

**International Economy**

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**SOCIAL MEDIA MONETIZATION  
IN GLOBAL INFORMATIONAL ENVIRONMENT**

**Abstract**

The article deals with the problem of social media monetization, provides a ROI measurement scheme and a general model for monetization of social media.

**Key words:**

Monetization, monetization channels, the return on investment (return on investment, ROI), social media, social networking, social media marketing, ROI measurement scheme, monetization model.

**JEL:** M10, F21.

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**Problem overview.** Despite the existence of the necessity for a working specific strategy for implementation of the social media monetization, today there is no clearly defined mechanism of monetization. Every company, faced with the need for monetization – the conversion advantages of using social media (most often – social networks) to a cash equivalent, develops its own strategy for monetization. This solution is dictated, in our opinion, not by the need of the strategy adaptation for each individual enterprise, but rather by the lack of generally accepted and proven mechanism. One of the reasons to this, we believe, is the relatively short time of existence of the social media category. It is necessary to create a common model that could be used without significant adaptation costs. There is a need not only to create an adequate model of monetization, but also to develop strategies to assess return on investments (rate of investment, ROI).

The research of the social media monetization and ROI measurement was done by following foreign economists: A. Jaokar, B. Jacobs, A. Moore, J. Ahvenainen, J. Gitomer, S. Gratton, A. Metz, J. Kukral, J. Kimball, M. Smith, D. Lakhani, R. Scoble.

**Main part.** Olivier Blanchard gives the following general formula for calculating ROI [1, p. 16]:

$$ROI = \frac{\textit{Gain from investment} - \textit{Cost of investment}}{\textit{Cost of investment}}$$

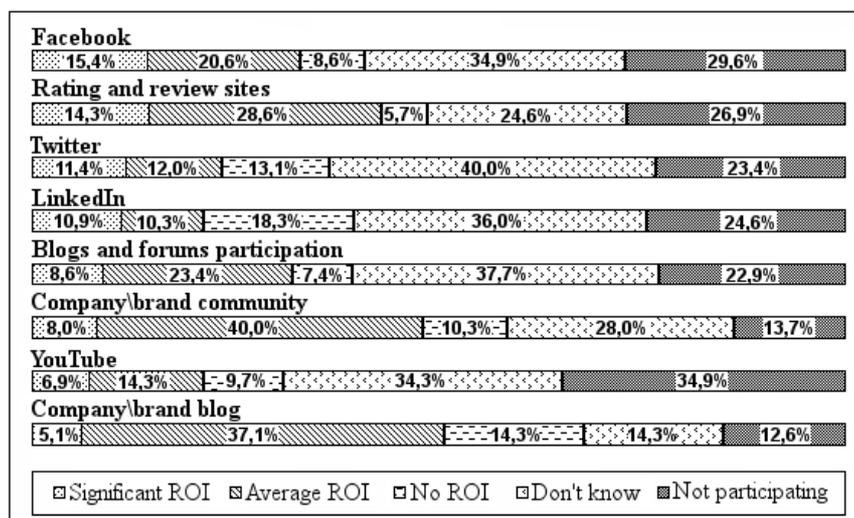
Measuring social media ROI is complicated by an indirect link between activity in social media and results, such as purchasing behavior, loyalty and recommendations [2]. By using the right approach, the enterprise can improve his own image and brand perception and increase the likelihood of improving economic indicators. The company should measure their success in order to ensure that the communication with the target audience improves, encouraging the growing importance of brand image takes place, and, of course, profits increase. Auditing social media activities becomes today a key component of social marketing activities [3, p. 21].

According to the study done by Bazaarvoice, in 2009 only 84% of companies did not measure ROI, ROI measurement in 2011 became an integral part of the business – more companies have started to measure the social media ROI [4]. Also, the study found that the use of social network Facebook, rating and review sites, Twitter, LinkedIn has the most significant ROI.

