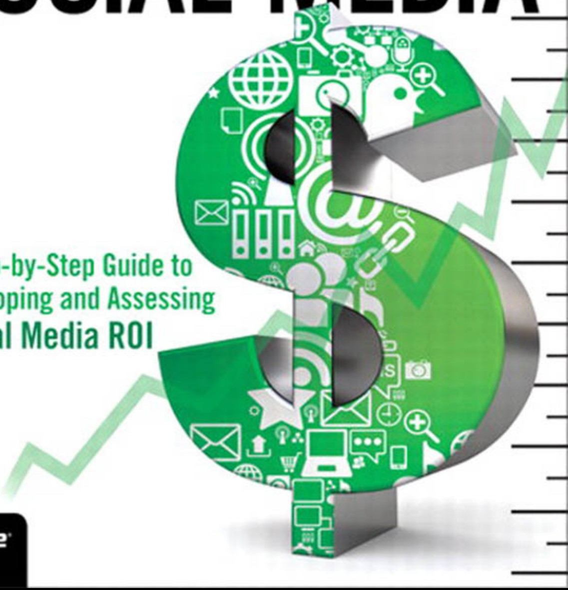
NICHOLE KELLY

HOW TO MEASURE SOCIAL MEDIA



A Step-by-Step Guide to Developing and Assessing Social Media ROI

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How to Measure Social Media

A Step-by-Step Guide to Developing and Assessing Social Media ROI

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Indianapolis, Indiana 46240 USA

How to Measure Social Media: A Step-by-Step Guide to Developing and Assessing Social Media ROI

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Nichole Kelly is a pioneer in making social marketing efforts consistently profitable, measurable, and accountable. She is the president of SME Digital, the digital agency division of Social Media Explorer, and has worked for companies of all sizes, from Signs By Tomorrow-USA to Sherwin-Williams, Deutsche Bank Alex.Brown to The Federal Reserve Bank. Kelly runs the No-Fluff Social Media Measurement Boot Camp and has spoken at leading events including Dreamforce, B2B Summit, BlogWorld, Social Fresh, SocialTech, Inbound Marketing Summit, Exploring Social, Marketing Profs University, Small Business Success Summit, and the Social Media Success Summit. She writes about social media measurement for two of *Ad Age*'s top 30 marketing blogs, Social Media Examiner and Social Media Explorer.

Dedication

This book is dedicated to my three children, Huntor, Kaden, and Giavanna, and my amazing husband, Jason. Without them, life would not be complete.

Acknowledgments

Many people may not realize how much work it is to actually write a book. We naturally look to the author as the person who puts in the most time, but this process showed me that the support network of the author deserves the most praise.

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Thank you to all of my fans and followers who make me look awesome every time you share my content. Thank you to everyone who reached out to me over the years. So many of you have become great friends through Twitter, Facebook, and LinkedIn. Thank you to anyone and everyone who has supported me along the way.

You are all awesome. Now let's rock some awesome together and start measuring what matters.

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Introduction

There's no question that social media is becoming big business. A report released by BAI Kinsley, a media consultancy, predicts that social media advertising spending will hit $9.8 billion by 2016, which represents a compounding annual growth rate of 21%.[1] According to the same report, spending in 2011 was $3.8 billion. To put the forecast in perspective, the IAB estimated that TV ad spending totaled $68.7 billion in 2010, while newspapers and radio took in $22.8 billion and $15.3 billion, respectively.[2] Those numbers don't include other types of social media spending like social media marketing, gaming, or social commerce. Marketers have been working hard to figure out where social media fits within their organizations and have been met with varying degrees of buy-in from their management teams. Although many executives are starting to come around to the idea that social media will be an important factor in driving their businesses, there still is a reasonable level of scrutiny. A 2011 study of C-level executives and vice presidents who were the primary decision makers on social media spending "found that only 27% listed social business as a top strategic

1. BIA Kelsey Social Media Press Release http://www.biakelsey.com/Company/Press-Releases/120515-U.S.-Social-Media-Ad-Spending-to-Reach-%249.8-Billion-by-2016.asp
2. Mashable http://mashable.com/2011/05/03/social-media-ad-spending-8b/

priority. Nearly half (47%) admitted a social plan was necessary but not a strategic priority, and 19% said social business strategy was simply not necessary."[3]

This is a drastic divergence from an earlier report released by Social Media Examiner that looked at marketers' perspectives on social media. In that report, 90% of marketers stated social media is important to their businesses.[4]

So, why is there such a large gap between the priorities of executives and those of marketers? The answer likely is a combination of differing priorities, differing perspectives on what drives business, and differing measurements of success. Marketers have been encouraged by growing followings and fan bases and by increasing engagement on social networks. Although this also encourages executives, it doesn't answer the big question on their minds, "What is the return on investment (ROI)?" This, unfortunately, is a big question that isn't as easy to answer as executives think it should be. The reality of social media measurement is that it can be really complicated. Just think about it for a second and ask yourself these questions:

- What report can I pull to tell me how much revenue was generated from (insert social media network)?
- Which report should I look at to know which status update had the highest conversion rate for prospective clients?
- Where can I find the data to show me how long a social media customer stays a customer?
- Do social media clients spend more or less than those who come through other marketing channels?
- Do social media clients buy more often than those who come through other marketing channels?
- Do prospects who come through the social media channel convert better or worse than those who come through other marketing channels?

