

GUIDE

The ROI of Social Ads

5 simple steps to calculate the ROI for social ads campaigns



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Introduction

Social media is quickly taking over the digital advertising space. In the last year, social media ad spending has grown more than 50 percent to \$16.3 billion.¹

In 2017, Facebook reported [\\$9.16 in advertising revenue](#) for a single quarter (Q2)—a 47 percent increase over Q2 2016.²

This trend is not slowing down, so it's important you understand how social media advertising can help your business. By calculating the ROI of your social ads, you can create more targeted campaigns, increase revenue, and secure more budget for future projects.

In this guide, we'll show you how to measure the ROI of your social ads, with simple tips on how to save time and maximize your return.

What is social media ROI for advertising?

ROI (return on investment) measures the financial gain (or loss) on an investment in relation to the amount of money you've invested.

ROI for paid social ads refers to the return you get on the time, resources, and money you invest in paid advertising campaigns on social media.

ROI formula



Net profit (return-investment) / **investment x 100 = social media ROI** (as percentage)

Pro tip: It's important to calculate your ROI as a percentage because this shows exactly how much gain you've made in relation to your investment. Presenting a dollar amount does not give the same clarity. (For example, a \$5 return is amazing if you invested \$1, but it's not very good if you invested \$10.)

¹ TechCrunch. [Mobile now accounts for the majority of digital ad spending, according to IAB](#). 2017.

² Adweek. [Facebook Raked in \\$9.16 Billion in Ad Revenue in the Second Quarter of 2017](#). 2017.

5 steps to calculate the ROI of your social ad campaign

Understanding how to calculate the ROI of your campaigns can seem like a tricky topic—especially when the concept of “return” for social media isn’t always measured strictly in terms of sales revenue. But with clear goals and the right formula, you can define what ROI means for all your ad campaigns.

1



Identify conversion goals for each ad

To understand what your return on your social ad investment looks like, you need to identify conversion goals that are aligned to your [business objectives](#).

Your goals will look different for every ad campaign. For example, if you’re running a brand awareness campaign, you’ll likely have much different goals than an upsell campaign.

These goals need to be more specific than your overall social strategy goals, and should focus on actions that can be attributed to revenue.

Useful goals for an ad campaign include:

- Online purchases
- Leads
- Downloads
- Mobile app sign-ups
- Email subscribers

Regardless of what your goals are, you need to set realistic benchmarks and targets based on past performance.

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Assign a monetary value to each goal

Online purchases have a clear monetary value. Content downloads, email subscribers, and sign-ups require some calculation on your part in order to assign a goal value that shows the potential for revenue.

Here are some example calculations:

Ecommerce purchases: Add a Google Analytics code to your checkout cart to track purchases from your social media ad

Leads: Total revenue generated from closed leads / total closed leads = average closed lead value

Lifetime value (LTV): Average customer lifespan (years they remain a customer) x average annual revenue per customer = lifetime value

Newsletter sign-ups: Email subscribers that became customers / email subscribers x customer lifetime value (LTV) = goal value for an email acquisition

Free trials: Customer lifetime value (LTV) x conversion rate of free trial to paid customers = goal value for free trial

Mobile app downloads: Monthly active users (MAUs) x value of MAU = goal value for mobile app trial

Brand awareness: Average cost per thousand impressions (CPM) on social ads

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Track your performance

Once you've assigned a value to your conversion goal, you can then plug your goal value into [Google Analytics](#) and [Hootsuite Impact](#) to begin tracking it.

Assign value to goals in Google Analytics

1. In [Google Analytics](#), click **ADMIN**.
2. Under **VIEW**, click **Goals**.
3. Click **+ NEW GOAL** and add your information.

Connect Google Analytics to Hootsuite Impact

You can connect Google Analytics to Hootsuite Impact, which will sync with your goals in Google Analytics. Assign those same values to your Google Analytics goals in Impact, and it will give you the ROI for that conversion goal.

1. In [Hootsuite Impact](#), click **Account Settings**.
2. Click **Add New Connection**.
3. Under Website Analytics, click **Google Analytics**.
4. Authorize your Google Analytics account.

