

# THE ROI OF SOCIAL: MEASURE WHAT MATTERS

88% OF MARKETERS WANT TO MEASURE THE ROI OF SOCIAL MEDIA. HERE'S HOW.

By Bill Carmody, CEO, Trepont

# HOW CPG COMPANIES MEASURE THEIR SOCIAL MEDIA RETURN ON INVESTMENT

According to a May 2014 *Social Media Marketing Industry Report*, 92% of marketers believe that social media is important for their business, and yet only 34% of marketers (about 1 in 3) think their Facebook efforts are effective. Perhaps even more startling is that only 37% of marketers felt that they could measure their social activities. That's again, about 1 in 3 marketers. And 88% of marketers want to know how to measure the ROI of social media activities – that's a huge gap.<sup>1</sup>

This whitepaper illustrates the many ways CPG companies can verify that their social media activities lead to retail sales (or don't), and explains why some of the "traditional" social media measurements held up as industry standards today are really distractions from true ROI measurement without the appropriate context and supporting data behind them.



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37% of marketers feel that they could measure their social activities<sup>1</sup>



34% of marketers (about 1 in 3) think their Facebook efforts are effective<sup>1</sup>

1. Source: Social Media Marketing Industry Report. Social Media Examiner, 2014.



## ARE YOU MEASURING THE RIGHT THINGS?

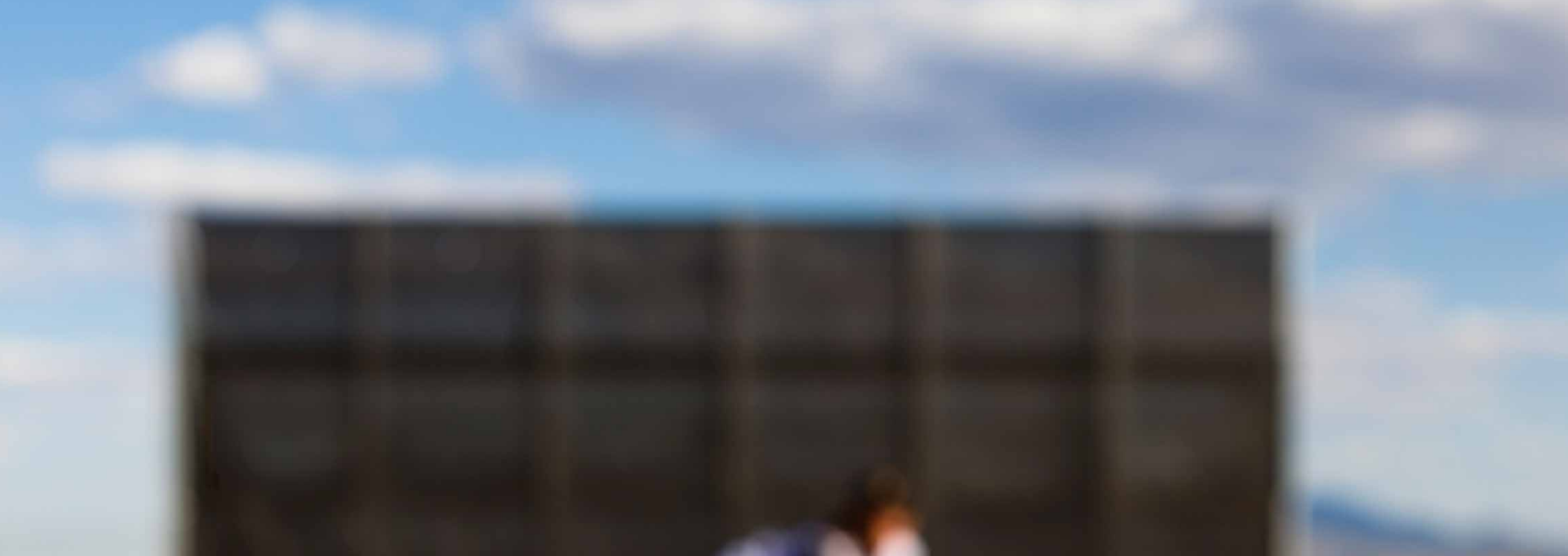
Michael Lewis' book, *Moneyball: The Art of Winning an Unfair Game*, is an insightful look into how an early data scientist rocked the world of Major League Baseball by turning conventional wisdom on its ear and managing important hiring and trading decisions by the right numbers. The Oakland A's figured out that the most important metrics in baseball weren't even being measured. Walks, for example, were not counted as part of a professional athlete's batting average. Yet, getting on base is THE most important measure leading to runs and, ultimately, winning.

