THE COMMUNITY
ROUNDTABLE

Calculating Community ROI

Measuring the Networked Value of Engagement

THE COMMUNITY
ROUNDTABLE

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Why ROI, and The Value of Answers, Matter Now

It's an exciting time to be in the community field. In the past couple of years, communities have gained the executive spotlight. It's currently shining pretty brightly.

That is phenomenal progress in a few short years – and something in which everyone who works in the community space can feel pride. And yet, a majority of communities cannot measure their value.

Return on investment (ROI) is the mechanism for showing that an effort is worthwhile. How an ROI model is constructed determines how executives will see value. Because of that, calculating ROI is a great way to align with executives on what is valuable.

In this brief, we will explore a simple formula for capturing the ROI of a behavior at the heart of all successful communities.

The Value of an Answer.

No matter what your community use case, questions and answers are its lifeblood. By capturing the value of this single behavior, you capture the lion's share of the return communities provide. Drilling in on answers highlights the way that communities surface innovations, strengthen networks, highlight best practices, and drive behavior change.

The result is a straightforward, understandable formula that focuses the heat of the executive spotlight on the results that matter the most to business outcomes.
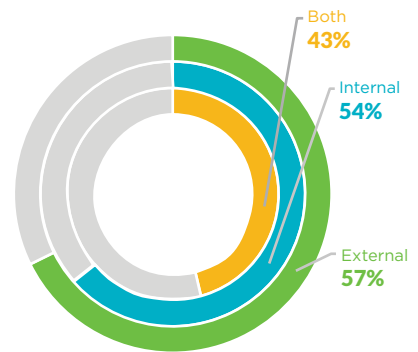
Value and the Window of Executive Interest

Over 50% of community budgets are now approved by C-level executives or higher in both internal and external communities. Community programs are now seen as strategic.

However, most community programs can still not report on their value – 41% of communities say they can't define the value of the community to the organization and only 23% can calculate it.
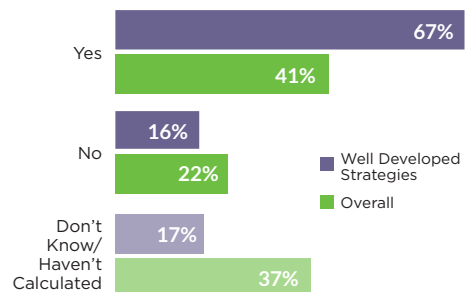
Budgets Approved by C-Level or Board of Directors

Both **43%**

Internal **54%**

External **57%**

That's a big problem. Community managers have 18-24 months before executives will start to lose interest. Defenders of community lament that "no one asks about the ROI of email." But communities, while widespread, aren't email. They need to demonstrate their value, in ways that stakeholders understand.

The more strategic communities get that. The State of Community Management 2018 found communities that had well-developed strategies were 26% more likely to calculate value. We don't need to boil the ocean. We just need to prove the effort is well worth it. It means thinking about ROI, the "return on investment", in new ways, and developing a simple approach that helps executives understand how valuable communities are.

Programs with Well-Developed Strategies Can Calculate Value

Yes: 67% (Well Developed Strategies), 41% (Overall)

No: 16% (Well Developed Strategies), 22% (Overall)

Don't Know/ Haven't Calculated: 17% (Well Developed Strategies), 37% (Overall)

Legend: Well Developed Strategies / Overall

An ROI of Community ROI

The primary strategic reason to calculate ROI is that it forces you to define value.

Whether you are a community leader calculating ROI to demonstrate the effectiveness of your community program, or an executive striving to understand the value your community provides, it's easy to make the fundamental mistake of seeing ROI simply as an outcome.

The best organizations understand that ROI calculations are a tool – and the process of calculating ROI is a strategic opportunity. There are so many perspectives on the value and use of communities that one of the main reasons to calculate community ROI is to get agreement on how communities generate value.