Now that you've connected Google Analytics to Impact, you can take the values that you calculated and apply them to the goal conversions you're seeing in Hootsuite Impact. This will provide you with your influenced pipeline. (*Pipeline* is the amount of business that a company expects to receive in the coming months or year; influenced pipeline is how much of that expected revenue you're driving.)

Tools to track your performance



- **Google Analytics:** Use Google Analytics to track actions on your website (such as purchases, traffic, sign-ups, and downloads) that result from your social ad campaigns. Set goals in Google Analytics so that you're tracking the right actions.



- **UTM parameters:** UTM parameters are short text codes you add to a URL to track important data about website visitors and traffic sources. UTM parameters work with analytics programs like Google Analytics to provide a detailed picture of your social media success.



- **Hootsuite Impact:** Use Hootsuite Impact to measure the ROI of your social media across paid, owned, and earned social channels. You'll be able to show how your ad campaigns are driving leads and sales in customized dashboards with graphs, tables, and KPI summaries.



- **Facebook Pixel:** A Facebook pixel is code you add to your website that helps you track conversions from [Facebook ads](#), optimize your ads, build targeted audiences, and remarket to qualified leads. Hootsuite Impact syncs with Facebook Pixel when you connect a Facebook ad.

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Understand what your investment looks like

Running social ads takes a lot of the guesswork out of measuring your ROI because you know exactly how much you've spent on your ads.

However, a lot of costly employee time can go into any project, so it's important to include your time and resources when calculating the cost of your investment.

$$\text{Investment} = \text{tools} + \text{time} + \text{social advertising spend}$$

Tools and resources

For a paid ad campaign, typical tools include:

- Social media management platform
- Ads platform (if separate)
- Stock images or photography
- Photo editing (like Canva)

Pro tip: If you're billed annually for a tool that you use for multiple campaigns, make sure you only cite the cost of the tool during the campaign period, not the total cost.

Time

One of the biggest expenses for any project is employee time. To understand how much time it costs for your team to run an ad, make sure you note:

- Total number of hours spent on an ad
- Cost of an employee's time

Calculate the cost of an employee's time per project

1. Identify levels for employees based on title. For example:

Level 1: Coordinator/Junior

Level 2: Specialist

Level 3: Lead/Manager

Level 4: Director

Level 5: Executive

2. Assign an average salary based on level (you can look up average salaries online or look at sites like [Glassdoor](#)).
3. Identify hourly wage based on salary.
4. Multiply hourly salary by the number of hours on project.

$$\text{Cost per hour for an employee} = \text{yearly salary} / 52 \text{ (weeks in a year)} / 40 \text{ (hours in a week)}$$

Advertising cost

Your advertising spend is the total amount you invest in a social ad or ad campaign. It should include the cost over the entire duration of your ad campaign.

What you spend on the ad will differ depending on your goals, ad type, and the duration of your campaign.

To learn more about network-specific social media ads, check out our [Complete Guide to Social Media Advertising](#).



Plug your return and investment into a formula

Here's most common formula for calculating your ROI:

$$\text{Net profit (return - investment)} / \text{investment} \times 100 = \text{return on investment (as percentage)}$$

When you're done running your ad campaign, you'll be able to identify your total return. For example, if you run a Facebook ad video for one month and it brings in \$35,000 in online sales, that's the **return** portion of your formula.

For the **investment** portion of the formula, plug in your total spend on tools, time, and advertising.

For example, if you spent \$500 on tools, \$3500 on time, and \$5000 on ad spend, your total investment would be \$9000. Therefore, your **net profit** is $\$35,000 - \$9,000 = \$26,000$.

Continuing with this example, your return on investment would be $\frac{\$26,000 \text{ (net profit)}}{\$9,000 \text{ (investment)}} \times 100 = 288\%$.

Based on our calculation, your social ad campaign would be considered a highly profitable investment with a 288 percent return. To understand how it compares to past performance and other campaigns, look at the benchmarks you set out at the beginning in step one.



Putting it all together

With the right calculations, you can better understand your social media ROI and make the most of your advertising budget, which sets you up to build stronger campaigns and increase revenue.

Follow these steps before running your next social ad campaign so that you can start connecting real business value to your social efforts.

Want to make the most of your social media ad budget?

Use [Hootsuite Impact](#) to understand the real business ROI of social media.