Is ROI a Consideration in Social Media Efforts?

Posted by msneubarth@gmail.com - 2009/12/31 16:32

Marketers say companies are demanding ROI justification for social media projects, but studies show that most companies are conducting social media initiatives without ROI justification. Is ROI important for social media?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by ronkost - 2010/01/02 12:47

Michael, where it concerns marketers I've talked with about CIOZone and CFOZone, I would have to say that ROI is critical to their ability to justify such marketing expenditures. Companies, especially in the financial markets and technology markets, are more keen on understanding and getting a base line on such ROI. The critical issue is understanding what type of metric to apply when looking at ROI.

Most typically what folks in social media circles are speaking about are engagement metrics. That said, it is hard to find any accepted standards for such metrics. The IAB (Internet Advertising Bureau) has come up with some generic standards, but it really doesn't dig deep enough to get to the root of ROI discussions.

I think ROI is one piece of the overall puzzle that social media represents to marketers today. Certainly branding has to figure into the mix as well as other attributes of any type of media outlet, not just social media. Social media is also a blanket term used for a host of very different sites with different objectives. Sometimes complimentary, and sometimes conflicted.

I think this is an interesting topic since so many marketers like IBM, Microsoft, Prudential, VISA, and others are trying now to figure out the correct way to proceed with social media.

Are CIOs concerned when their companies go to market and do so with social media sites? Are they holding their CMOs to an ROI standard of some kind?

If so, what are the metrics applied?

If not, what concerns might you have with social media when it comes to marketing your companies?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by jimfinnan97 - 2010/01/05 15:05

While I agree with Ron above, I also think we need better tools to measure engagement between end users and a social media website. Take for instance Google Analytics - this web site measurement tool will track metrics such as page views which may be used as an indirect measurement of engagement.

The problem with this tool and others that are used on social media sites is that they will discount multiple visits from the same user to the same page within a specific interval - say 30 mins. On a social media site such as this a user will interact with a forum, by say reading a thread, forming an opinion, then typing out a response. This process can take say up to 15 minutes or more to accomplish - true engagement - but this is not measured as time on site - the repeat page views and visits to the same page are discounted as duplicate pageviews when they are in face not.

We need better engagement tools to really measure ROI.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/01/06 10:06

I wonder if what will be most important for marketing depts to measure the ROI of social networking efforts wouldn't be something more concrete. For example, let's say a company decides to launch a new product through social networking efforts, instead of traditional advertising. This approach would certainly be cheaper up front, but would the buzz created on social networking sites be enough of an impetus to drive purchases, and at the same level that traditional advertising does?

While I think tools to measure online interaction with customers via social networking sites are definitely important, I also wonder if companies will demand to see hard revenue figures stemming directly from social networking efforts.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by jimfinnan97 - 2010/01/07 13:19

Cara, you are correct many companies are concerned with lead generation and converting browsers to buyers of their products. Since social media sites are typically more engaging for the end user, and users spend more time on these types of sites than say traditional publication web sites it does seem reasonable to believe that social media sites will have a better conversion rate for marketers.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/01/11 07:27

I wonder if upper management will feel that all this social networking by marketing depts. is a waste of time unless proven otherwise. I think there are advantages to raising your company's profile and promoting a company image with social networking, even if it can't be quantified, but there's got to be a point where management feels that if the benefits can't be proven, social networking can't be relied upon as a reliable marketing tool.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by scarr - 2010/01/15 08:17

ROI is always a consideration for Social Media. There is a recent trend for large companies to simultaneously learn how they can leverage social media to the benefit of their business while at the same time assuage the compliance groups within the company who are always trying to mitigate risk.

Much of this is a learning process for the compliance arm of a financial or insurance company. They are starting to buy in though.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by rlgreen - 2010/01/15 11:16

With very rare exceptions, ROI is a consideration for ANYTHING an enterprise does, so why should "social media" be different. I've recently been interviewing practitioners who are in leadership roles for social media initiatives for large organizations (e.g. EMC Corporation and Booz, Hamilton)-- and their comments are informative. (look for these interviews to show up soon on CIOZone! -- links to follow shortly) For one thing, a distinction is made between INTERNAL social media projects (which help with employee "affinity", retention, on-boarding, etc) and EXTERNAL 'social media' that is enables better communications with customers (marketing, CRM, etc), suppliers (proj mgt and production -- i.e. supply chain mgt) and the world in general (PR, market research, etc). There are metrics that are emerging in each of these areas to quantify the benefits. It's obviously early days, but business still operates on the principle that you can't manage what you can't measure. And in today's economy, the 'feel good factor' loses to ROI.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/02/03 09:30

I was speaking with a marketing executive recently on the topic of social networking ROI. He had an interesting perspective - social networking could be considered a cost of doing business; imagine the implications if a company wasn't engaging with customers and partners online? What would the costs be of not correcting misinformation that is

posted, of losing brand awareness due to inactivity on these outlets, of having competitors seem more tuned in to their customers because of online dialogs...looking at social networking this way doesn't make it easier to quantify, but maybe to justify.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by msneubarth@gmail.com - 2010/02/03 09:54

Yes, also expressing the view that social media should be considered a cost of business was Don Bartholomew, aka the Metrics Man, in a blog entitled "In Social Media, Are We Looking for ROI in All The Wrong Places?" on metricsman.wordpress.com on May 28, 2009.