In recent years, to ROI measurement was done using «soft» indicators such as number of followers acquired the brand or the number of «Likes» – an indicator if the user liked the information provided, or that he's loyal to the brand presented. Although these indicators are still considered important, marketers emphasize more traditional indicators:

Figure 1

ROI of social media, 2011



Source: [4].

Table 1

Indicators, used for social media ROI measurement,  
% of the total respondents number

	2010	2011	Change
Site traffic	68,0%	68,0%	0,0%
Number of fans\members	59,4%	62,9%	3,5%
Number of positive customer mentions	52,6%	62,9%	10,3%
Number of page views	50,9%	43,4%	-7,5%
Number of contributors	42,9%	50,3%	7,4%
Number of mentions	41,1%	41,1%	0,0%
Number of posts	40,0%	42,3%	2,3%
Conversion	32,6%	65,7%	33,1%
Revenue	29,1%	49,7%	20,6%
Average order value	22,3%	23,4%	1,1%
Increased channel sales	4,0%	14,9%	10,9%
Other	2,9%	6,9%	4,0%
Do no track metrics	18,3%	6,9%	-11,4%

Source: made by authors, based on [4].

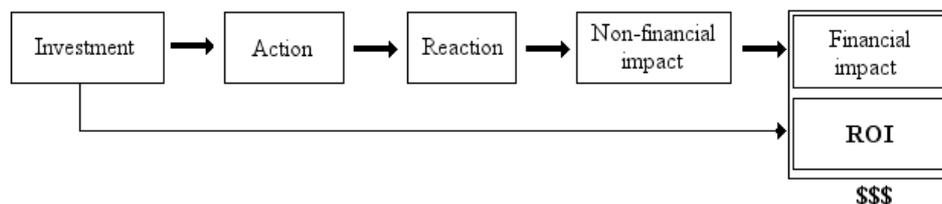
As in 2010, site traffic is still considered the most important indicator for social media ROI measurement. The importance of following indicators increased significantly – conversion (ratio, defined as the ratio of the unique visitors who complete the expected action to the total number of visitors), income, number of positive references and increased sales through channels. The share of marketers that do not perform measurements reduces, indicating that the use of social media is ripe to phase when determining payback and effectiveness of engagement tools are an integral part of the strategy.

Summarizing the process of the social media ROI measurement, we can create a basic scheme, under which it occurs (Fig. 2):

- investment – in fact the primary stage, without which it is impossible to build an adequate strategy, fundraising for salaries of personnel, use of appropriate information tools;
- action – immediate action in social media – registration, account creation, brand management and setting up communication with the audience;
- reaction – reaction of the audience in the form of posts on blogs, forums, social networks, exchange information on the actions of the previous stage, evaluating the presented information;
- non-financial impact – dynamics of the above indicators used to evaluate the effectiveness of marketing social media – number of visitors, hits, friends in Facebook, blog comments, positive and negative mentions, Twitter followers, increased social presence, media fullness, etc. any uneconomical indicator for assessing the effectiveness of a selected social platform:
- financial impact – evaluation of economic indicators such as profit growth, cost reduction, sales growth etc.

Figure 2

#### Social media ROI measurement scheme



Source: made by authors.

Because of the general nature of the proposed scheme, any strategy for ROI measuring passes through several stages. Differences occur only in the last two stages, because different researchers use different performance metrics for social media and financial performance. Harry Gold uses the following indicators to assess the ROI [5]:

- the number of followers on Twitter and friends on Facebook;
- social exchange – the exchange of experiences and reviews about brand among users of social networks;
- the number of video views – given the tendency of the video marketing growth, the importance of this indicator increases;
- comments and reaction;
- the number of page views;
- traffic indicator;
- income – these figures can be monitored and analyzed using the platform's web analytics – Google Analytics, Google Trends and so on.

