How to Use TheCR's ROI Model

TOP THREE TAKEAWAYS

TheCR's Ted McEnroe hosted an informative and practical ROI workshop.

- **Learn the top 10 best practices for calculating community ROI.**
- **Reduce your chances for calculation error by knowing the 3 areas where ROI models fail.**
- **Want to strengthen the validity of your ROI calculation?** Explore these 4 methods of expertly finding concrete ROI data.

SNAPSHOT

SPEAKERS
Ted McEnroe

COMPETENCIES
Metrics and Measurement

MATURITY PHASES
CMM2, CMM3, CMM4

OVERVIEW

<u>Why ROI Now?</u> Communities are in the executive spotlight in a way that they haven't been before, so it's important to capitalize on that attention. Now more than ever we need to prove the value of communities.

Rachel estimates that there is an 18-24 month window for capitalizing on executive attention. In that time, you need to demonstrate a tangible return for community before the senior level becomes distracted.

Unfortunately, the majority of communities are struggling with proving ROI. In 2017's State of Community Management's (SOCM) 30 plus community samples, only 32% said that they could measure the value of community for their organizations. Of those, only 27% said they could calculate an ROI.

<u>Set the Expectation for ROI:</u> Before diving into the ROI model/calculations, keep a few points in mind:
ROI is a best estimate, not an answer. You cannot possible calculate all value and that's ok.
Be conservative. Make the numbers entered into the equation numbers that you can easily defend. Ensure that they will be reasonable to stakeholders.
Show and Tell: Make sure you collect the stories behind the numbers.

<u>No Guarantee of a Correct Answer:</u> Answers in a community can have a huge value range. Use something that you feel comfortable with and that you can defend with your stakeholders.

<u>The Surprising Value of an Answer:</u> Don't underestimate the value of an answer. Take the company's cafeteria menu, for instance. Posting the menu – along with the daily specials – can save the company money. By being readily accessible in the community, someone can find out the specials in 5 seconds instead of taking 15 minutes of company time to check it out in person.
Think about the value of the time it takes to answer, the uniqueness of the expertise – especially if you have technical specialists in the community – the accessibility of answers in other places and the cost of developing those answers.

BEST PRACTICES

Consolidate a Definition for ROI: Everyone needs to be working from the same definition of return. Without it, people will look at ROI from their own individual perspective making way for different ROI perceptions.

If people can't agree on what community is, then it's going to be hard to agree on the value of community. If people can't agree on that value, they will simply lose interest. It will become too complicated to describe, define and defend it.

Recognize the Value of the Process of Defining ROI: ROI itself is not the Holy Grail. The process of defining the ROI of community gives you a chance to bring stakeholders together to discuss community value.

Those who don't understand community will begin to see why it is important. Those who do understand community will recognize different perspectives and different elements that feed into community thereby understanding the different ways that it can provide value to different audiences.

Understand What ROI Models Can and Can't Do:

Can Do: ROI models can help organizations:

- ***Align definitions of meaningful value.*** ROI models help people to come together and talk about the real value of community, which will be different for each organization. Very powerful.
- ***Agree on the financial value of what is meaningful.*** All ROI models are built on being able to define the financial value of those meaningful elements of community.
- ***Prioritize and focus community management.*** Typically you act on what you measure. So, if you are measuring the right things that tie into the meaningful elements of your community, priorities should fall into place.
- ***Support efficient execution.*** With priorities in focus, you should be able to support a more efficient execution of community. Hone in on what really matters for your community and target your resources accordingly.

BEST PRACTICES, CONT.

Can't Do: ROI models can't:

Capture all value. Whether the ROI model is simple or complicated, it must be based on an assumption at some level. Some things have to be left out.
Capture all investment. You can capture budget for the community and some investment – like IT support – but you can't capture every ounce of every investment.
Predict transaction volume. ROI models are great at analyzing data, but not as good at predicting data, i.e. the number of leads, deflected calls, new ideas, etc.
Tell anyone whether a community approach is the right one for them. The ROI model is not a comparative tool. You can get great insights, but you can't use it as an either/or tool.

Know Where ROI Models Fail: Ted shared 3 major ways that ROI models fail:
Over Complication: Overcomplicating the model makes it impossible to understand or communicate the ROI. Trying to capture every input becomes an overwhelming task, particularly for community managers who have so many competing priorities.

