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Papers

The hunt for the red herring: Measuring commercial effects of social media

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Abstract

The need to prove the effectiveness of social media in producing sound commercial results is one of the biggest current barriers in making this new marketing paradigm essential in new communications mixes. As is often the case with new digital spaces that are being conquered by marketers, the knee-jerk impulse is to treat them as something that deserves a totally new language and ways of measuring. This has led to a sort of an arms race in creating new — and increasingly fanciful — ‘social media-specific’ evaluation frameworks. Our argument is different: marketers have all the metrics they need already, but the main barrier to a robust attribution of commercial effects to the social media is inadequate tracking between different digital platforms: the new social ones and the ‘legacy’ ones (eg existing company websites). This is the place — and the user actions that happen in it — that evaluation thinking and investment should be focused on, through three suggested joint approaches for arriving at a full picture.

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He not busy being born is busy dying.

If one were to encapsulate the whole predicament of the marketing industry at the moment, particularly its communications side, the above sentence by Bob Dylan does the job. It’s as if someone has stuck a trainload of Semtex on various advertising industries’ walls and activated it remotely, via mobile phone, most likely, or some other digital device. Everything seems to be up in the air — models, processes, traditional ownerships of disciplines and overall ‘ways of doing things’ — spewed out by the irresistible force of the digital integration. Nobody knows how the pieces are going to land and that is the reason that various players, agencies particularly, are now either busy (constantly) reinventing themselves, or ineptly dying.

The big chunk of that meta-medial Semtex belongs to the social media. General consensus among marketers is that social media have

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Attempts to prove the effectiveness of social media are focusing on creating new metrics and evaluation frameworks. The answer lies elsewhere: in tracking the activity between platforms better.

finally arrived as a mainstream marketing ‘channel’. The quote marks are intended here. It is not doing justice to the fantastic diversity of social media approaches and platforms (even the very name is plural) to reduce them to just one results line in our campaign evaluation reports. It is certainly not another email.

That diversity of strategic and creative opportunities is currently the hottest topic discussed between clients and agencies. Everyone knows they have to use the social media, as their customers are using them, but for what? And how? Questions abound. Can we make money with it? Has anyone done it yet? If not, what else can we do? How do we need to organize internally to do it properly? There are lots of inherent risks of losing brand control in social media, how to mitigate them? Yes, this is the stuff that keeps current brand managers awake at night.

There is one, however, overarching question that fuels many of the above: how can we know that social media work for our brands and our campaigns in the first place? And what does ‘work’ actually mean? In essence, how do we evaluate the effectiveness of that new marketing space?

It is not a trivial question. If anything, the social media are like gold: infinitely malleable, almost a meta-medium in its own right, encompassing the characteristics of all previously known ones. We can use it for broadcast, for paid ads, for content dissemination, for reputation monitoring and management, for one-to-one communications, for building a brand, for generating leads, for stimulating engagement and for engendering loyalty. For video, audio, images, text, voting, rating, apps. And then some.

Therefore, to be able to show how social media create value, we first need to define what ‘value’ means. So far, based on my experience and endless conversations with clients and peers, it is some mix of all of the above — and it is *brand specific*. In other words, my value in social media is your wastage; what works for me may not work for you. ‘Social media value’ is a relative, not an absolute, category. As a consequence, my evaluation framework could be quite different from yours. Here’s a quick example: products with a long purchasing cycle and those with a short one. If you happen to be a car company using social media to talk to current customers who have just purchased one of your cars, you may focus on three things: (1) up-selling accessories and added-value products such as breakdown insurance, (2) generating word of mouth (mouse) in a customer’s social graph, so that they influence their friends’ purchasing decisions in your favour and (3) keeping the brand front of mind during the next 3 years, if you are lucky, before the next purchase. Your metrics and the framework are going to reflect that. However, if you are a travel company, the key focus is likely going to be re-purchasing several times within the same year and up-selling additional products such as excursions, car rentals and travel insurance. Average Value Per User is likely going to be your key metric.