Analysts of the review site Socialtimes.com identified the following indicators for evaluating ROI as the most important [6]:

- the number of transitions from the sites of social platforms;
- the duration of engagement – how much time users spend at the company's homepage after the transition from social media sites;
- failure rate – how many users, that transitioned from the social media site to the homepage, have immediately left it;
- the number of active users of content;
- the ratio of active users and total number of users;
- conversion of users active in the social media category, which is exposed to monetization – subscription, sale, use programs on Facebook, etc.,
- brand mentioning – monitoring of positive \ negative mentions;
- loyalty – how active users discuss, share and remember company's content;
- interaction through blogs.

Pamela Seiple, Hubspot.com analyst, chose the following indicators for social media ROI measurement as the most relevant [7]: the number of followers on Twitter, friends on Facebook, group members on LinkedIn, etc., which are di-

rectly related to success in social media, the number of transitions from social media sites, the number of users who have turned into company clients; conversion.

Given the above data and by analysing the variety of sources [8, 9, 10, 11, 12], we can identify the most widely used indicators for the social media ROI measurement:

- 1) the number of friends \ members of the community in Facebook, Twitter;
- 2) transitions to the home page from the social media sites;
- 3) conversion rate;
- 4) the number of negative \ positive mentions;
- 5) traffic.

As for financial indicators, the analysts usually use profit growth, year-on-year growth, annual increase of expenditure of using social platforms and more.

Having the social media ROI measurement scheme defined, we can build a generalized model of monetization, which consists of two phases (Fig. 3):

- 1) initialization of social media – choosing a channel, through which monetization will be implemented;
- 2) ROI measurement.

The first stage – initialization, in our opinion, should include the following steps:

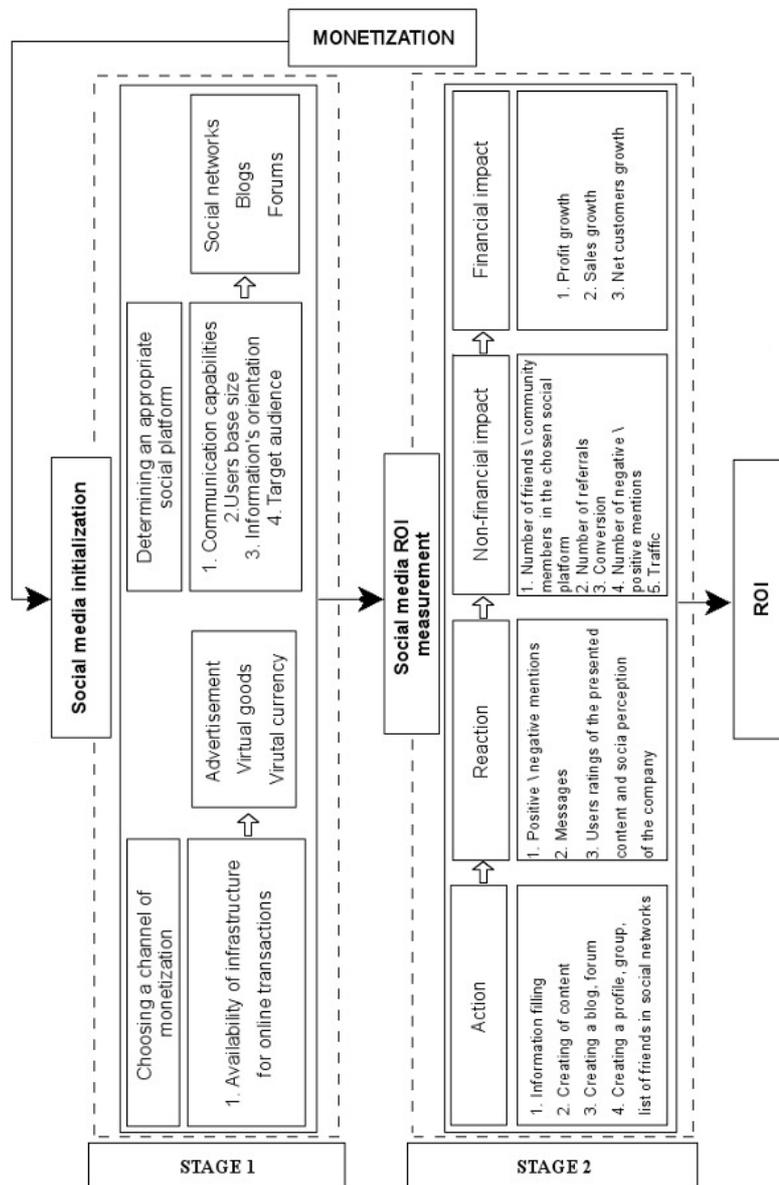
- 1) defining a channel of monetization. The most profitable channels of social media monetization include: advertising (marketing social media, 5.5 billion. income for 2011) [13] and social games (sale of virtual goods, 1.03 billion) [14].

