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# Beyond ROI

UNLOCKING THE BUSINESS  
VALUE OF SOCIAL MEDIA



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**Hootsuite®**

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Company, on behalf of Hootsuite

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# Executive Summary

It's just over decade since social media entered the public consciousness and became not only a common way to interact with friends but with business as well. Now, only a few short years later, it has matured from a much-hyped phenomenon into an essential part of private and public life.

Social media is used in marketing, customer service, ecommerce, human resources, product development and elsewhere across the enterprise. It is used by banks, airlines, retail chains, healthcare companies, nonprofits and media conglomerates.

But even as it has matured, the question of how to understand and measure the value of social media persists. This research report, based on interviews with over 400 social media leaders, looks at the business value of social media across the enterprise, and offers a pragmatic approach to measuring the impact of social media not only as a marketing tool, but as a strategic business enabler as well.

# Summary of Findings

## 1. Despite widespread measurement, there is significant uncertainty about the business value of social.

Eighty-four percent track and measure the effectiveness of our social media efforts against defined goals and objectives, yet 29% are still trying to prove its value.

## 2. Organizations that measure the business value of social initiatives tend to do it in the context of the customer journey.

They focus on how to better understand, engage, and serve customers. Visibility into customer acquisition remains challenging, but 84% see a big opportunity to better leverage social for social selling and social commerce.

## 3. Measurement decisions tend to be driven by what data is common and available rather than by business strategy.

Thirty-seven percent of respondents use metrics because they are “standard activity metrics for measuring social”. The same number use metrics because they are “included in the social technologies we use”.

## 4. While social data is widely available, the skills to derive insights from that data are scarce.

Eighty-five percent agree that social data is accessible to marketing teams, while 82% state that it’s accessible to teams outside marketing. At the same time, nearly half say their organization lacks the skills needed to work with social data sets.

## 5. The value of social media stretches beyond the marketing organization into the enterprise as a whole.

Respondents cite “faster decision-making”, “identifying new market opportunities” and “risk management” as additional benefits of understanding and leveraging social data.

# Introduction

Social media is a fact of life, so much so that it's sometimes hard to believe that it's just over a decade old. YouTube launched in December 2005, Twitter in March 2006, and Facebook opened to the public in September 2006.

It didn't take long for business to discover value in these platforms and in the data they produce. Social media offers a rich view of public attitudes and behavior: what people talk about, what they like and dislike, and what they expect from the businesses they interact with.

Today, social media is frequently seen as a pillar of digital transformation, which is, according to Brian Solis, "the realignment of, or new investment in, technology, business models, and processes to drive new value for customers and employees and more effectively compete in an ever-changing digital economy."<sup>1</sup> And, as Altimeter's *2016 State of Social Business* revealed, "79% of strategists say that social is becoming 'more operational and a platform for the innovation of others'".<sup>2</sup> Social may no longer be the bright, shiny object it once was—but that's actually a good thing. It is now embedded into the enterprise and drives results across the business.

There is a challenge, however, and it has to do with the eternal question of ROI, or, more to the point, how to measure and integrate the business value of social media. As social media and digital transformation become more mature and more embedded into business operations, it's imperative to articulate their impact in a way that is scalable and that resonates with executives across the business.

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# As Social Business Matures, So Does Its Value

The growing pains are evident: 84% state they track and measure the effectiveness of social media efforts against defined goals and objectives, and yet 29% are still trying to prove its value, a discrepancy that suggests a degree of uncertainty about the value of social as a business driver.

These findings highlight the challenges of articulating the value of social media. Businesses crave clear ROI, yet for social (as in many other domains) there is no consensus on how to calculate it. This measurement challenge is largely a result of three dynamics:



## Organizational Complexity

The environment in which businesses operate today is vastly different from the industrial and linear world in which many accepted business measurement concepts originated.<sup>3</sup>



## Data Complexity

Social data is “big data”, characterized by high volume, velocity and variety, and frequently not in generated in a format that can easily fit into a database structure or balance sheet.<sup>4</sup> Most importantly, the data from social media is created and controlled not by business, but by everyday people, adding complexity.



