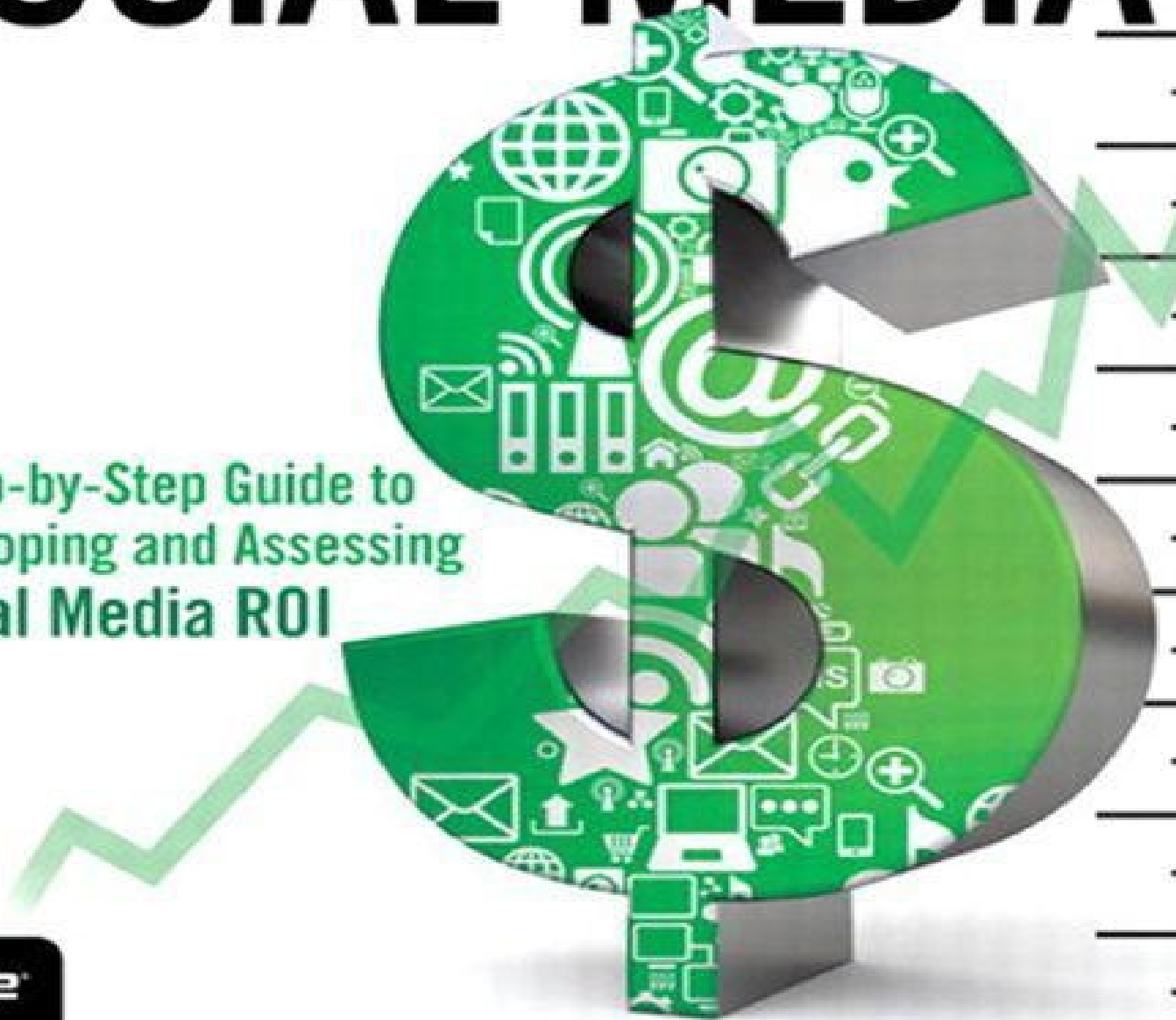


NICHOLE KELLY

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 RO

Nichole Kelly

QUE[®]

800 East 96th Street,
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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Table of Contents

Introduction

I Aligning Social Media with Core Business Objectives

1 Aligning Social Media Strategies to Business Goals

Setting Social Media Goals

Goal 1: Increase Brand Awareness

Goal 2: Generate More Leads

Retaining Your Existing Customers

How Do I Know Which Goal Is Right for My Company?

