



2011 Marketing ROI & Measurement Study

Lenskold Group
Innovating the path to marketing profitability.

Deeper Insights.
Smarter Marketing.
More Profitable Performance.

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*Featuring a special analysis of
Social Media measurement
and ROI practices*

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Introduction and Research Methodology

The *2011 Marketing ROI & Measurement Study* is the 7th annual study conducted by Lenskold Group on this topic. The results are drawn from online surveys with a random sample of 362 marketers practitioners globally (consultants and academics responses were not reported but were generally consistent). Recruitment was completed using MarketingProfs' 300,000+ member base, which is one of the largest global populations of marketing professionals. To maintain high integrity and avoid bias, surveys are not distributed via online postings, e-mail, forums, or personal recruitment. All findings reported are at or above the 95% confidence level.

Access free charts and graphs from this study at www.lenskold.com/2011mROIstudy.

References to the research findings in this report should reference the source as

Source: 2011 Lenskold Group Marketing ROI & Measurement Study.

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Note on survey results: A total of 362 participants qualified with completed surveys; however, since responses to every question were not required, participants could choose to skip some questions. Therefore the base of responses varies by question even though all participants were presented with the opportunity to answer all questions. "Don't know" responses were removed from the percentages reported unless noted.

Executive Summary

The 2011 Marketing ROI & Measurement Study assessed the basic practices of social media measurements in addition to the seventh annual tracking of marketing ROI measurement trends. Charts and graphs supporting these summarized findings can be found in the detailed findings section that follows.

The need to improve effectiveness and integration is making social media marketing measurements a high priority.

Among marketers using social media to promote their business, just over half indicate that social media measurements are a high priority. The majority (65%) indicate the reason measurements are a high priority is the “need to improve effectiveness.” The next most cited reason at 59% was the “need to improve integration with other marketing.”

Social media marketing is gradually playing a greater role in the overall marketing mix. The investment of budget and resources into social media will only grow as marketers prove that this marketing channel can effectively drive incremental sales. The survey findings make it clear that measurements are needed to determine how social media marketing can contribute on its own and through integration with other marketing.

The push for effectiveness is not just coming from the self interests of marketing. Almost half of those marketers indicating that measurements are a high priority reported the “pressure to report quantified outcomes” as a contributing factor.

Marketers still in the early stage of testing and experimenting with social media currently have a low priority for measurements.

Not all marketers have reached the stage where measurements of social media are a priority. Just less than half of marketers using social media marketing indicated that measurements are a low priority – primarily because they are “still testing and experimenting on a small scale” (reported by 39%).

Taking the time to first test and experiment with how a new channel such as social media can perform makes sense. However, this stage should be a high priority for measurements to better evaluate and refine the outcomes from this “experimentation” on a small scale prior to increasing budget levels.

Social media measurement capabilities are lacking strength overall and more so for measures of sales, revenue and ROI.

Marketers were asked to rate the strength of their capabilities to measure several possible outcomes from social media marketing. Surprisingly, less than half of the respondents indicated

a strength in measuring simple outcomes such as “engagement or participation quantities” (just 43%) or “new names generated” (32%).

Only one in five reported strengths in measuring either incremental sales (20%), ROI (19%) or incremental sales (18%) from their social media marketing. This finding of financial outcome measurements seems reasonable given that social media is still in early in its evolution and face legitimate challenges in measuring such outcomes.

Marketers using marketing ROI metrics to assess general marketing have carried this discipline into social media measurements.

With regards to general marketing, 28% of marketers use ROI metrics to assess at least some portion of their marketing investments, while 36% use some financial metrics but not ROI and the remaining 36% use only traditional, non-financial metrics. In a comparison of ROI Metrics Users to Traditional Metrics Users, the overall discipline of ROI metrics shows a clear influence in social media measurement practices. The impact of having marketing ROI discipline is evident in the fact that ROI Metrics Users are more likely to be outgrowing their competitors and more likely to rank their performance as “highly effective and efficient.”

ROI Metrics Users are more likely to be using social media marketing than Traditional Metrics Users. And as expected, ROI Metrics Users carry their measurement discipline into this area, reporting strengths in measuring sales, revenue and ROI at four times the levels reported by Traditional Metrics Users.

Delivering ROI on social media requires measuring the ROI of social media programs.

Measuring overall marketing performance and ROI is a critical practice to manage in order to deliver highly effective and efficient marketing. Social media marketing is reaching a critical mass where it is joining the ranks of other media channels that must demonstrate a return on investment. Measures of social media marketing must go beyond tracking engagement and participation rates which may or may not influence purchase decisions. Social media marketing ROI is dependent on cost-effectively generating incremental sales and revenue, which is achieved through improvements in effectiveness and better integration with the broader marketing mix.

Lenskold Group Recommendations

The need for social media measurements is growing along with the ever-increasing role of social media in the overall marketing mix. Measurements of sales, revenue and ROI are already becoming established within an initial base of marketing organizations. It's clearly time to pursue more robust measurements that will generate the insights necessary to improve social media effectiveness and integration.

The following recommendations are intended to guide *the approach* to measuring social media marketing. For more detailed content on ROI measurement techniques for social media or marketing in general, [subscribe](#) to the Lenskold Group e-newsletter.

A Solid Strategy Comes First

It's amazing how often social media programs are run without a good strategy in place that establishes clear objectives and a vision for how the program should influence specific business outcomes. Measurements should be designed to assess how well marketing efforts performed relative to expectations so stating those expectations must come first.

