

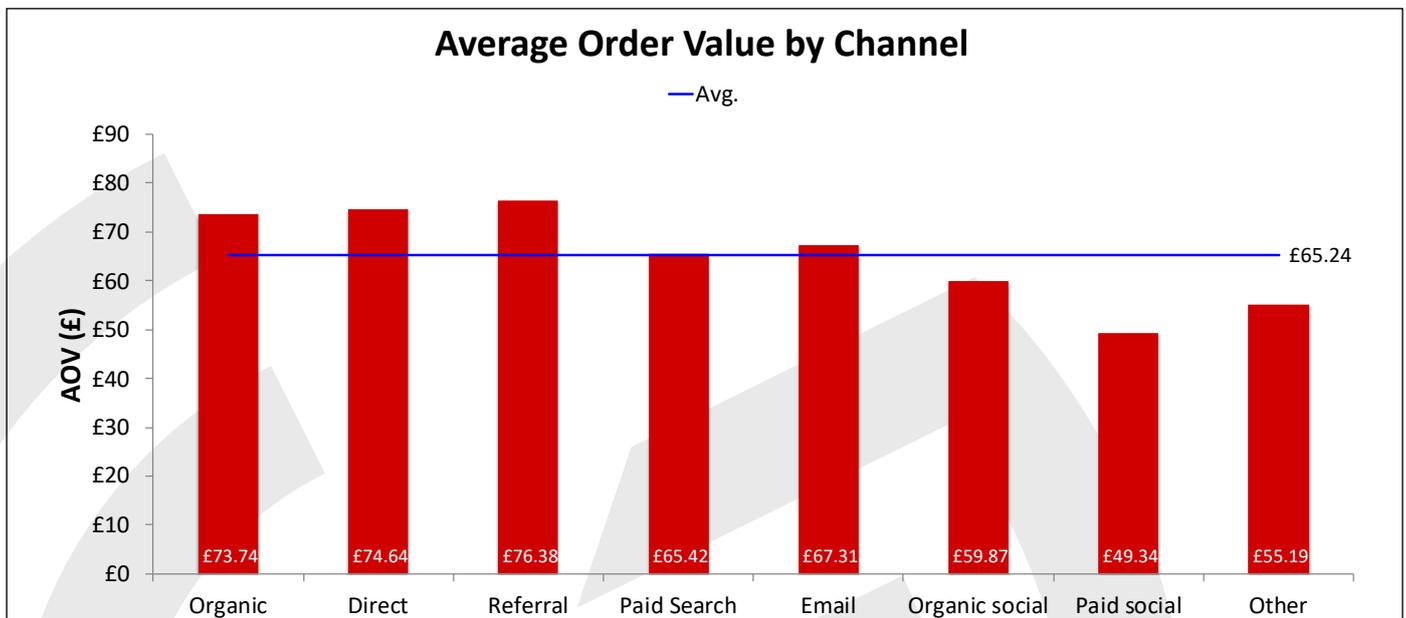
Social Media: Is it still the business revolution it once promised to be?

September 2018

Started as an entertainment tool that has evolved into a marketing machine, social media is often cited as having completely revolutionised the way in which businesses attract customers in today's world. Whilst it is certainly the case that modern life for many is now affected by the presence of social media, is it true that this is proving a fruitful channel for brands looking to expand their reach and grow revenue?

Data from our extensive client base shows that whilst paid social can achieve a positive ROI, in all but the rarest of cases and niche business models it does not drive a volume of transactions that are significant to sustain a business alone.

For e-commerce in particular, our data shows that paid social performs markedly below average for marketing investment in terms of conversion rate with paid social converting at 3.2% and organic social at 3.0% compared to the overall average of 5.9% for channels such as PPC or direct mail. Perhaps unsurprisingly, the average order value also comes in below average - paid social averages £49 per order, organic social £60 per order with the average value coming in at £65. This is in part explained by users overwhelmingly favouring mobile devices when using social media (it is reported that 95% of users access Facebook through smartphones with only 31% utilising desktop¹). This combines with our findings that suggest mobile has a lower average order values across all channels comparative to desktop to give rise to an explanation for the lower revenue figures.



Source: Good Growth Client Database

It is worth remembering that the top user motivations for using social media are mostly networking related, not shopping, with 42% using social media to keep in touch with their friends and 41% wanting to be up to date with news and events. Less than a third of users see social media as a means to research for and buy products.² This helps in explaining the difficulty in conversion from social as a channel. When compared to paid search terms that are accessed by users with a warm interest in the product, social media's targeting of colder prospects despite appealing to their interests will often come off worse in terms of conversion. As a result, more than half of global marketers consider social media the most difficult digital marketing tactic and 38% are not sure if the ROI of their social activities are measurable.³



So, does all this mean you should stop all social activity? Are we advocating this? Absolutely not. Social, paid and organic all have a place in your marketing mix. However, it is important to consider social as a marketing tool and it should be treated as such, it is not a strategy in itself. This means the decision to use social, and the social networks chosen, should be picked based on their ability to achieve your business and marketing objectives. By clearly defining your objectives early and agreeing a set of key performance indicators (KPIs), the measurement of social's effectiveness will become clearer and will enable you to better incorporate social into your wider marketing mix.