## Transactions vs. Relationships

Businesses are set up to measure transactions rather than relationships. Yet social business is optimized for relationships rather than transactions.

Social media is no longer seen just as a vehicle for cool campaigns or brand awareness. It is indispensable to digital and content marketing, but also infuses the rest of the business, including customer experience, productivity, risk reduction, innovation and more.

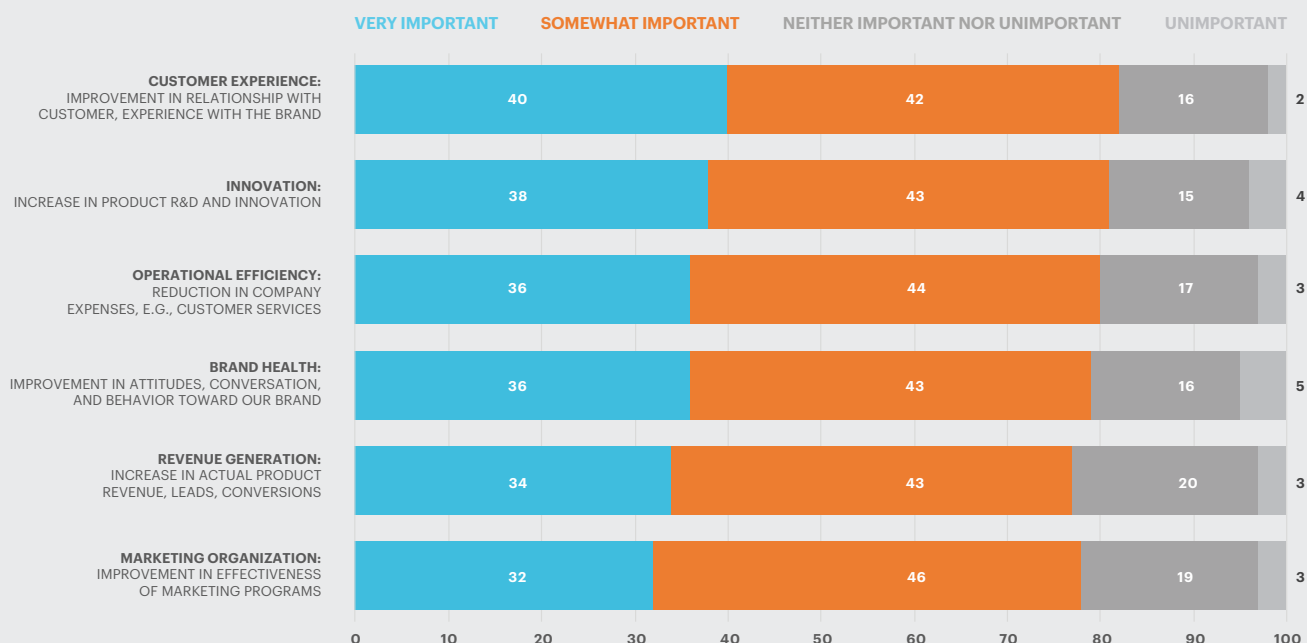
The good news is that this shift demonstrates a natural evolution of social media toward operational maturity; the bad news is that it also introduces a high level of analytical complexity. The further good news, however, is that there are ways to measure the impact of social on the business that are both analytically rigorous and true to the value that it provides.

# From ROI to Business Impact

The progression of social into so many facets of the business raises a critical question: what is its ROI? More strategically, how do we calculate the value it delivers to the business? While some organizations focus primarily on assessing the impact of social on sales, there are many other ways in which it can and does deliver value for multiple stakeholders.

Altimeter Group's most recent *State of Social Business* report illustrates the top priorities of business leaders for their social media programs, and they stretch far beyond marketing.<sup>5</sup> In 2016, for the first time, customer experience ranked highest, surpassing brand health as the top priority of business leaders.