Without that agreement, it is like the parable of the blind men and the elephant – because everyone touches a different part of the elephant they disagree wildly about what it is. The ROI discussion helps community teams and their stakeholders see the same elephant, so to speak – and then adjust management to focus on generating that value.

Seeing ROI strategically means the best time to calculate it is as soon as you can. Your results will help you focus on what matters and that will help you execute and generate more value more efficiently.

That's an ROI for Community ROI.

The Purpose and Limits of ROI

ROI can be seen as a panacea – an answer to all questions and proof of value. Of course, the reality is different. All ROI models, regardless of their complexity, rely on some level of assumptions and estimates. They provide valuable insights, but also have limitations.

ROI models can help organizations...

- Align definitions of meaningful value.
- Agree on financial value of what is meaningful.
- Prioritize and focus community management activities.
- Support efficient execution.

ROI models can't...

- Capture all value.
- Capture all investment.
- Predict transaction volume: the number of leads, sales, new patents, deflected calls, new ideas, completed projects, etc.
- Tell anyone whether a community approach is the right one for them.

# The Big Picture: The Value of Community

Communities: Generators of Compounding Value

Before you get to ROI, it's important to understand the way community engagement grows and develops. The scalability of answers in a community environment is a major reason why communities tend to start slowly, and accelerate in value over time. Members need to build trust and adopt desired behaviors, and the community itself must build its library of answers and useful information.

This doesn't have to be a long process, but organizations that invest in communities must plan to give a little time for a bank of answers to develop and expand. At first, the number of available answers in the community is relatively small and the number of new questions is high. Each answered question helps a member. But as more answers are contributed and validated, though, search becomes a powerful discovery engine – members get answers even before asking questions, and the return on the community investment quickly accelerates.

Organizations that don't allow for this organic growth curve often focus too quickly on building traffic in a community that hasn't developed, or give up on the effort before the community matures to the point where its growth can accelerate. In either scenario, the community is perceived as a failure, when it really may just need a different approach – patience – to find its growth curve.

While many investments produce linear returns...

Time
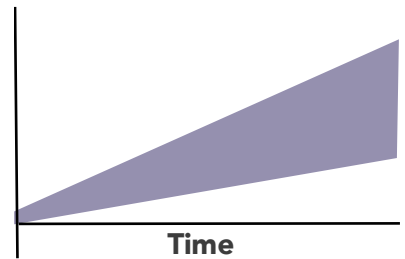
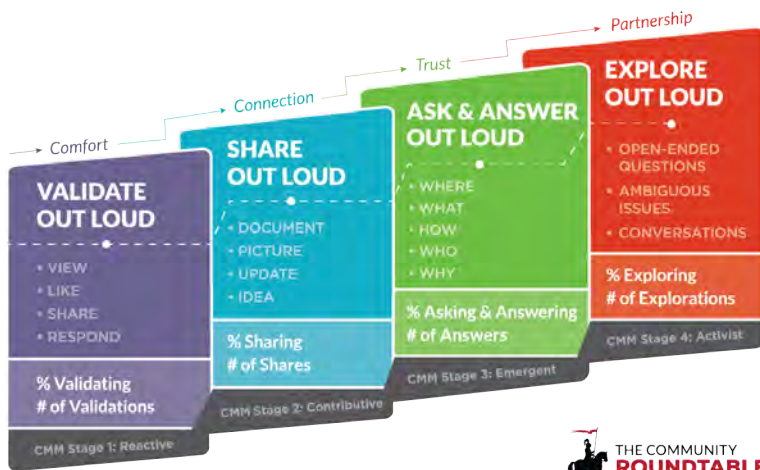...good communities generate compounding value

Time
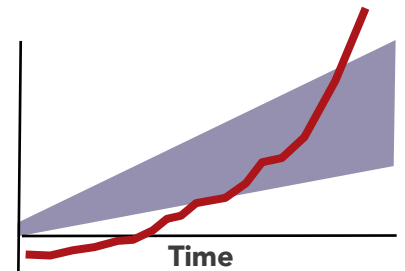
Four Keystone Behaviors Generate Community Value

Communities challenge not only long-held assumptions about growth, they challenge how we think about engagement. We historically think of members or customers as engaged or not engaged, but communities generate value through a series of behaviors. These include tasks such as liking and sharing discussions, asking and answering questions, sharing documents and ideas, and exploring problems and solutions collaboratively.