These are tough questions. Unfortunately, the data that marketers need to answer these questions isn't readily available. Although many social media software vendors claim to measure ROI, the truth is there isn't a shiny social media measurement box that gives marketers all the insights their management team and executive team want. Thus, marketers haven't been able to make a strong enough case to compete for aggressive investment in the social channel. As a result, many executives are finding themselves in a state of cautious optimism when considering allocations toward social media initiatives. Marketing Sherpa's 2011 benchmark

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3. 2011 Jive Social Business Index Survey
4. 2011 Social Media Marketing Industry Report released by Social Media Examiner

survey reported that 64% of executive-level respondents said, "Social marketing is a promising tactic that will eventually produce ROI. Let's invest, but do it conservatively."[5] This has become a chicken-or-the-egg scenario. Executives want the data. Marketers want to collect the data. Collecting the data may require costly technology platform integrations, and because executives are investing conservatively, marketers can't get to the numbers.

Redefining ROI

The result has been a lot of creativity around the term *ROI*. Great marketers are creative people. When faced with the challenge of not being able to measure ROI, the inclination is to ask, "What is ROI, really?" People are writing a flood of articles about ROI and how it relates to social media. First, they debate whether ROI *should* be measured. Questions like, "Do you measure the ROI of your phone, email, or how about your pants?" are laughable. But isn't the idea of measuring the ROI of social media laughable as well? The idea of going to executive teams and asking those questions is appealing. However, such a strategy wouldn't win you any brownie points and could even backfire so badly as to derail your efforts.

When snarky doesn't work, you might ask yourself, "What if I could *spin* ROI?" That's your job, right? To protect the company's reputation and make the brand look awesome, even in the direst circumstances. What if you applied this same creativity to ROI? Could you actually reframe the conversation around ROI to include something you might actually be able to measure? Several marketers tried, with varying levels of success. Interesting metrics like return on influence, return on conversation, and return on engagement entered the mix. Each provided a framework for a measurement that was deemed to provide a more comprehensive picture of social media's value than the boring, stark financial picture that traditional ROI would tell.

Return on influence is the measure of how a company's "influence" delivers a positive return to the company. Most articles about return on influence talk of it as a qualitative measure of return to a company. And there isn't a standard formula used for the calculation. You'll recognize the type of information you get from qualitative research if you've ever conducted a focus group or survey with open-ended questions. By its nature, qualitative data requires interpretation to derive the final answer, which is subjective. Subjective data can be considered less reliable because, after all, it's based on how you interpreted the responses. The concept is that if a company increases its influence, it will achieve a higher return. This concept is interesting, but the struggle is that social media is already fairly subjective.

5. 2011 Benchmark Survey Marketing Sherpa

If you add another subjective measure of success, you are probably going to raise some eyebrows with your management team. ROI is hard enough to measure, but return on influence is making data collection even more difficult and adds a manual process of data collection and analysis. Social media tools like Klout attempt to quantify influence to make this easier; however, there has been debate over whether their results are truly identifying influencers. Another tool called GroupHigh allows marketers to do a variety of searches to find blogger influencers and apply both quantitative data and subjective research to determine who the influencers are for a brand. Truly measuring influence requires quantitative data combined with a human touch, which makes scaling data collection more difficult.

Return on conversation is the measure of how participating in the conversation around your brand, products, and competition delivers a return to the company. This is another one that lacks a standard formula for measuring the results; however, it seems reasonable for a company to want to understand whether the time invested in social media monitoring and engagement is delivering value. The big question comes in when trying to determine how to define value.

Return on engagement measures the value that driving engagement from social media users brings to the company. In this context, engagement is quantifying the value of those who take a physical action to interact with your brand on a social media channel. For example, someone who retweets a message has engaged with your company. Out of the three returns, this is one that has quantifiable data that can be used for the calculation because any form of engagement on a social channel could be measured against the investment. Although this metric is certainly another derivative of ROI, it is one that may hold more weight in a board room than return on conversation.

There is a lot to be said for being creative and trying to figure out how to demonstrate social media value when the tough questions are asked. However, c*reativity requires explanation.* Management teams are going to ask a lot of questions about what these metrics mean and how they demonstrate an impact on the bottom line. Quite frankly, there are enough problems with these questions when you try to explain the social media metrics you already have. When trying to explain what retweets, shares, fans, and followers are to your management team, you are fielding the same questions about their value and trying to find measures to explain why they matter.

Why Is This So Hard?

