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An Exploratory Study of Metrics Used to Measure the Impacts of Social Media Utilization on Business Performance

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INTRODUCTION

In recent years, many firms have started using social media to enhance their business (Ferrell & Ferrell, 2012). In an IBM global study of Chief Executive Officers (CEOs) conducted in 2012, 15% of the 226 mid-market CEOs were using social media as a key tool for engaging customers. Moreover, 50% of the 15% who were already using social media expected to make a significant shift from traditional media to social media to reach more customers within three to five years (IBM, 2012). Interacting with customers on brand pages of social media sites enables companies to: identify their customers' needs regarding products or services, as in the case of AT&T; increase traffic to their online webstore (Adidas being an example); drive in-store sales (Diageo being an example); and build awareness of a new brand (for example, Kia Soul). In addition, some firms are evolving brand pages into brand communities wherein customers and others can share their interest and knowledge about a particular brand with each other (Zaglia, 2013). Companies can maintain relationships with customers and potential customers within brand communities, and provide incentives to fans/customers that support the brand community (Laroche, Habibi, Richard, & Sankaranarayanan, 2012).These activities increase customer loyalty (Sherry Jr., 1983). Moreover, purchasing decisions result from visits to social media brand pages (Jooa, Kima, & Yang, 2011).

A business can expect to experience various improvements in its performance from utilizing social media. However, results can vary from one company to the next. The 2012 Social Media Marketing Industry Report (Stelzner, 2012), which was based on a survey conducted with 3,813 participants, mostly from the United States, found that one of the top 10 social media questions posed by marketers was how to measure the effect of social media on their businesses. Before identifying a solution to this practical issue, we must first investigate the common metrics used for measuring the impacts of social media utilization on businesses, and then identify the specific metrics that are useful for measuring the effects of social media on business performance. This article attempts to provide some clarifications on this issue. Quantitative content analysis of 126 publicly available case studies, including both successes and failures, was carried out to identify the outcomes, benefits, and aspects of business performance that can potentially be realized from the use of social media in advertising.

BACKGROUND

The Importance of Social Media for Advertising a Business

Consumer marketing companies use social networks to tailor highly personalized messages for their targeted demographics (George, 2010). This is because social network users have specific characteristics. For example, over 80% of Twitter users and over 60% of Facebook users are above the age of 25 years (DigitalBuzzBlog, 2010). According to DigitalBuzzBlog (2010), 30% of Facebook's 500 million users are located in the United States and 70% are located outside the United States. Of the 106 million Twitter users, 40% are located in the United States and 60% are outside the United States. These statistics show that the majority of users of the top two social media sites are over 25 years old and comparatively a significant number of them are located in the United States.

On the one hand, social media has the potential to reach a large number of customers and specific groups of potential customers at a relatively low budget. It is, therefore, a promising tool for building customer loyalty, improving customer experience of a product, and disseminating and clarifying negative news about enterprises during public relations crisis management (Ying, 2010). On the other hand, social media can also damage a brand very quickly due to its high rate of information transfer and many-to-many form of communication, for example, with respect to the Odeon cinema chain and Ryanair, an Irish airline (Moth, 2012). Besides, social media can require a considerable investment of time interacting and connecting with others, and maintaining an active presence on these sites (Barizi Web Solutions, 2011).

Social commerce (see Ng, 2013b in the additional reading section for a detailed definition of this term) can be conducted through social media. Practically, in the context of Facebook, there are three types of social commerce store (Marsden, 2011). The first is a faux or 'fake' store that drives traffic to a company's web-store, but does not support actual business transactions on the social networking site. Examples of such stores are Pepsi and Elle Magazine. The second is a fan-store that sells a limited number of fan-exclusive products, its objective being to turn fans into advocates. Examples of fan-stores include Dove, Pampers, and '1-800Flowers.com.' The third is a full store that sells a full range of products and aims to replicate a web-store within Facebook. Examples include Hallmark and Walt Disney World). This classification of the type of social commerce store is mainly depending on the location of buying and selling transactions.