It also makes it difficult to communicate where the numbers were derived.

The more data you pour into the model, the more people's eyes glaze over. They see it as a sales pitch vs. a resource or tool for understanding the value of community.

Using Data that you Have Vs. Data that you Need: The data that you have isn't necessarily the data that you need to demonstrate the value of community.

In most platforms the easiest data to retrieve is activity data. An ROI model that is based on activity data may look good for ROI, but the reality is that it's not using the elements of community that have the greatest value, such as behavior change. It runs the potential of breaking down over time because there has not been a sustainable change in behavior. You want people to use the community in place of something else.

BEST PRACTICES, CONT.

Biting Off Too Much Too Soon: The model tries to solve complex value chains before solving for simple values.

> For example, an organization might try to prove how community members are more likely to increase the value of their contracts when they renew because of the community. It's reasonable to draw that correlation. However, it's impossible to say that with 100% certainty. Sales will say that they are doing a better job of selling; marketing is doing a better job of marketing, etc. You have to build a process to show this correlation or at least a part of it. If you don't, you'll get tripped up by your own ROI goals.

Recognize that Community Value is Generative: Investments are designed to produce a linear result. Communities, however, require more of an upfront investment without an immediate result. When people are getting more out of the community than the effort they are putting into it that is the point of value acceleration. The way communities do that is through various behaviors.

Follow TheCR's Community Engagement Framework: TheCR's Work Out Loud Framework –re-branded the *Community Engagement Framework* – demonstrates 4 value-generating behaviors:

Communities generate value with multiple behaviors

BEST PRACTICES, CONT.

- ***Validate Out Loud:*** Value is earned by members viewing content, liking, sharing, etc.
- ***Sharing Out Loud:*** Sharing of documents, pictures, updates, ideas. People contribute at lower levels to the community and generate value that way.
- ***Asking and Answering Out Loud:*** This is the Holy Grail for many communities. People ask questions and get answers in a way that speeds processes, generates interest, generates investment, generates sales, etc. Most of TheCR's ROI model is focused at this stage.
- ***Explore Out Loud:*** This is the highest level of value. It asks open-ended questions on difficult issues to create a place where ideas are shared in a more theoretical way. This is a very important stage in innovation communities.

<u>**Generate Networked Value:**</u> Across all of these levels of engagement, communities make knowledge transparent. They generate a networked value.

The ratio of 1:31 is the average ratio of new answers in communities compared to new views of approved answers. For every new answer posted in a community, there were 31 people who accessed an old answer that had been posted in the community.

This ratio varied wildly by organization. This is the first year the data was collected and ranged from 1:.5 to 1000:1. The user doesn't care because it doesn't change the value that they receive; their problem is solved. Communities want to see a shift because the knowledge base is building up.

Don't be concerned if a graph shows that traffic and engagement becomes flat in this instance. People are using the search function instead of asking questions. They get more value from the community because of the trust factor and speed of answer. Twitter is difficult to find answers and a Google search isn't always credible.

<u>**Try TheCR's ROI Model:**</u> TheCR wanted their model to capture network value, be easy to understand, easy to use and connect to the key behaviors of community. The value of questions and answers is at its core.

According to the 2016 SOCM Report.
1:.5 reflects that people were getting answers more than they were servicing answers through search. However, at 1000:1 it meant that for every new answer generated in the community, there were 1000 people finding a similar answer through search.

BEST PRACTICES, CONT.

It may be in different percentages for different communities, but every community shares questions and answers. Starting with this assumption, TheCR built a model that focuses on 5 data points:

The number of answers in the community.
The number of searches in the community.
The estimated percentage of a successful search.
The financial value of answering a question.
The cost of the community program.