Said Bartholomew:

"One important question seems to be missing from much of the conversation, to what degree should social media be considered a cost of doing business (from a corporate/organizational viewpoint) rather than a distinct activity that must/should be justified by hard ROI?"

For more on this topic, see "Social Media ROI: Does It Matter" at http://www.ciozone.com/index.php?option=com_myblog&show=Social-Media-ROI-Does-It-Matter-.html&Itemid=713

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by searley - 2010/02/03 11:00

Social Media has become a critical professional tool. If I am a salesman, I need to be talking to customers (CIOs?), peers (those that can provide professional guidance), potential customers (peers and possible users in need of my services). If I am a service provider, I need to be in touch with my peers, in terms of what they are doing and how they are experiencing new technology. The synergy of all these minds is so powerful and absolutely a home run for business.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by latonm - 2010/02/08 15:42

In the real world social media just takes hold and then after the fact companies try to find an ROI for it. That, of course, is at least possible in some areas such as marketing, sales and HR (recruiting).

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/02/08 16:13

If social media is casually adopted by a company, and then management has to decide what to do with it after the fact, doesn't that put the CIO in a hard spot - potentially having to curtail use and do any damage control after employees have already become comfortable with it?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by latonm - 2010/02/09 09:56

True, but if CIO can justify and work with various business heads to ensure their departments are making best use of it, he or she can emerge as hero

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Re:Is ROI a Consideration in Social Media Efforts?
Posted by caragarretson - 2010/02/12 07:10

Good point - interesting way to turn what could be a huge headache into an opportunity.

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Re:Is ROI a Consideration in Social Media Efforts?
Posted by searley - 2010/02/12 09:55

No doubt there is a lot on this bone for many corporate entities to chew on. Audit and Compliance will have to set the boundaries, Security will need to lockup and block certain content, and Human Resources will need to set and document policy. But this is really nothing new for corporations to navigate. Once the policy is set, then the good stuff starts to happen as a new communications vehicle is opened to all the minds of the company. It is then not long before a company will actually provide training to its employees on how to use this powerful tool.

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Re:Is ROI a Consideration in Social Media Efforts?
Posted by jimfinnan97 - 2010/03/23 12:39

If you watch the interview of Gina Poole, Vice President, Social Software Programs IBM Software Group she makes a clear case for how the ROI is indirectly measurable - by reaching your audience by taking part in the conversations. Sometimes the things that people say will draw new customers and create new leads - especially if you are creating solutions and talking about them in a way that helps someone do their job to solve a problem. CIOs need to get better at doing just this to help their organizations.

Gina Pool, IBM Interview

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Re:Is ROI a Consideration in Social Media Efforts?
Posted by JohnSane - 2010/03/23 13:58

Jim,
This a great point, and actually one Jamie Pappas at EMC made in her video as well:
http://www.ciozone.com/index.php?option=com_fireboard&Itemid=34&func=view&id=2589&catid=125
Probably something to consider in this discussion, or any discussion about social media.

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Re:Is ROI a Consideration in Social Media Efforts?
Posted by latonm - 2010/03/24 10:09

Social media increasingly is being used to measure and monitor consumer sentiment. This seems to be more about damage control than ROI. As an example, recently a major airline accidently destroyed a well know singer's guitar. The singer made a video about his dsiasterous experience with the airline on You Tube. Using so-called sentiment metrics the airline realized it had an image problem and was in position to react. Sentiment measurement is in its infacy; its metrics are far from definitive, but can serve as a barometer as to how people are reacting to your organization, its ads, public postions, etc. In that sense ROI here too is indirectly measurable.

