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Good Growth's Social Media Effectiveness Report

Brands are struggling to justify rising social media prices

AUGUST 2017

Executive Summary

Welcome to our fourth report on the commercial effectiveness of investing in social media marketing.

In this report, we continue to highlight the paradox of an inexorable shift in marketing budgets from other channels into social media marketing, (Facebook generated \$26bn in ad revenue last year, up 57% from 2015¹), even though there is still little evidence of its effective commercial return.

This is especially true, when you compare social to digital platforms and also non-digital channels such as television. The contentious issue in this is around measurement: both what to measure and how to measure it. On the positive side there is just as much credibility in measuring consideration impact in social as there is in channels such as outdoor, print and TV/radio. Whilst there is little evidence of a disciplined approach as there is in TV/Cinema through tools such as

¹ <http://www.campaignlive.co.uk/article/facebook-ad-revenue-rockets-57-26bn/1422945>



'U&A' trackers it is perfectly possible to apply these and some brands are doing this. Much more difficult is the challenge brands face in measuring the conversion impact of social media. Identifying the revenue resulting directly from investment into social channels continues to be extremely difficult. Just like the media trying to predict the British Summer, despite headlines citing a heatwave, the reality is often short lived and disappointing.

The most worrying piece of data from our research over the last six months is that 67% of marketers are optimistic that they will be able to measure social in the next two years but that 50% will increase their resource and budget for this in the next twelve months.¹ We have to ask, why plan to increase investment before you can measure its impact?

Here are some other key points from some of the studies covered in this report:

- 33% of marketers are tracking sales on social (Immediate Futures, April 2017) but not always successfully, making it difficult to track ROI.
- 69% of users have security concerns regarding payments and personal details through social channels.²
- Agency group WPP continue to underweight investment in social over search despite the time spent by consumers on social media on the basis of commercial effectiveness.³
- In the only comparative test in the public arena FMCG giant Unilever identified that TV advertising is still the most effective medium for them, with an average return of £1.79 for every £1 spent.⁴
- c. 43% of CMO's asked 'haven't been able to show impact [of social] yet'.⁵

¹ <http://www.thedrum.com/news/2017/04/07/more-half-b2b-marketers-struggle-measure-value-social-media-0>

² <http://internetretailing.net/2017/02/omni-channel-sales-throttled-shoppers-wont-buy-sms-social-chat-despite-loving-mobile-apps-email>

³ <http://www.itproportal.com/features/proving-the-value-of-social-the-marketers-dilemma>

⁴ <http://www.marketingweek.com/2017/03/16/unilever-digital-display/>

⁵ <http://www.marketingweek.com/2017/03/16/social-media-spend-failing-live-expectations/>

” **The challenge of measuring the effectiveness of social channels remains the biggest barrier to success**



2.1 Brands claim social media investment is leading to an increase in direct sales

In April 2017, an article in [Josic](#) offered some clear examples of where social media spend has been linked to sales. For example, Sony announced in February that its Twitter efforts had earned an extra £1 million in sales and Dell's statement in June last year said its presence on Twitter accounted for a \$3 million increase in sales. The article claims that social media can contribute to an increase in sales, as a tweet can have a continuous impact and the ability to reach millions of people, whilst a TV advert can only reach those who are watching at that moment.

The problem with these sorts of claims are twofold: first, there is no direct comparison of the quoted social media impact statistics to other forms of marketing and secondly, there is also a questionable assertion that traditional advertising has an inability to reach a wider audience. Whilst the number of re-tweets or shares may be tangible, the value of physical word of mouth for a television or cinema commercial however is known to be significant, plus it extends into the vast majority of consumers who do not have Twitter accounts.

2.2 More than half of B2B marketers struggle to measure value of social media

In contrary to the claim that social media is increasing sales, a report on social media measurement in [Immediate Future](#) found that only 33% of marketers surveyed are tracking sales on social. It also found that more than half of B2B marketers don't rate their ability to measure social at all. Despite this, the article claims that social is proving lucrative as it has driven sales upwards of £50,000 per month for 4% of the 150 senior marketers surveyed. The survey also finds that 67% of marketers are optimistic that they will be able to measure social in the next two years and that 50% will increase their resource and budget for this in the next twelve months.



