Measuring Social Media ROI in the Enterprise: Myths and Facts

March 2014

#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]

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 more[2]**
- **Globally, more than 1.8 billion people access social networks, a number set to rise to 2.55 billion by 2017[3]**

Social media users are also increasingly more mobile.

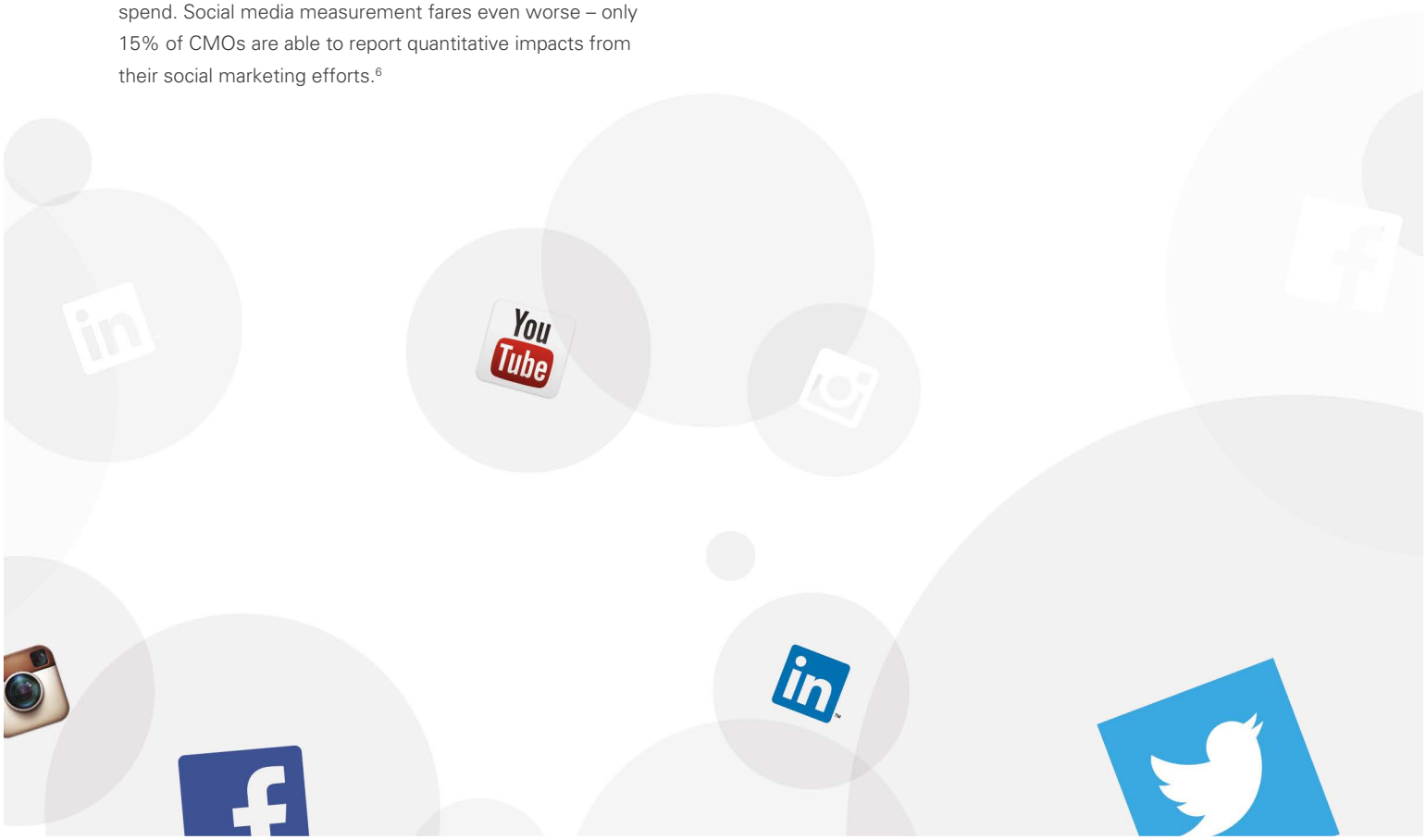
- **76% of active Twitter active users are on mobile[4]**
- **874 million Facebook users engage using Facebook's mobile products[5]**

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 be 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.



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.



It's not worth the time and effort to crunch so much data to try to associate it with social ROI.