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Re:Is ROI a Consideration in Social Media Efforts?
Posted by searley - 2010/03/24 12:12

This sounds like a very interesting application of social media. But how do we quantify an investment. Would we need to create departments of associates surfing the web for reaction to our products? Although I am not aware of any, I would

assume there is an industry developing around providing this service.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by rgarretson - 2010/03/25 11:59

Indeed, social media is just the latest in a long line of marketing tools whose effectiveness and ROI are initially difficult to measure (as far back as print advertising), but eventually must be justified, if or no other reason than to allocate resources among the proliferating media. There are some new social net names and more refined strategies, but not much else has changed since this Economist Intelligence Unit study I wrote a few years back (sponsored by Google) on the challenges of global CMOs in the digital age.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by petesim - 2010/03/26 12:08

It always is and should be, the problem that many seem to have is how to measure it. If you follow and participate in the conversations as a form of engagement, then there is a chance that some of the folks you connect with and interact with will become your customers. It is an indirect measurement of ROI.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by latonm - 2010/03/26 12:42

True. but every time you send out salesmen, you're hoing that some of the people they interact with will become customers. And you can reach a lot more potential customers through social media than you can thru sales calls.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by sediga - 2010/04/25 12:08

Measuring traffic is one of the best ways to determine the ROI of social media; but not in all cases. For large enterprise customers, or products that target a specific micro-vertical, social media would not be that helpful. You still need that bag carrying sales person. For products that reach the masses which does not really require targeted marketing, social media would work great.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by latonm - 2010/04/29 10:12

You can do target marketing with social media, but if your target is C-level executives, it's unlikely they're checking their Facebook page, or even have one. Someone earlier characterized social media as another in a long line of marketing tools. I think this undertates its power and growing importance considering that Facebook already has 350 million users.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by latonm - 2010/04/29 10:12

You can do target marketing with social media, but if your target is C-level executives, it's unlikely they're checking their Facebook page, or even have one. Someone earlier characterized social media as another in a long line of marketing tools. I think this undertates its power and growing importance considering that Facebook already has 350 million users.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by rgarretson - 2010/04/29 10:31

I think the ability to target very specific demographics or product-oriented "micro-verticals" comes to social media over time. First, services like Facebook and Twitter gain critical mass by appealing to the broadest possible audience. Then once they gain that critical mass (100s of millions of users) they begin to evolve to create sub-groups and communities within communities that make them more valuable for targeted marketing. Facebook "Fan Pages" and geographic tagging within Twitter and the various external services for filtering and searching tweets are just the beginning of tools that eventually should make these systems both more useful and measurable for marketers. ... That is until the next big thing comes along. ...

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by sediga - 2010/05/13 15:29

Do you really believe that a C-level person would be willing to join a public viewable by all network? I think thatâ€™s the biggest problem with social media; it is targeting the world. The C-level exec belongs to invite-only organization which regular people and marketing folks, sales people have to simply pay too much money to join â€“ and that weeds out 99% of the noise. How many times have you received these meeting programs that cost 1000â€™s of dollars, and the list of attendees is simply â€œwhoâ€™s whoâ€• which many mere mortals like me would love to be able to get in.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by rgarretson - 2010/05/13 18:55

Not all social media is targeting the world. There are certainly plenty of C-level execs who participate in THIS social network, and LinkedIn is full of C-level execs from organizations of all sizes, from start-ups to Fortune 500 companies. That said, you're right, that those pricey, invitation-only events tend to have the highest concentration of high-powered attendees and remain among the best "social networks." But I'm not sure how much value they have as a marketing vehicle. If we circle back to the topic of this thread -- ROI of social media -- it comes back to marketing, not sales, and for most businesses the targets aren't necessarily (or exclusively) C-level execs. latonm raised the "if you're targeting C-level execs" caveat, which is legitimate, but decision makers and influencers exist in large numbers outside the C-suite in most businesses and most industries, I would guess.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by sediga - 2010/05/14 10:17

I agree with you â€“ and yes, not all Social Media are created equal. Thatâ€™s the point though, no? If I have a 0.001% hit rate from Facebook vs 10% hit rate from Linkedin, what does that tell you? As an IT manger, would you pay attention to a message about the â€œgreatest new enterprise softwareâ€• that was posted on Linkedin? How about Tweeter? My point in the previous message was that a message received from a non-specialized Social Media group is more often than not considered to be noise by decision makers, whereas, the same message could be very powerful otherwise. In turn, I am not really convinced that a platform that has 350 million readers is where I want to publish a message about my â€œgreatest new enterprise softwareâ€•

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by mhenricks - 2010/05/14 13:46

It's difficult to begin discussing ROI until the desired return is defined. At this point, I think many organizations define the desired result in terms of information about how social media can be used. In those cases, a discussion like this could be

part of the ROI. Does that make sense?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by epearlman - 2010/10/13 14:10

I came across the results of a July 2010 survey of U.S. marketers by the Direct Marketing Association and COLLOQUY that found that the most popular business goal of social media endeavors is brand awareness. In fact, 28% of respondents selected it as their ultimate social media objective. Following that were customer growth/loyalty (25%) and customer acquisition (19%).