The Community Engagement Framework™ highlights the continuum of behaviors, and the important value contributed by members who are active but not necessarily outspoken in the community at any given time. Members who are validating and sharing items may be building up to higher levels of engagement, although for many members it may be the extent of their community engagement. Nonetheless, this "active audience" provides a critical role, ensuring that the best answers and links are recognized and strengthening the networked value of the community.

Community Engagement Framework™

Partnership

Trust

Connection

Comfort

VALIDATE OUT LOUD
- VIEW
- LIKE
- SHARE
- RESPOND

% Validating
# of Validations

CMM Stage 1: Reactive

SHARE OUT LOUD
- DOCUMENT
- PICTURE
- UPDATE
- IDEA

% Sharing
# of Shares

CMM Stage 2: Contributive

ASK & ANSWER OUT LOUD
- WHERE
- WHAT
- HOW
- WHO
- WHY

% Asking & Answering
# of Answers

CMM Stage 3: Emergent

EXPLORE OUT LOUD
- OPEN-ENDED QUESTIONS
- AMBIGUOUS ISSUES
- CONVERSATIONS

% Exploring
# of Explorations

CMM Stage 4: Activist

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Making Knowledge Transparent

Communities crush social media by making knowledge transparent – flattening access and compounding its value.

Why do we tie the value of communities so closely to answered questions? The ability to answer questions is not unique to community: we answer questions all the time, in person, via email, and on the phone in a one-to-one or one-to-few way. The advent of social media allowed us to ask our questions to an audience at scale, and receive answers – but they quickly disappear in a stream of noise.

1:57

The average ratio of new answers in communities to accessed answers, according to the State of Community Management 2018 survey. The average value of an answer being $139. How does that stack up with the value you place on searchability in your community?

Communities are much better at capturing, consolidating and organizing those answers. Community platforms provide a way to highlight the best answers, iterate on solutions over time, tag & organize content and to search existing answers - allowing knowledge to compound instead of duplicate.

It's not just the initial answer that drives community value – it's making that vetted answer easily accessible forever.

In the State of Community Management 2018, we found that the average ratio of new answers in communities to successful searches was 1:57. When you need to know something, it doesn't matter whether you are the first or 500th person to ask the same question, the answer has the same value. THIS is the how communities generate compounding value over time.

How Current ROI Models Fail

How Current ROI Models Fail

#1

They overcomplicate ROI, making it impossible to understand or communicate.

The first instinct with ROI is to take a kitchen sink approach. If you are trying to demonstrate community value, why wouldn't you want to capture every last bit of it? But the harder you make it to calculate or explain ROI, the harder it will be for you to convince skeptical stakeholders that the end results are valuable.

A complex formula may capture your ROI, but a simple formula that captures most of your value is likely a far better option.
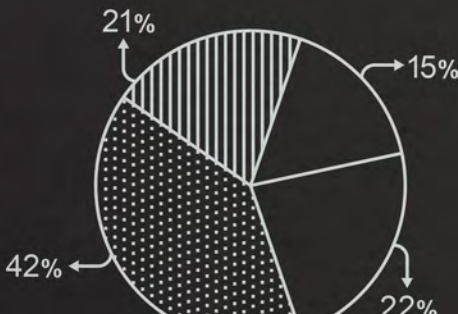
How Current ROI Models Fail

#2

They use the data you have, instead of the data you need to prove value.