Therefore, it’s difficult to give some fast and hard rules. We need to start by defining what it is that we want to achieve, mainly by finding

**There is no such thing
as 'channel standards'**

out where is the intersection of a brand's objectives and its customers' lives. Strategic investigation, in a way, has to come before clarifying objectives. The outcome: wary clients, risk averse at the best of times, who just refuse to accept that the best way to find out whether the social media is going to work for them is to do a piece of consultancy up front — either that, or to do a 'test', as if we are talking about a single email that should bring its haul in a few days. Not to mention that the 'test' must produce a positive Return on Investment (ROI) as well, or it is not going to happen

As if that is not enough, there is the issue of HOW to actually measure the value. And here, I think, lies one of the biggest problems for the faster acceptance of the social media as a credible marketing channel. As is usually the case with new digital platforms that have matured into viable marketing spaces, there is no lack of opinions. The confusion (as in a plural noun usually deployed to describe a group of planners) of gurus with fancy new ways to look at this matter is growing. Everybody seems to have an evaluation framework or two to offer to the desperate market; everyone is wielding a cutting edge of a sort. Well, so do barbers. There are more red herrings in this sea than off the Norwegian coast.

Two recent attempts to bring clarity through a new evaluation framework are of note, at least judging by their prominence in the trade press and at conferences.

One was devised by the American consultancy Syncapse. It is based on six key factors that influence the value of a Facebook fan. None of the factors is unique to social media (not a bad thing in itself, as we are going to see later on) and they were not meant to be any sort of a benchmark — just a description of key factors — but tell that to the people! I can't count the number of times these were invoked at numerous conferences, usually by a young social media hotshot struggling to answer a challenging question on whether social media can actually make money. The factors proposed by Syncapse, which they found influence the value of a Facebook fan, are Product Spending, Loyalty, Propensity to Recommend, Brand Affinity, Media Value and Acquisition Cost. Each of them is a measure that every marketer understands and is probably measuring it in other channels already (Figure 1).

The main finding of the Syncapse study is the average annual monetary value of a Facebook 'fan': US\$136.38, which gives the average life-time value — if it is calculated on the usual 3-year span (and with the assumption that there are no lapsed customers) — of slightly more than \$400. Nirvana! The humble 'like' suddenly looks like a very good deal, particularly for brands not chained to the categorical imperative to have every single cost per response in the region of £2.

The problem? It is all based on claimed behaviour of 4,000 US survey participants. Thus, no real, hard-core tracking down to purchase, not even an implied conclusion based on econometric modelling and similar empirical proxies. Just a questionnaire, sent quite some time

Figure 1: Syncapse framework
Source: Syncapse

after the initial ‘like’ has happened. Customer memory is fickle, as we all know too well, so the juicy figure above suddenly looks like a set piece from *The High Noon*: casts a long shadow, but there is nothing behind the façade.

Not to mention that some of the factors — Product Spend and Loyalty just as glaring examples — are pre-existing and a bit tautological. By that I mean the fact and the finding that, yes, Facebook fans (seem to) tend to spend more on brand products during the year, but that doesn’t show the answer to, nor even addresses, the obvious ‘chicken & egg’ question: have the customers ‘liked’ the page because they have already been big brand spenders and loyalists, or has the brand’s Facebook presence made them such? A million dollar question, indeed Finally, just as a minor gripe, the research was purely Facebook-focused, so it is non-transferrable to, say, Twitter or any other social media platform. And it would be interesting to see what is the value of a fan in different countries.

But, even if there *was* proper tracking in place and even if the metrics *did* make sense, the Syncapse framework would still have to be qualified, the way explained above, in order to be useful to different brands. A point they also made in their paper, which neatly leads us into the next point.

The other attempt at grouping social media-related metrics into a new, unique set is the broader social media framework produced by the Internet Advertising Bureau (IAB). It is based on four ‘As’, each for one composite metric: Awareness (cost per impression), Appreciation (cost per engagement), Action (cost per lead) and Advocacy (cost per referral) (Figure 2).