Goal 3: Increasing Customer Retention

Selecting the Right Social Media Goal

Hands-On Exercise: Selecting a Social Media Goal

Activity 1: Plot Existing Marketing Tactics

Activity 2: SWOT Analysis

2 Aligning Social Media to the Sales Funnel

Where Brand Awareness Fits

Exposure

Influence

Engagement

Action/Conversion

Customer Retention

Hands-On Exercise: Aligning the Funnel with Communications

Activity 1: Chart Existing Communications

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

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

3 Social Media for Brand Awareness

Reality Check No. 1: No One Cares About Your Brand

Reality Check No. 2: You Have Lost Control of Your Brand

Where Brand Awareness Fits into the Funnel

Types of Brand Awareness

Where Social Media Fits into Brand Awareness Campaigns

Where Social Media Fits into Reputation Management

Developing a Measureable Strategy for a Brand Awareness Campaign

Create a Listening Station

Interpret the Conversation

[Why Listening Matters](#)

[Refine Your Brand Awareness Goal](#)

[Define Niches Within Your Target Market](#)

[Define Social Media Channels](#)

[Define Success Metrics](#)

[Define Your Strategy](#)

[Define How You Will Do It](#)

[Flesh It Out](#)

[Developing a Measureable Strategy for Reputation Management](#)

[Develop a Listening Station](#)

[Outline the Types of Reputation Management You Will Focus On](#)

[Create Social Media Accounts Before You Need Them](#)

[Define Success Metrics](#)

[Define Your Strategy](#)

[Define How You Will Do It](#)

[Flesh It Out](#)

[Organize Your Plans](#)

[Hands-On Exercise: Prioritizing Brand Awareness Strategies](#)

[Strategy Evaluation Matrix](#)

[4 Measuring Social Media for Brand Awareness](#)

[Community Manager](#)

[Executive Management Team Metrics](#)

[Translating Social Media for Executives](#)

[Social Media Is Just Another Channel](#)

[Don't Measure Social Media in a Silo](#)

[The Goal of Brand Awareness Campaigns](#)

[Complementary Marketing Channels](#)

[The Goal of Reputation Management](#)

[Calculating Cost per Impression](#)

[Calculating Cost per Engagement](#)

[Calculating Cost per Conversion](#)

[Handling Salaries in Cost Metrics](#)

[Hands-On Exercise: Aligning Social Media Metrics to Metrics That Matter](#)

[5 Social Media for Lead Generation](#)

[Where Lead Generation Fits into the Funnel](#)

[Understanding Social Media Lead Generation](#)

[Handling Social Media Leads](#)

[Soft Leads](#)

[Hard Leads](#)

[Content That Indicates Purchase Intent for HubSpot](#)

[How to Kill the Sale](#)

[Developing a Measurable Strategy for Lead Generation](#)

[Promotional Content](#)

[Informative Content](#)

[Decision-Making Content](#)

[Where Does Lead Scoring Fit?](#)

[Slow Leads](#)

[Medium Leads](#)

[Fast Leads](#)

[Types of Lead Scoring Models](#)

[Optimizing the Path to Conversion](#)

[Defining Success Metrics](#)

[Define Your Strategy](#)

[Define How You Will Do It](#)

[Flesh It Out](#)

[Organize Your Plans](#)

[Hands-On Exercise: Prioritizing Lead Generation Strategies](#)

[Strategy Evaluation Matrix](#)

[6 Measuring Social Media for Lead Generation](#)

[Identifying Lead Potential](#)

[Slowest Leads](#)

[Slow Leads](#)

[Medium Leads](#)

[Fast Leads](#)

[Closed Leads](#)

[Lead Scoring](#)

[Types of Lead Scoring Models](#)

[Points-Based Lead Scoring](#)

[Activity-Based Lead Scoring](#)