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by mhenricks - 2010/10/19 16:35

I have gotten the impression that social media is not the best tool for brand awareness. It seems to be better at cultivating and improving loyalty with existing customers than bringing your brand and message to new audiences. Does that sound right?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by petesim - 2010/11/03 12:15

Sure it is but it is important to know how to properly leverage social media. There's no denying that people know how to use tools like Facebook and Twitterâ€"they just do it but do not realize the engagement they are looking for.

What they should be doing is focusing their attention on their customers, partners, and employees. Listening, acknowledging, connecting, and rewarding these peopleâ€"and implementing what they have to say.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by mhenricks - 2010/11/03 13:39

I agree with you. Businesses that try to gain new customers through social media channels would probably do well to first make sure they are maximizing engagement with current customers and other parties with whom they already have relationships. Social media isn't the best way to reach new prospects. If you want a good ROI, you have to use the tool for what it is good at.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by Mel Duvall - 2010/11/04 22:38

A study came out this week from the Pew Internet Research center saying location-based social Web services have been slow to catch on. An interesting side note to the study was that the slow adoption rate doesn't seem to have dampened business enthusiam for the technology.

One of the uses touted for this technology is location-based advertising. If you're in a shopping mall, for example, your smartphone could advertise your presence and stores could respond by sending you personalized deals. Personally, I want to get in and out of the store as quick as possible, but I can see where this could have value - and possibly have a solid ROI.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/11/05 07:01

Cisco this week introduced a tool called SocialMiner that's supposed to help companies find customers who are talking about their brands on social media networks. (http://newsroom.cisco.com/dlls/2010/prod_110310b.html)The tool is aimed at enterprises and has a customer-service element.

Not sure about the cost, but I would guess some ROI context would be required before many enterprises budget for such a tool.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by searley - 2010/11/15 17:59

I hear alot of talk from vendors of social networking, but has anyone realized any type of ROI from these sources?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by mhenricks - 2010/11/16 10:12

To my knowledge, there is no reliable method for determining financial ROI on social networking. Discussions of the topic always seem to end with the statement that it's not possible or appropriate to demand to know the dollar return on a dollar invested in social media marketing. To be sure, many social networking benefits are difficult or impossible to quantify. The personal, professional and career benefits of staying in the information loop, for example, are hard to pin down. I don't think that means you can spend every penny you have and reasonably hope that some nebulous payoff will make it worth while. At this point, I would say you are not likely to be able to financially quantify the return on investment for social media. One reasonable approach is to give it a try, limit your investment to what you can afford and try to be creative in how you calculate returns.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by searley - 2010/11/18 15:16

I wonder - social networking is not a new concept - I think we tend to think of it as new because it is increasingly done through internet applications like Facebook, Linkdn and all the specialized sites like CIOZone (that's why we include the "media" qualifier). But aren't conferences, dinners and even golf outings also social networking. I have no expertise in sales and advertising, but there must have some sort of ROI analysis for spending on the traditional social networking that would extrapolate to the "media" version.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/11/19 05:20

But aren't conferences, dinners and even golf outings also social networking. I have no expertise in sales and advertising, but there must have some sort of ROI analysis for spending on the traditional social networking that would extrapolate to the "media" version.

Interesting point, and one I hadn't thought of. Yes I would think those forms of old school networking must be accounted for in some way - certainly many companies cover the expense of this type of networking so they must figure there's some ROI involved, not to mention allowing employees to do this type of networking during business hours. So maybe networking via social media should be viewed the same way?

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by mhenricks - 2010/11/19 13:15

ROI on marketing in general has always been challenging. Some kinds of marketing, such as direct mail, are easier to track costs and returns on than others. When it comes to traditional networking, companies look at things like how much it cost to take a bunch of prospects on a golf outing, and how many orders came from those prospects in the aftermath. When social media marketing starts looking at things like orders, sales, revenues and profits, rather than metrics like Facebook friends and Twitter followers, it'll be closer to coming up with some real ROI. At this point, it's not there, at least not for most of us. Most of us are just investing the time and money and hoping that having more Facebook friends means we'll get more sales.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by searley - 2010/11/22 08:29

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agreed - and having facebook friends is quite a bit cheaper than having to entertain clients and potential customers. In fact a lot of this site based networking is an automatic win because the investment is $0 (not counting time of course?.

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by caragarretson - 2010/11/29 09:10

Just came across a new reason for companies to implement social media tools for work use: a Forrester report showed that employees who use tools like social media and smart phones for work end up being advocates for their company more often than those who don't. Blog post here: http://www.ciozone.com/index.php?option=com_myblog&Itemid=626&show=Forrester-Finds-Link-Between-Corporate-Tech-Advocacy.html

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Re:Is ROI a Consideration in Social Media Efforts?

Posted by sediga - 2010/11/29 15:47

I donâ€™t think anyone disagrees with the fact that if employees use social media as a PR tool, it would be good. The problem arises when confidential information is leaked, and you have no way to track how the information got out to begin with.

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