The same goes for social media. If you measure the wrong things, is it any wonder why true social media ROI insights are eluding you? Let's take a look at the most common metrics and why they complicate your ability to track and measure the ROI of your social media efforts.



68% of marketers feel increased pressure to show ROI on marketing spend<sup>2</sup>

2. Source: *Digital Distress: What Keeps Marketers Up at Night?* Adobe Systems Incorporated, 2013.



# SWING & MISS

AVOIDING 10 PITCHES OUTSIDE THE STRIKE ZONE



## 1 Social Media CPMs / Impressions

### History

A hangover metric from TV-based media planners who have been trained to measure eyeballs. But can you prove just how many millions of these impressions were “effective”? Nielsen and comScore continue to run test after test but struggle to demonstrate a direct correlation between eyeballs and sales.

### Should you care?

Banner ad blindness, bot-based advertising fraud, and countless other studies illustrate that digital CPMs are ineffective at measuring anything beyond “brand impressions.” When you’re looking to prove ROI, you need sales data, not eyeballs.

## 2 Social Media Click-Through Rates

### History

Because “premium” inventory is sold on a CPM basis (See 1), the impression is the statistic emphasized as valuable. In the meantime, the industry agrees that 0.1% click-through rate is a good benchmark of success.

### Should you care?

0.1% click-through essentially means that 99.9% of your ad dollars were wasted on eyeballs that didn’t tell their pointer finger to click the mouse. No digital action. And very likely no sale – you can’t know for sure, because click-through rates (especially a rate so insignificant) are no indication of sales to come. Blasphemy? Definitely, but someone has to call the Emperor out for having no clothes.

### 3 Social Media Banner Ad Performance

#### History

Isn't this like re-arranging the deck chairs on the Titanic? The problem with obsessing over banner ad creative is that creative performance is completely relative to how the overall campaign is performing and, in most cases, the answer is "not great" (See 2).

#### Should you care?

Until you have a way of knowing whether a fraction of performance-percentage improvement actually drives retail sales, you have no way to prove "success."

**The average person is served over 1,700 banner ads per month. Do you remember any?**<sup>3</sup>

3. Source: "Ten Shocking but True Display Advertising Stats." Hubspot. April, 2013.

### 4 Facebook Likes

#### History

Perhaps CMOs still like "Likes" because they provide a public indication of how your social media efforts are going. Of course, the dirty little secret is that you can buy your way to Facebook Likes. But then what?

#### Should you care?

If you've toiled away engaging your customers, these Facebook Likes can be a decent directional indicator. The problem usually arises when the growth of Facebook Likes is seen as an end result, rather than one small step toward the (repeat) retail purchase and actual ROI.

**The 90-9-1 Rule of Thumb for Facebook Fans:**<sup>4</sup>



**90%** unengaged audience  
**9%** infrequently engaged  
**1%** naturally engaged

4. Source: "What Is a Good Engagement Rate on a Facebook Page?" Michael Leander.

## 5 Twitter Followers

### History

Similar to Facebook Likes, there are tricks to artificially inflate your Twitter Followers. But to what end?

### Should you care?

If you direct your team to obsess about your Twitter Followers, they can find all sorts of ways (that are usually off-brand) to pump up your Twitter Followers. If these are not your best, most loyal customers, then who cares?

5. Source: Bernd Leger. *App User Retention up by 10%, up nearly 50% on Android*. Localytics. August 5, 2013.

## 6 Mobile App Downloads

### History

Initially, downloads mattered a lot. If you were able to get app downloads up quickly, you had a chance to be a top-listed app, which would spur organic growth of downloads. But with more than a million apps available and the tens of billions of app downloads, something interesting has come up.

### Should you care?

There are about a dozen apps that people use every day. Out of the approximately 40 apps a mobile user downloads, 20% will only be opened once. Which category does your app fall within? The number of App Downloads won't tell you that information.