FIGURE 1: TOP SOCIAL MEDIA OBJECTIVES

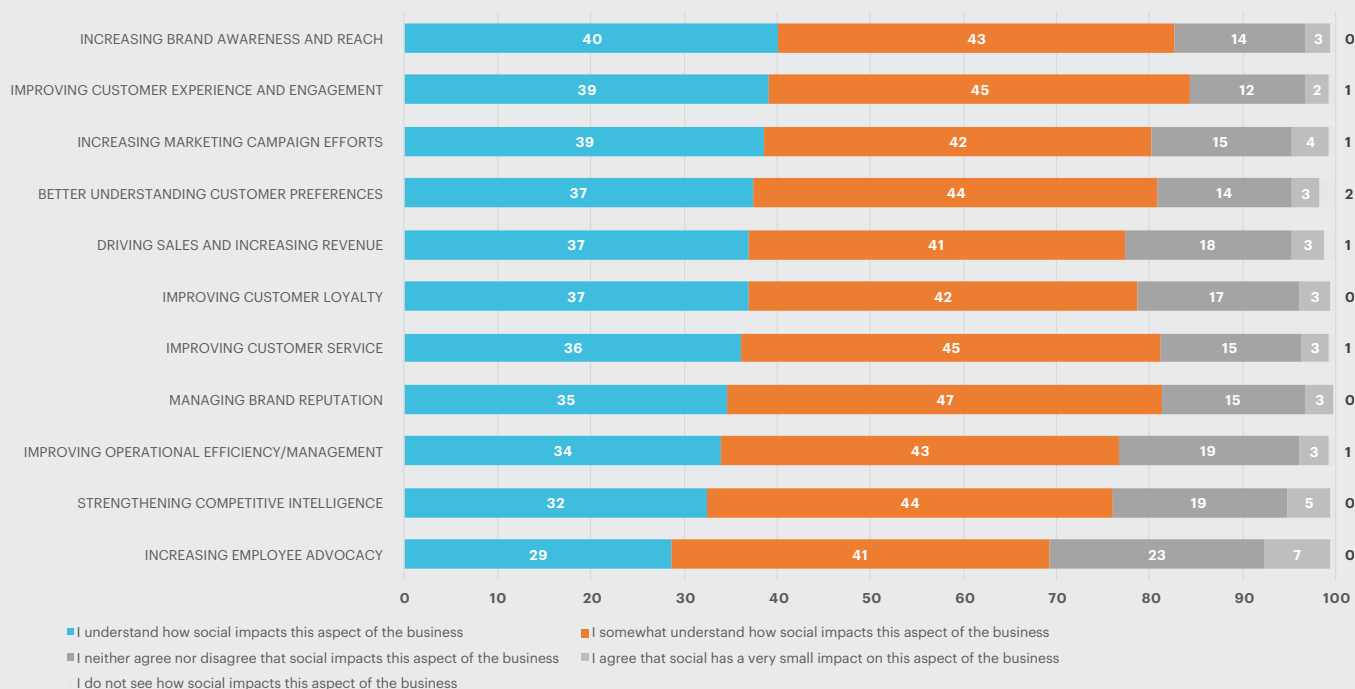


But Figure 2 suggests an intriguing corollary: as social media matures, organizations that measure its business value tend to do it in the context of the customer. Of the eleven categories cited, from customer service to employee advocacy, four out of the top five focus on understanding awareness, experience and engagement, preferences and service.

This suggests that, in addition to strict ROI calculations (which would divide revenue by cost), organizations are beginning to embrace the idea that social media is a driver of customer insight, and social media data is a way to extract that insight and make it actionable in multiple areas of the business. This becomes particularly valuable as we move from a transaction-based to a relationship-based view of the customer.

