



The “Secret Sauce”: Valuing Social Media and Microsites

An IT in Canada Position Paper

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Up Front: IT in Canada has been involved in discussions with experts from several fields – IT vendors, PR and marketing communications professionals, advertising sales managers, leading web property executives, and others involved in marketing and/or social media – to explore the ways in which marketers establish the value of social media-based outreach campaigns, especially those focused through single-issue microsites.

Based on these conversations, it seems clear that there is no clear, comprehensive method of assessing the value of social media in a marketing portfolio – or perhaps more importantly, measuring the cost of campaigns involving social media vs. those based on more established tactics/vehicles, such as the online properties of business and trade journals, email marketing, trade shows, and similar options.

Clearly, IT in Canada is not a disinterested party in this analysis, since our roots are as a social media site, and since we currently operate microsites in addition to mainstream media properties. However, we are an informed party, and as a result, we feel we add depth to the Canadian discussion of this issue. We have presented third-party information wherever possible to support baseline assumptions, and have outlined our logic in applying these assumptions to building a valuation of social media-based marketing campaigns. Ultimately, though, the “value” of any marketing option is established by the marketer; we are merely adding some context to a subject that is important today, and will become even more essential as the role of interactive web sites in shaping awareness and (especially) preference increases in importance.

***Update** – in preparing this document for inclusion on the re-launched IT in Canada (July, 2009), I have updated some of the assumptions used in this document. I was tempted to do a complete rewrite, because the market has changed since this was published: social media is less a stand-alone category than an aspect of multi-faceted sites, and the focus that was implied by the term “social media” is now better described by the phrase “microsite” – which I take to mean “a site that combines rich media (e.g., video), social media (discussions), and news – all aligned on a single, focus topic – to provide a rich information source for site visitors with a deep interest in the focus topic. However, there is still enough interest in the value of online interaction to make “social media” a compelling issue, so rather than lose the insight provided by the original document, I’ve tried to enhance it with specific ties to microsite strategies where appropriate.*

The “Secret Sauce”: Valuing Social Media and Microsites

I've been asking experts from several fields – IT vendors, PR professionals, advertising sales managers, leading web property executives – how exposure on/through social media sites is valued, or should be valued.

It seems clear at this point that there is no clear, consistent method of placing value on social media as a reach medium. This isn't meant to imply that the medium has no perceived value – indeed, everyone I've spoken with has made the point that understanding how to position the value of social media sites within the array of reach vehicles is necessary, since social media is already an *important* force in shaping awareness/preference for products and brands, and will become an *essential* force in the not-too-distant future. However, all of the conversations that I've had to date have revolved around imperfect, partial measurements of value, and concluded by saying that there needs to be a better way of valuing social media as an outreach alternative.

The major sticking point in assessing the value of social media is the fact that it meets several objectives, and in several ways. This kind of versatility is problematic in establishing the value of a marketing medium. When a company invests in PR or broadcast advertising, it is looking to build broad awareness, and can apply measures like impressions to understand the breadth of exposure, and as a result, the effectiveness of the initiative. When a company invests in an informational exchange with a prospect – through a webinar, at a trade show, and/or by distributing a white paper – it is looking to build better appreciation of its unique position within the market, and to develop a lead funnel. These kinds of activities can be measured in several ways – by the attendee/visitor, by requests for information, by the lead, etc. When a company invests in intensive, one-on-one marketing initiatives, like seminars (or golf outings), it is looking to establish preference in the mind of the buyer.

As a tactic, social media and microsites embedding social media address all of these goals – awareness, preference, and leads. As a result, it isn't easy to target microsite/social media spend at a single stage in the buying process. To take real advantage of the medium, social media campaigns need to span the entire awareness/information/preference spectrum. If a campaign is designed to increase awareness – and to inform prospective customers – and to generate leads, then social media can be a very powerful medium, and cost justification can be derived from meeting a combination of objectives. If the objective of the campaign is narrower, though, the justification can only be assigned to a single measure of success – and the power of the medium is lost, as is its ability to deliver results that are cost-competitive (or better) with a combination of single-outcome activities.