It's mindboggling that so many people think social media is immeasurable, when online marketing is one of the most measurable forms of marketing. You can track almost every action a person takes online. It is far more difficult to track actions taken after reading a newspaper article or seeing a particular billboard or TV ad. But for some reason, society has decided that social media is so important that it's necessary to create a whole set of metrics to explain it. Not so. This book will demonstrate how to use existing core metrics that are already well understood to show social media ROI so you don't have to start from scratch. One common argument is that existing metrics don't show the *value* of social media. It is fair to say that the full impact of social media may not be illustrated with existing metrics, and it is going to be a long time before there is enough data to show the full value social media brings to the table. But if you wait for the perfect data set, you are likely to lose management support for social media efforts unnecessarily. You can use the data you have at your fingertips today to show a positive return while you build the case for more holistic measures.

You've likely heard that there aren't industry standards for measuring social media. Not true. There *are* standard metrics for every area that social media touches, but they've been ignored in favor of something that doesn't quite exist yet. If marketers wait for standard social media measures and metrics to tell the whole story, someday they will try the patience of executives who are interested in social media ROI today. In a poll of 175 CMOs, BazaarVoice reported that 74% of them anticipated they would finally be able to tie social media to hard ROI in 2011. The reality is that the majority of those CMOs didn't get to ROI in 2011, which puts even more pressure on getting there now. Marketing Sherpa's 2011 Social Media Benchmark report revealed that a mere 20% of CMOs said that social marketing is producing a measurable ROI for their organization.[6] This means marketers need to find a way to answer these questions now, and you are going to have to accept the limitations that come with using financial metrics to demonstrate social media value.

Marketing teams have become so wrapped up in trying to demonstrate the full impact of social media that it has created a blind spot for itself. People blame the lack of a standardized measure for success for an inability to translate social media's contribution to the bottom line. They try to teach executives to understand the language of social media instead of translating social media into what matters to them. In the battle to measure social media value, people have diluted the conversation into a language that management teams don't understand. They've tried to create a new system of measurement to demonstrate value. They've spent time trying to explain why an increase in the number of mentions or the number of fans matters. Instead, the goal should be to keep it simple and focus on core business objectives that executives can relate to and understand.

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6. 2011 Benchmark Survey Marketing Sherpa

What Management Teams Care About: Sales, Revenue, and Cost

Executives want to understand how social media contributes to the bottom line. And the bottom line is measured in terms of financial impact on sales volume, revenue, and cost. Management teams want you to translate social media impact into a language they understand and to realize they aren't going to take the time to care about why a retweet matters. It's important that you create a measurement framework that doesn't require a Ph.D. in Cool to understand. Management teams are getting tough questions about social media. And it's your job to give them data to make the case for continued investment in the marketing channel you've come to love. You can get these metrics today, and it isn't as hard as it's made out to be.

Ask to see a copy of your daily management team report. This report shows the metrics that are mission critical for your executives. They are the metrics they use to determine the health of the company, the progress toward organizational goals, and where they stand on profitability. They look at it every day! If you can show how social media affects any of those metrics, you will have no problem getting buy-in.

Common Metrics Found on Executive Reports		
YTD Revenue	MTD Revenue	% of MTD Revenue Goal Achieved
YTD Sales Volume	MTD Sales Volume	% of YTD Sales Goal Achieved
YTD COGS	MTD COGS	% of COGS Above or Below Goal
Cost Per Lead	Cost Per Sale	% Above or Below goal
Cost Per Call	Cost Per Click (Online)	Cost Per Impression
Lead Conversion Rate	Average Time to Close	Average Sales Receipt

YTD = Year to Date, MTD = Month to Date, COGS = Cost of Goods Sold

So why hasn't anyone figured out how to tie social media impact to these numbers? Is it possible? Absolutely. This book shows you how.

You know how important measurement is to demonstrate success. Social Media Examiner's 2012 Industry Report found that 40% of all social media marketers want to know how to monitor and measure their ROI.[7] The pump is primed, and you're ready to measure.

7. 2012 Social Media Marketing Industry Report released by Social Media Examiner

The question is, “How do you actually do it?” This book isn’t a theoretical framework of social media measurement. Rather, it will give you a tested and proven framework for social media measurement that will win with your management team and help you rise to the top. Then it will show you what to measure, exactly how to measure it, and provide hands-on exercises so you will walk away with an actionable plan for turning your social media channel into a quantifiable contributor to the bottom line. This book is about action. So, prepare to act.

Hands-On Exercise: Getting Started

If you want to measure social media ROI, you’ll need to get your hands dirty so you can figure out what metrics are important to your business. Most likely, you will see that the metrics you’ve been presenting to show social media’s success don’t correlate to the metrics that are used to drive business decisions. Don’t worry. You aren’t alone. The rest of the chapters will show you how to get your measurement reports in-line with what executives care about.

Activity 1: Get Your Hands Dirty

The first thing you need to do is get your hands on the daily executive report. Go to your manager and ask to get a copy of the daily report that the chief executive officer, chief financial officer, and chief marketing officer receive. If your manager asks why, say that you want to tie social media into the numbers that are important to them and you’d like to understand the benchmark they use for success. This will pique some interest—who could possibly object to that? By asking, you may have just made your manager your first internal champion. If you do meet resistance, ask for a list of the metrics on the report and the target goal for cost metrics—that is, cost per lead.

