



A Community ROI Model We Can All Love

SNAPSHOT

SPEAKERS

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COMPETENCIES

Metrics and Measurement

MATURITY PHASES

CMM1, CMM2 CMM3, CMM4

TOP THREE TAKEAWAYS

ROI is always a hot topic. This discussion focused on the creation of a community ROI model that aims to benefit all communities. The highlights of the discussion are noted below:

1. **Rachel stressed that the main point of an ROI model is to start conversations.** It is not the end game. The reason behind a very simple ROI model is so that it will be easy for stakeholders to understand the calculation. If they can understand it, they can trust it.
2. **Rachel stressed that a caveat to this ROI discussion is that ROI cannot do everything.** People expect too much of the ROI model. They want it to be a predictive tool and they want it to tell people how to manage their communities. An ROI model – no matter how good it is – cannot provide those answers. It can only articulate value.
3. **Rachel shared what she believes to be the value of an ROI calculation:**
 - a. It forces you to define value.
 - b. It articulates value in quantifiable and financial terms.
 - c. It creates confidence because the value is clear.
 - d. It gives executive sponsors a way to defend community from budget cuts.
 - e. It helps the executive sponsor prioritize community investments.

OVERVIEW

1. Does ROI Matter?

Rachel believes that the community field is still emerging and that the value is still not obvious to many people. Therefore, the onus is on those in the community profession to make value obvious. This is why Rachel believes in ROI models. Their purpose is to clarify and put the focus on the value that communities generate. If that cannot be articulated, then many other areas do not matter.

- I. Rachel shared an analogy to help people think of ROI. Without ROI, no one knows an elephant is an elephant. The elephant in this case is value. That is the purpose of ROI as a metric.
- II. If conducted correctly, ROI focuses the lens on the big, strategic value. It helps to make it clear and obvious to others and communicates it in a way that is understandable. That is not something that is done well in the industry right now.
- III. The caveat here is to remember that ROI cannot do everything.

2. Limits of an ROI Model:

Rachel shared what she believes to be five limits of an ROI model:

- I. *Cannot Capture all of the Value:* First and foremost, an ROI model can never capture all of the value generated from a community because some of the value received may not be measurable. For example, it is very difficult to capture empathy and assign a value to it. However, everyone in the community management profession knows that being more empathetic to customers, employees or each other helps to create connections and build trust. That, in turn, helps people to be willing to share information.
- II. *Cannot Capture Investment:* In the same way, an ROI model cannot capture the investment made in community each and every day by every community member.
- III. *Cannot be Predictive:* ROI models cannot predict leads, sales, number of patents, collaboration percentages, etc.
- IV. *Cannot Tell People if it is the Right Approach:* ROI models cannot tell anyone whether or not community is the right approach or the right strategic choice. However, it can determine if you will make more money than you spend.
- V. *Cannot be an Operational Metric:* From a community management perspective, ROI is not an operational metric. It will not tell you how to generate more value, but it can tell you whether or not value exists.

OVERVIEW, CONT.

3. The Three Sins of ROI Models

Rachel believes ROI models carry three inherent sins:

- I. *Over-Complicate*: People tend to over-complicate their ROI models. They want to paint the Mona Lisa, but have not even explored the finger painting step yet.
- II. *Limit Themselves to Available Data*: Another sin people are guilty of is to look at the data they have instead of the data that they need. They do not think strategically about what they need to prove value. They look at what their tool is giving them and ask how they can combine this data to prove ROI.
- III. *Aspire to Perfection*: The third sin is that people strive for a perfect model before creating any model at all.

4. The Value of an ROI Calculation

Rachel shared five ROI values:

- I. *Forces you to Define Value*: This is the primary reason Rachel likes ROI models. It forces people to define what the community does that is valuable. There are keystone behaviors in every community that generate value. It is a matter of learning how to define it and articulate it on paper. That is a crucial first step missed by so many people.
- II. *Articulates Value In Quantifiable and Financial Terms*: The next step is to determine how to quantify it and then translate that into financial terms. Community managers should seek out people who can help with this step if it is not in their skill set
- III. *Creates Confidence Because the Value is Clear*: When you can be clear and state the value of your community in one or two sentences, it helps people to develop confidence. If someone has confidence discussing value, they will articulate clearly vs. stumbling linguistically. That gives the person asking more confidence in the answer.
- IV. *Gives Executive Sponsors a Way to Defend Community from Budget Cuts*: As a result of being able to articulate community value confidently, executive sponsors can defend against budget cuts.
- V. *Helps the Executive Sponsor Prioritize Community Investments*: Lastly, ROI is one of those general metrics that allows the executive sponsor to compare the returns from a community program against other tactics and ways to execute an approach to challenges.