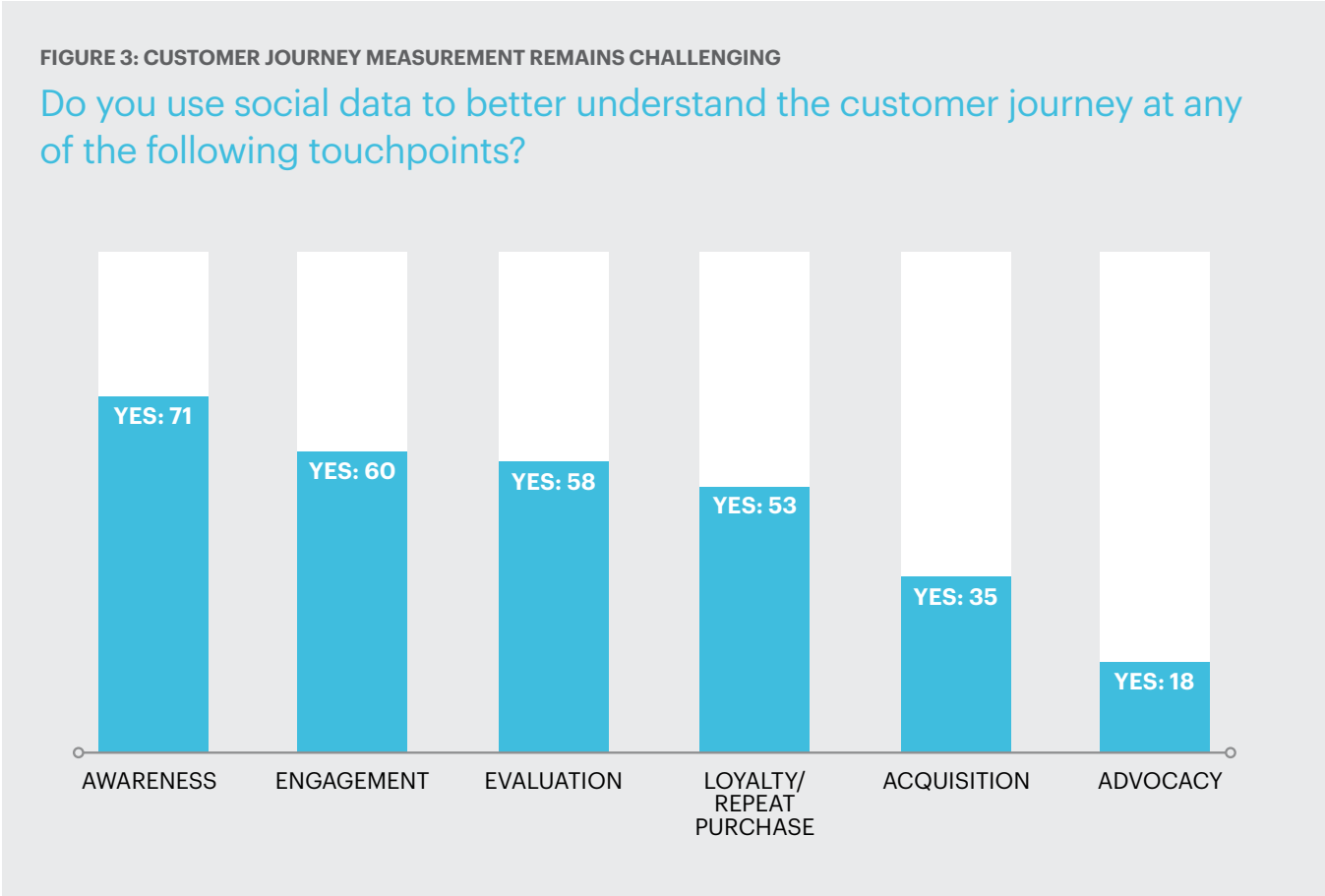
**FIGURE 2: IN SOCIAL, BUSINESS IMPACT EQUATES TO CUSTOMER IMPACT**

To what extent do you believe social media can have an impact on each of the following areas of your business?



