



Potential on Investment (POI) of Social Media

Document prepared by: Destination Think!
Contact: William@destinationthink.com

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Background

Social media is transforming destination marketing. Destination Marketing Organizations (DMOs) have been using social media channels to promote their destinations for years, but there is a lot of misunderstanding and scepticism that remains about the platforms' effectiveness and impact on the travel consumer. This is holding back the critical progression of many DMOs.

One of the main constraints with social media use in destination marketing is that there is no consistent method for measuring the impact of a DMO's social media activities. Other marketing activities, however, have long-established formulas and methodologies. For example, traditional public relations efforts are typically measured through Ad Value Equivalency (AVE). And even though most PR professionals agree this is a flawed mechanism, they believe it's better than having no standard at all.

Goal

In order to establish a standard for social media measurement for DMOs, six organizations joined forces to focus on one clear goal: *to create a framework that measures the monetary value as a result of social media activities.*

The destinations that participated were:

- Destination British Columbia
- Illinois Office of Tourism
- Innovation Norway
- Tourism and Events Queensland
- Visit England
- Visit Flanders

The question "what's the ROI of social media?" has been asked almost since the platforms were invented. We recognized that attempting to answer this question would be an ambitious goal, especially since the majority of DMOs don't sell any products directly.

The intent of the project was to create an industry standard, using a framework based on the best available data as a starting point from which to develop and improve. The plan is to publish this simple framework for free so that any DMO can use it based on information and analytics they already have.

The methodology as it stands now relies on the most conservative data, in order to maintain integrity and credible results wherever possible, so that we may test, adjust and improve the framework over time.



The Role of a DMO

Before we venture into the best way to quantify the value of social media activities, it is important to first address the operating environment of a DMO.

At the heart of a DMO's marketing objective is the creation of tourism demand for a destination. Most DMOs operate in the early stages of the path-to-purchase and don't close the sale themselves.

In addition, the number of visitors a destination has is often the measure of a DMO's success, although we know very well that this is an effect - and not a direct result - of marketing activities.

There are a host of social, political and economic factors that are outside of the control of the DMO that affect whether the potential demand will be realized. Examples of these include:

- weather,
- economy,
- air access,
- natural disasters,
- epidemics,
- visa requirements,
- industry's ability to convert.

It is often possible for a DMO to run very effective programs that generate demand for its destination. However, negative growth can still result as a result of the factors above. Does this mean that a DMO was unsuccessful? Or did the DMO manage to avoid an even more negative impact? Or is the demand still there, but simply delayed?

The fact that a DMO is responsible for *generating potential future demand* in a market is a key principle in the methodology of measuring the impact of social media activities, and is proposed below.

By measuring *potential demand* instead of *actual visitation*, we remove obstacles outside of a DMO's control in order to measure the effects over time.



Options Considered

We reviewed several existing approaches that are used to measure social media. The two most popular methodologies are listed below.

Conversion studies

A number of DMOs have conducted conversion studies for one or more social channels, typically by inviting their Facebook community or Twitter followers to fill out a short survey. Even though this option will provide some valuable insights, it is challenging to get a good representative sample. It also requires research to be conducted by every DMO across a variety of channels.

Ad Value Equivalency

Ad Value Equivalency (AVE) is accepted in the industry as a measure of PR value. Even though its challenges are well discussed and documented, it is an important consideration because of its widespread acceptance. Some work has already been conducted in this area. A few years ago, Tourism Ireland created a “Social Ad Value Equivalency (SAVE)” measure which, following its release, was adopted and/or augmented by a number of DMOs around the world.

SAVE calculates the earned media value of social media activities. The goal is to generate more value as earned media, instead of paid media. It is therefore an *efficiency* measure, and we agree that there is value in measuring this. But where this approach ends is in measuring the *effectiveness* of that earned media. That’s where we propose a different approach, and where the two can work well together.

A New Way of Measuring the Impact of Social Media

In order to measure the effectiveness of a DMO’s social media activities, we propose a different method:

1. We begin by taking the total expenditure of a visitor (which changes based on their market).
2. We then multiply it by a percentage that represents a channel’s influence within the typical path-to-purchase (an explanation of how this percentage was derived is below).
3. We tally up evidence of consumer interactions with the DMO’s social media marketing efforts across a channel, and include this in the equation (qualifying interactions are outlined below).

And because we cannot know future conversion rates due to the external factors we outlined at the beginning of this paper, the result is the *potential* on investment – a number that can help us understand the effectiveness of a DMO’s social media efforts.

That’s why we’re calling the result the *Potential on Investment* value.



The Formula:

$$POI = C_v \times C_i \times M_q$$

Legend:

POI = Potential on Investment of a DMO's social media activities, measured in a currency

C_v = the value of a consumer in a market, as measured by the total average spent during a visit

C_i = the channel impact – a fixed percentage, derived from research on the impact of each social channel on consumer purchasing

M_q = the maximum qualifier, a tally of all the qualifying interactions on a channel, sourced from DMO analytics

C_v

This value is the direct and potential economic impact of a visitor in a destination. This value will differ market by market for individual DMOs and is unique for most DMOs. Most DMOs will know the average value of a visitor from a specific market, use research from a larger DMO they're associated with, or can take an educated guess at economic impact of a visitor.

C_i

The channel impact is the average impact that actions on the social channels have on the consumer, and which influence them along the path to purchase.

