

## The Road to Social Media ROI: Extending the Value of the Bottom Line

by [Nancy Pekala](#)

**W**hen it comes to measuring the ROI of Social Media, everyone's looking for the silver bullet, that magical metric that will justify an organization's investment of time and money in social technology and effort.

But according to [Peter Kim](#) and Kate Niederhoffer of the [Dachis Group](#), there's no magic about it. While it may be challenging to assign numeric quantities to behavior and conversations that are decidedly perceived as qualitative, it is possible to get to ROI by going back to basics---an organization's business goals and strategies.

Recently Kim and Niederhoffer shared some of their insights around social media ROI during the AMA's new social media podcast series. In the podcast, "[Social Media Marketing GPS: Social Media Metrics that Make Sense](#)," the two experts discuss what matters most in designing a social media metrics plan. Following is an excerpt of their comments.

### On Elements of a Successful Social Media Measurement Program

**Peter Kim:** The best place to start when developed a social media measurement program is to look at how the organization is measuring today. The quickest way to turn off the majority of the organization is to start with brand new metrics and terminology and try to change the company's approach to metrics wholesale. Many companies actually learned that lesson with the rise of digital. Organizations began to talk about unique visitors, page views and time spent which were new concepts to people who had been used to measuring in terms of amount of sales or average order size. Companies need to start with how they measure today and then figure out how layer some of these new behaviors and activities in social media start on top of them.



**Kate Niederhoffer:** Some people believe there's a gold standard of success in social media that can be applied to everyone. But it's really about how each organization measures the success of its own business. Social media metrics should be layered over other measurements valued by an organization, whether that's advocacy, recruitment or sales. They must be ready to measure the ultimate success of their business in a new way.

### On Extending Value Beyond the Bottom Line

**Kim:** As we think about extending value beyond the bottom line, the first reaction could be, "Well, that's touchy feely stuff, but what about the numbers? Where's the hard and

fast ROI that comes with measuring? There's this perception that we should be able to line up beans

one after another and come up with an answer. Anyone who's studied accounting knows there's this line item called good will which is used to measure value beyond what you see in the assets and liability columns in accounts receivables and payables on a balance sheet. It would be great for any marketer who has run into an accountant talking about ROI to have a discussion about good will and then talk about where value can be attributed and computed both in very hard and fast tangible ways and some lighter, less tangible ways as well.

**Niederhoffer:** A lot of times we get stuck in this mode of reacting impulsively to what can be measured so we're just focused on the surface with metrics like unique visitors or content. There's value beyond that which may not factor into the bottom line but instead is a more qualitative or emotional approach. As an example, you may discover that through social media people are not only able to do their work more quickly or more efficiently but their quality of life has improved at the workplace or they're making connections that help them achieve other goals. It would be a cliché to say that it's just a qualitative dimension on top of the quantitative numbers, but it is another dimension of what are emerging outcomes.



### **On Positioning the “New ROI” to the C-Suite**

**Kim:** The place to start is to think about how initiatives get justified today. By thinking about the investment of time in terms of technology and third-party resources and services, you can begin to build the cost side of the equation. Then, when looking at potential revenue, you can consider things like advertising or communications equivalency which you can expect to get from social media impressions which can be measured by good old reach and frequency.

There are a lot of different ways to measure value. One way to look at this is to consider how traditional advertising is measured. Traditional advertising such as 30-second spots, out of home, print placements and radio ads are being effectively measured. Those paths are certainly well worn and should be explored by those hoping to pursue social media marketing. Even on the internal side, IT professionals or others looking for collaboration or internal applications of social media could look at the cost-benefit of Intranet or email usage. With something is new like social media, it's unfair for organizations to try and imbue some sort of higher order of accountability for a channel just because we've lived with the immeasurability of something like the 30-second spot for decades.

**Niederhoffer:** It's necessary to consider what is important to your organization today and figure out how to incorporate social technology and associated social data and metrics within the existing framework to make sure people feel like they are comfortable, in control and have a sense of predictability.

[Nancy Pekala](#) is the AMA's Director of Online Content and Editor of [Marketing Researchers](#). Send your feedback about this article or suggestions for any of the AMA's e-newsletters to

[npekala@ama.org](mailto:npekala@ama.org). Be sure to follow us on Twitter at [twitter.com/marketing\\_power](https://twitter.com/marketing_power) and our marketing research list [@marketing\\_power/resrch](https://twitter.com/marketing_power/resrch).