Sorry to say, but I think there are also at least two problems with this approach. First is the ‘industry standards’ fallacy, the same that could be applied to Syncapse, that just having a set of universally agreed metrics for a marketing channel is enough to create some sort of benchmarking equilibrium. This is not true. Even in mature channels such as email there are no ‘response standards’. The clients, even when they ask for some (which the less experienced still do) actually ask for something much more specific: what is the average response rate for an email like *this*, with a *similar purpose*, in my *own*, or a *similar*, category.

The fact that, for example, British Gas may have an average email opening rate of X, while Diesel Jeans may have an opening rate of 10X — and this goes for different categories and types of emails sent at different points in the customer journey to different audiences — doesn’t create a meaningful ‘email standard opening rate’. Here is what I mean: Diesel used to offer an exclusive preview of its latest collection to its email club members 1 week before anyone else on the planet could see it. A huge draw for their engaged audience that responded in droves to each of those emails, up to 90 per cent of opens

Figure 2: IAB framework
Source: IAB

and clicks. On the other hand, how many people are generally interested in boilers, or in the market for buying one? Yes, talking about energy preservation and savings that come out of it is much better and more engaging, but the opening and click rates are likely to be in the low tens of percents. Therefore, if the average for these two examples is 40 per cent opens or clicks, if you are Diesel you may think you are massively over-achieving (while being just slightly better than average for high-impact, high-engagement emails of a similar kind), while if you are British Gas the temptation to feel a crushing under-achievement is equally strong, although those emails may actually be beating all averages for similar emails in other low-involvement categories. Everything about these two emails is different: audiences, engagement, frequency, objectives and so forth. You get the gist ...

The second, even bigger, problem with the IAB framework is that neither of its metrics has a specified structure, in the way of *what goes into them* — what individual metrics power that one composite. The IAB has left it to each brand to define that itself, which in a way defies the very purpose of a common metric. How can we compare Appreciation, for example, if one brand bases cost per engagement on ROI on response rate, the other one on total revenue generated and the third one only on incremental profit? All real-life scenarios I have with some of my clients.

It seems that new social media evaluation frameworks are leaving a lot to be desired. But, I believe these frameworks are answering the wrong question. That question is not what the best new social evaluation framework is, but whether we need one at all.

Let us for a moment imagine that all of the above is fine and dandy and that there are no methodological holes to be picked by the nit-picking pedants. It still remains the very sober technical fact that *no set of benchmarks, no evaluation frameworks, no matter how precisely defined, will really help us if we can't actually track them.* The front-end doesn't work without the robust back-end.

And that has been the biggest problem with evaluating social media up until now. In our blind panic to make sense of it all, we have started believing that the answer is in a shiny, new benchmarking construction, specific to social media and full of new, exotic Key Performance Indicators (KPIs) — a stylish Bauhaus mansion on the hill, overlooking the Old Digital Town. The new WHAT.

The answer is, in my opinion, much more prosaic. It is not so much about 'what', but 'how'. The way to crack the effectiveness of social media for marketing purposes is to better connect all the tracking opportunities between different platforms and then to top up the missing bits with proxy data. It is not a job for an architect; it is a job for a plumber; ideally, a data plumber.

Most of the metrics we need to measure social media already exist, or at least their equivalents. A 'like' is an action of engagement in the same way that a click on a link in an email is — or giving an opt-in permission. A 'share' is an action of brand affinity in the similar way

Social media evaluation needs better plumbing

that forwarding an email (or a viral) is. A comment, well ... it is just a comment, as any brand that has a bulletin board, or an inbound customer service call centre, already knows. Yes, they have different names. But what powers the action, and the outcome, is quite comparable. *Marketers already have most of the metrics they need.*

If, at this point, I am really hard pressed to produce a framework of sorts, if only to show that I haven't been firing conceptual blanks all the time and that I CAN have an answer to the framework question, I would propose the following. One of the best framework attempts so far, for me at least, is provided by the Measurement Camp, a global evaluation open source movement (in their words). Despite their purist insistence that social media is all about 'relationships' and 'language' — which they think makes them inherently difficult to measure — their proposed framework is both very old fashioned and very elegant: Behaviour, Feelings and Financials. It works for any channel and any brand. It is not meant to be comparable, but does organize the efforts for a brand.