Companies Succeed and Fail in Social Media Marketing

It is evident from the trade press that there are a number of companies claiming to be successful in using social media for marketing purposes. Examples of these companies include Dell, Adidas, Arizona Office of Tourism, ASB Bank, Bob Evans Restaurant, and Mazda (Keath, 2012). However, there are also a number of companies claiming to have failed or to not be fully satisfied with their use of social media. These companies include Pizza Delicious (Henn & Chace, 2012), General Motors (Kunz, 2012), Tesla Motors, Netflix, and Goldman Sachs (Clarke, 2012).

The press reports and studies mentioned above indicate that the experiences of companies in the use of social media in their businesses differ, as do their results. There is clearly a need to understand why the results for different companies are mixed, identify the metrics used to measure the impacts of social media on businesses, and assess their similarity.

RESEARCH METHODS

As research on the impacts of social media on business is still in its infancy, this study adopted an exploratory methodological approach. The level of analysis was the organization, and the unit of analysis was the organization's documentation of its metrics used to measure its success or failure in its social media strategy. Secondary data, consisting of more than 100 publicly available social media case studies of success and failure, which were readily accessible, were examined in detail.

Data Collection: 108 successful cases and 18 failed cases, obtained from the trade press (Beal, 2012; Keath, 2012; Kunz, 2012; Moth, 2012), were analyzed. These cases were published based on their social media activities that took place between year 2007 and 2011. The cases were identified and classified as successes or failures based on contextual descriptions in each case of social media's impacts (positive or negative), outcomes, and performance related to business. Of the successful cases, 104 companies were using the Facebook social networking site, whereas only four companies were using either Twitter or YouTube. On the other hand, Facebook was used in 10 of the failed cases, and either Twitter or blogs were used as social media for advertising in another eight cases.

Data Analysis: Two phases of data analysis were conducted. The first phase of intra-case analysis involved the application of content analysis to published textual case studies of the experiences of 126 companies that had either succeeded or failed in their social media advertising. Metrics used by these companies to measure the impacts of utilizing social media in their business constituted the unit of analysis. Specifically, this study applied quantitative content analysis, whereby the 'raw' text, that is, the success or failure metrics from the case studies, were directly used as

coding categories. This is viewed as a more objective analytical method compared with qualitative content analysis (Morgan, 1993). The application of quantitative content analysis was appropriate, as it matched the type of data source, the research goal, and the 'what' questions of this study.

The purpose of content analysis during the first phase of data analysis was to identify the metrics, that is, the outcomes, benefits, and business performance that can be realized from the use of social media. All of the finalized metrics, which were also the code categories, were then described statistically (compare Woodrum, 1984). The second phase of the data analysis involved a cross-case analysis, which was conducted to compare the metrics used for both the successful and failed cases considered in this study. The process undertaken to analyze the secondary data is shown in Figure 1.

ANALYSIS OF SOCIAL MEDIA SUCCESS CASES

Demographic data: A sample consisting of 108 companies, reported to have successfully utilized social media in the trade press (see Beal, 2012; Keath, 2012; Moth, 2012), was analyzed. The types of industry represented in our sample are shown in Figure 2. 86% of the social commerce stores in the sample belonged to the fake/faux store category, whereas only 6% were full stores (Figure 3). However, the relative percentages of the

total number of companies in both social commerce store categories realizing the expected benefits from social media utilization were about the same.

66% of the 108 companies set their advertising targets using the usual demographic data (e.g., age, sex and interests) provided by social media users when they create their accounts for social media sites. Figure 4 shows the most common advertising targets used by these companies. Companies that set their advertising target(s) had a higher chance of obtaining expected benefits compared with companies that did not have any advertising targets (Figure 5).

