The Elephant in the Room: Social Media ROI

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Who am I?

• Boston native, New Dad, Entrepreneur and "marketing guy"
  > "classically trained" marketing guy
  > Ran marketing & sales at several start-ups and have used more than social media alone
  > First company sold to Intuit
  > Ran marketing & sales at Salesnet up to acquisition by RightNow
  > Left to start my own thing in 2006

• VP of Marketing and Sales at Awareness Inc.
  > Social Media Marketing Software
  > Power social media strategies of several mid-to-large sized companies
  > Active blogger, tweeter, and social media enthusiast
  > Based Boston, MA

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What I believe (and what I don't believe)

- I DO NOT believe social media is the only way of doing things
- I DO NOT believe this replaces smart marketing
- I DO believe there is a huge opportunity within social media for **MOST** companies
- I DO Believe Social Media has been over complicated
- I think social media is both tactics & strategy in your marketing bag
Marketing 101:
• Avoid the hype of Social Media, think about how it can help achieve your goals
• You can’t measure ROI of Social Media without knowing what to measure
• To calculate ROI focus on where the RETURN is coming from
• Keep social media ROI simple
Things I have heard

*Customers* say...
"Social Media is a fad... It's purely a waste of time"
- CMO, $B+ Retailer
"Our Customers are not using Social Media"
- Multi-National Electronics Company
"I know some of our customers are on LinkedIn, using our logo. That's why we have issued cease and desist orders to all of them."

- $500M B2B Software Company
"Social Media ROI is Impossible"
- Popular Social Media Consultant
TOP 7 MISCONCEPTIONS
#1

Build it and they will come
#2
Using Social Media to Broadcast, not LISTEN

I have a voice
#3

What if it all goes wrong?
#4
It’s FREE!!!
#5

We only use the FREE Social Web
#6

Tracking the wrong stuff
#7

No Plan or Objective
Now, Let’s Talk about the Elephant in the room
Social Media R.O.I.
First an ROI Primer

ROI = (Profit – Investment)/Investment
For Example

Investment: $1000
Profit: $5000

\[ \text{ROI} = \frac{(5000 - 1000)}{1000} \]

\[ \text{ROI is 400\%} \]
Remember a couple of things...

1. ROI does not care about the MEDIA you use
2. If you keep it simple, it usually is
3. Don’t focus on metrics that don't make financial impacts (like page views, click throughs, Facebook followers, etc) – Focus on the ones that MAKE a financial impact
4. "Profit" may mean a sales or a reduction in costs
Simple ROI Framework
#1 Define the Objective (or goals)
Sample: Company X

- Large, Public software company
- Transactional Model (lots of low cost customers)
- 1000's of clients worldwide

**Stated Goals:**
- "Connect with Customers"
- "Share best practices"
- "Improve customer Service"

**Business Objective:**
- Reduce support costs by driving self-service among peers
#2 Benchmark Before
Known Facts

- Average support call/email costs around $40 to resolve
- Over 70% of support calls are "best practice" related
- Currently receiving around 1000 calls per month

Around 40K per month total; $480K p/year
#3
Track the RIGHT metrics
Known Facts

• Originally were paying a lot of attention to traditional metrics like Page Views, Signups, Requests submitted, etc

• Moved to track the FINANCIAL impact metrics:
  > # support issues submitted
  > # resolved through community
  > # escalated to customer service
#4

Track activities that measure $$
Results

• Reduce call-in support by 75% in less than 3 months
  > Monthly inquiries went from 1K to just under 250

• Increased average cost of call-in support to $50
  > Monthly spend of $12.5K; Annual spend of $150K
  > Community investment (est) $65K
  > Total investment: $215K

• ROI = (Profit – Investment)/Investment
• ($480K-$215K)/$215K
• ROI = 123%
Buckets to Track?

Social Yield

Social Effect

Results
Social Yield

• Return vs. Performance Target

• Examples:
  > # of response on Facebook page about your product
  > # of RT's on Twitter
  > # of people that join a blog discussion
  > # of new "Fans" "Friends" or "Followers"

• Don't forget to put a stake in the ground
Social Effect

- The Delta from Social activity
- Examples:
  - Change in the number RTs about our company
  - Number of ebook downloads through your community
  - New leads through social channels
• How social media solved, met or missed the stated objective

• Examples:
  > Increased sales
  > Reduced support costs