Hands-On Exercise: Activity 2: Get a Dose of Reality

The second step is to look at the reports you’ve been presenting to your management team to see how they stack up to the executive report. Don’t worry if you can’t answer “Yes” to any of these questions yet. This exercise is a review of where you are starting so that when you create your new framework for reporting, you can evaluate your success.

Question	Answer	Notes
Does your current report have any of the metrics that are on your executive report?	☐ Yes ☐ No	
Does your current report demonstrate how social media affected sales volume, revenue, and costs?	☐ Yes ☐ No	
Does your current report illustrate which social media activities are delivering the highest return?	☐ Yes ☐ No	
Does your current report help you make better decisions about which activities to increase?	☐ Yes ☐ No	
Does your current report help you make decisions about what activities to stop?	☐ Yes ☐ No	

If you answered "No" to any of these questions, it's time to align social media measurement to the metrics that will help you make better business decisions and demonstrate how social media is affecting the bottom line. A measurement framework that can help you adjust your social media strategy and tactics based on what is working will help you optimize your efforts and deliver a higher ROI. Additionally, a measurement framework that demonstrates how social media is moving the needle on core business objectives will give your management team the fuel it needs to justify your social media efforts to naysayers.

2

Aligning Social Media to the Sales Funnel

Executives care about impact on sales volume, revenue, and cost. Management teams need to understand how social media is affecting the bottom line to give their full support. Why? Because they are held accountable for the company's bottom line. So, if you can show them how social media fits into their ability to achieve bottom line results, a light bulb goes off, and they start to get it. Everyone would love to walk into their management team and say, "So I want to try this new thing...it's, uh, called social media...I'm not sure what it is going to, like, deliver to, you know, the company...but my friends tell me it's, like, pretty awesome...so, like, can I have permission to go play on Facebook?" Business just doesn't work that way. Management teams aren't going to say it's okay to go play on Facebook when there is little chance of return. Remember, management teams weren't always managers; they started out just like you did, but through success and failure, good managers have learned that to be successful you have to understand what you are trying to achieve.

The best way to show them how social media contributes to the bottom line is to show them where it fits into the sales funnel. Have you ever noticed how many executives have a sales or finance background? Why do you think it's so common to have a board and executive team with so many people who started in sales and finance? They innately understand the sales funnel, they know how to grow revenue, and they have been able to demonstrate why an initiative is important to the bottom line. Most management teams live, eat, and breathe the sales funnel. It is a tool that has been used for decades to illustrate the sales and revenue-generation process. Now you're going to learn how to use the sales funnel to your advantage.

The traditional sales funnel starts when a prospective customer does something that triggers your sales process—scheduling a meeting with a salesperson or responding to a pay-per-click ad. From there, the stages a prospect goes through will vary based on the industry and the length of the sales cycle. What stays the same is that the traditional sales funnel starts when a prospect indicates an inclination to buy. But social media allows your company to "extend" its sales funnel (see Figure 2.1).

Figure 2.1 *Social media extends the sales funnel.*

Figure 2.1 illustrates five categories in the social media sales funnel. These define where a prospect is in the buying cycle and provide a clear list of metrics to measure activities within these stages. Further, these categories align with the three goals discussed in the first chapter. To get started, look at the top of the funnel.

Where Brand Awareness Fits

The first three categories of the new sales funnel align with the goals for brand awareness. *Exposure* is a measure of brand reach. *Influence* is a measure of how many influencers helped to spread the message. *Engagement* is a measure of how many people interacted with your brand. Each category brings the potential buyer closer to a potential sale.

Exposure

The exposure section of the sales funnel focuses on brand reach. The idea is that the more people who see your brand, the more people are likely to remember your brand. This is essentially the first stage in measuring brand awareness activities. Exposure doesn't only apply to social media; it also is a key goal in other marketing channels like public relations and advertising in TV, radio, and online. The top of the funnel is important because the more people you put into the top of the funnel, the more opportunities your company has to create sales.

Exposure is really about eyeballs. How many people have the potential to see a message from your brand? In public relations and online advertising, this is measured in impressions. You've likely seen reports that show how many impressions were generated as a result of public relations activities or banner and pay-per-click advertising.

You can use metrics that are widely accepted in public relations and online advertising to measure social media exposure, as well. In social media, fans, followers, and subscribers all have the potential to see your updates. Potential is an important element of exposure. Impressions in public relations are typically measured by the circulation, viewers, or listeners that each media outlet has. There is no guarantee that each person who receives a publication, watches a TV show, or listens to the radio station will actually hear or see your advertisement or media mention. But the potential is there. In online advertising, many rates are calculated on a cost-per-impression basis. Although this is transitioning to a cost-per-action and cost-per-lead model, most online outlets still provide reporting that shows the impressions for your advertising. Similar to PR, impressions don't equate to the number of people on the other end of the computer screen who actually notice your ad, but it has become a standard top-line measure of audience reach.

Your management team needs to understand that the more exposure you generate for the brand, the more opportunities the company will have to create sales. Social media provides an opportunity to significantly increase the number of people who are exposed to your brand at a fraction of the cost of public relations, TV, radio, and online advertising. Several core metrics are used to quantify exposure in social media. The table that follows gives some examples from a few social media channels.

