



GUIDE TO **CALCULATING THE ROI** FOR YOUR CPG BRAND'S PAID **SOCIAL ADS**

CALCULATING SOCIAL MEDIA ADVERTISING IS A COMPLEX PROCESS.

Calculating your return on investment (ROI) on a paid social CPG marketing media campaign is tricky. The idea of ROI is easy enough. You take the money earned minus what you spent to earn that money. The outcome is usually a percentage that shows for every dollar devoted to the campaign you earned “X.” But CPG marketing is complicated. How can you use ROI to measure these results in a paid social media campaign?

HOW TO TRACK CPG MARKETING SPEND ON CPG BRANDING CAMPAIGNS

[LinkedIn reports](#) that 58% of digital marketers must prove the ROI of their campaigns to get budgetary approval but only 37% said they were confident in their ability to determine ROI.

When you’re trying to determine social media spend ROI, there are many more calculations to consider over the typical mathematical ROI formula. For example, you should consider the costs of:

- Internet hosting
- Software
- Website
- Electricity
- Staffing

There are soft and hard costs associated with your CPG branding efforts on social media. It’s a little easier to track what you’ve earned on social media if you run the campaign properly.

A simple formula for ROI could be:

$$\text{ROI} = \frac{\text{Net Profit}}{\text{Total Investment}} \times 100$$

But the calculation of this is problematic. It should include real revenue generated as well as CPG branding awareness, customer satisfaction, or other metrics generated by the social media campaign.



The first step toward calculating ROI is to determine your campaign goals and objectives.

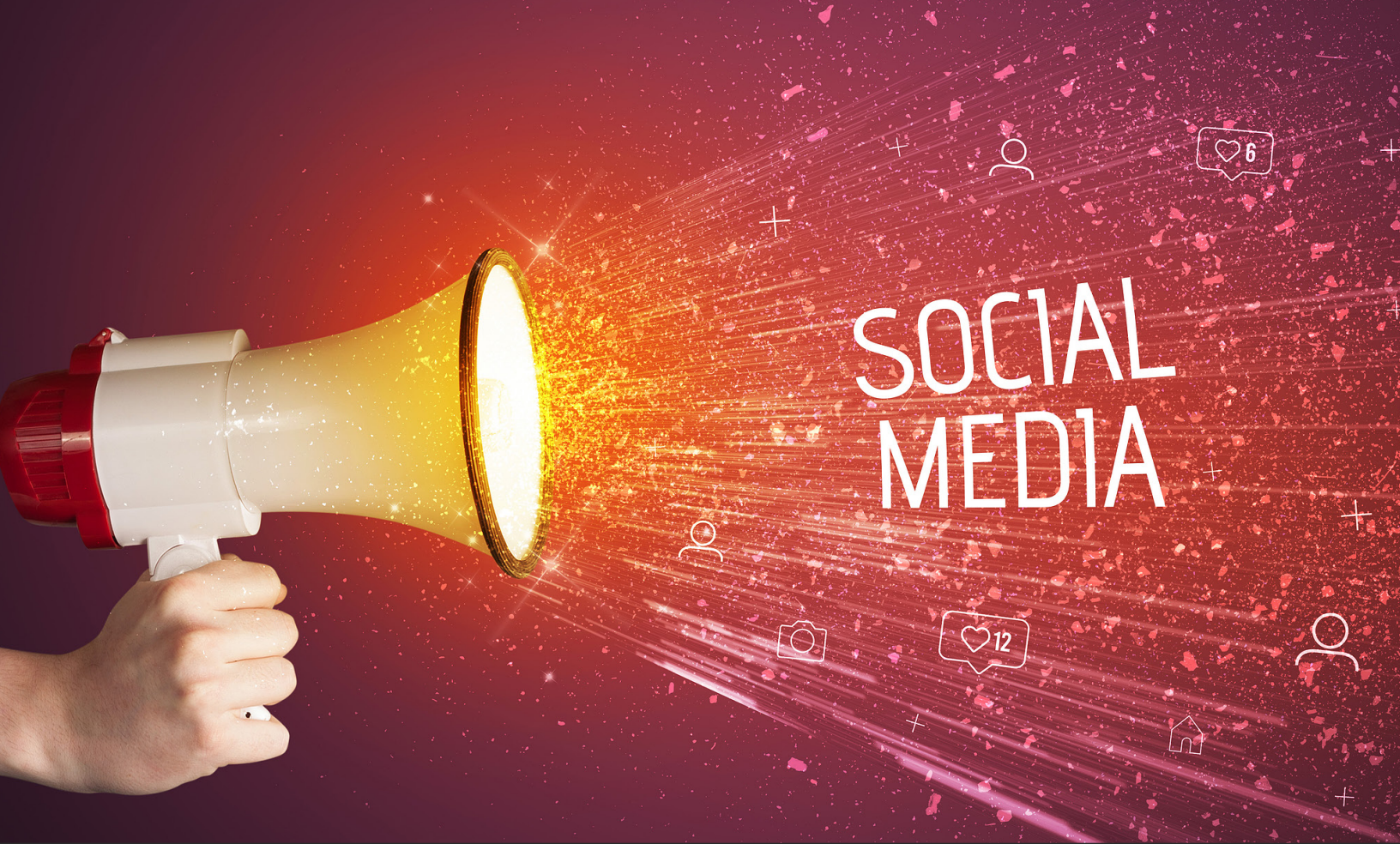
OTHER CONSIDERATION WITH CALCULATING ROI FOR YOUR SOCIAL MEDIA ADS

Your paid advertising could be designed to inform the innovation team with new ideas for customer-centric products. How in the world can you measure that? The sheer flexibility of the social channel lets you poll customers for satisfaction and interests as well as gauge actual pay per click.

The only systematized way to measure results from these types of campaigns is to:

- 1. Define Social Media Goals**
Define the clear social media goals for each campaign tied to the value of the ad. You could track lead generation or brand awareness, customer loyalty, or CPG branding awareness. These goals could vary by the audience itself.
- 2. Assign Metrics to Each Goal**
Set objectives that are specific, measurable, attainable, relevant, and time-based (SMART). For example, your objective could be to provide your sales teams with leads from social media advertising. But your goal is to produce 15 pass-through leads each month. Or, you could set your objective as CPG branding and awareness to increase social shares by 5% by the end of the quarter.
- 3. Assign Values to Your Metrics**
Assign a value to each of these metrics, whether it's customer lifetime value, the average sale, or PPC costs.
- 4. Set Up Tracking Mechanisms**
Track the social media metrics, whether they are shares, likes, or comments. You can also track audience engagement, overall site traffic, reach, and sign-ups or conversions.
- 5. Compare Your Ad Spend vs. Your Metrics**
Finally, measure your overall spend on the social media campaign. How much did the ads really cost you, including the cost of the platform, the social ad spend, production of the content, and more?

Use these metrics to test and re-test ads to optimize their effectiveness. Social media is brilliant for data that will help you tweak your campaign efforts. But because this is a real-time venue, your ads should never be static. Each iteration allows you to test and prove ROI.



SOCIAL MEDIA

Hangar12 is at the forefront of
CPG marketing strategy and more.

SUBSCRIBE TO OUR BLOG

to stay up-to-date with our latest insights.

OR JUST GIVE US A CALL AT
312.870.9101



HANGAR 12