ANALYSIS OF SOCIAL MEDIA METRICS FROM SUCCESSFUL CASES

As shown in Figure 1, step one consisted of identifying and listing social media impact metrics from successful case studies. Detailed content analysis was applied to the publications of the 108 companies on their successful experiences of conducting marketing activities using social media such as Facebook, Twitter, and YouTube. Examples of the top brands analyzed in this study were: Adidas, All Nippon Airways, American Express, AT&T, Nike, Toyota, and Watson (see Beal, 2012; Keath, 2012; Moth, 2012). (More details of all companies are available upon request.) The metrics used to evaluate favorable outcomes or benefits obtained by

Figure 1. The process for analyzing successful and failed social media cases
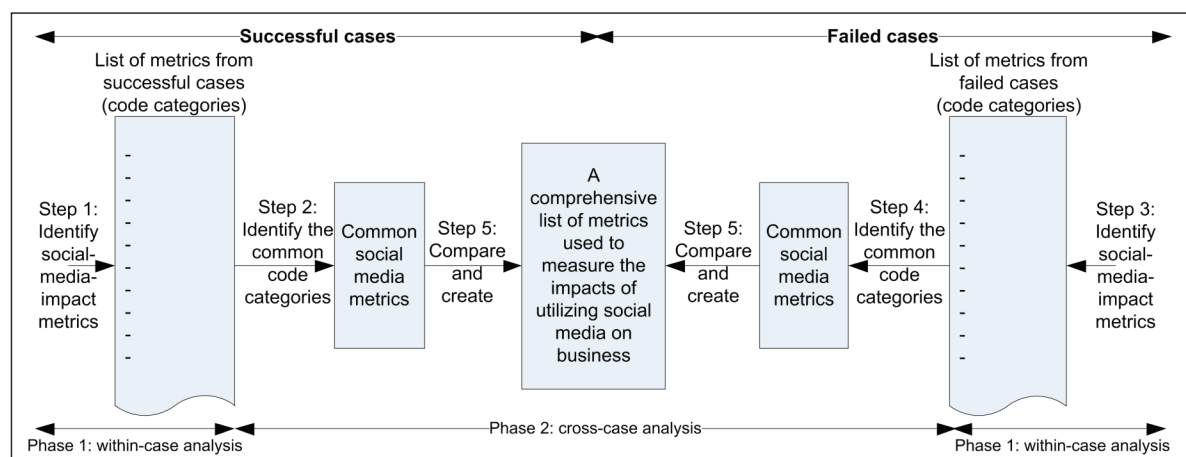
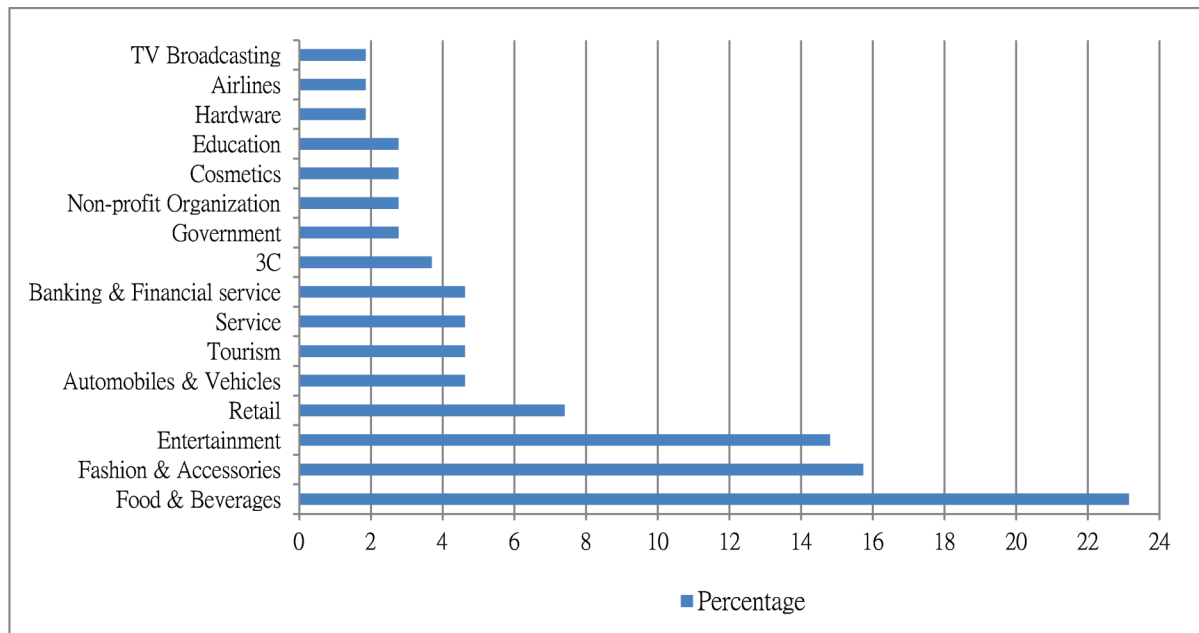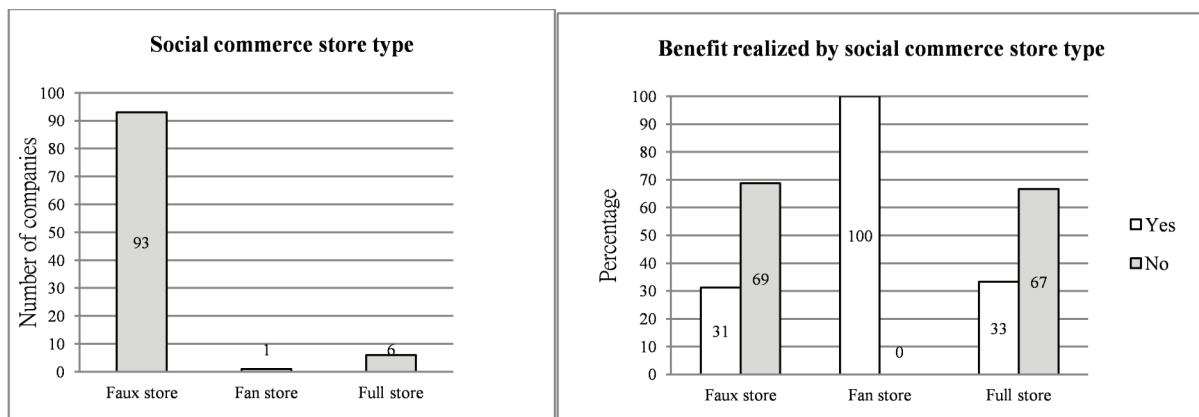*Figure 2. Types of industry utilizing social media*