It's perfectly acceptable for social media marketing to be designed for initial outcomes such as motivating participation and engagement. A solid strategy will outline how and when that initial outcome is expected to influence buying behaviors and generate incremental financial value. Will your contacts provide exposure to or endorsements of your products/services to their social network? How will your social media impressions reach your primary target audience? Will your social media message help potential buyers become more educated on your product/services, increase their purchase intention or provide leads for additional marketing and sales contacts? Your strategy and objectives should guide measurements toward generating actionable insights that can guide marketing decisions toward improved effectiveness.

Get Your Measurement Capabilities in Order

Take a close look at your current measurements and your ability to assess the impact of your general marketing on incremental sales, revenue and ROI. It's better to make sure your overall measurement practices are in order instead of trying to start this process with social media measures. You should understand the fundamentals, such as the financial value of generating new sales or customers, how new contacts ultimately convert to sales, and how engaging or educating potential buyers can influence purchase decisions.

Buyer behaviors are not usually unique to social media, so these types of insights will give you a framework to compare a new social media approach to alternatives. Similarly, if you intend to have social media efforts build your "brand" and are unsure how to measure this, it makes more sense to first establish solid brand measures to use consistently across all forms of marketing.

Measure Smart Using This 4-Point Checklist

Steps that lead to quality measurements in general are very applicable for implementing new measurements for social media. Use this checklist to create smarter measurements.

1. Establish a clear strategy and marketing objectives.

As we established above, measurements must start with the expected outcomes, the strategy for driving those outcomes, and how those initial outcomes contribute to business objectives. It helps to ask the question, “what might we do differently once we get measurement results?” in order to prioritize what gets measured. For example, your response to this question may lead you to compare social media efforts against traditional marketing or measure which type of social media program best reaches your high value target segments.

2. Run basic ROI scenarios with conversion details.

While this is not a required step, it is extremely beneficial to run an ROI scenario that quantifies your expected outcome from the initial contact to the changes in buyer behaviors that follow. If we spend a certain amount of our budget on this social media initiative, what is our best estimate of the financial return and ROI? Even with rough assumptions, running scenarios will indicate which strategy has the best ROI potential. It will also guide you to more specific outcomes that should be measured along the buyers’ path to purchase.

3. Determine data sources.

The social media impact on immediate outcomes and the path to purchase that follow do not always provide trackable data. You’ll need a combination of tracked data and outcome data that is not directly linked to your social media program (such as total sales). Tracked data may include initial actions such as participation or engagement (such as click-throughs to a landing page, Facebook “likes”, or retweets). Your online tracking may include website traffic patterns, content downloads or other actions that follow. In some cases, tracked data may include individual names that can provide tracking through the balance of the sales cycle. But measurements typically have to go beyond pure tracking and rely on analytics to make the connection between social media data and outcome data such as sales, revenue, or leads.

4. Prioritize measurements based on feasibility, resource requirements and benefits.

The list of possible insights to help manage effectiveness is endless while the resources available for measurements are always limited. Measurements must be prioritized based on the benefits derived from improving marketing effectiveness relative to the cost of time and effort. Some low cost measurements are good at providing directional insight but may not address the more significant questions. Invest in more strategic measures when 1) data availability makes more advanced measurement techniques such as modeling or market testing feasible, 2) the insights generated can be actionable to improve effectiveness and 3) the social media programs measured are repeatable and scalable to generate significant returns.

Detailed Findings

1. Marketing ROI Trend Eases While Benefits Remain Strong

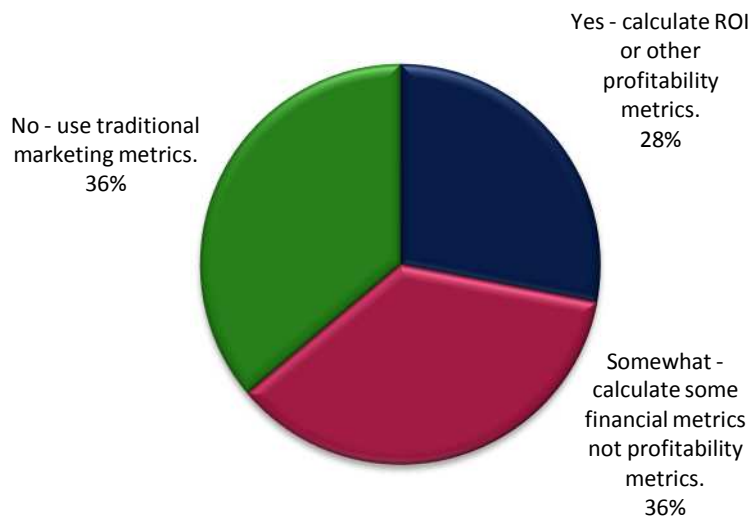
The use of ROI metrics to assess marketing effectiveness is slightly below the 2010 peak but continues to show advantages in growth and higher marketing effectiveness and efficiency.

As shown in Figure 1, just over one-quarter (28%) of firms indicate they are measuring return on investment (ROI) or some other type of profitability metrics to assess at least some of their marketing campaigns (referred to as “ROI Metrics Users” in this report).

The balance of marketers is split evenly between two groups. The first are those who are using some financial metrics such as cost per lead and cost per sale but not profitability metrics such as ROI and NPV (36%). The remaining third (36%) of marketers are those who use traditional marketing metrics but not financial metrics to assess their marketing effectiveness (referred to as “Traditional Metrics Users” in this report). This study will focus on the differences between the two extreme groups - the ROI Metrics users versus the Traditional Metrics Users – since the middle segment responses tend to fall between the two.