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."[11]

To get an idea of how much is happening on social networks consider that:

- **On average, 500 million tweets are sent per day[12]**
- **100 hours of video are uploaded to YouTube every minute[13]**
- **390 million people use Google+ each month to post messages, make video calls and endorse companies with the +1 button[14]**



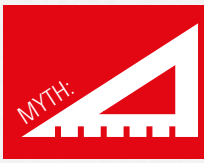
DERIVING INSIGHTS FROM DATA

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?



There's no way to measure the value of social listening.

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[15] and 77% of Twitter users[16] 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.



MYTH:

Social measurement is still in its experimental phase so there aren't standard ways to report 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[17]



MYTH:
Leadership won't be interested in social ROI.

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:



MYTH:



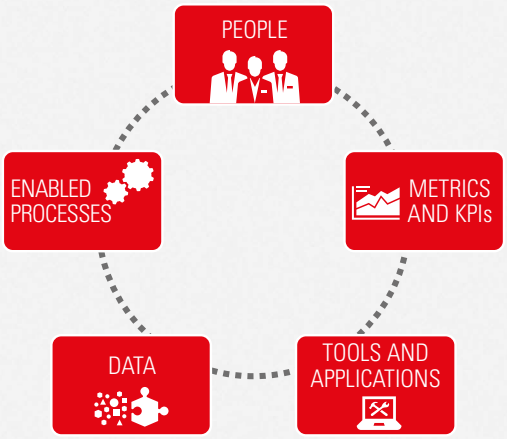
There isn't a way to correlate social indicators with broader business objectives and metrics.

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

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:



- **People -** Roles, training and areas of specialization
- **Metrics and KPIs -** Information and measurements collected today
- **Tools and Applications -** Technology and services for social relationship management and integration with other areas of the business
- **Data -** Types and volume of date collected - both structured and unstructured, where it resides and who controls it
- **Enabled Processes -** Workflows for community engagement, issue remediation, crisis management, shared content, etc.

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

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

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

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.

Depending on where an organization wants to move, it may need to hire people with different skillsets, train current staff, identify new tools and/or develop a set of strategies. In Oracle's recent "*Socially Driven Collaboration*" study, 36% of Marketers and IT professionals believe that they need to learn new skills based on how their role is evolving due to social business, and 18% indicated that they would need to hire people with different skillsets.

EXAMPLE: IMPROVING CUSTOMER EXPERIENCE

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

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

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.



MYTH:

Social media only applies to marketing.

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.[18]

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:

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

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**

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







REFERENCES

[1] Gartner: By 2017 the CMO will spend more on IT than the CIO (http://my.gartner.com/portal/server.pt?open=512&objID=202&-mode=2&PageID=5553&resId=1871515)

[2] "Pew Internet and American Life Project – Social Media Update 2013." (http://www.pewinternet.org/Reports/2013/Social-Media-Update/Main-Findings.aspx)

[3] eMarketer (http://www.emarketer.com/Article/Social-Networking-Reaches-Nearly-One-Four-Around-World/1009976)

[4] Twitter Fact Sheet (https://about.twitter.com/company)

[5] Facebook Key Facts (http://newsroom.fb.com/Key-Facts)

[6] MarketingProfs (http://www.marketingprofs.com/charts/2013/11616/cmos-struggle-to-valuate-impact-of-marketing-spend-optimis-tic-about-economy)

[7] Lightspeed Research: The Social Customer (2011)

[8] Facebook Key Facts (http://newsroom.fb.com/Key-Facts)

[9] Social Annex

[10] "World's data will grow by 50X in next decade, IDC study predicts." Computerworld. June 28, 2011. (http://www.computerworld.com/s/article/9217988/World_s_data_will_grow_by_50X_in_next_decade_IDC_study_predicts)

[11] "Advertising Analytics 2.0." Harvard Business Review. March, 2013. Wes Nichols. (http://hbr.org/2013/03/advertising-analytics-20/)

[12] Twitter Fact Sheet (https://about.twitter.com/company)

[13] YouTube Statistics Webpage (http://www.youtube.com/yt/press/statistics.html)

[14] "Google is far from losing the war over social." Time. Oct. 3, 2013. (http://business.time.com/2013/10/03/google-is-far-from-losing-the-war-over-social/)

[15] Facebook Key Facts

[16] Twitter Fact Sheet

[17] CapGemini "The Digital Advantage: How digital leaders outperform their peers in every industry." 2012. (http://www.capgemini.com/resources/the-digital-advantage-how-digital-leaders-outperform-their-peers-in-every-industry/)

[18] "Socially Driven Collaboration." Oracle-sponsored study conducted by Leader Networks and Social Media Today. 2013 (http://socialmediatoday.com/socially-driven-collaboration-whitepaper-socbizresearch-pt2)