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The Impact of Social Media in 2017

2.3 Shoppers are still reluctant to buy through social or mobile channels

The claims that brands intend to increase their investment in social media, are however, out of sync with shoppers. According to [Aspect Software](#), consumers are worried about buying through social media due to security fears. Its survey published February 2017, found that browsing and research was more often than not carried out through social media but the end purchase was completed elsewhere, either in store or directly through the organisations website. The reasons behind this was found to be due to security concerns over payment and personal details, with 60% of survey respondents holding concerns over the social media channels being at risk of phishing attempts or fraudulent profiles.

These security fears are a real hurdle for retailers trying to sell through social. The perception that social is a channel that is more insecure than traditional ecommerce journeys will be a difficult one to challenge.

2.4 So is there an urgency to look at the value of social?

 [Source link](#)

It seems that there is still a long way to go in showing the worth of social media. Despite stating that 20% of time is spent online on social, IT Pro Portal in October 16, claimed that most businesses are investing in advertising and media spend elsewhere. Global advertising agency group WPP are quoted as spending close to three times more on search marketing than social media..



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The Impact of Social Media in 2017

2.5 Brands cannot ignore the impressive ROI of non-social channels

 [Source link](#)

According to Marketing week in March, Unilever is planning to allocate more of its shopper marketing budget into digital display, after taking part in a study that has proven the ROI of spending money online. The study used a range of messages across digital ads to see the impact it had on consumers and the results highlighted that online displays have a higher ROI than expected. However, the ROI impact was most effective on TV advertising, delivering an average return of £1.79 for every £1 spent.

This reminds us that traditional advertising channels still have a role to play in the consumer's consciousness and should not be overlooked, but the study also show us the limitations on measuring the accuracy and the impact of social media as part of any digital channel strategy.

2.6 So why is social media failing to live up to expectations?

 [Source link](#)

A study by Adestra found that SEO and social media are some of the most effective, but also the most difficult marketing tactics to execute. Just under half of marketers who took part in the survey felt social media was the most effective tactic. However, email marketing scored the highest, as 61% of marketers voted that it was the most effective tactic and was also easier to execute than social media. The survey further asked what marketers felt the most important goals were for digital marketing strategy, interestingly 57% felt this was lead generation whereas 47% voted for increasing conversion rate. Only 28% of marketers felt that the barriers to digital marketing success were owing to an inadequate data/lead quality, whilst the majority felt it was an inadequate marketing budget.

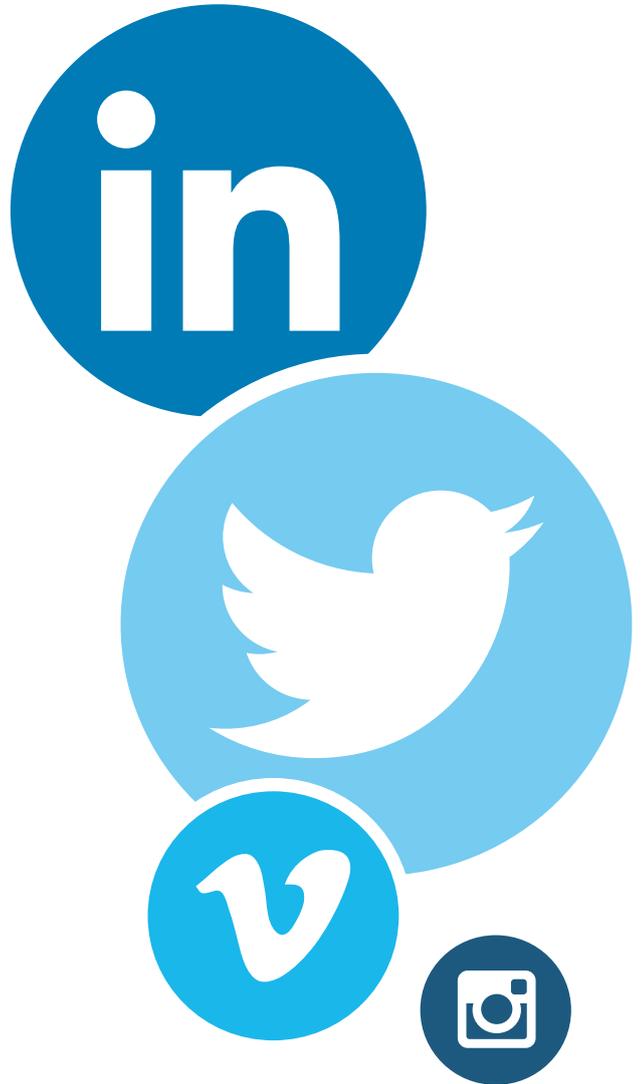
This article follows the similar pattern to the rest of our research and fails to demonstrate an empirical link between social media and conversion rate. There is a suggested trend but no hard evidence.