Figure 1: 2011 Marketing ROI Metrics Use

Does your firm calculate marketing profitability, ROI (return on investment) or a similar financial measure to assess marketing effectiveness? (n = 346)

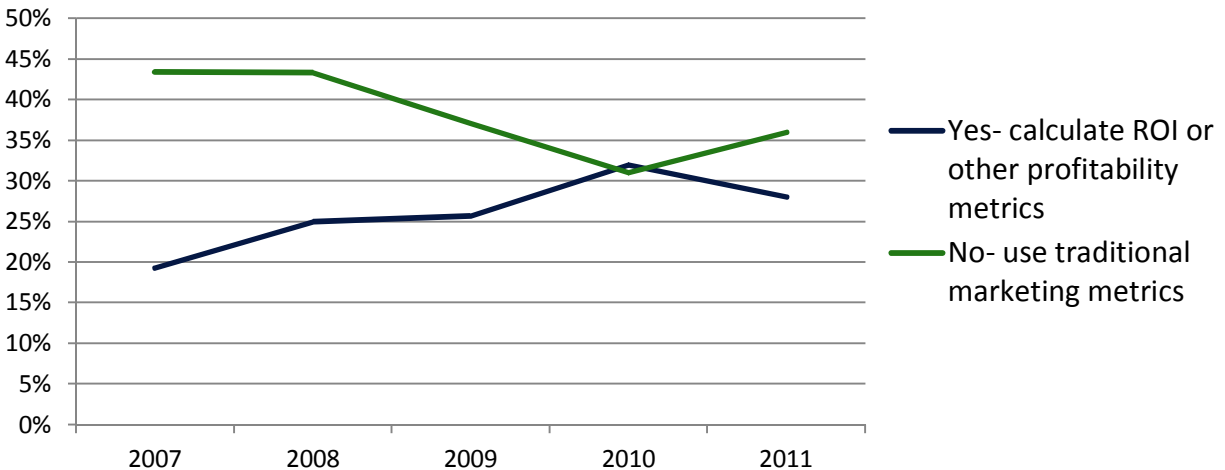


Over the past five years, the gap between ROI Metrics Users and Traditional Metrics Users has just about closed. In the [2009 Marketing ROI & Measurements Study](#), at a time when economic conditions were putting increased pressures on marketing budgets, 65% indicated that the CEO/CFO requirement for marketing to demonstrate a potential return on investment (ROI) as part of securing budget had increased over the prior year. This was followed in the 2010 research with a clear spike in those reporting the use of ROI, which reached 32% and marked the first time ROI metrics use exceeded the use of traditional metrics. See Figure 2 for details.

In 2011, the slight slip back to 2009 levels of marketing ROI use may be due to several reasons. First, the pressure on measuring ROI may have eased up as marketing budgets became less constrained than prior years. But while marketing budgets were being restored, staff levels remained very tight, leaving resource constraints for measurements and ROI analyses. Finally, the prior pressures may have lead some marketers to implement short-term measures for reporting to executives without the commitment to establish ongoing ROI measurement practices to manage and improve marketing effectiveness.

Figure 2: 5-Year Trend in Marketing ROI Metrics Use

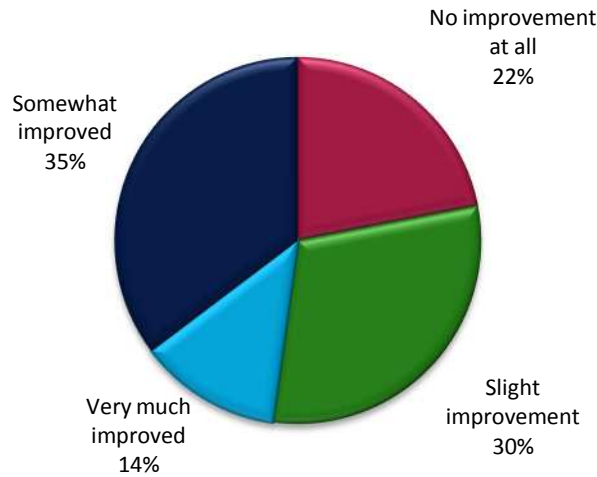
Does your firm Calculate Marketing profitability, ROI (return on investment) or a similar financial measure to assess marketing effectiveness? (n = 346)



Progress and commitment to improve measurement and ROI capabilities continue to be present in most marketing organizations. Overall, 78% of firms indicate they are making at least some improvement in their capabilities to measure ROI. In fact, almost half (49%) are reporting somewhat to very much improved capabilities to measure financial returns and only 22% are making no improvement at all (see Figure 3).

Figure 3: ROI Measurement Capabilities

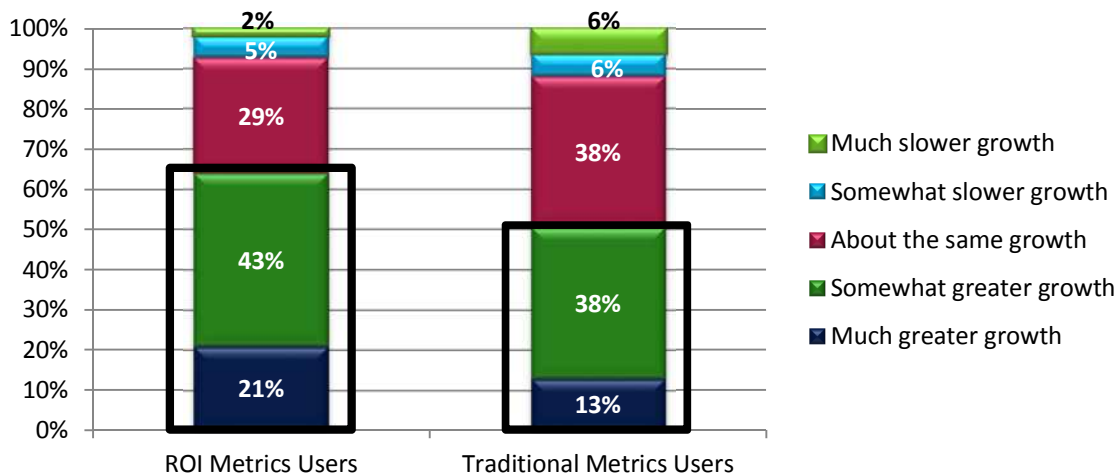
Over the past year, to what degree has your organization improved its capabilities to measure the financial returns (ROI) generated from marketing investments? (n = 360)