20% of apps are opened only once<sup>5</sup>

## 7 Sweepstakes Entries

### History

Before the days of social, CPG marketers found creative methodologies to create a connection between mass marketing and point of sale. Sweepstakes became an effective tool.

### Should you care?

Sure, it can help provide insight as to how many consumers are interested in your prize offering, but will these entrants buy from you? Having a ton of sweepstakes entries shows you that people were interested in your promotion; not necessarily that they were interested in your product.

## 8 Likes, Comments, Shares...

### History

...Favorites, retweets, repins, etc., etc., etc. All of these various forms of engagement are actually great metrics to pay attention to when your social content is relevant and on-brand. But who cares about the number of thumbs up you have if your team posts pictures of cute kittens and non-brand related posts?

### Should you care?

This is a particularly challenging one because measuring consumer engagement is very important, but if your brand isn't associated with the message (and I mean tied at the very core), then all these referrals don't help your ultimate goal of measuring the ROI of your Social Media efforts.

## 9 No Visible Complaints or Issues

### History

Ah, a clean Facebook page. No one complaining about your product or brand. Isn't that a wonderful thing? No, not really. All it means is that you have a diligent team deleting negative posts about your brand, rather than responding to them and solving the problem. When a new customer sees that there is no history of a negative post ... ever ... they are savvy enough to know these complaints were deleted.

### Should you care?

Obviously posts that are offensive should be taken down immediately, but the only way to build a truly loyal fan base is to be transparent in dealing with problems - rather than trying to hide them. If you're measuring the lack of complaints in your social media efforts, be sure this is due to your outstanding customer service, rather than a well-worn delete key.

## 10 Number of New Social Media Platforms

### History

Last, but not least, the number of Social Media Platforms used should not be all that important. If you've done your homework and know 80% of your audience is on Facebook and Twitter and only 10% is on Pinterest, you need to make a judgment call as to your ability to manage multiple platforms well.

### Should you care?

Better to be on fewer platforms where you're really engaging with your customers than checking off the list of the latest and greatest apps and social media platforms "because we just have to be there!"



## KEEP YOUR EYE ON THE BALL.

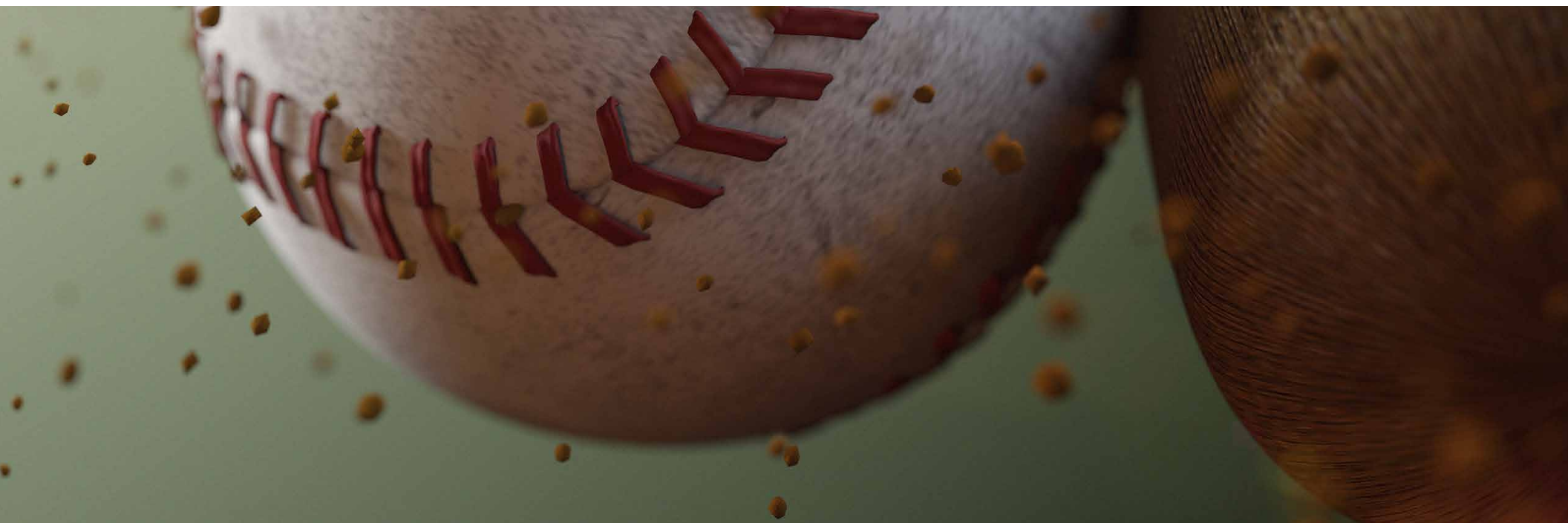
If it seems counter-intuitive to downgrade the importance of these social media metrics, you're not alone. The industry has held up many of these metrics, but few have provided much more insight than anecdotal information to compare to your previous year's efforts.