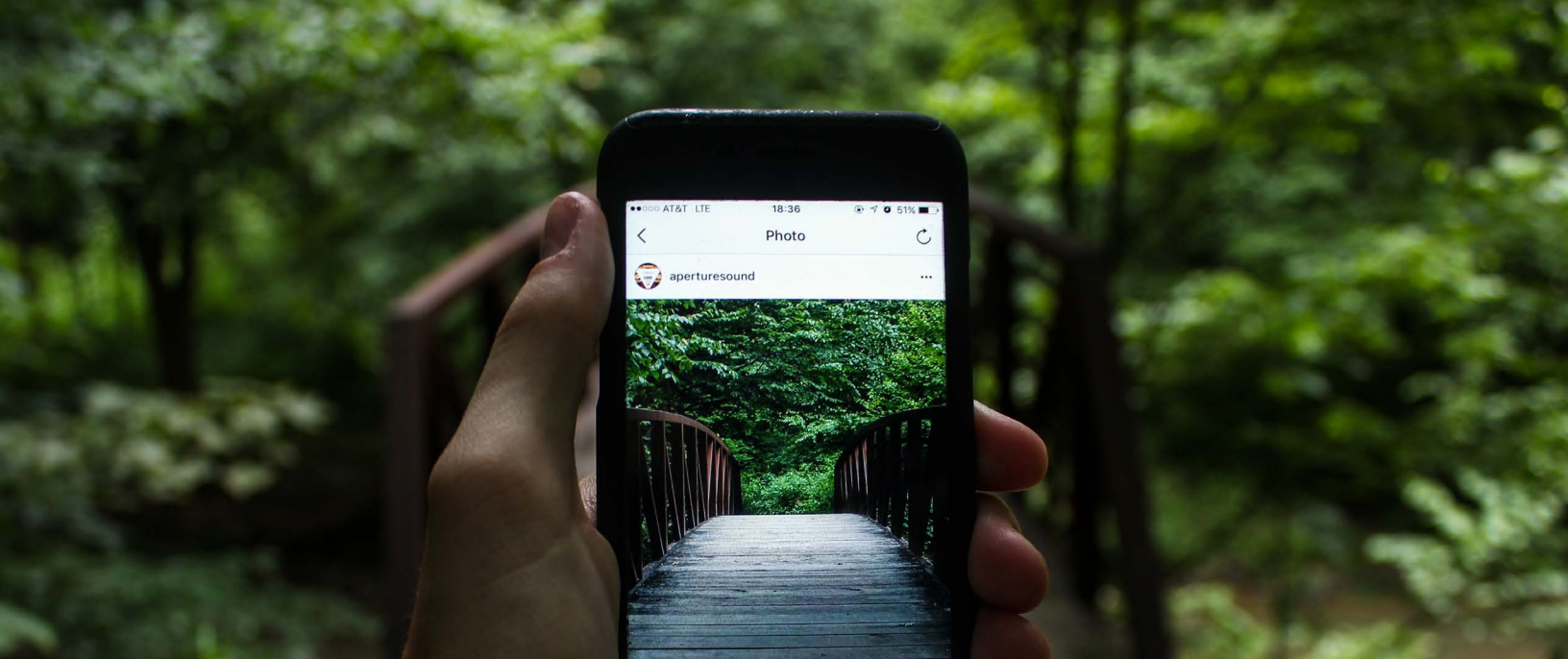


It isn't a simple proposition: understanding the customer journey is hard, and it gets harder the deeper into the journey we travel. Figure 3 illustrates this challenge. More than twice the number of companies measure the impact of social media at the awareness stage (71%) than at the acquisition stage (35%).



This can make the impact of social hard to prove, at least from a direct revenue perspective. Some of the barriers to financial measurement are technical (conversion attribution, data processing, inconsistent tagging, lack of access to data/APIs), some are organizational (silos, lack of access to other dashboards), and some are simply human.

As a result, measurement decisions can be made based on what's common and available rather than on business strategy. While an average of 75% of respondents say they have access to social data, only 26% reported using metrics that tie to business objectives such as those outlined above. The remainder default to "standard activity metrics" or metrics that are "included in their tools" rather than those that measure business impact. This indicates maturity in the spread of social across the business, but immaturity in the ability to activate it for strategic business purposes.



## Unlocking the Value of Social in the Enterprise

Even after more than a decade, organizations struggle with the “right” way to measure the value of social. A strict ROI approach, while highly credible, does not capture the value of interacting with customers over time and across multiple channels and timeframes.

While it’s impossible to dispense with ROI, companies should also look at social as an enabler of the strategic objectives of the business, and consider that there is value in expressing metrics that demonstrate success in addition to direct financial return. For example, respondents of our survey cited “faster decision-making”, “identifying new market opportunities” and “risk management” as additional benefits of social data.

To establish the value of social at an organizational level, we would need to look at key objectives of the business, which often include:



Reducing cost



Improving customer  
experience



Improving  
competitive position



Managing risk

We would then need to look at the impact of social on these business drivers. In that scenario, a measurement framework might look something like this (see Figure 4).