Figure 3. Distribution of social commerce store types

these companies, as mentioned by them in the case studies, constituted our coding categories.

Step two, shown in Figure 1, consisted of identifying the common code categories from the successful case studies. The analysis of the 108 cases carried out in step one yielded a total of 52 code categories, that is, commonly used metrics for measuring social media impacts. Examples include page fans, engagement, interaction, comments, video views, ad clicks, the company ordering web site, page likes, conversion rate,

brand awareness, brand image, physical store traffic, revenue, and return on investment (ROI) (see Table 1). The basic concepts underlying some of these metrics were found to be very closely related with similar characteristics. Thus, the categories representing the same theme were grouped together and the total number of code categories was reduced from the original number of 52 to 17 code categories or social media impact metrics. From the perspective of tangible and intangible financial impacts, these 17 code categories

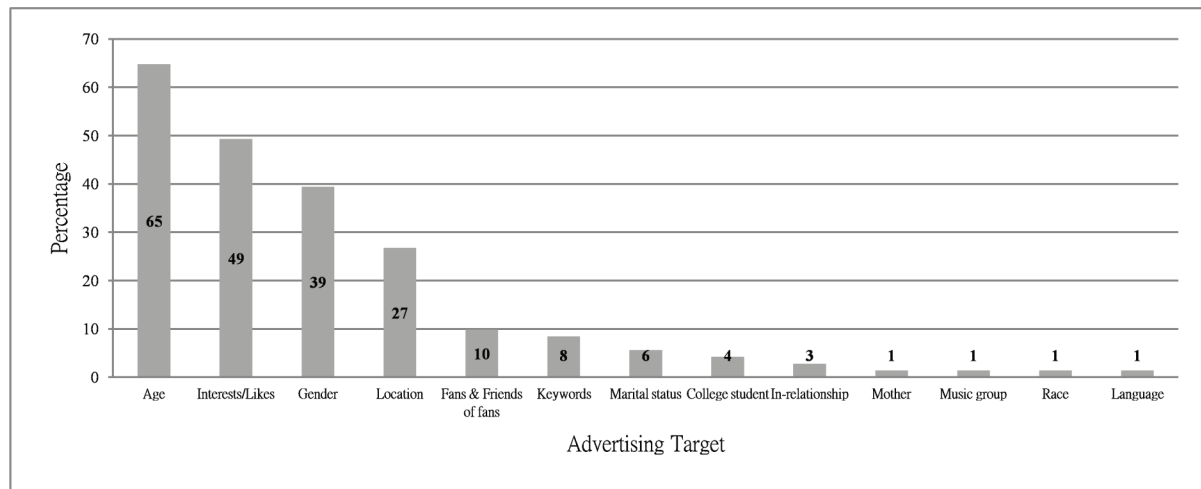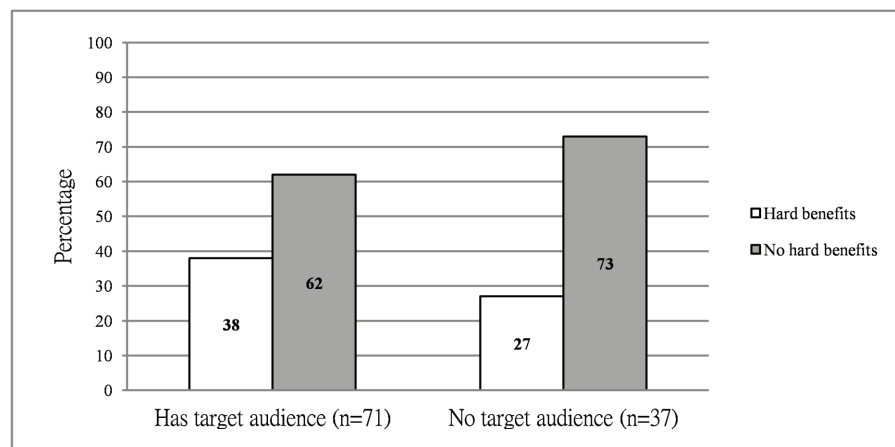*Figure 4. The advertising targets used in social media*

Figure 5. Benefit realization by companies with and without setting their advertising targets

could then be grouped into either soft or hard benefits (see Table 1. The explanation of code categories is available upon request.)

Table 2 shows the cross tabulation of social media impact metrics between the soft benefits and the hard benefits realized by companies. This indicates that the hard benefits of 'sales' were more strongly associated with the number of page fans and engagement by the page's audiences. In particular, companies that mentioned having realized sales increases had first obtained the soft benefits of increments in the number of page fans, engagement, website traffic, and impressions. This suggests that an increase in sales can be generated using social media sites under certain conditions.