All of this isn't to say that monitoring your impressions, click-through, followers, and social interactions is useless. All of these tools provide valuable insight to help you refine your interaction on social. But until you can measure actual sales, you cannot illustrate a return on investment. Hence the 2 out of 3 marketers who truly want to measure the ROI of their social media efforts, but can't because they are focusing on the wrong things.<sup>1</sup>



# MAKING CONTACT

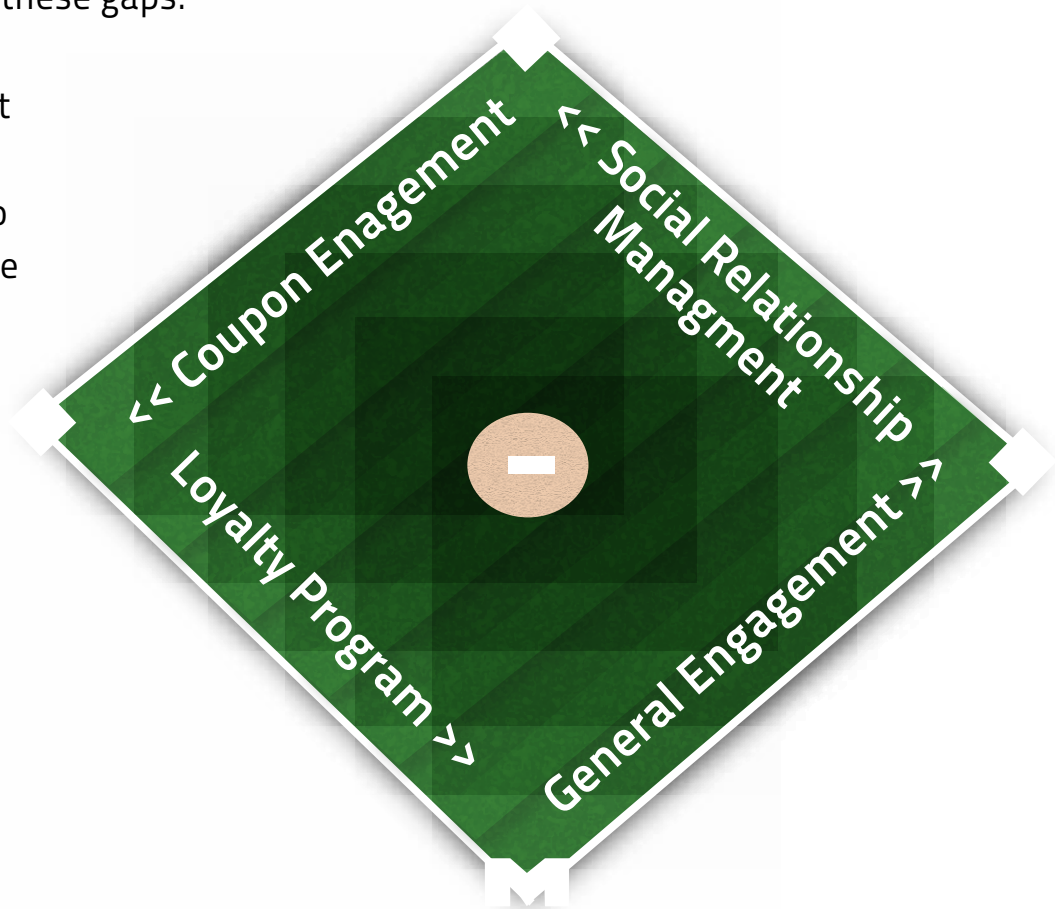
HITTING ON 10 LEGITIMATE SOCIAL MEDIA MEASURES



## GET IN SCORING POSITION.

So what are the “right” things to measure in order to effectively derive the ROI of your social media efforts? Simply work backwards from the cash register. Can you prove someone bought something? What happened before that? And before that? As you spiral out from the point of transaction, you are in a much better position to identify the gaps in your ability to track and measure, and then find ways to fill these gaps.