OVERVIEW, CONT.

5. Measuring an ROI Model:

Rachel shared four steps:

- I. *Value Through a One to Two Sentence Value Statement:* Rachel believes that if you can create a clear, crisp communication of value in just one or two sentences, it will go a long way. That is an easy metric to measure – either a one or two sentence value statement exists or it does not.
- II. *Value Through Ease of Understanding:* Secondly, if you have a one or two sentence value statement, it can be easily shared with other people. You can survey them to figure out how many people understand the value of the community.
- III. *Value as a Tool:* ROI can be used as a tool to help defend and prioritize.
- IV. *Positive Impact Equals More Resources:* The impact of being able to articulate value means that you can get more attention through clarity of thought. You can gain more support, participation and financial resources due to this clarity. This typically increases the ability to execute the time to value.

6. Investment of an ROI Model

The investment of an ROI model is time: time to understand and clarify what is valuable, time to translate that value into financial variables and time to track and report ROI on an ongoing basis.

BEST PRACTICES

The following is a summary of best practices as shared by participants within the discussion:

1. Create an ROI Model that Everyone Can Love

Rachel shared the background of TheCR's ROI model. The steps for creating an ROI model are listed below:

- a. **Gather Baseline Data:** In the 2015 SOCM, it asked for respondents to self-report on their ROI percentage. What was revealed by this question was that very few people could do that and for those who could, the data was all over the place. This data could not be used as a result.

That was the impetus for the formation of the SOCM Working Group, which determined a baseline model intended to work for all communities. The Working Group asked for various data points. It is now in the process of determining the quality of the data to see if it can be used by TheCR.

- b. **Measure Inputs and Outputs:** Rachel explained that there are two outputs that she looks for – operational and strategic.
 - i. Behavior change is the first thing that you notice. You can see a behavior change in one individual. Tracking that behavior change is an operational metric. That behavior change should also lead to value. The idea is to look at the behavior before and afterwards, i.e. if the behavior resulted in reduced cycle time or increased quality and/or increased revenue. You should be able to see that in a global ROI metric. However, that ROI metric is a strategic metric. That is an important distinction.

BEST PRACTICES, CONT.

- c. **Measure Keystone Behaviors:** One of the things that TheCR has been working through with clients in the past year is to identify the keystone behaviors that every community exhibits no matter what the use case. Rachel stated that these keystone behaviors were broken down into four different categories of behavior:
- i. **Validating Out Loud:** This refers to the response to something that has been posted or another person's comments.
 - ii. **Sharing Out Loud:** This refers to proactively sharing a document or a graphic or a status update. It is a step up the behavior ladder. Then, once the person is comfortable sharing they might now be comfortable asking a basic question or even answering a question. These equate to higher value behaviors.
 - iii. **Explore Out Loud:** This refers to open-ended questions.
 - A. These three units have been wrapped up into what TheCR refers to as "TheCR's Working Out Loud Framework". It pertains to the evolution of behaviors in a community.
 - B. Executives need to understand this concept. You cannot expect people to innovate and collaborate with each other if they are not comfortable with each other.
- d. **Pick One Metric to Measure:** If Rachel had to pick just one behavior, she would choose answering. Answers are the core of what brings value in almost any use case. Yet, looking at it from the behavior ladder, it is very high up the ladder. It is imperative that people feel comfortable validating, connecting and sharing. Only then will they start asking and answering questions.

BEST PRACTICES, CONT.

- e. **First Community ROI Model:** When Rachel looks at an ROI model, she sees that it is built on an answering behavior. Therefore, she looks for five data points:
 - i. These five data points are number of answers, number of searches, estimate of the % of successful searches, financial value of an answered question and cost of the community program.
 - ii. Some of this data is available and some of it is not. These are the data points needed, but they may not be what is available.
 - iii. There are a number of ways to determine the financial value of an answered question. If you are an external community, customer support often knows how expensive it is to answer a question in a traditional way. Then, of course, you need the cost of the community program over the same period.
 - A. **Calculations:** You calculate two different sub pieces of this ROI calculation. The first one is the value of just the answers that are there. This value refers to being displaced for another channel, i.e. the individual did not ask the question in an email; they went to the community. That may not be a value-add to the community because it was just displaced from another channel. The real value of a community is a networked value and answer.
 - B. Since it is in an open, transparent place, when somebody searches they can find it. Or when they are browsing they can find it. Rachel calls that the “networked value of an answer” and it usually far outweighs the original value of an answer.
 - C. In Rachel’s experience working with early communities, there was a lot of answering behavior. As communities mature, searches go way up, but the answering behavior plateaus or even goes down a little bit because the repository of information becomes larger and the successful search rate goes up. Both those factors need to be considered.
 - D. Next, add that value together and divide it by the cost. The biggest sticking point is not having the data and not feeling right about estimating. In particular, the data point that is really hard for people to estimate is the value of an answer.