[Manual Lead Scoring](#)

[Hybrid Lead Scoring](#)

[It's Okay to Keep It Simple](#)

[Hands-On Exercise: Aligning Social Media Leads to the Sales Funnel](#)

[Hands-On Exercise: Aligning Marketing Lists to Lead Categories](#)

[List Management](#)

[7 Customer Service, Referrals, and Strategies for Increasing Revenue from Existing Customers](#)

[Where Customer Retention Fits into the Funnel](#)

[Understanding Customer Retention](#)

[Developing a Measureable Strategy for Customer Retention](#)

[Provide Customer Service](#)

[Turn Customers into Revenue](#)

[Use Referral Strategies](#)

[Spend More Money at Each Purchase](#)

[Make More Frequent Purchases](#)

[Define Your Goal for Customer Retention](#)

[Listen](#)

[Define Success Metrics](#)

[Define Your Strategy](#)

[Define How You Will Do It](#)

[Flesh It Out](#)

[Organize Your Plans](#)

[Create Planning Documents](#)

[Hands-On Exercise: Prioritizing Customer Retention Strategies](#)

[8 Measuring Strategies for Increasing Revenue from Existing Customers](#)

[Where Customer Revenue Generation Strategies Fit into the Organization](#)

[Finding Your Key Metrics](#)

[Manager Metrics](#)

[Executive Metrics](#)

[Why This Is Going to Be Difficult but Not Impossible](#)

[What If You Can't Separate Customers Who Touch Your Social Media Channels?](#)

[Hands-On Exercise: Finding Customer Retention Metrics](#)

[Getting the Reports You Need](#)

[II Tools for Collecting Metrics](#)

[9 Breaking Down the Barriers to Social Media Measurement](#)

[You Are the Problem](#)

[Standards Are the Problem](#)

[Confusion Between Measurement and Monitoring Tools Is the Problem](#)

[Lack of Maturity in Measurement Tools Is the Problem](#)

[Social Media Silos Are the Problem](#)

[The Path to Conversion Is the Problem](#)

[Your Systems Are the Problem](#)

[Don't Stop Now](#)

[Hands-On Exercise: Finding and Overcoming Your Barriers](#)

[10 Understanding the Dots That Need to Connect to Facilitate End-to-End Measurement](#)

[Why Full Campaign History Is Important](#)

[What Dots Need to Connect](#)

[Is Getting Full Campaign History into Your CRM System Really Possible?](#)

[Finding Opportunities for Integration](#)

[Conducting a System Audit](#)

[Prioritizing Data Initiatives](#)

[Hands-On Exercise: Systems Audit](#)

[System Audit Worksheet](#)

[Finding Integration Opportunities](#)

[11 Measurement Tool Review](#)

[Argyle Social Review](#)

[Overview](#)

[Overall Measurement Features \(3.7 Stars\)](#)

[Reporting Features \(2 Stars\)](#)

[Conversion Reporting \(2 Stars\)](#)

[Expion](#)

[Overview](#)

[Overall Measurement Features \(3.6 Stars\)](#)

[Reporting Features \(3.2 Stars\)](#)

[Raven Tools](#)

[Overview](#)

[Overall Measurement Features \(3.3 Stars\)](#)

[Reporting Features \(2.5 Stars\)](#)

[Social Snap](#)

[Overview](#)

[Overall Measurement Features \(4.3 Stars\)](#)

[Reporting Features \(3.9 Stars\)](#)

[Tracx](#)

[Overview](#)

[Overall Measurement Features \(2.2 Stars\)](#)

[Reporting Features \(3.1 Stars\)](#)

[Summary](#)

[Hands-On Exercise: Measurement Tool Worksheet](#)

[12 A Great Starter Mix of Tools for Less Than \\$10 a Month](#)

[Why HootSuite Pro Is a Crucial Part of the Mix](#)

[Validating Google Analytics Setup](#)

[Integrating HootSuite with Google Analytics](#)

[Start Tracking](#)

[Sample A](#)

[Sample B](#)

[Sample C](#)

[Limitations](#)

[Getting the Data](#)

[Hands-On Exercise: Create a System for Using Custom URL Parameters](#)

[Source](#)

[Medium](#)

[Campaign](#)

[Bonus Tip: Track the Exact Status Update That Drove a Conversion](#)

[13 Creating a Cross-Functional Measurement Dashboard](#)

[Hands-On Exercise: Build Your Dashboard](#)

[14 Tying It All Together](#)

[Hands-On Exercise: Social Media ROI Assessment](#)

[Index](#)

About the Author

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, B2 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.