So – with this as a background, let's look at the components of a marketing campaign that can be offered by a social media site operator, and some of the factors involved in assigning a value to these components:

- Impressions. Social media-based microsites are visited by members who have self-selected as having a passion for whatever subject is central to the site. As a result, they can be considered to be “highest value” within their peer group.

In the Canadian consumer market, the cost of a “run of site” impression ranges from \$.0001 for a very general audience to roughly \$.03 for a rich media impression in a highly-qualified group. A single impression in a targeted B2B audience can cost as much as \$.05-\$.08, and if one applies a 40%-50% premium for rich media, the value of an interactive impression to a qualified audience through a broadcast-oriented site (e.g., trade news) might be worth as much as \$.07-\$.15.

It seems likely that participants on a microsite would be worth more than those who are consuming “mainstream news” (even “mainstream trade press news”), since they are actively seeking out alternative perspectives on the subjects that they are passionate about. This self-selection would

seem to convey a multiplier on the figures discussed in the previous paragraph. Absent any evidence as to what the increased value translates to, I think it's best to assign a relatively conservative factor of 2x to the ranges described above. This would translate into an impression value of \$.05-\$.10 for social media sites that appeal to a specific consumer segment, and \$.10-\$.20 per impression for focused B2B social media sites.

- Email outreach. Not all social media sites send email regularly to members, but those that do sometimes offer sponsorship of the mail piece. This can be an effective way of reinforcing messaging that happens on the site itself, and driving follow-on action – for example, a logo linked to a research campaign or white paper download.

There's no standard fee for this sort of offering, and I'm not sure that a "standard" could be meaningfully applied to something like this. Some providers offer flat-rate deals, and others look for per-piece rates; some offer sole-sponsorship, and others offer one of a limited number of logo/ad positions. For cost comparison purposes, I've heard of costs for B2B email rental lists ranging from \$.075 per piece to \$.30, and am aware of one B2B social media site that offers sponsorship of a weekly email for roughly \$.15 per recipient. Flat rates calculated over a longer period of time for one of multiple positions are much lower, potentially as low as \$.005-\$.02 per mail piece.

Of course, a relatively small proportion of "recipients" actually open email, so the value of this sort of sponsorship needs to be factored by the open rate for the mailing. In the case of the \$.15 per recipient example, a 20% open rate would translate into a per-impression cost of \$.75, which represents a steep premium over even the high end of the site advertisement (impression) cost cited in the previous paragraph, while a 20% open rate moves the flat/bulk rate of \$.005-\$.02 to \$.025-\$.10 per impression, in line with typical run-of-site advertising rates. A 10% open rate changes the metrics substantially: in the \$.15/recipient scenario, this translates into a per-impression fee of \$1.50, which seems very high for all but very hard-to-reach market segments; in the \$.005-\$.02 flat rate scenario, a 10% open rate equates to \$.05-\$.20 per impression, a more easily-digested premium.

This begs the question – is an email impression more valuable than a site impression? It might well be fair to peg the cost of an opened email above the impression rate, since it seems more likely that you'll get a follow up response (a click-through) from an email than from a site ad, but in this example, the justification for the premium depends on what the advertiser is trying to achieve.

- Click through. Some B2B campaigns use cost per click (CPC) instead of cost per impression, especially when the objective is to bring a potential customer to a vendor web site in the expectation of converting a reasonably high proportion of visitors into new business. In this context, it's hard to generalize about how "social media" and "microsites" might perform. Consumer-focused social media (e.g., Facebook) has had mixed results in driving transactions. Microsites can be aligned with subjects that lend themselves to transactional "hot deals" purchases, but in the B2B world, they are often focused on providing strategic insight on more complex issues. Given this variation in position and intent, there probably isn't a lot of justification for valuing microsite/social media clicks much higher than the B2B average. For that matter, it's hard to establish what an "average" per-click rate might be: research accessed on Marketing Sherpa in 2008 reported an average rate of \$2.20 per click, with a high-end, B2B rate of \$20-\$45; anecdotally, the rate if calculated off of click throughs on display advertising can be 2x-10x this amount, and I've heard that some B2B sites refuse to even discuss per-click rates, since success depends heavily on the advertiser's creative, rather than on site-controllable factors.