5 Collateral Damage

Since our last report, there has been a significant increase in focus being placed on the locations where ads are appearing as well as interrogation being placed towards the content being shown alongside the paid content. In recent months, this started being an issue for display advertising, especially that part of it associated with programmatic activity, however it has now started to generate concerns in social media marketing, especially on YouTube.

As a result of ad placements alongside extremist content, several large brands have pulled their paid content. In March, French advertising company Havas paused its UK ad spend on YouTube, quoted to be worth £35m per year between its 240 clients including the BBC and Royal Mail.¹ This is what we call 'bad company risk'. Until social channels become better equipped in monitoring the content they are hosting, there will continue to be a concern around the use of these channels to promote brands where there is a reputational risk and there is the potential that spend will begin to slow.



¹ https://www.theregister.co.uk/2017/03/20/ad_boycott_hits_google_in_the_wallet/

6 Overall Conclusion

It is clear that many commercial leaders are still looking to social media to drive increases in revenue. However, the effectiveness of these investments continues to be intangible and there is nothing out there that demonstrates superior conversion returns against other digital channels.

So, what are the insights from the last six month's research worth noting and the actions worth considering?

Insights

- Social media spend continues to increase with no slowdown on the horizon
- The challenge of measuring the effectiveness of social channels remains the biggest barrier to success
- As it is placed further under the spotlight, the security of social channels is being interrogated and consumers still have doubts about its safety
- The 'Jihadi effect' could soon put a bigger break on social spending if platforms don't demonstrate their effectiveness in dealing with extremist content, but also any unwanted content

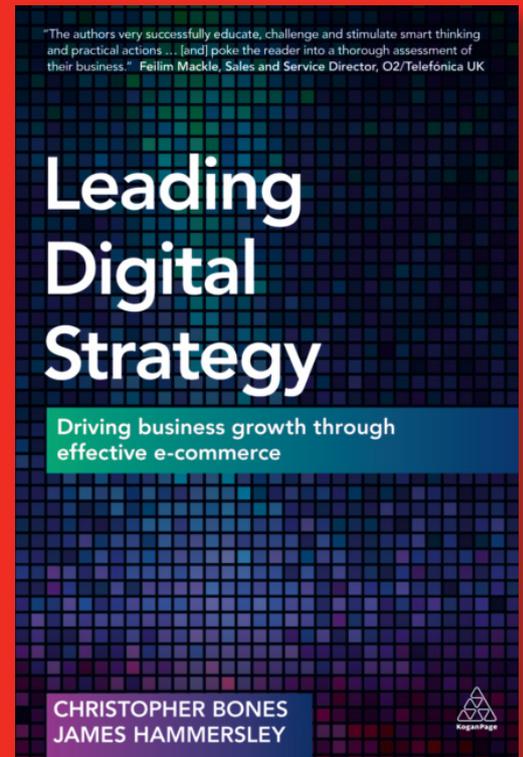
Actions

- If you are investing significant sums in social to drive either 'consideration' or 'conversion' then demand to know what the focus is, be clear on the measures and look at the outcomes in comparison to other choices. Just because consumers are there doesn't mean they want you there too, almost two thirds of Britons don't want brands appearing on Facebook, Twitter and other social networks.¹
- Make sure that you are convinced that purchasing from you through the social channel is safe and secure.
- Understand where your content is being posted and shared – you don't want to unintentionally appear alongside extremist or any other inappropriate content that will damage your brand reputation.