Companies with the discipline to manage their marketing effectiveness using ROI metrics have distinct advantages over companies using only traditional metrics. First of all, ROI Metrics Users are more likely to be outgrowing their competitors (a combined 64% indicate greater growth vs. 51% of Traditional Metrics Users), as shown in Figure 4.

Figure 4: Firm Growth versus the Competition

How you describe your firm? (n = 97, 125)

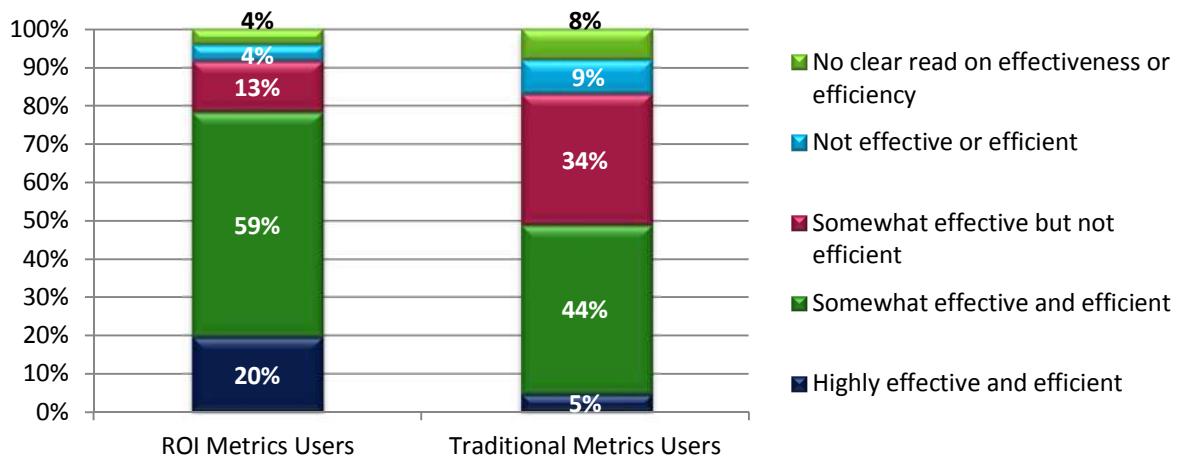


In addition to growth, the discipline of using ROI metrics gives marketers additional advantages in terms of better effectiveness and efficiency in their programs. As shown in Figure 5, 20% of ROI Metrics Users indicate that their marketing programs are considered “highly effective and efficient” versus just 5% for Traditional Metrics Users. When combined with the somewhat effective and efficient category, the gap between ROI Metrics Users and Traditional Metrics Users jumps to 30% (combined totals of 79% vs. 49%).

The category of “somewhat effective but not efficient” typically reflects measures of marketing outcomes that are good for comparisons of effectiveness (response rates, web traffic, etc.) but lack a financial comparison such as ROI that also considers the cost of generating such outcomes.

Figure 5: Marketing Effectiveness and Efficiency

Which statement best describes your marketing effectiveness and efficiency? (n = 97, 125)



The analysis of social media measurements findings that follow for the balance of this report will look closely at how this segment of ROI Metrics Users with higher performance and growth differs from Traditional Metrics Users.

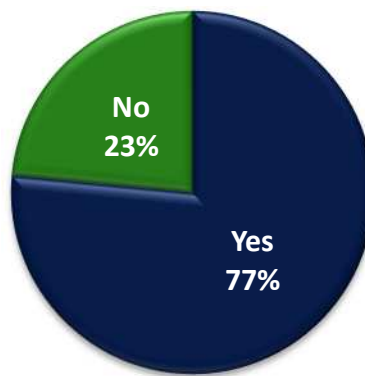
2. Social Media Marketing & Measurement Adoption

Measurement capabilities for social media marketing are not yet considered a strength even for basic tracking measures such as engagement and lead generation.

Roughly 3 in 4 marketers (77%) are using social media to promote their business, as illustrated in Figure 6, and this does not vary by business size. As social media use is becoming more prevalent in marketing plans of companies today, measurement needs evolve as well. The survey findings reveal key insights into the measurements of this evolving channel, especially in the comparison of ROI Metrics Users and Traditional Metrics users.