Because ROI is often seen as simply an outcome calculation, the focus is often placed on getting a number. In many cases, that means trying to calculate ROI based on the numbers you can easily access, rather than those that actually demonstrate value.

Reporting on activity, rather than on the behaviors that really matter to the organization, not only makes it harder to make the case for community, it can also damage the perception of the community if it is seen as a place where interaction matters more than addressing core business concerns.

How Current ROI Models Fail

#3

They try to solve for complex value chains before solving for simple values.

Demonstrating value for your specific community is an iterative process. Build out your model accordingly. Make it simple to start with, and add only the items most relevant to your community value definition.

Trying to demonstrate how community connects to complex values is virtually impossible unless you first define and measure the pieces that go into it.

Community ROI and the Value of an Answer

We Need an ROI Model That We All Can Love - And Use

At The Community Roundtable, we've learned some important things over the last few years. First, very few community professionals can calculate their community ROI. Generally speaking, community professionals are oriented toward engagement and relationship building not analysis – and that is as it should be.

Second, we have observed and documented a few keystone behaviors that contribute value in virtually every community – the most valuable of which is answering questions. When community members answer questions, it means someone doesn't need to be assigned to answer them and it eliminates the need to answer them again and again because they are available to the entire community.

With this in mind, we have developed a baseline ROI model that can be applied to any community – based on how well the community is answering questions. The logic of this is that the most valuable engagement is dialogue that follows a question and answer pattern, no matter what use case the community serves.

ROI by Community Use Case
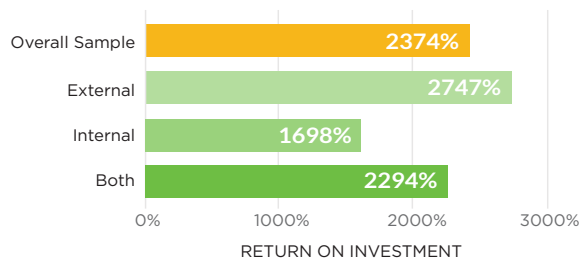
Collecting ROI data can be hard, even with a simplified formula like ours. Fewer than a quarter of communities in the State of Community Management 2018 survey could calculate their ROI, but those that could saw results that powerfully demonstrate their success.

Digging in: Calculating the ROI of Answers in Community

5 Data Points

1. Number of answers
2. Number of searches
3. Estimate of % of successful searches (start with 20%)
4. Financial value of an answered question

   (see pg. 23 for ideas on how to calculate this)
5. Cost of the community program

Calculation

1. Value of Answers:

   x = Answers * Value of Answer

2. Networked Value of Answers:

   y = (Searches * % Successful) * Value of Answer

$$\textbf{ROI:} \quad \frac{(x + y) - \text{Program Cost}}{\text{Program Cost}} = \% \text{ ROI}$$

ROI Expectation Setting

Before you dive in... keep in mind a few key points:

1. **ROI is a best estimate -- not an answer.**
   You cannot possibly calculate all value, so this exercise is about establishing confidence -- not about getting things perfect.

2. **Be conservative.**
   Make the numbers you put into the equation ones you can easily defend and are reasonable to stakeholders.

3. **Show and tell.**
   Make sure you collect the stories behind the numbers. By illustrating the types of questions answered, you make the numbers a human story, not just data.
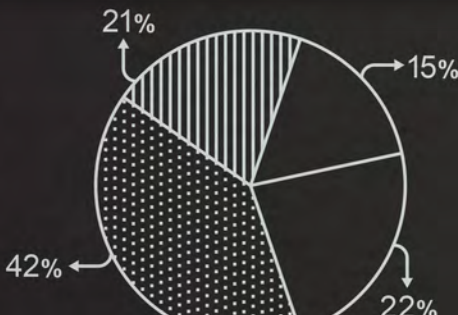
How Do I Find: Number of Answers