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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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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 BAKERS 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 estimates that TV ad spending totaled \$68.7 billion in 2010, while newspapers and radio took in \$22 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 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 was 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 success, 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 question, 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 they

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 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 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 the 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.

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, *creativity 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 the 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 anticipate 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 in 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.

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 tougher 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 2011 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.

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?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Does your current report demonstrate how social media affected sales volume, revenue, and costs?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Does your current report illustrate which social media activities are delivering the highest return?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Does your current report help you make better decisions about which activities to increase?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Does your current report help you make decisions about what activities to stop?	<input type="checkbox"/> Yes <input type="checkbox"/> 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 high 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.

I: Aligning Social Media with Core Business Objectives

[1 Aligning Social Media Strategies to Business Goals](#)

[Hands-On Exercise: Selecting a Social Media Goal](#)

[2 Aligning Social Media to the Sales Funnel](#)

[Hands-On Exercise: Aligning the Funnel with Communications](#)

[3 Social Media for Brand Awareness](#)

[Hands-On Exercise: Prioritizing Brand Awareness Strategies](#)

[4 Measuring Social Media for Brand Awareness](#)

[Hands-On Exercise: Aligning Social Media Metrics to Metrics That Matter](#)

[5 Social Media for Lead Generation](#)

[Hands-On Exercise: Prioritizing Lead Generation Strategies](#)

[6 Measuring Social Media for Lead Generation](#)

[Hands-On Exercise: Aligning Social Media Leads to the Sales Funnel](#)

[Hands-On Exercise: Aligning Marketing Lists to Lead Categories](#)

[7 Customer Service, Referrals, and Strategies for Increasing Revenue from Existing Customers](#)

[Hands-On Exercise: Prioritizing Customer Retention Strategies](#)

[8 Measuring Strategies for Increasing Revenue from Existing Customers](#)

[Hands-On Exercise: Finding Customer Retention Metrics](#)

1. Aligning Social Media Strategies to Business Goals

For social media to deliver on core business objectives, you first need to decide which business goals you are trying to accomplish. When you do that, you'll have a list of core metrics you can use to evaluate success. A lot of companies started social media by setting up accounts on Twitter and Facebook and waiting to see what happened. They started listening to the conversation about their brand, their competitors, and their industry on social media networks. They set up a fan page to see who would like it and engage in conversation. They tried different types of content to see what would interest the audience. They relied on the theory of, "If we build it, they will come."

Did others come? Did audiences flock to engage with the brand?

Although some consumer brands found their names strong enough to drive audience engagement, far more struggled to build a following and wound up in a one-way conversation with a disengaged audience. Others saw their accounts become battlegrounds for disgruntled customers who took to social networks to share their displeasure. And even more found themselves listening to crickets. They were swayed to "listen" to the conversation because, after all, people are talking about the brand, and it's their choice whether to be a part of the conversation. For many, that was true. But for far more, it seemed no one was talking. This raised questions for brands about whether they should engage. After all, if no one is talking about the brand, clearly it's not necessary to be there, right? That really depends on what you are trying to accomplish.

Setting Social Media Goals

Every great strategy starts with a goal. Understand your purpose for engaging in social media. Further, understand your purpose for each social media account. If you are on Facebook or Twitter and you don't know what you are trying to accomplish, how it will advance your mission, whether you are reaching your target audience, or how you will provide value to your followers, you probably shouldn't be on Twitter or Facebook. Social media has moved beyond the "try it and see" approach; it's time to get strategic about your presence.