- Anonymous content downloads. This is an especially important category in social media outreach, but one that is very difficult to put a valuation on. On the one hand, an anonymous download is much weaker than a registered download, since the point of the registration is to generate leads. On the other hand, we're assuming that social media site users have a passion for the site's central subject. As a result, they are likely to be seen as experts by their peers, and are very likely to be involved in one way or another with purchases of products related to the subjects that are discussed on the site. This suggests that social media site members are the ideal group to educate, since they are very likely to act as purchase influencers.

So, that's the pro and con argument – what's a reasonable valuation for anonymous content downloads? In a B2B context, I think it's fair to assume that such a download is more valuable than an average B2B click through, and likely less valuable than “customer acquisition” (a practice in some markets in which the advertiser is charged when the browser makes a third click on their site – typically, at a rate that is roughly 5x the per-click rate), or the very high end of B2B click throughs (as noted above, reported in the Sherpa research referenced above to reach as high as \$20-\$45 per click). “More valuable than an average B2B click” implies a value of more than \$2.20; “less valuable than customer acquisition...or the very high end of B2B click throughs” sets a ceiling that ranges from about \$10 to \$45. It would seem that the value, then, of an anonymous download would range from about \$5 (for something like a product fact sheet) to \$10-\$20 (for something like a compelling case study authored by a leading third party firm, or a calculator or similar tool that can lead directly to a purchase justification). The market-set price level might well be lower than this, though, since many sites will offer low-cost or free hosting of material that is consistent with their overall editorial direction.

- Registered content downloads. This category accomplishes the goal of educating influential, passionate site users, and adds to that the ability to register the downloader as a sales lead. This is very powerful in a social media site – the site user now knows that he/she will be receiving a sales approach, and is willing to accept that as the cost of gaining access to valued content that addresses an area of specific interest.

In many ways, this describes a very strong lead – an informed, influential individual with a passion for your product/service. Not all of these downloaders, of course, are actively planning to buy a product immediately, which means that they may need to be added to the “lead nurturing funnel” rather than the “90 day close” funnel. Additionally, not all of these downloaders will meet the criteria (industry, account size, title) that the advertiser has established for prospect screening.

Even with these caveats, though, this is a very high value aspect of a social media site. Downloads from sites with tightly-defined, highly qualified visitor traffic command \$50-\$80 per download, more if the registrant needs to correspond to a group that is narrowly-defined by title, industry, and/or account size; it seems clear that social media-based microsites should be at, or perhaps slightly above, the high end of this range.

Piecing Together the Equation

With these elements identified, it should be relatively straightforward to build a calculator that demonstrates the value of a social media-based microsite to a marketer. We'll use three factors in each of our value component lines:

- The *value of the element*, as defined in the previous section

- The degree to which the site *reaches the target audience*, and no one outside the target audience. I've shown this as a percentage: 100% means that all site users are within the target population, 50% means that half are within the target population, 30% means that 3 in 10 site visitors is within the target population, etc. For the most part, this figure should be very high; if a microsite does not reach an advertiser's target market, the advertiser should refocus on another marketing vehicle.
- The extent to which the element *meets the campaign requirements* of the advertiser. Here, a value of "1" means that this element is entirely congruent with the marketer's intention – so for example, if the marketer wants to build awareness, educate the audience, and capture leads, all of impressions, anonymous downloads, and registrations meet campaign objectives. If the marketer is only or mostly interested in leads, then impressions and anonymous downloads would receive ratings of 0, or a fraction close to 0 – for example, .1 or .2. In this scenario, it's probably better for the marketer to use a more targeted tactic, since the social media site operator is unlikely to adjust their rates to account for the narrow focus of the advertiser's activity, and since the economics of microsities make it hard for them to compete effectively with targeted tactics against narrowly-defined goals.