With that, here are the metrics that will ensure you are able to connect your social media efforts directly to your retail sales and thus derive the ROI of your social media efforts.



## 1 Overall Sales Lift

### History

What's happening overall with your brand? How are you doing relative to the category and your competitors? When you're attempting to measure the ROI of social media, this is the ultimate litmus test. Your sales volume is either growing or shrinking.

### Should you care?

The most common problem with focusing exclusively on overall sales lift is the Month-to-Month and Quarter-by-Quarter mentality that it fosters. Not every single thing you do should have an immediate impact on sales. Launching new products and growing the overall category requires innovation and at least some appetite for the long view.

## 2 Unique Codes Redeemed

### History

When it comes to measuring the ROI of your social media efforts, you can use these unique codes for direct attribution of sales to your social campaigns. This is, by far, the most direct approach to measuring the ROI of social media. This is because you can construct anything virtually as long as you can quickly (and cheaply) verify the purchase has been made. When you are in direct control of this information, you are unstoppable.

### Should you care?

This is not the UPC code, but rather an alphanumeric code that is unique to that individual package (printed securely inside the product packaging whenever possible). To bypass many of the alternative work-around solutions needed to measure the ROI of social media, consider the cost/benefit ratio of printing variable codes on or in pack.

### 3 Loyalty Program Registrations

#### History

Increasing registrations for your loyalty program via your social media efforts is a great way to begin tying interactions between people who engage with you in your social channels and the people who buy your product in retail channels.

#### Should you care?

This could be anything from a frequent buyer club to a gamification platform. If knowing who your most valuable customers are is important to you, then building and investing in a CRM platform will lead you to launching a loyalty program that incentivizes your customers to tell you who they are, how frequently they buy your products, from which stores and why. If you want to truly know the ROI of your social media efforts, then drawing a direct line between the people who engage with you in your social channels and the people who buy from you in your retail channels should be a top priority.

### 4 Number of Direct-to-Card Coupons Added and Overall Cost per Coupon Redeemed

#### History

When you can't directly measure the purchase data from your campaigns, the next best thing is the coupon – digital or paper. Within the confines of social media, you can launch free trials, Buy One Get One offers, test a myriad of pricing strategies and even geo-target key regions of the country to focus your efforts to increase sales.

#### Should you care?

This is why Coupons.com has exploded in the last few years and why direct-to-loyalty card programs have gained so much traction. As marketers attempt to directly measure the ROI of social media efforts, the common coupon remains the universal proxy for measurable sales activities. Is the coupon itself innovative? No. But, what you do with them and how you give them out can be.

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## 5 Proof of Purchase

### History

When you don't control the end-to-end payment process and instead rely on your retail partners for sales data, rebates are a tried-and-true formula for validating desired purchase behavior from behind the scenes. Companies such as iBotta, SavingStar, and Walmart (with the Walmart Savings Catcher) have used this methodology via mobile phones to make the rebate process slightly less painful for the end customer via the mobile phone.

### Should you care?

The rebate model inherently relies on "breakage" – the number of consumers who qualify for the rebate, but do not end up submitting the required documentation in order to receive the benefit. With that knowledge, be mindful of a gap in your direct attribution to the ROI of social media. It's not perfect, but it does allow you to model the sales impact from the social media campaign all the way through the purchase cycle.

## 6 Gift with Purchase Redemption

### History

When you have a highly sought-after premium item, you can play this up via social media to drive retail sales and then track the purchase behavior based on submission of the required proof(s) of purchase.

### Should you care?

When trying to directly attribute purchase behavior, be sure to promote this offer exclusively via your social media channels or a unique promotion code that will allow you to tie-back to the social channels you're trying to track and measure. You might, for example, promote #TwitterSchwag on Twitter while using a code like FBPromoltem on Facebook.