ANALYSIS OF SOCIAL MEDIA METRICS FROM FAILED CASES

Step three, shown in Figure 1, consisted of identifying and listing metrics used in the failed cases to measure the impacts of social media. This step was undertaken to: (1) determine whether the failed cases were using the same metrics as the successful cases, to measure social media impacts and (2) identify *other* metrics, from a different perspective, that were linked to failures in utilizing social media in business. As for the failed cases, the trade press was reviewed and a detailed quantitative content analysis was conducted on the publications of 18 companies, whose experiences in

Table 1. List of commonly mentioned social media impact metrics

Hard Benefits	Soft Benefits
1. Sales – sales, online sales, order values, store sales, sales from Facebook, sales increase, total sales	1. Engagement – engagement, fan postings, interaction, comments, feedback, being mentioned
2. Revenue	2. Page fans
3. ROI	3. Impressions – video views, impressions, ad views, ad clicks, page views
4. Expanded markets – expanded markets, more customers, opening of new stores	4. Business leads – business leads, subscribers, connections, purchase intent, first time user traffic, new user traffic, new guests, identifying and achieving sales targets, qualified leads, target audience increase
5. Cheaper advertising costs	5. Online website traffic – company website traffic, online marketing traffic, traffic/company ordering website
6. Conversion rate – conversion rate, conversion of clicks, conversion to purchase	6. Click through rate – click through rate, clicks
	7. Page likes
	8. Brand awareness – brand awareness, brand affinity, brand recommendation, better brand image
	9. Active users – active users, daily users
	10. Physical store traffic
	11. Downloaded promotional materials

Table 2. Cross tabulation of social media impact metrics

Soft Benefits	Hard Benefits					Total (# of Companies)
	Sales	Revenue	ROI	Expanded Market	Conversion Rate	
Page Fans	9	1	3	0	1	14
Impressions	4	3	1	1	2	11
Click through rate/Clicks	2	2	3	2	1	10
Engagement	5	2	1	1	1	10
Company traffic	5	2	0	0	0	7
Business leads	3	2	1	1	0	7
Total (# of companies)	28	12	9	5	5	59

the use of social media, such as Facebook, Twitter, and blogs to conduct their marketing activities, were unsuccessful. Examples of some of the top brands analyzed in this study were: Pizza Delicious, General Motors, Netflix, Walmart, Ryanair, McDonalds, and Snickers (see Beal, 2012; Kunz, 2012; Moth, 2012). Some examples of the 21 metrics used to measure failures and unfavorable outcomes from utilizing social media in business by companies in these case studies were: click through rate, ROI, number of fans, brand awareness, engagement, interaction, customer satisfaction, sales, brand awareness, responsiveness, failure to address a crisis/issue, and criticism. These 21 social media metrics were used to constitute the coding categories in the content analysis. More details of all companies and metrics are available upon request.

Step four consisted of identifying common themes of social media impacts for the failed cases. Some of these impact metrics were similar to each other, for example, engagement and interaction, which refer to the same concept of page fans' participation in the activities posted on a brand page. For this reason, a common code category was assigned to metrics that referred to the same theme or concept. Nine distinct

themes were identified from the list of social media impact metrics described in the cases reviewed at this stage in the data analysis. These are shown in Table 3.

SYNTHESIS OF THE ANALYSIS PERFORMED

Step five, shown in Figure 1, consisted of comparing and identifying code categories that were common to both successful and failed cases. As indicated in Table 3, the *common* metrics used by over 100 companies worldwide to evaluate and measure the impacts of social media advertising on businesses were: click through rate, number of fans, engagement, brand awareness, ROI, and sales. The other metrics used in the failed cases, which were dissimilar to the impact metrics identified earlier from the successful case studies, were: customer dis/satisfaction, vulnerability, and brand reputation. These metrics, described here as 'soft disbenefits,' are relatively intangible and difficult to quantify. However, they may exert a significant adverse effect on a business's image and reputation. The results showed that certain social media impact metrics were widely used by, and common to, businesses as benchmarks for evaluating the effectiveness of social media as a marketing tool.