Figure 6: Overall Social Media Use

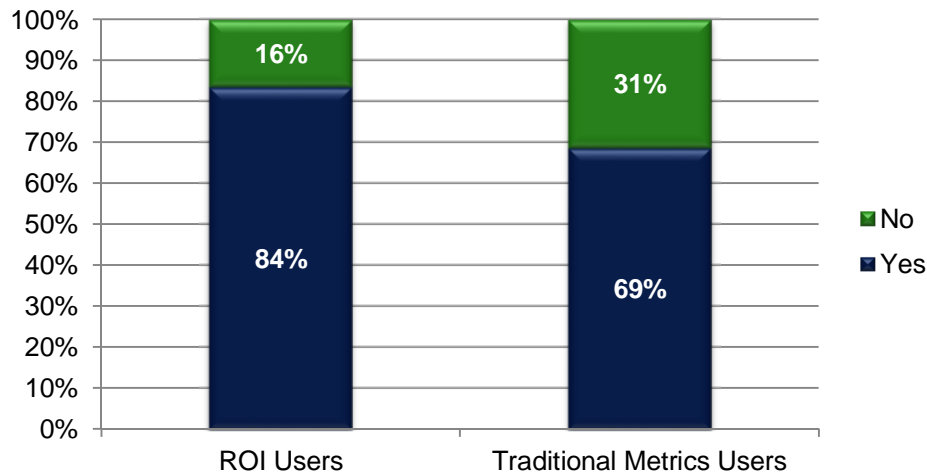
Is your marketing team using social media such as Facebook, LinkedIn, Twitter, Slideshare, mobile marketing or podcasting to promote your business? (n = 362)



A closer look into the use of social media marketing reveals that 84% of ROI Metrics Users are using social media in their marketing efforts as evidenced in Figure 7. Although Traditional Metrics Users are adopting the practice (69%), it appears that Traditional Marketers tend to generally lag behind, whether it is the use of a new channel or more advanced metrics.

Figure 7: Overall Social Media Use

Is your marketing team using social media such as Facebook, LinkedIn, Twitter, Slideshare, mobile marketing or podcasting to promote your business? (n = 97, 125)



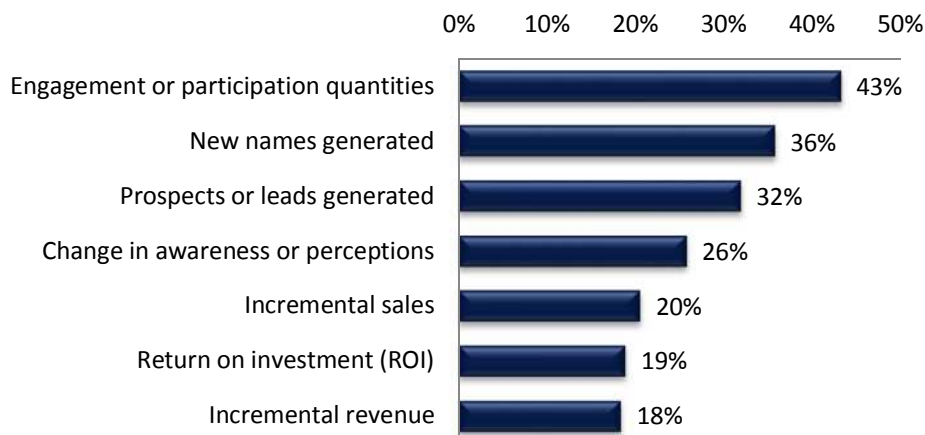
In terms of the measurement of social media, much has been written regarding the topic. Clearly, measuring trackable outcomes such as engagement or leads will come more easily while measuring the impact on sales, revenue and ROI require more effort and sophistication. In order to gauge social media measurement capabilities, the respondents were asked to rate their strengths on a five-point scale, with a rating of five being “excellent”. Interestingly, no more than half of the respondents, 43% at best, indicate they have strengths (top 2 ratings) in any one measurement capability for social media outcomes. See Figure 8 for details.

The capability to measure engagement or participation from social media marketing ranked highest at 43%. Strengths in the measurement of new names generated ranked second and was cited by just over one-third (36%) of the respondents. Measuring prospects or leads generated (32%) rounds out the top three strengths. The fact that these three strengths rank at the top makes sense in that they are the easiest to measure. However, it is surprising that they are not rated as a strength by a greater majority.

Perhaps not as surprising is the fact that the measurement of financial returns of social media still lags behind, with no more than 20% reporting any of the big three – incremental sales, incremental revenue and ROI – as a strength (see Figure 8). While these outcomes are ranked lowest, seeing one in five respondents report measurement strengths for each should be encouraging, especially given that social media is still a relatively new channel. Marketers should look to this proven success to acknowledge that such measurements are attainable with the right discipline and resources.

Figure 8: Social Media Measurement Strengths Overall

How would you rate your ability to measure the following outcomes from social media marketing on a scale from "1" poor to "5" excellent?? (n = 277)

