible to become a more socially mature organization with the ability to identify cross-channel attribution metrics to better understand customers and demonstrate ROI.

When social capabilities are extended beyond marketing, cooperation between multiple groups is essential. Marketing and IT have distinct advantages when it comes to where social business strategy needs to start; marketing may have experience with social from an engagement perspective, while IT has insight into systems that touch every part of the organization.

Oracle’s heritage and technology solutions offer integrated solutions where data captured from social and other systems can be correlated with business metrics. Direct relationships can be charted between social indicators and business metrics.

When it comes to data capture, analysis and integration, Oracle is in a unique position. Thousands of enterprises entrust their data to Oracle. Only Oracle is able to provide a comprehensive, integrated and global solution for marketing, service, sales, commerce and human capital/talent management that can unify and connect channels.

For more information about Oracle Social Cloud solutions, please visit: [www.oracle.com/social](http://www.oracle.com/social)

Tweet us @OracleSocial #SocROI with questions or to tell us how you are measuring ROI in your organization.
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