SOCIAL MEDIA IMPACT METRICS FROM THE BUSINESS PERSPECTIVE

The above data analysis shows that there are numerous salient metrics, which can be very important for evaluating the impacts of social media and measuring the success and failure of social media marketing. For better benefit management and an understanding of how to use social media projects to improve business performance, these impact metrics can be separated into a logical temporal sequence of outcomes, benefits, and financial impacts (or business performance) (Payne, 2007).

An outcome is defined as an effect, change, or difference (depending on the context) that occurs before and after implementation of an IT project or investment. According to Ward et al. (2004), outcomes can be both expected and unexpected as well as positive or negative. Benefits are business impacts and improvements resulting from one or more outcomes of an IT project or investment. They can be tangible or intangible, and have direct or indirect impacts on business performance. Moreover, they can have different impacts at different levels of management or in different organizations, and may change from time to time (Lin & Pervan, 2003). Business performance relates to financial impacts and improvements in financial performance resulting from

Table 3. A comparison of the social media impact metrics from failed and successful cases

Social Media Impact Metric – Explanation (from Failed Cases)	Common Metric – with Successful Cases
1. Click through rate – low number of clicks on the advertising material per impression	✓ (Soft benefit)
2. ROI – negative and/or lack of ROI	✓ (Hard benefit)
3. Number of fans – low number of fans	✓ (Soft benefit)
4. Brand awareness – no improvement in brand awareness	✓ (Soft benefit)
5. Engagement – no improvement in engagement and interaction, or failure to connect with customers and fans	✓ (Soft benefit)
6. Sales – no obvious increment in overall sales	✓ (Hard benefit)
7. Customer dis/satisfaction – customer dissatisfaction due to lack of responsiveness to complaints/problems and lack of care for customers' concerns, failure to solve customers' problems	(Soft disbenefit)
8. Vulnerability – the risk of identity theft, ill-timed messages, being hijacked, and showing weakness in failing to solve a certain issue/problem in the social media	(Soft disbenefit)
9. Brand reputation – a tarnished brand reputation due to criticism, controversy, and numerous complaints from fans and customers, inappropriate marketing message if no appropriate crisis management plan is in place	(Soft disbenefit)

one or more benefits realized from an IT intervention or investment (Payne, 2007), for example, an investment in social media advertisement.

Thus, outcomes precede benefits, and benefits generate various results in business performance. Based on this logical sequence, Figure 6 shows the creation and measuring of business performance from the use of social media (based on the social media impact metrics in Tables 1 and 3). As indicated by Figure 6, and by the cross tabulation results shown in Table 2, sales can be the result of benefits relating to online website traffic, conversion rate, and/or active users, which are driven by the outcomes of fan or customer engagement and impressions on social media brand pages.

FUTURE RESEARCH DIRECTIONS

Limitations and future research: This preliminary qualitative study focused on secondary data as the main source of data for analysis and discussion. However, this type of data source is sometimes limited in terms of its explanatory power for the phenomenon under investigation, and for in in-depth explorations of cause-and-effect relationships between concepts and variables in the process of data analysis. Moreover, the *commonly used* social impact metrics, identified in this study, may not be mutually exclusive and comprehensive. Future studies could apply multiple, explanatory, and positivist case studies to provide a better understanding of why social media is useful, successful, and effective as a marketing and communication tool for some companies, but not for others. Out of 108 companies that succeeded in their social media advertising, only 34% realized hard benefits from social media activities.

This implies that more studies can focus on examining the contextual and organizational factors that create barriers for some organizations in realizing hard benefits from social media.

CONCLUSION

This study makes the following contributions. First, it provides state-of-the-art knowledge of current practices regarding social media utilization in businesses. Second, it offers a better understanding of the metrics used to measure the impacts of social media on businesses. Third, it presents actual benefits and business performance that are realizable from social media advertising.

The findings of the study should be useful to practitioners as they reveal not only the types of outcomes that can be realized from applying a successful social media strategy, but also the pitfalls to avoid based on the experiences of the companies reviewed in the literature and trade press. For companies that are considering implementing a social media strategy, this study adds to an understanding of the potential hard and soft benefits that can be derived from the use of a social media strategy.