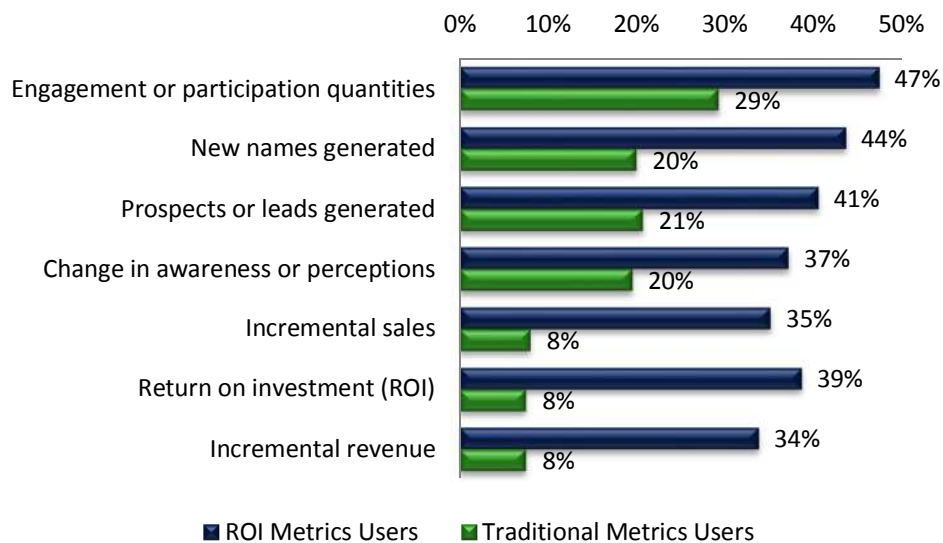


As illustrated in Figure 9 below, the top three strengths for ROI Metrics Users do not differ from Traditional Metrics Users; however, across the board ROI Metrics Users are stronger in their capabilities to measure outcomes from their social media programs. What is interesting is that even among the group of ROI Metrics Users, there are still less than half (47%) that cite a strength in measuring engagement or participation. For this group, engagement tracking should be easy and worthwhile as part of a diverse set of measurements, even if less important than measuring financial outcomes.

In terms of the measurement of the key financial metrics, ROI users remain much further ahead than Traditional Metrics Users, even though Social Media ROI measurement has its challenges. In terms of incremental sales, 35% of ROI Metrics Users cited this as a strength compared to just 8% for Traditional Metrics users. As for ROI and incremental revenue, ROI Metrics Users rate these quite high as well – 39% and 34% respectively – compared to 8% each for Traditional Metrics Users. These strengths among this segment of marketers illustrate that challenges can be overcome to make social media ROI measurement possible when the discipline and practices of marketing ROI measurement are in place.

Figure 9: Strengths of ROI vs. Traditional Metrics Users

How would you rate your ability to measure the following outcomes from social media marketing? (n = 81, 86)



3. Drivers of Measurement Priorities

Measurements are a high priority to improve social media marketing effectiveness and integration with other marketing – as well as to address the increasing executive pressure to report quantified outcomes.

For those marketers who identified themselves as Social Media users, more than half (55%) place a high priority on the measurement of their social media efforts, as shown in Figure 10.

Figure 10: Social Media Measurement Priority

Is the need to measure the impact and contribution of social media marketing in 2011 a high or low priority for your organization? (n = 277)

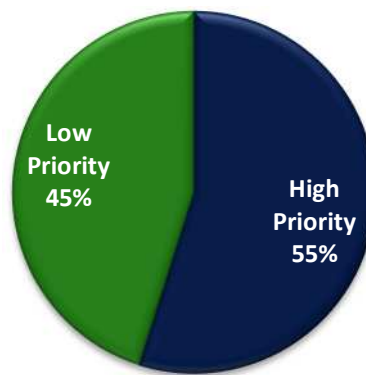
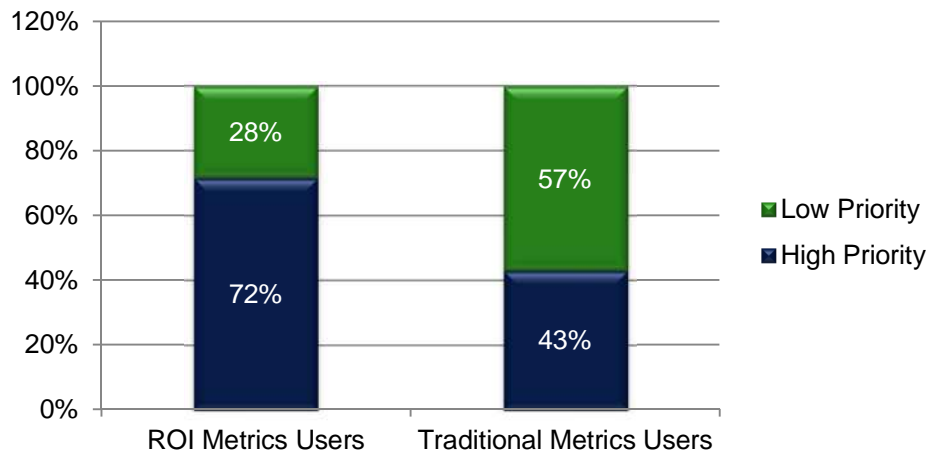


Figure 11 illustrates that ROI Metrics Users are more likely to consider social media measurements a high priority compared to Traditional Metrics Users (72% vs. 43%) This represents a significant gap of almost 30% between the two groups.

Figure 11: ROI vs. Traditional Metrics Users - Social Media Measurement Priority

Is the need to measure the impact and contribution of social media marketing in 2011 a high or low priority for your organization? (n = 81, 86)