Twitter	Facebook	YouTube	LinkedIn
Impressions from content	Total reach	Channel views	Displayed in search results

Influence

The next category in the new sales funnel is influence. The influence section describes those people who were exposed to your brand by an influencer in your industry. This is a separate category from exposure because those who are exposed to your brand by an influencer convert more like those who found out about your company through a referral from a friend. Influencers have loyal followers, fans, and readers who trust their opinions. Therefore, when they mention your brand, their words carry more credibility and influence than when you mention your brand yourself. That's why these people are one stage down in the sales funnel; they're more likely to buy than someone who might have seen one of your status updates.

Companies are starting to recognize the power of influence, and it has created a need to measure how influential people are. Companies like Klout have created algorithms to put a numerical value on people's influence. Although Klout's algorithm has faced a lot of skepticism, the reality is that influence is becoming a marketable business for those who have developed a strong following. And Klout is attempting to not only measure influence, but create a marketplace where you can search for influencers in topics that are relevant to your industry. It is an approach to social influence that recognizes that businesses need to start paying attention to those who are truly influential in their space.

Further, by having a category for influence in measurement, you can quantify the value companies achieve from strategies that focus on influencer outreach. To quantify that value, you measure how many influencers mention the brand, estimate the reach achieved through those efforts, and in the next category of the funnel measure the response the company received. Sample metrics are provided in the table that follows. Similar to exposure, you are still measuring those who had the potential to see the message, based on the influencer's reach.

Calculated from the Networks of Influencers Who Mention the Brand Only on the Networks on Which the Brand Was Mentioned					
Blog	Twitter	Facebook	Google+	YouTube	LinkedIn
RSS subscribers	Followers	Fans	Followers	Channel subscribers	Connections
Average monthly site traffic	Followers of those who retweet post	Friends of those who engage	Followers of those who +1	# of video embeds	# of group members
					# of questions voted as best answer

Engagement

The engagement category of the funnel is exactly what it sounds like. Here you can start to quantify those who are engaging with the brand in the social channel. This is a large category for social media, and it's where the value of social media starts to become clear to management teams when you quantify the results. There has been a lot of discussion and debate around engagement and what it means. But for these purposes, engagement means anyone who took a physical action during the time frame being measured to interact with your brand.

Think about all the opportunities someone has to engage with a brand on the variety of social networks available. Consider blogs, Twitter, and Facebook. Seriously, stop reading and think about the physical actions a person could take to engage in each of these.

Did you come up with a pretty robust list? That's because social media's big differentiator from traditional marketing channels is its ability to facilitate two-way interactions. There are many ways people can interact with the brand on social media sites because that is what social media was designed to do.

It's almost unfair to compare social media to traditional marketing channels based on engagement. How can you really interact with a newspaper article? Maybe you could hand someone else the article, but that is not measurable. PR firms have tried to capture this reach with what has been called a *pass-along multiplier*. But that's about as reliable as your grandma's rusty 1950 Buick Super would be for a cross-country trip. You could argue that pass-along multipliers were created to provide PR firms with a metric that could be used to make results look better. You'll find the same issue with TV and radio advertising; the only engagement is to actually respond to the advertisement. But if you aren't an interested buyer, you can't really "share" the offer with someone. And with online advertising you run into the same issue; other than responding to the ad yourself, it isn't shareable. Therefore, when you compare engagement across channels, social media perform exceptionally well.

Engagement is placed one level further into the sales funnel because the theory is that people are more likely to buy from your brand if they have taken the time to engage with it. You can assume that you will have higher brand recall from someone who engaged with your brand than from someone who was only exposed to the brand. Ben Franklin once wrote, "Tell me and I'll forget. Show me and I might remember. Involve me and I will understand." This held true in a study conducted by the Austin-based PulsePoint Group and The Economist Intelligence Unit. It showed that companies that embrace social engagement are experiencing up to four times greater business impact than less socially engaged rivals.[1] The following table gives you a list of metrics from a few of the core social networks that you can use as a guide. Remember, you'll want to calculate these metrics for a specific time period.

One question that comes up is, "What if someone is on my blog and she clicks to share a post on Twitter? Where is she counted?" You could argue to count her on either the originating channel or the channel where the information is shared. There isn't a right answer; you just want to make sure you calculate her in the same channel consistently so you aren't double-counting the numbers. For this illustration, we'll count the end destination. This makes pulling data a little cleaner for reporting.

There are a myriad of ways someone can engage with your brand on social networks. Unfortunately, the difference between the ways you can engage and the ease of getting the data to report on it varies greatly from channel to channel. You'll review this in depth later, and you'll get some tips to streamline data collection.