BEST PRACTICES, CONT.

- E. There are a couple of different ways that this can be estimated, such as ticketing desks or organizations that usually have this data.
- 1) A second way would be to take a fully burdened FTE – a full time equivalent – and estimate how much time it takes someone to answer a question and break it down that way. This is not Rachel's favorite way because it just gets at basic value. There is an exclusivity value to communities. Answers in communities are more valuable than, for example, Twitter answers because a community is trusted. Therefore, a community has a competitive advantage.
 - 2) A third way is an exercise Rachel uses when asking for salary information. The lower tier is what she would regret going below, i.e. the lowest possible estimate that seems reasonable given the complexity of the use case and even the value of the eco system being used.
 - 3) On the flip side, ask what would be the highest possible estimate that seems reasonable. Then average those two to calculate a rough estimate. It is a rough number, but at least offers a place to start and triggers conversation to determine if it is too high or too low. In other words, get something on paper that can be refined over time.
- f. **Compounding Costs, Value and ROI:** Costs tend to be relatively linear and increase as the budget changes. Since they tend to be linear, it compounds growth. What happens in communities is that they become comfortable. There are more questions and more answers to create a compounded geometric picture of value.

As Rachel mentioned before, in communities that are two or three years old – especially on the external side – there is a significant amount of question and answer behavior that causes the search to slowly increase. As the successful search rate grows, the answering behavior may slow down. It depends on how much evolution and change is going on in a company's product line, too, which has some effect. Therefore, you will see a change in how that value is generated, whether it is through actual answers or searched answers.

- g. **Operational Metrics that Support ROI:** Once the ROI is determined, operational metrics are needed for the behavior that supports the ROI model. This way it helps to determine how to change the ROI. The ROI will not tell you that on its own.
- h. **Make it Easy to Have the Right Conversation:** Rachel showed a slide with the following calculation on it to help people have the right conversations with their stakeholders:
- i. ROI Calculation $((x+y)-z)/z$
 - ii. $((\text{Value of Answers} + \text{Networked Value of Answers}) - \text{Cost})/\text{Cost}$



LESSONS LEARNED

The following is a summary of lessons learned as shared by participants within the discussion:

1. One participant asked if there was a hierarchical method that can be used in an ROI conversation, i.e. the cycle time to gain a sales lead from an advertising and outreach perspective vs. a sales lead from the community. Rachel thought that was a great way to think about it because the strategic ROI calculation will be different than the calculation for the head of sales or head of marketing because they want different things out of the community. They will determine what their responsibility is and where the responsibility of the community falls in that strategy. That said it is their responsibility to understand whether community is a better mechanism for sales than other options. In a similar vein, on the marketing side if they are doing total cost of ownership or total revenue or total value of a customer calculation, the onus is on them to determine if there is a difference in the customers that come into the community vs. customers who are not members of the community. If so, they should also calculate and understand the difference to determine if more people should be routed to the community or not. All in all in answer to the question, there is absolutely a hierarchy of the ROI models. Rachel believes that you need to start with a very simplistic model and work from there.
2. Before Rachel shared the ROI model, she asked participants to keep this quote in mind: *“You might not write well every day, but you can always edit a bad page. You can’t edit a blank page.”*¹ The reason for sharing that quote was to force people to get something on paper from an ROI perspective that can then be iterated upon. It can always be added to as a way to make it more sophisticated, but it has to start somewhere.
3. One participant really liked the idea of asking her organization for ticketing information. Rachel added it is so important to be able to justify your answer. Therefore, you need to tell people how you made that assumption.
4. Rachel acknowledged that these types of calculations feel very insufficient and very imprecise. However, she feels very strongly that it is important to throw something at people so that they can react. Their reactions will tell you a lot about how close you are to something that they will be comfortable with as a number.
5. One participant shared that they have been able to determine a deflection number i.e. from a case deflection standpoint to say that there were X number of support reps taking X number of calls per hour. Their total combined salaries were Y. Therefore, if 10% of cases were deflected, this was the cost savings over the year. However, this participant was really bothered by the fact that the one thing he could not calculate was the number of other people who did not have to contact the company because they saw the solution posted in the community.

¹ Quote by Jodi Picoult, Author

LESSONS LEARNED, CONT.