This is not only a way to justify social programs in hindsight, but a set of evaluation criteria to prioritize them in advance.

FIGURE 4: A STRATEGIC VALUE FRAMEWORK FOR SOCIAL MEDIA

	OBJECTIVE	CONTRIBUTION OF SOCIAL	METRICS AND DATA
CUSTOMER JOURNEY	<b>Awareness</b>	Campaigns, content and interactions in social platforms that are positive in nature and increase over time	Website visits, impressions, fans, followers, subscribers, shares, posts, post reach, mentions, retweets, share of voice
	<b>Engagement</b>	Engagement with paid/owned content. Earned content about our brand	Website visits, likes, comments, fans, followers, subscribers, shares, posts, click-throughs, retweets, mentions
	<b>Evaluation</b>	Social signals that convey escalating interaction with brand	Rate of website visits, click-throughs, posts, shares, time on site
	<b>Acquisition</b>	Impact on the sales process	Conversions, downloads, transactions attributable to social content, time to close
	<b>Loyalty/ Repeat Purchase</b>	Impact on the acquisition process demonstrated by conversion attribution plus continued engagement over time	Transactions, LTV attributable to social content, shopping cart/transaction value (social vs other interactions), NPS
	<b>Advocacy</b>	Impact of social sharing on new audiences	Comments, likes, shares with positive sentiment, shares via specific sources
CUSTOMER EXPERIENCE	<b>Customer Service</b>	Impact of social on service rating and drivers	Customer issues resolved in social, call deflection (cost savings), resolution time
	<b>Customer Satisfaction</b>	Impact of social on customer satisfaction	Increases in NPS (partly) attributable to social, customer satisfaction surveys
COMPETITIVE STRATEGY	<b>Competitive Position</b>	Impact of social on competitive position	Share of voice, keywords, drivers with sentiment: insight into competitive drivers
INNOVATION	<b>Time to Market</b>	Impact of social on time-to-market	Comparison of TTM of product improvements and new product offerings sourced via social versus via traditional methods
OPERATIONAL EXCELLENCE	<b>Cost Avoidance</b>	Impact of social on cost savings	Call center calls deflected (rate and cost impact)
	<b>Risk Reduction</b>	Impact of social on risk reduction	Risks (product, employee, corporate) noted/mitigated in social over time
HR/ RECRUITING	<b>Employee Engagement</b>	Impact of social on employee engagement in enterprise social programs	Social (shares, posts, post reach, mentions), employee satisfaction
	<b>Recruiting</b>	Impact of social on time to hire	Time to hire, offer acceptance and tenure of applicants engaging via social channels versus traditional channels



## Taking Action

Following are some practical guidelines for establishing the strategic value of social in your organization.

### 1. PUT SOCIAL IN CONTEXT.

Ninety-three percent of respondents noted that their organization is involved in digital transformation. Establish social as a driver of digital customer experience, and connect with other teams who are seeking to prove the value of digital initiatives. Then find the area with the greatest sense of urgency in the organization. It could be customer experience/journey, revenue generation, risk reduction or innovation. Proving a small use case first can mean a much easier time justifying budget later.

### 2. IDENTIFY TOP BUSINESS OBJECTIVES FOR SOCIAL, AND OPTIMIZE AROUND THOSE.

If impact on customer experience is important, use the data in this report to ideate on the best way to prove customer value throughout the journey. This will be a richer experience if your company has already mapped its customer journeys, but can also be valuable simply to associate “activity” metrics (like mentions, impressions, website visits) with journey stages (awareness, consideration, etc.) to paint a more strategic picture.



### 3. EVALUATE METRICS BASED ON STRATEGIC IMPACT AND ABILITY TO MEASURE.

It's important to look at measurement holistically as a way to establish business value, but some impacts are easier to prove than others. Consider two axes:

- Strategic value; and
- Ability to measure.

If you have a relatively easy way to measure a strategic business outcome such as brand awareness (e.g., your tool supports it, you have the data and you have resources to analyze the results), it goes on the short list. If it is a more challenging metric (for example, the impact of social on customer churn or customer satisfaction), identify the gaps and start building business cases now.