1. PulsePoint Group and The Economist Intelligence Unit

Blog	Twitter	Facebook	Google+	YouTube	LinkedIn
RSS subscribers	Followers	Fans	Followers	Subscribers	Company followers
New email subscribers	@ replies / mentions	Engaged users	+1 on content	Channel views	Shares
Comments	Direct messages	Page stories	Comments	Video views	Group members
Comment likes	Retweets	People talking about this	Mentions	Comments	Group discussions
Email to a friend	Brand-related hashtag mentions	Check-ins	Shares	Clicks on links shared	Clicks on links shared
Bookmark	Clicks on links shared	Clicks on links shared	Clicks on links shared	Site visits	Site visits
Shares to social networks	Site visits	Site visits	Site visits		
	Tweets favorited	Page and content likes			

Action/Conversion

The next stage in the new sales funnel is where most companies begin: action and conversion. This stage of the funnel is solely dedicated to qualified leads and those who go on to purchase your products or services. Regardless of which goal you select, if you do a good job of getting your brand in front of people and getting them to engage with you, sales will result. However, it is important to understand how lead generation in social media works and how it differs from other traditional advertising channels.

Social media leads are at a different stage in the buying cycle than people who have sought out your products or services with a search engine and clearly have a more immediate need. Social media leads tend to be earlier in the buying cycle, so they may take longer to convert. However, the benefit is that because you've engaged them, you are more likely to beat your competition to the prospect. If you do a good job of following up with appropriate content to push them through the sales cycle, and your product or service fills the need they have or solves their problem, they will be more likely to buy from you than from a competitor they haven't developed a relationship with. Your goal is to become the trusted vendor so that if all things are equal and your leads have a choice, they will select your company.

Two types of leads are generated through social media: leads who are ready to buy now, and those who have provided their contact information in exchange for a piece of high-value content you've made available. Those who have indicated they are interested in your products or services are called *hard leads* or *direct-response leads.* Those who have provided their contact information in exchange for non-product-related content are called *soft leads* or *indirect response leads*. If all goes well, both hard and soft leads will eventually purchase which is also measured. Chapter 5, "Social Media for Lead Generation," will go into a lot of detail about the social media lead, but for the purposes of this chapter, it is important to understand what metrics are used to measure this stage of the funnel. The table that follows provides the metrics that you can use to evaluate leads. Once you get to this stage in the funnel, the metrics are the same, but the response is evaluated independently for each social media channel.

	Blog	Twitter	Facebook	Google+	YouTube	LinkedIn
Soft leads						
Hard leads						
Customers						
Sales volume						
Revenue						

Customer Retention

The last stage of the sales funnel is customer retention. This is probably the most overlooked area of measurement for marketing channels. For some reason, once people get the customer, marketers tend to move on and forget to measure the customer's life cycle. Customer retention is a crucial piece in determining overall profitability of the customers you generate. Although a customer might interact with the social media channel during the sales process, it is important to understand that no customer is purely a social media customer. As with any marketing channel, social media is one piece of the puzzle. You can track customers who have interacted with the social channel throughout the customer life cycle to see whether there is a measurable difference in their activities. With all other things equal, it is reasonable to evaluate for trends based on the behavior of customers who interacted with the social media channel throughout their life cycle. Important considerations are how long social media customers stay customers, how much social media customers spend over time, how much it costs to serve social media customers, and how much new business is referred from social media customers.

Once prospects have become customers, you use different marketing activities to put them back into the top of the funnel, where they go through the buying stages to make their next purchase or add services. Although they go back into the funnel, they do tend to go through the stages much more quickly because there is already a familiarity with the brand and customer experience to draw on. If you kept them happy during their first experience, they are more likely to buy again.

You can make more money from existing customers in two core ways: encourage them to spend more at each transaction, or encourage them to purchase more frequently. Therefore, you perform two types of analysis for existing customers. You measure their repeat purchase activity, and you measure their effect on customer service resources. Because social media leads are generated online, with the right customer service strategies you can also encourage them to receive certain elements of customer service online, which can lower customer service costs. Similar to action and conversion, the metrics used to evaluate customer retention do not change with each channel; rather, you measure the performance of each channel to see whether one channel is performing better than another. For service providers, you look at the retention rate for customers or a measurement of how long they stay customers. This is especially important for companies that charge a monthly or annual fee. It is equally important for those who sell products to measure whether customers come back to purchase again. Chapter 8, "Measuring Strategies for Increasing Revenue from Existing Customers," goes into more detail about the metrics used to measure customer retention. The table that follows shows the core metrics for measuring customer retention for each of the social media networks used in the previous example.

	Blog	Twitter	Facebook	Google+	YouTube	LinkedIn
Retention rate						
Sales volume per customer						
Revenue per customer						
Customer service costs per customer						

The Path Through the Funnel

So, how does the funnel align with your actual activities in social media channels? Consider how someone might travel through the funnel:

Person A

1. Notices a retweet of a resource your company shared and took no action. (Exposure)
2. Sees a post Jason Falls wrote with a review of your products. (Influence)
3. Starts following your Twitter account and looks at some of your latest tweets. Sees a really great whitepaper, which he retweets to his audience. Goes to your website. (Engagement)
4. Fills out a form to download the whitepaper. (Action/Conversion, Soft Lead)