- a. Rachel suggested looking at the number of successful searches on that question. That is the networked value of an answer. Look at the page views and the number of people who arrived at that page via a search. Also try Google Analytics.
- b. Another participant added that he saw an Oracle White Paper on measuring the value of community ROI. He uses that as back-up evidence when he goes to his management. He uses it as a conservative estimate. The page views of solved threads by customers – someone who had the entitlement to open a case (some people are not entitled to open cases) – filtered down to the customers who viewed a solution.

The Oracle White Paper estimated that to be between 10-30% of those who would have opened a case. Again using the conservative end of that scale, he went to his management and said that 10% of customers who viewed a solution could be counted as a deflected case. Even that conservative number was beneficial as executives felt comfortable with it.

6. Another member stated that he did not have an effective way of knowing if members of the community were just clicking through looking for information, found what they were looking for and could be considered a successful deflection or if someone was just browsing to read. That was a key line that he did not know how to address in his “defense” meetings. Rachel suggested that in this type of instance a survey or poll could be used to reach out to 50 or 100 members to gauge their activity. Ask them about their experience with the community and use that as a data point.
7. A common problem raised by one participant was how to get people to reliably and regularly mark answers as either helpful or correct. That makes it difficult for this participant to determine the response rate. She feels like she needs to add a “fudge” factor to her calculation. Rachel replied that all of this has some degree of fudge factor. She recommends determining whether you can look at the qualitative data and say that the average post gets 5 responses and of those 5 responses typically there are 1.2 answers.

That means that there could be more than one answer to a question or it is .7 for every 5 responses. Therefore, the assumption is that the rate of questions to response across the whole system will be used as a flag. Or you could try the harder approach, which is changing people’s behaviors and trying to get them to mark things as answered. That is a longer term gardening behavior that takes time to change.

LESSONS LEARNED, CONT.

8. Calculating the lifetime value of an answer is also a struggle. Rachel suggested that a good search tool and reporting system would help because with a good enterprise search tool you can see what search terms are leading to which content. From there you can determine the pathway to that content, i.e. the number of people who searched and found that content. Then you can look at the page views and say that X% of the people who found this content came through a search and X% came through browsing.

Rachel believes that there will be a higher percentage of people who came through a search because they were actually looking for the answer vs. the people who were browsing and not specifically looking for an answer. Then if you can say that people came through a search, conservatively 40% of them were looking for this answer and were, therefore, a deflection. It may be higher, which might require some surveying to confirm. Then, month-by-month, determine how many people searched on those terms or found content to determine trending.

You could bridge the randomness over a year and learn that perhaps, on average, every month 10 people came and found this answer. That equals 10 deflections per month. Determine the value of that and compound that up for all the solutions you have in the community.

- a. In the absence of a good search tool, you can make some estimates around that, too, because you can look at page views and make assumptions about browsing and searches. If you can walk through those assumptions, then you trigger that conversation and discuss whether the assumption is reasonable or not. Rachel will share an example.

ADDITIONAL INSIGHTS

Noah asked participants whether or not they are able to measure their community's ROI. Participants replied with the following:

1. One participant stated that this has been a white whale that he has been chasing for two and a half years. Fortunately, he is getting closer. He was able to put numbers to his ROI model in December of 2015. It is important to note, however, that this participant's community is an external, technical community that is support-oriented. He is able to measure deflected support cases through the community. Although it is a rudimentary number, it does show that the community is paying for itself. It is a breakeven community with the very basic deflection numbers, but this participant knows that there is much more actual value and will continue to chase it.
2. Another participant shared that she has been working with Rachel and Noah using the ROI concept shared in this discussion. It is in the preliminary stages, but moving forward.
3. One member explained that they have been measuring ROI by experimenting with surveys. She sends a survey to everyone in the network who asks a question. This is where they have found the highest business value. So far, it is all about money saved, but she would like to take it to the next level and explore measuring gained value.
4. Another member shared that the best ROI model she has seen to date was created by Forrester for Tibbr. There are still many flaws in it, but she has not seen anything better. Her goal is to look beyond ROI and the business value and really help practitioners and companies understand the impact that this is having to the organization so that they can get greater resources and greater visibility and priority within their organization and with executives.
5. The rest of the members did not have the ability to measure ROI in their community and were on the call to learn.

RESOURCES

- As mentioned in the chat: <http://www.amazon.com/How-Measure-Anything-Intangibles-Business/dp/1452654204>
- As mentioned in the chat: <http://weneedsocial.com/blog/2016/3/28/how-to-measure-culture-change-without-killing-it>
- As mentioned in the chat: <https://hbr.org/2016/04/culture-is-not-the-culprit>