This is where the magic of frameworks ends for me, though. Tracking users' actions across different platforms (social and non-social) is a much bigger mystery. This is what clients, and everyone else, mean when they ask 'do social media commercially work?' (Figure 3).

Think about this: a user comes across your Facebook page and becomes your fan — how will you know, at that moment, that you have that user as a customer in your database already? Can you answer the same question even if the same user clicks on a link to your main website and arrives there? Do you know what the overlap is between your Facebook fans and Twitter followers? Can you prove, in numbers, that users who are more likely to share or re-tweet your content are also better customers? And that they have become that only *after* they engaged with you through social media and not the other way around — no funny chicken and egg, correlation/causation business implied?

Figure 3: We already have all the metrics we need
Source: Kitcatt Nohr Digitas

Figure 4: We need three ways to measure activity
Source: Kitcatt Nohr Digitas

Very few brands can. To do that, the evaluation investment has to connect as many dots in the multi-platform journey as possible, long before we start thinking about fancy frameworks. There are three general ways to do that (Figure 4).

1. *Hard tracking*

Digital channels are lauded for the amount of data they provide, to the point that trying to analyse all of it looks like trying to drink from a fire hose. Some things are still impossible to track technically, but more than usually thought can be. We can serve cookies through our Facebook apps; we can use Facebook Connect to identify actions originated on our other digital properties (eg main website); we can gear our database to recognize and flag these things from our different tracking and reporting tools; we should work with our ad networks to use their tracking tools better. The new generation of tools and platforms (eg check out the combination of Sales Force and Radian 6) is appearing trying to provide a unified platform for all marketing activity. Gradually, a clearer picture will emerge. This clarity comes at a price, admittedly, but it is still cheaper than throwing money at social media blindly, hoping that some of it will hit the jackpot.

2. *Implied effects*

Sadly, it still isn't possible to track everything precisely. This is where good data planning skills come in handy. Robust statistical analysis could spot trends and halo effects that different channels excite in one another. It also helps in answering some of the hypotheses and questions we had in the beginning: is our social media work engaging? What is the definition of that engagement? What are the key expressions of our work, results-wise, and do we need to change our KPI set? If we invest smartly, the actual tracking will lay more than a solid ground for this phase, scattering evidence about users' behaviour all through the system. The Dr. Watsons of data planning will then follow and connect those clues into working solutions.

Figure 5: Different tools for each approach
Source: Kitcatt Nohr Digitas

3. *Claimed effects*

Finally, we work with human beings. For the same reasons that we deploy usability testing — despite all the technical testing options we have — users can also tell us how they use our social media properties. Is that long dwell time really spent reading the content or making a tuna sandwich in the kitchen? What sort of content do they tend to pass on as far as our brand is concerned? How do they use it on the go and how is that different from the leisure of the home or office? This qual/quant top-up, as usual, can create new hypotheses to test, track and imply. Don't get me wrong here; I am not reneging on my claim above, that using claimed behaviour as the only method of evaluation is not enough. It isn't. But asking consumers is both in the spirit of social media AND is a good top-up device for fine-tuning our evaluation (Figure 5).

If you are, by this point, persuaded and wish to throw a wad of evaluation money at me saying 'There, how do you want to use it?' I would split it like this: 70 per cent hard tracking, 25 per cent data planning and 5 per cent qualitative and quantitative. Different brands will, of course, use different mixes, but connecting the dots, sorting out the plumbing, still remains the primary task and challenge. We need to measure both the right things (vary by sector and brand) and with right precision. Neither of those alone will suffice.

Just don't spend all the money on consultants selling you the new evaluation framework.