5. Sees that you have a webinar on Friday to explain your products. Decides to register. (Action/Conversion, Hard Lead)
6. Loves the webinar and what you have to offer. Decides to set up a meeting with the sales team. Fills out form on site to request times. (Action/Conversion, Hard Lead)
7. Has a meeting with your sales representative and decides the company need your product. Makes a purchase. (Action/Conversion Hard Lead)
8. Loves your product. Follows your social channels to keep up-to-date with the company. Sees a tweet for a free trial of an add-on product he's been considering. Clicks on the link and goes to your site. (Engagement)
9. Fills out the form for the free trial. (Action/Conversion, Hard Lead)
10. Loves the add-on and adds it to his account. (Action/Conversion, Hard Lead)

In this example, you see that Person A went through all the stages of the funnel. After he made the purchase, he became an active prospect for an add-on product and went through the last three stages again during the purchase. It is important to recognize that people can come into the funnel at any stage. They can also fall out of the funnel at any stage. The funnel displays an ongoing relationship with prospects as well as with customers. After the initial purchase is made, the relationship doesn't end. Further, it is possible to skip stages in the funnel. The funnel isn't gated so that people can't move ahead without getting through the last stage. Rather, the funnel represents "potential" areas where prospects and customers might engage in a measureable way. As you measure the funnel, you will be able to identify where you are losing people and where you are doing well. This will be covered in depth in Chapter 5.

Whichever goal you selected in Chapter 1, "Aligning Social Media Strategies to Business Goals," the funnel still applies. The five categories align with the three goals, but their purpose is a little different. If your goal is customer retention and you do your job well, you will notice that more sales result from existing customers. This means that you are effectively placing people back into the top of the funnel, even if they follow a different path than a prospective customer would take. Have you set yourself up to measure it?

Social Media Is the Assist

You'll also notice that in the previous example, all the interaction happened on the social media channel. A lot of people will tell you that social media is the end-all, be-all channel. They will tell you that your company will no longer be relevant if you don't dump your marketing budget into social media right now. Social media is one communication channel of many that can be just as important to your business as public relations, advertising, email marketing, direct mail. To best understand where social media fits into the overall marketing picture, think about the actual path your prospects and customers will take. Is it realistic to assume that if a prospect interacts with the social media team, no other marketing channel will be used to communicate with him? Absolutely not. What is more likely is that you will have interactions in the social media channel and several others. Should you keep those who interact with the social media team from going into campaigns in other channels? Heck, no. Why would you want to be responsible for creating an entirely new end-to-end communication channel? That is a lot of unnecessary work. A more likely interaction path is the one that follows.

Person B

1. Notices a retweet with a resource your company shared and takes no action. (Exposure)
2. Sees a post Jason Falls wrote with a review of your products. (Influence)
3. Starts following your Twitter account and looks at some of your latest tweets. Sees a really great whitepaper, which she retweets to her audience. Goes to your website. (Engagement)
4. Fills out a form to download the whitepaper. (Action/Conversion, Soft Lead)
5. Receives several emails from the company sharing additional content. Sees another piece of content that is interesting and looks at it. (Action/Conversion, Soft Lead)
6. Receives an email with a downloadable guide for selecting the best product to serve her needs. Downloads the guide. (Action/Conversion, Hard Lead)
7. Receives a phone call from the sales team asking if she'd like to see a demonstration of your product. Sets up a meeting. (Action/Conversion, Hard Lead)
8. Sees the demo of your product. Decides she likes it but isn't ready to buy yet. (Action/Conversion, Hard Lead)
9. Receives several emails with special offers for the product. When ready to buy, clicks on the latest offer she received. (Action/Conversion, Hard Lead)

10. Receives emails about how to use your product. Clicks through some of the resources. (Engagement)
11. Continues to follow your social channels to keep up to date with the company. Sees a tweet for a free trial of an add-on product she's been considering. Clicks on the link and goes to your site. (Engagement)
12. Fills out the form for the free trial. (Action/Conversion, Hard Lead)
13. Loves the add-on and adds it to her account. (Action/Conversion, Hard Lead)

One of your primary goals for social media should be to put as many people into your existing marketing communications channels as possible. You might need to reframe your point of reference for where social media adds the most value. Social media is one method of communication. It can be really great at bringing opportunities to the table, but existing marketing programs for handling leads are where the customer is most likely converted. Social media is effective at raising awareness of the brand, bringing leads to the table, and interacting with customers, but it is not an end-to-end communications vehicle. For example, if you have an ongoing webinar series, you want to get social media followers to register for the webinars and then be part of the email campaigns that work to convert webinar attendees into customers. Social media is effective at bringing more opportunities to the table, but it can also be effective at taking existing opportunities to the next stage. A solid social media strategy will recognize where social media creates opportunities, where it adds value to existing opportunities, and, most importantly, where it doesn't fit.

Think of your marketing channels as if they were a basketball team. You have a point guard responsible for calling the plays and leading the team. You have a shooting guard focused on getting the ball to the basket, either himself or by passing to other players. Then you have the center, power forward, and small forward responsible for shooting and getting rebounds from missed shots. Social media can be any of these positions, but the position it plays least often is the point guard. Rather, social media falls into the shooting guard position most often. Sometimes it receives a pass from another channel and drives it to the basket, sometimes it powers the ball down the court on its own and hits a nice three-pointer, and many times it delivers a great pass to the center for a crowd-pleasing slam dunk.