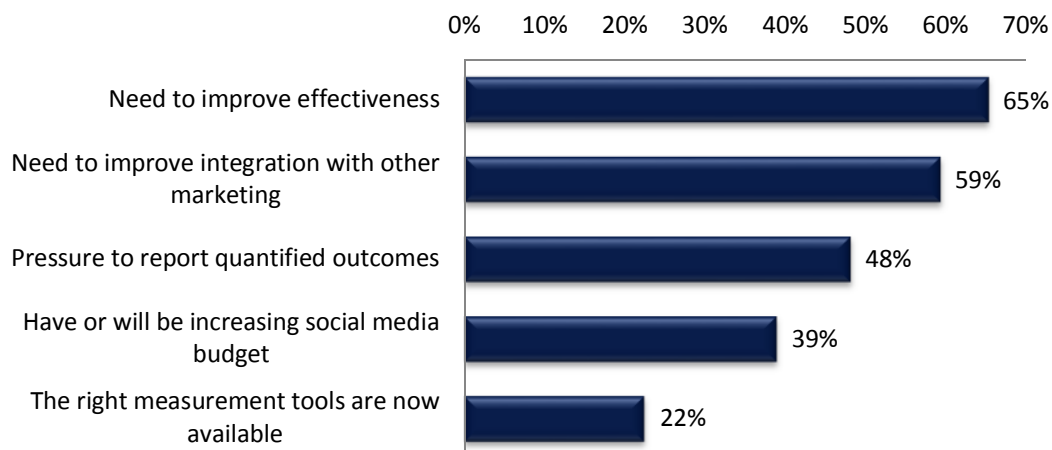


For social media users that indicate measurements are a high priority, the top reason for the high priority was the need to improve effectiveness of their social media marketing at 65%. This was followed by the need to improve integration with other marketing (59%) and the pressure to report quantified outcomes (48%). These responses suggest that an initial period to run social media programs on an experimental basis without expectations for specific results has come to an end for some companies. Social media must become an effective part of the overall marketing mix and be strategically integrated so its contribution works in conjunction with other marketing to generate financial value.

While not as high as other reasons, there are still 4 in 10 marketers that indicate their increasing social media budget is part of the reason for more measurements. Effectiveness is critical prior to scaling any channel, especially if it draws funding away from other forms of marketing. In addition, 22% of marketers are pursuing measurement based on access to better tools.

Figure 12: Social Media Measurement High Priority Reasons

Which of the following reasons explains why social media measurements are a high priority? (n = 152)



ROI Metrics Users were compared to Traditional Metrics Users and overall, the rank order was similar. While the base number of respondents was too small for statistical significance, directionally, ROI Metrics Users were more likely to cite the availability of the right measurement tools (29% vs. 19% for Traditional Metrics Users), suggesting that they are more attentive to measurement tools and techniques.

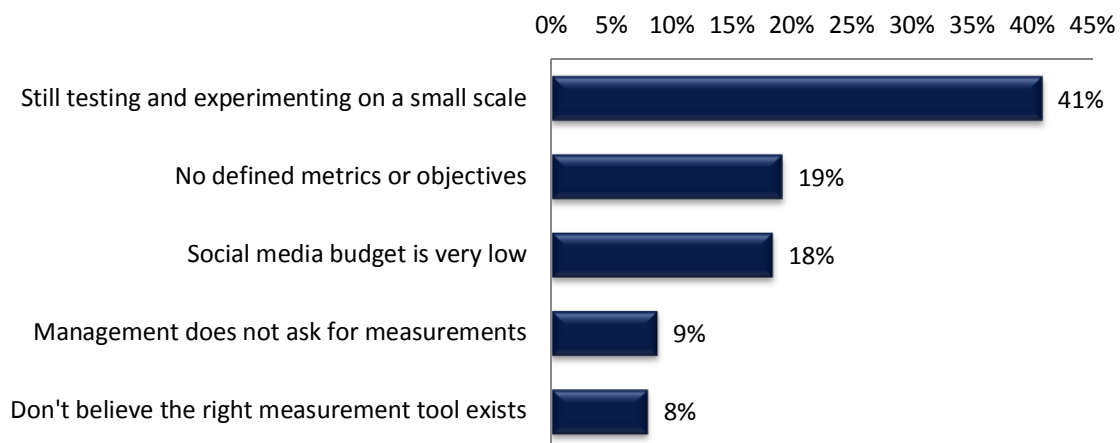
In terms of marketers who prioritize the measurement of social media marketing as low, the primary reason cited for its low priority was the fact that they were still testing and experimenting on a small scale (41%) as shown in Figure 13. The drop off to the next reason is quite significant, with 19% citing a lack of defined metrics or objectives as being an issue and 18% reporting that their social media budgets were very low.

With any new media channel, there will be a period of testing and experimenting to understand customer response and the ability to align to marketing and business goals. The fact that one in five (19%) indicate they are actively using social media without defined metrics or objectives suggests a “follower” pattern where marketers (or company executives) find it necessary to participate because everyone else is doing it.

In this initial phase of experimentation, clear objectives accompanied by metrics and measurements are extremely important to avoid wasting resources and time in the learning curve of developing effective social media programs. Measurements should provide insight into outcomes as well as gaps that should be addressed to improve integration and effectiveness prior to increasing the social media budget.

Figure 13: Social Media Measurement Low Priority Reasons

Which of the following reasons explains why social media measurements are a low priority? (n = 125)



ROI Metrics Users were compared to Traditional Users for directional findings where the base was too small for statistical differences. Again, the top three reasons why social media measurement was a low priority remained consistent. The key difference however is that ROI Metrics users are less inclined to cite defined metrics or objectives as being an issue when compared to Traditional Metrics users (13% versus 24% respectively).

Participant Profile

The following charts show the profile of the survey respondents included in the analysis.