The study shows that many companies utilize social sites to drive traffic to their e-commerce sites or webstores. However, utilizing a social site as a full store may be equally promising from the perspective of realizing business benefits (Figure 3). We recommend setting a target audience when advertising in social media as a best practice, because our results indicate that there is a higher chance of obtaining hard benefits by doing so (Figure 5). Our study shows a dependency between

Figure 6. Steps for measuring business performance from social media utilization
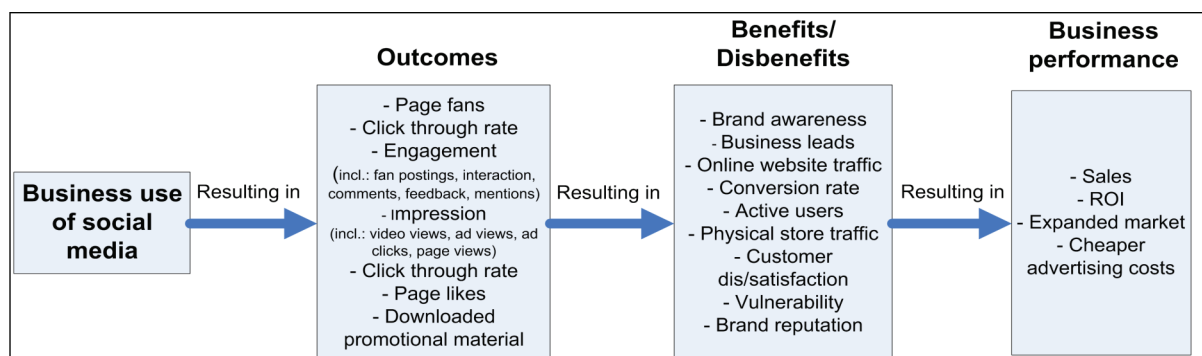
sales (a business performance) and the number of page fans, engagement, the company's website traffic, and impressions (the outcomes and benefits obtained from social media activities). This provides some indications of the type of social media outcomes that a business can emphasize and enhance to achieve a desired type of business performance (see Table 1 and Figure 8). The results of the analysis also show that certain social media impact metrics are common to, and used widely by, businesses as benchmarks in evaluating the effectiveness of social media as a marketing tool. These are: click through rate, number of fans, engagement, brand awareness, ROI, and sales.

The selection of appropriate social media metrics is important for a company's managers to ensure that the right data is being collected and measured. Thus, they can accurately monitor business performance resulting from the utilization of social media. Following this, managers can make more informed decisions on future investments in social media marketing and advertising.

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KEY TERMS AND DEFINITIONS

Benefits: Business impacts and improvements resulting from one or more outcomes of an IT project or investment.

Brand Community: A group of people, who are fans of a particular Facebook brand page and have some interests and likes in common.

Brand Page: A Facebook webpage created by a brand to communicate, interact, manage relationships, advertise, market, and attract and accumulate fans.

Hard Benefits from Social Media Advertising: Tangible business benefits resulting from advertising on social media sites that are easy to convert into monetary value (for example, online sales, revenue, more customers, and conversions to purchases).

Outcome: The effect, change, and difference (depending on the context) that occurs before and after implementation of an IT project or investment.

Social Media: Online media, such as Facebook and Twitter social networking sites, which are specifically meant for social interactions, communication, relationship management, and contact management with friends, relatives and fans, either publicly or privately.

Soft Benefits from Social Media Advertising: Intangible business benefits resulting from advertising on social media sites that are difficult to convert into monetary value (for example, number of fans, brand engagement, click through rate, and company website traffic).

Soft Disbenefits: Intangible disbenefits that are difficult to quantify but may have significant adverse effects on a business's image and reputation (for example, customer dissatisfaction, vulnerability, and bad brand reputation).