¹ <https://www.theguardian.com/media/2011/nov/10/uk-facebook-twitter-brands-marketing>



About The Report



Good Growth work for clients who realise that what they are doing just isn't working for them anymore. They know they have to engage with or initiate changes that can re-ignite their organisations to move forward and grow. That's why they come to us.

This report is the result of a review of all key research available at the time of writing. The identification of key themes and analysis of the available data is undertaken by the research team at Good Growth Ltd.

To find out how Good Growth can make your business grow, call us now on +44 020 7183 0964 (EU) / +1 646 417 8444 (USA) or email enquiries@goodgrowth.co.uk



Praise for Leading Digital Strategy

“For businesses to thrive in today’s markets they need to engage effectively with digital. This book provides an effective framework that helps leaders drive their digital efforts in the right direction. It offers a blueprint that many leaders will find invaluable.”

Paul Walsh – Chairman, Compass Group, former CEO, Diageo

“Wake up and smell the differences in the digital world we now find ourselves in! Chris and James very successfully educate, challenge and stimulate smart thinking and practical actions. In particular, the excellent ‘killer questions’ poke the reader into a thorough assessment of their business.”

Feilim Mackle – Sales and Service Director, O2/Telefonica UK

“The speed of evolution in digital business is accelerating. However digitally savvy you may be, this is a useful blueprint for business leadership in the digital age.”

Doug Johnson-Poensgen – former Managing Director, Corporate Banking, Barclays Bank

“This is for the executive who sees the opportunity in digital but who is frustrated or daunted by the practicalities of execution. Leading Digital Strategy provides us with a response, refreshingly framed in terms of the fundamental management and leadership disciplines required. It is a confidence-inspiring guide that reminds us that it is not technology, but established business best practice that drives success in the digital world. I wish I had read a copy three years ago.”

Alan South – former CEO, IDEO Europe

“Moore’s law is not changing what is done in economy, but it is very significantly changing how things are done. e.g. If you take modern cars today, more than 50% of the budget for new car is software. The same principle applies for selling products and services. Leading Digital Strategy is a must-read for those who want to stay relevant in the 21st century through strong e-commerce.”

Jan Mühlfeit – retired Chairman, Microsoft Europe

“A must-read for leaders of all levels, Leading Digital Strategy provides a clear leadership blueprint to ensure full commercial advantage is extracted from e-commerce strategy. It demystifies an area that most business leaders over thirty don’t get. I believe most Boards would benefit from reading this too as it clearly pinpoints the key questions to ask to ensure value for money and the collection of key customer insights to underpin organisational strategy for the future. It is a handbook you will return to again and again.”

Helen Pitcher – Chairman, Advanced Boardroom Excellence Limited

“A book that de-mystifies ‘digital’ for business leaders. No longer can senior business leaders afford to simply delegate digital leadership in their business, and this book provides a practical blueprint by which leaders can measure, monitor and drive their business irrespective of their technical knowledge – or lack of it!”

Craig Hamer – Joint Managing Director, Dews Motor Group

“This is a book for commercial leaders who are looking for a blueprint to drive their e-commerce strategy. It pulls together the key drivers for digital success into a handbook that is straightforward and easy to read. It will persuade you that e-commerce is an organisational more than a technical challenge.”

David Langridge – Group Marketing Director, Fitness First

“As business leaders we face ever increasing complexity, including the changing nature of our customers and colleagues, and how they expect to engage with our business. This book tackles both areas, enabling leaders to develop a digital strategy, while successfully challenging us on how to create the right culture to achieve it.”

Steve Murrells, Chief Executive – Retail, The Co-operative Group