More often than not, social media is the almighty assist. It provides a fantastic pass to another marketing channel, or it takes a pass and drives it to the basket. Sure, social media can also take the ball down the court and score on its own occasionally. But the difference between this analogy and real social media is that the ball in social media is a person with free will. As a social media professional, you have to respond to the needs of the audience and present as many opportunities for them to convert through other channels as possible. This requires that you review the communications your company uses at every stage of the funnel to see whether they work with social media contacts. In lead generation, for example, many times a company has great email campaigns built for someone who is ready to buy, but it doesn't have anything built for those who aren't quite there yet. Finding these weaknesses early is important to the overall success of your program.

Measuring Through the Funnel

How do you know where people are in the sales funnel? How do you know if you are having an impact? To effectively measure where people are, you need to put some tracking mechanisms in place. You'll see exactly how to do that later. However, there are a few caveats to measuring through the funnel that are important to understand.

Measuring Multiple Touches

Social media leads are going to touch multiple marketing channels. This might affect your ability to show where social media had an "assist." Many existing tracking systems measure the last touch as the campaign that drove the sale but neglect to recognize all the channels that contributed to the sale. Google Analytics recognized this and has attempted to help solve this problem with their new social reports dashboard, which shows both the social media assist and the social media conversion. You need to understand how your systems attribute credit so that you can effectively measure social media's touches. Many times, this means you have to make some concessions for things that you can't measure today. But the one big thing you need to be able to tell is whether someone touched the social media channel.

Measuring a Control Group

The best way to show where social media is contributing is to have a way to isolate all the customers in your customer relationship management (CRM) system who have touched the social media channel. This creates a control group that you can use to compare the results from social media to the general population. This adds another layer of credibility to your data because you can demonstrate the differences from those who came through the social media channel from those who came through other marketing channels. Initially, the social media channel may not have numbers that excite the management team. It takes time to build a social media following that is engaged enough to deliver the type of volume that has taken years to build on other marketing channels. If you don't measure a control group, the management team may brush off social media as an underperforming channel. However, when you measure a control group, you can show where social media is outperforming other channels, where it is helping other marketing channels perform more efficiently, and where it is filling the gaps where other channels can't effectively demonstrate value.

This isn't about showing that social media is better than other marketing channels or that social media is a silver bullet that solves all marketing problems. Rather, it is having the data you need to demonstrate how social media complements and integrates into other marketing channels. You'll see how this comes into play when later chapters examine in-depth case studies. But for now, you need to be able to source new and returning interest back to the marketing channel that originated, nurtured, and converted the interest.

Hands-On Exercise: Aligning the Funnel with Communications

The communication that prospects and customers receive through the funnel is important. If the communications you are using today will not facilitate a deeper relationship with social media contacts, adjust them so they don't kill the relationship. This exercise evaluates your communications campaigns at each stage of the funnel (see Figure 2.2).

Figure 2.2 *Sales funnel communications worksheet*

Activity 1: Chart Existing Communications

Next to each stage in the funnel, write the existing communications that a social media contact could receive. This should include any form of communication that goes directly to the social media contact, including emails, phone calls, direct mail, and any other product your team uses. You want to understand every potential touch to see whether it is relationship-building or relationship-killing for those who came through social media.

Activity 2: Identify Communications Pieces That Don't Work With Contacts Who Touched the Social Media Channel

Do any communications make you cringe when you think about a social media contact receiving it? Are any communications designed for people who might not be interested in your products or service yet? Are some communications designed to keep your company top of mind without being overly pushy toward a sale? If there is anything you see on this list that makes you uncomfortable, think about how it could be adjusted to solve the problem. You might need to create new communications pieces, or you might need to apply a few simple tweaks to make something more appropriate.

Problem Communication Piece	Ideas to Adjust

Activity 3: Determine Metrics to Evaluate Where People Fall Out of the Funnel

Now that you have an idea of how existing communication channels align with social media, you need to understand how to evaluate whether the existing communications are helping or hurting the relationship. Use the following table to think about the metrics you could monitor to determine where people are falling out of the funnel. Here are some ideas to help get you started.

Email Campaigns: # of Unsubscribes, # of Opens, # of Clicks

If you notice that social media contacts are unsubscribing at a higher rate, stop opening the emails at a certain point, or even stop clicking on links, it is a good sign that they are falling out of the funnel. Communication needs to be adjusted.

Sales Phone Calls: # of Follow-Ups Created, # of Sales

If calls from the sales team aren't resulting in follow-up opportunities or generating sales, it is likely that these calls are not helping to deepen the relationship. These calls might be happening too early in the buying process for the social media lead.

Communication	Metrics to Measure Fall-Off	Notes

Do you have a mechanism to collect these metrics easily? Can you isolate the social media group from the rest of the population? If not, it's okay. This book reviews how to overcome the barriers later, but it's important to recognize early the areas where the gaps exist.

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