What's important is that you build a path toward measuring the impact of social on real business goals, whether they are related to time to market, customer loyalty, employee engagement, brand reputation, customer acquisition or simply insights gained.

If measuring conversion impact means implementing a whole new attribution system, align with teams with similar agendas. If that's simply not practical, focus more on achievable revenue-related goals, and campaigns with built-in attribution capabilities. Fundamentally, however, the ability to measure or derive insight should be one of your most important criteria when planning initiatives.

### 4. FINALLY, SOCIAL ISN'T A TECHNOLOGY—IT'S TABLE STAKES.

You won't be able to do everything, so spend 80% of your time on areas you are confident will drive value. Then experiment with that additional 20%. It could mean putting some advertising spend behind organic content, experimenting with a new social network or collaborating with colleagues outside your team. Whatever it is, consider it an investment in your company's future—and yours.

## Endnotes

<sup>1</sup> Solis, Brian. “The Definition of Digital Transformation”. January 23, 2017. <http://www.briansolis.com/2017/01/definition-of-digital-transformation/>.

<sup>2</sup> Terpening, Ed, with Littleton, Aubrey. “The 2016 State of Social Business”. November 15, 2016. <http://www2.prophet.com/2016-state-of-social-business>.

<sup>3</sup> Dearden, John, “The Case Against ROI Control”. Harvard Business Review, May 1969. <https://hbr.org/1969/05/the-case-against-roi-control>. As early as 1969, Harvard professor John Dearden questioned the validity of ROI as a measurement of business performance, stating that “these systems, in some respects, encourage division managers to take actions contrary to the overall interests of the company.”

<sup>4</sup> Laney, Doug. “3D Data Management: Controlling Data Volume, Velocity and Variety”. February 6, 2001. <https://blogs.gartner.com/doug-laney/files/2012/01/ad949-3D-Data-Management-Controlling-Data-Volume-Velocity-and-Variety.pdf>. In addition, the data we glean from social media is different from most business data: it is raw, messy and fast-moving. Some is structured (likes, shares, favorites, emoji) and relatively easy to interpret. Some is unstructured (language, images, video, speech) and requires processing before it can be analyzed.

<sup>5</sup> “The 2016 State of Social Business”, Ibid.

## Methodology

Altimeter, a Prophet Company, conducted both qualitative and quantitative analyses, using a combination of survey and secondary sources on social and digital practices. Specifically, we conducted a quantitative study of 404 executives, social strategists, digital strategists, and marketers at business-to-business (B2B), business-to-consumer (B2C) and mixed B2B/B2C companies with more than 1,000 employees. Altimeter, a Prophet Company, conducted this survey in Q2 2017. Survey respondents were sourced from a comprehensive database of senior leaders, business professionals, thought leaders, and C-level executives responsible for marketing and social media programs within their organizations in Australia, Singapore, the United Kingdom and the United States.

## About Susan Etlinger, Industry Analyst

Susan Etlinger (@setlinger) is an industry analyst with Altimeter, a Prophet Company, where she publishes research and works with clients on issues related to data strategy, artificial intelligence, ethics and trust, and the impact of emerging technologies on business and society. Etlinger was named a 2016 LinkedIn top Voice for Technology, and her TED talk on Big Data has been viewed over 1 million times. She has been quoted in media outlets, such as The Wall Street Journal, The New York Times, and BBC.

## About Altimeter, A Prophet Company

Altimeter, a Prophet company, is a research and strategy consulting firm that helps companies understand and take advantage of digital disruption. In 2015, Prophet acquired Altimeter Group to bring forward-thinking digital research and strategy consulting together under one umbrella, and to help clients unlock the power of digital transformation. Altimeter, founded in 2008 by best-selling author Charlene Li, focuses on research in digital transformation, social business and governance, customer experience, big data, and content strategy.

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## About Hootsuite

Hootsuite is the most widely used social media management platform, used by over 16 million people around the globe and trusted by more than 800 of the Fortune 1000. Hootsuite's collaborative ecosystem, world-class training, customer insights, and social DNA help organizations power human connections at scale.

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