After reviewing dozens of research studies, we concluded that Phocuswright's "Destination Unknown" report contained the best data from which we could derive the impact of each social channel. The Destination Unknown report has been conducted by a highly reputable and independent researcher, it is reviewed and updated annually, and speaks to four markets: US, Germany, UK, and France.

Using this report as a base, we reviewed the data and from there and extrapolated percentages to accompany each social channel, which represent its influence within the path to purchase.

Although DMOs are experimenting and using a large variety of channels for social marketing, we have based our calculations on the assumption that DMOs *primarily* operate on Facebook, Twitter, Instagram and Pinterest. Should use of these channels by travellers change substantially, the model can be adjusted and percentages updated accordingly (*note: we chose to exclude Google+ since its penetration data doesn't reflect its true usage*).



Based on the above, the impact/influence of specific social channels on their ultimate travel decision within the US is as follows:

	Facebook	YouTube	Instagram	Twitter	Pinterest
US	4.51%	3.01%	2.21%	1.52%	1.35%

Mq

The maximum qualifier seeks to identify the best measurable proof that the social media activities of a DMO had a positive impact on the consumer. It is widely accepted that engagement is the key measure of success in social media. The maximum qualifier that we have chosen for each channel is therefore based on engagement, and not on reach.

For each of the four channels currently included in the framework, we assessed the engagement measures and selected the ones that provide the best proof, using the available analytics.

Channel	Maximum Qualifier
Facebook	Unique users who liked, commented or shared
Twitter	Retweets, likes, mentions and clicks
Instagram	Comments, likes and direct shares
Pinterest	Click, likes or repins
YouTube	View

Although we purposely excluded reach as a value in the model, it doesn't mean that reach can't have an impact. Just because someone didn't engage with social media content doesn't mean there was no impact. For example: a photo posted on Instagram can very well influence a travel decision without that person commenting on the photo.

This was a deliberate choice. We believe that by taking a conservative approach and only including engagement in the formula, we have found the only proof of a true impact.

With this in mind, it could be that this model underestimates the true impact of social media.



Examples

Using the formula outlined above, we can provide the following example:

- For Destination X in Europe, the average US consumer spends €2,000 on their visit.
- The following Mq numbers are pulled from the destination’s own social analytics, based on qualifying interactions as outlined above in the Mq rationales. These numbers are meant to represent the total combined number of interactions, per channel (note: these are example numbers only):
 - Facebook: 10,000
 - Instagram: 2,000
 - Twitter: 2,200
 - Pinterest: 500
 - YouTube: 1,200

Based on the above, the results of this DMO’s social media activity can be determined follows:

Facebook	€2,000 (Cv) x 4.51% (Ci) x 10,000 (Mq)	€902,000
Instagram	€2,000 (Cv) x 2.21% (Ci) x 2,000 (Mq)	€88,400
Twitter	€2,000 (Cv) x 1.52% (Ci) x 2,200 (Mq)	€66,880
Pinterest	€2,000 (Cv) x 1.35% (Ci) x 500 (Mq)	€13,500
YouTube	€2,000 (Cv) x 3.01% (Ci) x 1200 (Mq)	€72,240
Total POI		€1,143,020

Calculating ROI

In order to determine the ROI of social media, we need to also consider any investment that a DMO made in order to arrive at the value. In order to achieve this, the DMO can combine the costs of social media with media costs.

Then the formula becomes: $ROI = Cs / POI$

ROI = Return on Investment

Cs = Cost of social media

POI= Potential on Investment

For example, if the DMO in the example above invested €50,000 in social media in order to arrive at the POI, the ROI calculation becomes $€1,143,020/€50,000 = 22.86$. The ROI of social media for this DMO is therefore 22.86 to 1 (reminder: this is still based on *potential* revenue).



Challenges and Assumptions

This model is intended to be used as a tool for broad measurement and benchmarking, as a snapshot in time, and should be viewed in that context. Given the changing nature of a DMO's efforts, assumptions need to be made. The principles, however, are solid.

As more and/or better tools and data evolve and channels change in terms of their relevance/prevalence, the model can, and will, be refined and updated.

Goodhart's Law

Goodhart's Law states: "When a measure becomes a target, it ceases to be a good measure." What this means is that once a specific measurement is set as an objective, people will lose the real intent behind the measure or start gaming the system in order to artificially inflate the results, sometimes at the expense of other results.

It is important to disconnect this model from operational decision-making, in order to avoid things like Facebook "like-baiting," which produce engagement results that have zero impact on promoting tourism.

Channel Impact

The intent behind this model is to create the best framework based on current and available data. In order to achieve this, we had to rely on external data from the Phocuswright report. This report provides valuable insights for any DMO but was never intended to serve as the basis for a model like this. Therefore, our methodology makes some inferences and assumptions in order to arrive at the Channel Impact values we needed.

Maximum Qualifier

Not all channels offer the analytics we need, specifically: analytics by market. Instagram or Pinterest, for example, don't provide data specific to a user's geo-location. In order to obtain data for markets, we could use a DMO's Facebook audience and market penetration as a proxy.



Moving Forward

The POI version 1.0 is a great starting point for understanding the value that social media provides for a DMO. It is the result of the efforts of six DMOs around the world collaborating on an important topic, in order to set a global standard. This whitepaper and model is not the end of the road, but another step in the journey.

The next steps in the journey will be to:

- incorporate learning from the global DMO community,
- conduct research specifically for data points in this model, in multiple markets,
- incorporate better channel analytics when they become available,
- include more social media and non-social media channels.

For continuing updates about the methodology and to register interest in participating in future iterations and research, please visit <http://destinationthink.com/poi>.