Let's look at how this plays out in an equation. First, the theoretical framework:

<u>Element</u>	<u>Cost per site user</u>	x	<u>Quantity</u>	x	<u>Reach within target</u> audience	x	<u>Meets campaign</u> requirements	=	<u>Value</u>
Impressions	\$ _____		_____		_____ %		_____ (0-1)		\$
Email outreach	\$ _____		_____		_____ %		_____ (0-1)		\$
Click throughs	\$ _____		_____		_____ %		_____ (0-1)		\$
Anonymous content downloads	\$ _____		_____		_____ %		_____ (0-1)		\$
Registered content downloads	\$ _____		_____		_____ %		_____ (0-1)		\$
Total Value									\$

Now, let's plug in representative values for a social-media based microsite, adding assumed value for elements (such as anonymous downloads) that aren't typically priced as options on the targeted B2B sites that provide the baselines for these estimates:

<u>Element</u>	<u>Cost per site user</u>	x	<u>Quantity</u>	x	<u>Reach within target</u> audience	x	<u>Meets campaign</u> requirements	=	<u>Value</u>
Impressions	<u>\$ 100 CPM (\$.10 ea)</u>		_____		_____ %		_____ (0-1)		\$
Email outreach	<u>\$1.00/piece (exdusive)</u>		_____		_____ %		_____ (0-1)		\$
Click throughs	<u>\$20 (based on Sherpa data)</u>		_____		_____ %		_____ (0-1)		\$
Anonymous content downloads	<u>\$5 (average of \$0 and \$10)</u>		_____		_____ %		_____ (0-1)		\$
Registered content downloads	<u>\$80 (standard B2B rate)</u>		_____		_____ %		_____ (0-1)		\$
Total Value									\$

And now, let's plug in some metrics for a campaign that is displayed in three positions on 25,000 pages within a microsite, supported by 100,000 emails with a 10% open rate, and in which 300 visitors click through to the vendor's subject-specific landing page, 400 download anonymous content, and 200 register on the microsite (presumably, for higher-value or scarcer content downloads). In this example, we'll assume that there's an 70% overlap between the site users and the marketer's target, broadly defined – that even if some site users are (for example) resellers pr consultants rather than buyers, they are still viewed as having value, and only direct competitors or visitors from non-targeted geographies are seen as being out of scope – that email, which can be taregeted before sending, has a 100% overlap with the target population – and that each

element listed in the model directly addresses a need within the campaign (so that “meets campaign requirements” is “1” in all cases).

<u>Element</u>	<u>Cost per site user</u>	x <u>Quantity</u>	x <u>Reach within target</u>	x <u>Meets campaign</u>	= <u>Value</u>
Impressions	<u>\$ 100 CPM (\$.10 ea)</u>	75000	70%	1	\$5,250
Email outreach	\$1.00/open (exclusive)	10,000	100%	1	\$10,000
Click throughs	<u>\$20 (based on Sherpa data)</u>	300	70%	1	\$4,200
Anonymous content downloads	<u>\$5 (average of \$0 and \$10)</u>	400	70%	1	\$1,400
Registered content downloads	<u>\$80 (standard B2B rate)</u>	200	70%	1	\$11,200
Total Value					\$32,050

Of course, the actual cost and value of the campaign in the example could well vary from \$32,050. If the site has extra inventory, it might be willing to sell at a discount; if the client wants specific deliverables – for example, a dedicated microsite, a white paper (especially one that can be produced in hard copy independent of the online campaign) or ROI calculator – or if the site is low on inventory, the cost may be higher.

These, however, are elements that can be calculated beyond the basic campaign cost. What is really important is to provide a baseline of *value*, so that an advertiser can weigh the cost and benefit of a campaign on a social media site relative to other alternatives. In most cases, a marketer with narrowly-focused objectives will probably opt for more purpose-specific tactics. A marketer looking to mount an integrated campaign in an emerging area, though, may well find that social media is an attractive platform option when all elements are evaluated – and over time, the value of this integrated approach to a passionate audience is very likely to become a preferred medium for this sort of marketing activity.