## 7 Cost per Social Action (CPA)

### History

To connect these activities to your ROI of social media metrics, include a trackable Bit.ly link back to your coupon, offer or loyalty program. In this way, you can measure both the promoted (paid advertising) lift as well as the organic (non-paid) pick-up of your offer tied to the sales lift at retail.

### Should you care?

While Social Media Cost per Thousand (CPM) can validate your overall exposure to your target audience and Click-Through Rates (CTRs) can provide you directional data on how your campaign is resonating, the true metric associated with sales is Cost Per Acquisition (CPA). And, ironically, most publishers and advertising networks are reluctant (even unwilling) to go there. Why? Because a CPA metric tells you the true cost of your marketing in order to drive the acquisition or action you're looking to achieve. Even if you are unable to negotiate these deals with your media partners, you should be calculating these metrics on your own to determine the true cost of your campaign in its ability to drive sales at retail.

## 8 Social Relationship Management

(Opt-ins, Permission Marketing and Social Marketing Automation)

### History

Many of today's social media management platforms will allow you to engage in social and traditional marketing automation—a tried-and-true tactic for B2B. In essence, this allows you to create a more precise communication strategy to engage your customers via their preferred method of communication and prompt retail sales activation. When tied to coupons and other measurable offers, you can test the effectiveness of your overall marketing automation efforts as supported by your social marketing engagement.

### Should you care?

Here is where your promotional efforts can not only pay off, but be tied to the ROI of your social media efforts. By building a database of engaged consumers within social media, you can gather extensive data to dig deeper into your customer profile and segmentation efforts, better test and target offers and build raving fans for your brand. By getting permission from your customers to send future offers, you're continuing to build a database you can leverage to test offers and drive retail sales.

## 9 Brand Mentions/ Social Media Monitoring

### History

Yes, there are still some challenges outstanding when it comes to sentiment analysis and not all social media monitoring services were created equal. But if you're not monitoring your brand and products across as many social media channels as you can, you're missing a huge opportunity to engage with your customers, change brand perceptions, solve problems, and drive retail sales.

### Should you care?

Some of your customers will seek you out on your "owned" properties such as your Facebook or Twitter page. Others will simply use their own channels to tell the world what they think about you and your brand. Not engaging in the conversation leaves the impression that you don't care. Sometimes it's positive and awesome. Other times it's negative and awful. But the opposite of love is not hate; it's indifference. When your customers hate something you did or feel wronged by you, they are looking for affirmation, an apology, or a way to "make it right."

## 10 What Your Employees, Retailers, Distributors and Partners Think of Your Social Media Efforts

### History

Measuring the ROI of your social media efforts also means analyzing and improving the big picture. This means taking time to step back and ask as many people within your ecosystem how you're doing.

### Should you care?

This is a lot harder than you think because many of your employees will attempt to tell you what they *think* you want to hear – which is often not what you *need* to hear.

So start by clearly laying out the rules of engagement. You're looking to get better, so you need a realistic assessment of your Strengths, Weaknesses, Opportunities and Threats.

This is qualitative data, to be sure, but your retailers and distributors, if engaged, will have a good perspective on what's driving their sales and what new opportunities might draw future sales.

## CHANGE UP YOUR GAME.

Now step back and take another look at this list. What do you see? Could it be that the reason so many marketers struggle with the ROI of social media is because they are not applying the very metrics they've used to track and measure success in other, more traditional and established channels?

True innovation comes from taking simple and effective ideas and applying them in new and interesting ways. Measuring the ROI of social media is about digging into the gaps between the cash register and your social media interactions. Traditional promotional marketing tactics can help fill in these gaps when applied appropriately to the new tools at your disposal.

**Measuring the ROI of social media is about digging into the gaps between the cash register and your social media interactions.**

As marketers, we're all guilty of the "shiny object syndrome." We look at new ways to market with innovative technologies and see a whole world of possibility. Pushing the creative envelope is often necessary to stand out in a crowded marketplace, but any new idea should first be grounded in a solid business strategy with sound KPIs.



## STEP UP TO THE PLATE

Thank you for reading this whitepaper. Still unsure how to effectively integrate Social Media into your overall business strategy? We can help. If you'd like to speak with any of our experts, feel free to start with our CEO, Bill Carmody, by calling him at **(646) 867-2252** or emailing him at **[bill@trepaint.com](mailto:bill@trepaint.com)**.



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