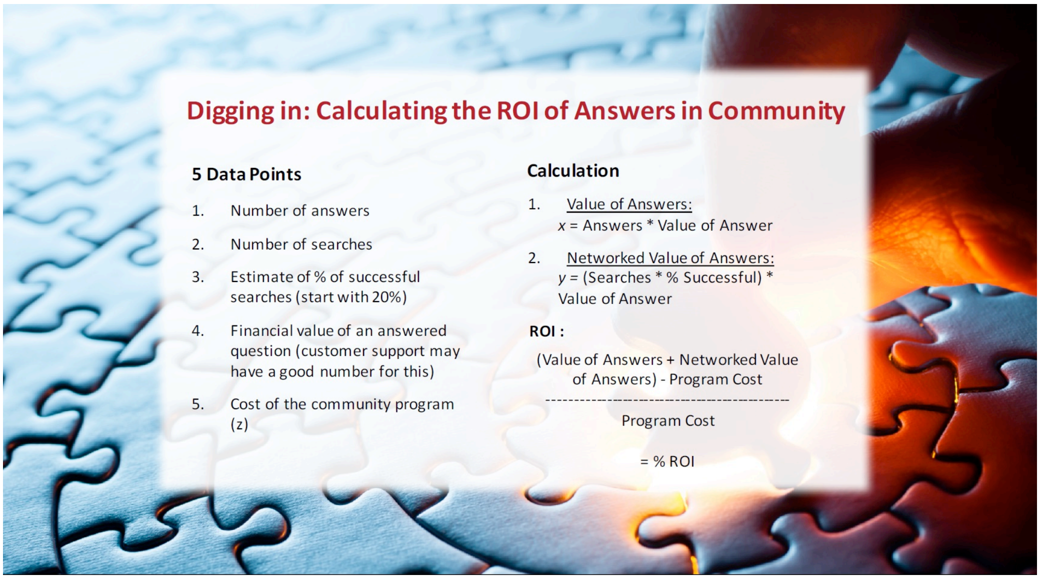

Figure 2 - Digging in: Calculating the ROI of Answers in a Community – Slide 22

The calculation comes down to the value of answers being generated in the community. Ted also likes to add the networked value of the answers, i.e. the answers that are surfaced and researched. The ROI is the value of the answers plus the networked value of the answers minus the program costs. Divide that to get the percentage of the overall program costs. If your answers provided by the community through search and questions answered are the same as your program costs, the ROI is zero.

<u>**Learn How to Find the Data:**</u> There is a commonality in the approach.
Number of Answers: Ted suggests 4 methods for this metric:

BEST PRACTICES, CONT.

- ***Platform Analytics:*** Many platforms report the volume of answers.
- ***Survey:*** Survey a random sample of members. Ask how many answers they contributed in the last week or month or whatever timeframe makes sense.
- ***Review of One Day/Week:*** Identify the quantity of answers in a day or week and extrapolate a month's worth of activity. It will be an estimation, just make it a comfortable estimation.
- ***Intuition:*** Start with an educated guess. Play around with it and see what the different numbers do for your results.

Number of Searches: Use the same methods above.

- ***Platform Analytics:*** Number of searches is a common analytic measure.
- ***Survey:*** Select a random sample of your community population, ask them to estimate how many searches they did in the past week.
- ***Review of One Day/Week:*** Identify the quantity of searches and extrapolate, as above.
- ***Intuition:*** Community professionals are the closest to the community to be able to guess.

Successful Searches: What is a successful search?

- ***Platform Analytics:*** Look for click-through rates in search results. Define a multiplier for how often a click represents success.
- ***Survey:*** Select a random sample of your community population and ask them to log what they are doing in the community. Don't ask for searches as it may introduce a bias.
- ***Intuition:*** Use your intuition. Newer communities will have lower success rates because there is less content.

Cost of the Community Program:

- ***Discrete Budget:*** You can use your budget if you have that number.
- ***Calculate:*** Gather the major elements of your cost including platforms, human resources, programming, consulting and professional development and training.
- ***Estimate:*** Start with a reasonable estimate keeping in mind all the above factors.

BEST PRACTICES, CONT.

Determine How to Find the Value of an Answer: Ted offered 3 approaches:

Data Approach: Ask your customer support, IT help desk or HR for their estimate of the value of an answer, or seek out an industry average or other benchmark.

It will be easy to calculate (if it exists).

The number will likely be conservative for the community because it will only account for the cost of delivering the answer. It won't take into account the value of the answer for the recipient or time saved, etc.

Cost/Value Approach: This starts with the fully burdened FTE among your members. It says that they can go to the community and get their answer or get it through some other process.

What is the difference between the two methods? Depending on who the audience is, that could be 2 days of someone whose FTE cost is $200,000/year, like a CEO. Even 2 hours will add up quickly. It's a little harder to calculate and it still doesn't get at the value of the answer to the recipient. Also, this model doesn't touch on the fact that the answer helped the CEO to close a $100 million deal, for example. But you can use it in conjunction with the data approach to get the cost savings of delivering the answer by using the community.