Monetization through virtual goods and virtual currency needs additional funds to build the necessary infrastructure, through which, in fact, the virtual goods are to be sold. The above channels are important for companies operating in the field of online games, ie companies that have needed infrastructure built. Social media marketing is a more general tool to operate with advertising – economic category, which is an integral part of economic activity.

- 2) determining an appropriate social media platform: social networks, blogs, forums and so on.

The most popular and widely used social platform today is the social network, so they should be used as the target platform. It should also be noted that a robust combination of two or more social platforms will increase the effectiveness of social presence. In our opinion, the choice of platform should be guided by the following criteria:

*Figure 3*  
**General model of the social media monetization**



Source: made by authors.

- communication opportunities – social networks provide more communication tools within the network, to communicate between users (groups, friends lists, «Like» buttons), that efficiently organize bilateral communication, while blogs, forums provide less effective tools for communication. The existing technical limitations of selected social media tools are to be taken into account. For example, on Twitter, users can send messages of no more than 150 characters, while Facebook message can contain up to 60 thousand characters. Clearly, more powerful communications capabilities allow to more effectively engage and influence the target audience;
- the user base size – the more users, the larger the potential audience. The size of user base can be evaluated by the indicator of the total number of registered users, and of active users;
- information orientation – if the subject of the platform coincides with the themes of business, target audience will be formed only with people who are interested in this particular subject. However, a narrow theme can be seen as a disadvantage, because it simultaneously restricts and reduces the potential audience;
- target audience – if age or gender component of the target audience is important, this indicator becomes relevant. The largest share of Internet users on Facebook – 29%, accounted for the age group of 18–25 years, same age group – 40% of LiveJournal users, while in Twitter 30% of users belong to the age group of 26–34 years [15, 16].

The second stage of monetization – the ROI measurement of the selected social media, includes following steps (as shown in Fig. 2):

1) investment – raising funds for employees who work directly with the chosen platform (social media managers);

2) action – information filling, the necessary steps to represent the company brand in the social platform, chosen at the first stage, using all available tools for social presentation of the business. This step is of critical importance because the success of all subsequent steps depends on how positively the information and content will affect the user.

3) the users reaction – user-submitted rating of the presented content;

4) non-financial effect – it is the begin of monitoring and analysis stage – how much brand awareness, brand perception and other indicators have changed;

5) the financial effect – when assessing the financial effect, indicators of annual (monthly, quarterly) earnings growth, sales, net customers number before using social platforms and after can be measured.

So, the actual measuring of the social media ROI takes place after all the proposed stages are done. It is also necessary to assess the costs that may include salaries of social media managers, information services costs (Internet access) and others. If there is a positive dynamics of financial performance after starting to use social media, monetization can be considered successful.

**The novelty of the results.** Implementation of this study made it possible to create the scheme of measuring social media ROI and to build a two-phase model of the social media monetization.

**The practical significance of the study.** The general scheme of social media ROI measurement was proposed, also the model of monetization was built, and that can be used by enterprises and organizations to monetize social media and to increase efficiency and integration of the social platforms tools.

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