Figure 14: Region

In which geographic region is your business based? (n = 362)

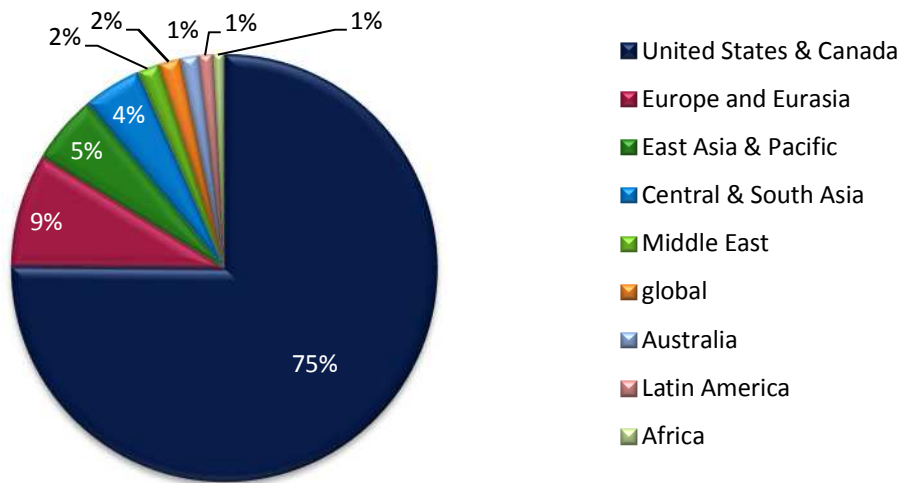


Figure 15: Company Size based on Annual Revenue

Approximately how much annual revenue did your business generate last fiscal year (for government and non-profit groups, please use your expense budget)? (n = 362)

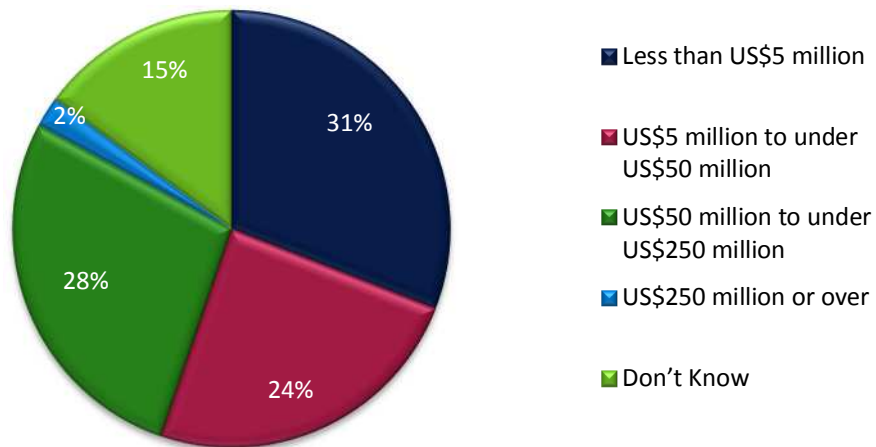
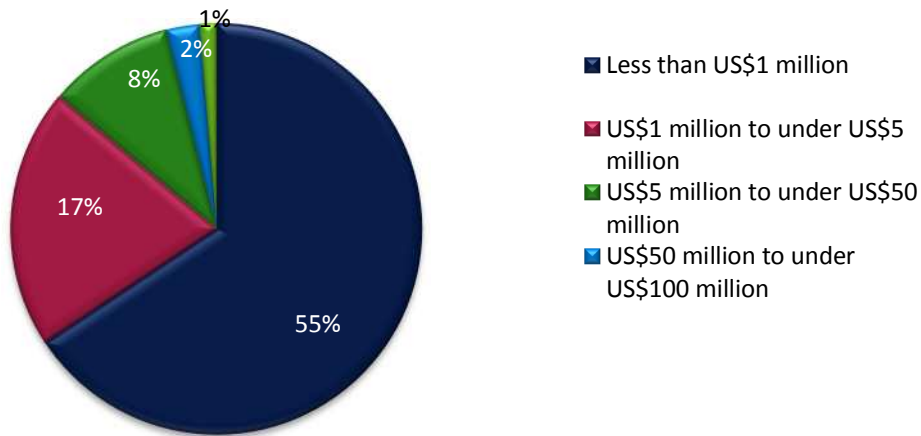


Figure 16: Annual Marketing Budget

Approximately how much did your company spend on marketing, advertising and sales activities in your prior fiscal year? (n = 303)



About the Author

Lenskold Group delivers deeper insights that lead to smarter marketing and more profitable performance. Lenskold Group offers one of the most comprehensive and innovative approaches to applying marketing ROI techniques and tools to plan, measure and optimize marketing strategies toward maximum profitability. Since 1997 the firm has delivered high-quality consulting and marketing services to generate profitable growth for a broad range of Fortune 500 and emerging mid-market client companies such as MasterCard, Kodak, EMC, AT&T, Seagate, Siemens, Nintendo, Constant Contact and MD Anderson Cancer Center.

With a world renowned reputation for championing best practices, Lenskold Group utilizes a diverse set of advanced ROI measurement tools, techniques and processes including modeling, CFO-quality financial analysis and strategic decision support. Each engagement results in immediate short-term benefits, a degree of lasting impact on both the mindset and processes of the marketing organization, and a path to additional sources of long-term success. With a team of senior consultants who have extensive backgrounds in profitability management, promotional response models and in-depth analytics, Lenskold Group offers 360-degree customized solutions for measuring and improving marketing ROI.

In addition to client engagements, Lenskold Group is recognized globally as a leading thought leader on marketing ROI and measurements. Company founder Jim Lenskold is the author of the award-winning book, "Marketing ROI, The Path to Campaign, Customer and Corporate Profitability" (McGraw Hill) – named one of the top five most influential marketing books of 2004 by the American Marketing Association Foundation.

Lenskold Group's senior team of experts are frequently interviewed, called upon to author articles and address industry groups throughout the U.S. and internationally on the subject of marketing ROI and measurements. Lenskold Group regularly hosts webinars, publishes a "CMO Guide" white paper series and conducts the most extensive research on Marketing ROI & Measurements annually since 2005.

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