"Rough is Enough" Approach: Ask 15 stakeholders to estimate a value range for an answer. Average their amounts to get a high and low figure. It is an estimate, but every ROI calculation relies on estimates of some sort.

It engages stakeholders in the process of determining the value of community.

It gives you some level of pre-vetting your results because stakeholders are contributing the data and the assumptions. It can be powerful and it gets the conversation started.

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BEST PRACTICES, CONT.

- **Understand the 4 phases for implementing information architecture.** Bob shared his high-level process. Establish what it is that you want to do before discussing how you're going to do it.

    - ***Program phase.*** This is the gathering phase, much like an architect developing a program for a building. Define what "good" means by looking at "why", "what", "who measures" and "intentions." Decide together.
    - ***Analysis.*** This looks at the current state; your baseline. What is the status of your information architecture today? What's your strategy around content? Pay particular attention to the idea of qualitative and quantitative research around what people are actually doing. You are learning together at this stage.
    - ***Synthesis.*** This is the future state. As you work through this process, avoid interfaces. Work instead in terms of models, relationships, ideas, concepts and the way the parts fit together. Look at models of users, models of the new digital world and models for governance. Models communicate business intent better than interfaces.

- ***Sustain.*** When you bring this all together, figure out the gaps. As you do your basic information architecture – structure, organization, navigation, labeling and search – you can dig deeper into the metadata, the vocabulary and the standards.

LESSONS LEARNED

It's important to look for the data that actually proves the value of community vs. the data that's most convenient to pull from a community platform.

Ted was asked for a breakdown of the platforms used in the SOCM data for the 1:31 ratio. He replied that it is a challenge for some platforms, but the spread is decent. People get creative. In some communities it's not difficult because they can look for their most searched for terms to get a sense of success.
The benefit of this model is that it challenges vendors to offer more specific metrics.

One participant liked how the value of determining an ROI model could be positioned with his senior leadership. The process itself will help to align everyone on where to focus their priorities.
Ted suggested that this participant ensure he uses the process to educate stakeholders so that they understand the different capabilities of the community. This will make them aware of other benefits. Unless there is a concrete product or service, an incredible amount of assumption goes into the ROI model. The comfort level that the executive has for the assumption is directly related to the amount they will fund the community. Hopefully this will help foster the conversation, provide a greater comfort level and help people look at community ROI in a different way.
If the result of this process is that you learn a new metric or value for the community, then it's worth focusing on that as a metric vs. just collecting metrics that aren't telling you anything.

One participant asked how to look at Facebook Workplace answers on a weekly basis when it isn't visible in chronological order. Ted cautioned that any model used will run into data quality challenges if the platform doesn't provide the information that you need. However, an estimating approach could be used. Survey the population to ensure you're representing your users proportionately. For example, if you have 30 champions and 10,000 users but 5000 are not active, shape the sample accordingly so that you can play with the estimates.
Hillary suggested working from a hypothesis. Conduct a basic survey. Then as Facebook rolls out more data, approach it as if you were testing it against what you thought was happening.

LESSONS LEARNED

Ted was asked how to present the ROI calculator to executives if there is a network of communities. Ted feels that it depends on your individual comfort level. You could roll up the searches and questions answered across communities. The question is whether or not the value of an answer changes across communities and how that should be calculated.

In this case, he would do it individually by community. Start with the most active communities and work from there. If you have communities where you are less confident in the value of an answer because the lifecycle of the product is different – but you still feel that you've captured a lot of the value of the overall – then use the other, more qualitative political skills to figure out how to present that information so that you don't sandbag any individual community.

Ted is not advocating that TheCR model has all the right answers and others don't. TheCR has simply come up with a straightforward way to calculate a good ROI for communities. It doesn't mean that other models don't do the same thing.

Rich Millington from FeverBee has a different model that is the polar opposite to TheCR's model. It uses 16-18 spreadsheets to target various aspects of community. On the one hand, it uses important data. On the other hand, people don't know how to get 80% of that data. So, they can't complete the spreadsheets and can't get the ROI.

It may simply come down to the way that your organization is structured and their comfort level/need/desire for more complicated models.

> SAP is a sponsor for the FeverBee model. However, SAP is an organization that is comfortable with complex data. For them, there is value in a complicated model. Some executives might give it more credibility as a result. For other organizations, the complexity could undermine your case because executives can't relate to it.