With low barriers to entry driving an ever-changing e-commerce landscape, branding is increasingly important and as a result upper funnel marketing cannot be neglected. Lack of activity here ultimately results in poorer sales. It may not be now or even this year, but allowing your competitors room at this stage in the user journey will eventually lower the recognition and relevancy of your brand in the long run.

This is where social, particularly organic, plays to its strengths. It can give your brand a voice, an outlet where you can speak directly to the consumer, engage with the potential customer and set out your proposition and what you stand for. Social posts are like brand billboards, but with more functions. They might not lead to immediate sales but can help with customer consideration and future transactions. This is not an advocacy for every business to be active on every social channel. Select the channels that are right for your business, the goals you are trying to achieve, go where your customers are, avoid where they aren't and above all only engage your customers where they will be receptive.

It is important not to judge performance against the wrong metrics. At a channel level, and binary ROI, it is easy to assume social isn't working. In reality, many social campaigns have goals that are not transactional. Our data shows that for lead generation, paid social is an average performing channel when measured in terms of conversion rate, with paid and organic social recording 3.5% and 3.1% respectively, compared to the average of 3.4%.

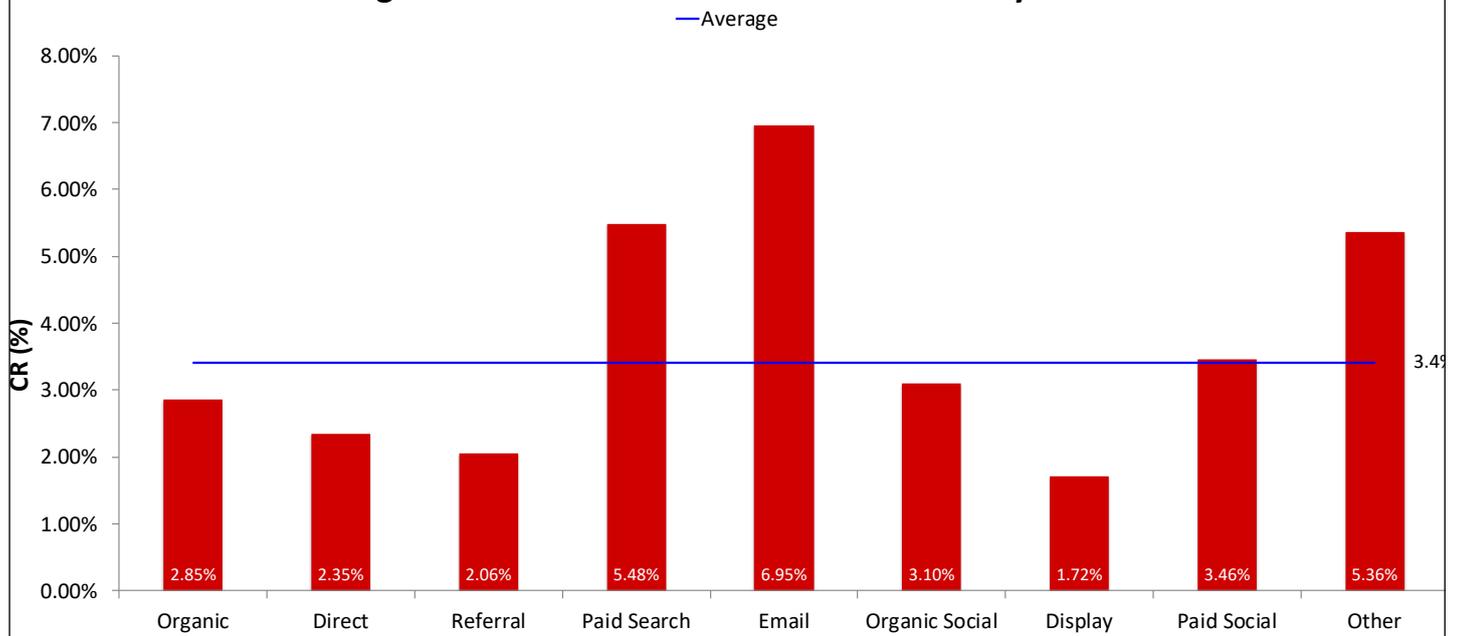


¹ <https://www.statista.com/statistics/377808/distribution-of-facebook-users-by-device/>

² <https://www.statista.com/statistics/715449/social-media-usage-reasons-worldwide/>

³ <https://www.statista.com/topics/1538/social-media-marketing/>

Average Conversion Rate for Lead Generation by Channel



Source: Good Growth Client Database

How to achieve success with social can be illustrated using one of our clients in B2C lead generation. With a high consideration purchase driven by aspiration, paid social has performed beyond all other paid channels in generating leads when measured by conversion rate, averaging at 8.8% against a site average of 3.9%. Cost per acquisition for paid social has only been out performed by brand search, which is a given for any situation due to the significantly lower CPC of brand terms in any industry. This highlights how paid social, when selected because of its relevance against the business objectives, the audience type and the product being sold, can result in campaigns that deliver a very respectable ROI.

It is vital to identify the purposes of social activities. If a business' online presence is to provide customer service, then customer satisfaction or the speed of response should be the metrics to measure its effectiveness, rather than transactional goals like sales volume. The ability to track these activities will allow businesses to figure out how to make the best use of social media.

To find out more about how our 'test and learn' approach to social media marketing transformed the lead generation performance of a major UK brand and discuss whether we could do the same for you contact Hamish Bones on hb@goodgrowth.co.uk.



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