Getting strategic about your social media approach, so you can measure your results, starts with defining your goals (see [Figure 1.1](#)). Marketing has three primary goals: increasing brand awareness, generating leads, and retaining your existing customers. Brand awareness is aimed at generating more exposure and getting more eyeballs on your brand. The goal is to have more people who recognize your brand and know your company's name. Lead generation is about finding more sales and revenue opportunities for your company. It's about using marketing to sell more products or services. Customer retention is about keeping your existing customers coming back for more.

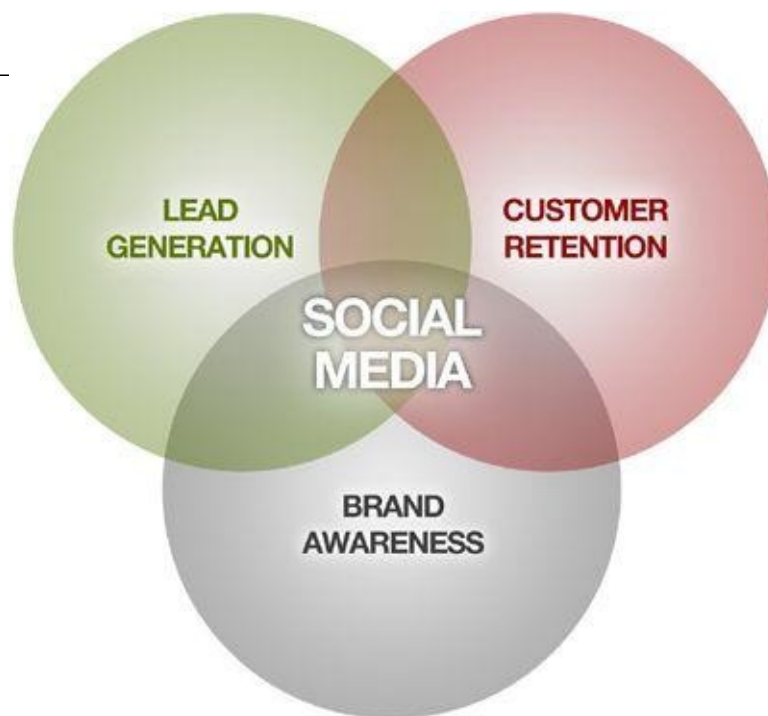


Figure 1.1. Social media helps to achieve three common marketing goals.

You can use social media effectively to accomplish all three of these goals. However, it is difficult to do all three at once unless you have an extremely large marketing budget and extensive resources.

Marketing teams that are trying to do everything at once with social media wind up with mediocrity. You can't be great at everything when you are keeping so many balls in the air. Not to mention that many marketers who are responsible for social media had that responsibility added on to their "real jobs." They're trying to fit the management of those 20 new social media initiatives into their already full-time jobs. Overwhelmed marketers who want to see a light at the end of this extremely busy tunnel start to ask, "What can I take away if social media starts working?" "Can I replace direct mail with social media?" "Can I replace advertising with social media?" "Can I replace PR with social media?"

This book doesn't make a case for social media to replace other marketing channels. Social media is not a silver bullet that will solve your marketing problems. Instead, this book is about maximizing the efficiency of the time you spend on social media to deliver the best return. This book is about showing you how social media complements other marketing channels and about recognizing that social media does not and should not be placed in a silo. Social media can only be successful if you integrate and support it through other marketing channels. When you do this, social media raises the success levels of all marketing efforts and increases your ability to measure and demonstrate that success.

But first, you need to figure out where social media is best positioned to generate success. If you are trying to do everything, you probably are doing it all halfway, which will limit your success. So rather than having that unrealistic list of 20 social media initiatives aimed at achieving all three goals, it is best to pick one goal and be awesome at it. If you are able to effectively move the needle with one goal, it will be much easier to justify asking for the resources to start another initiative.

Goal 1: Increase Brand Awareness

A common goal for social media is to increase brand awareness in your target audience. Social media enables you to reach more people at a significantly lower cost than traditional marketing channels; therefore, it should increase brand awareness and brand recall among buyers who might not

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