Platform Analytics

Many platforms report the volume of answers, but make sure you understand the data; some platforms report only "accepted" answers vs. all answers.
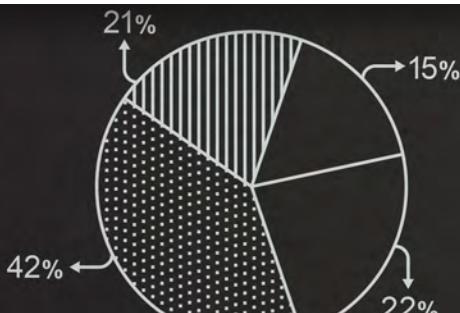
Survey

Survey a random sample of members and ask them how many answers they contributed in the past week. Extrapolate that rate to the entire community for a month.

Review of One Day/Week

Identify the quantity of answers in a day or week and then extrapolate what a month of activity would be.

Intuition

Start with an educated guess based on your intuition and community experience.

How Do I Find: Number of Searches

Platform Analytics

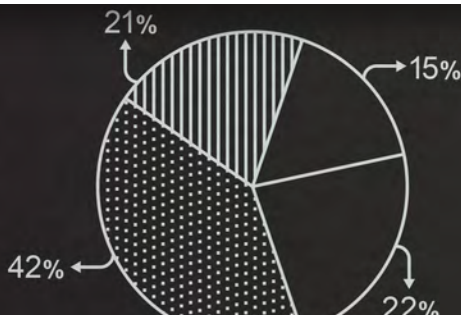Number of searches is a common analytic measure.

Survey

Survey a random sample of your community population and ask them to estimate how many searches they did in the past week. Extrapolate that activity rate to the entire community for a month.

Review of One Day/Week

Identify the quantity of searches in a day or week and then extrapolate what a month of activity would be.

Intuition

Start with an educated guess based on your intuition and community knowledge.

Platform Analytics

Look for click-through rate of search results. Define a multiplier of how often a click represents a success.

Survey

Select a random sample of your community population and ask them to estimate the percent of times they find something successfuly when searching. Extrapolate that activity rate to the entire community for a month.

Intuition

Start with an educated guess based on your intuition (in newer communities, successful search rates will be lower because there is less content).
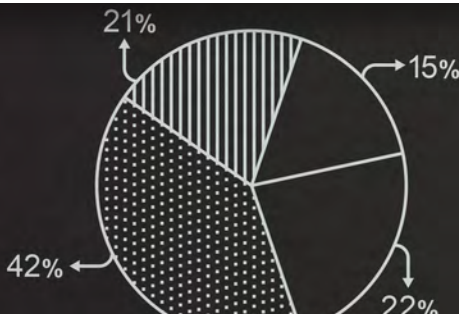
Discrete Budget

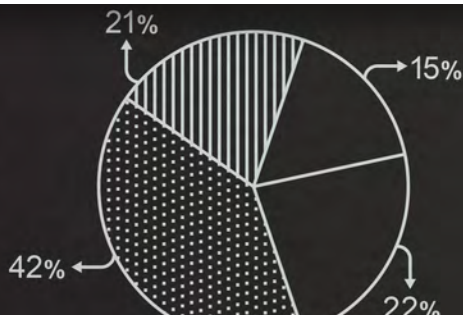If you have a discrete budget, this will be easy to identify.

Calculate

Gather the major elements of your costs, including:

- Platform

- Human resource

- Programming, events, and content

- Consulting

- Professional development and training

Estimate

Start with a reasonable estimate, thinking of all of the factors above.

How Do I Find: The Value of an Answer

Estimating Answer Values: The Data Option

Capturing the average value of an answer is at the heart of making this formula work, and often, community managers aren't sure where to start. We see three possible strategies for getting an estimate.

The first is the easiest. It's to use the answer right at your fingertips:

Ask your customer support, IT help desk, or HR help desk for their estimate for the value of an answer, or seek out an industry average or other benchmark that you can apply.

In many organizations, especially those using community for customer support, your help desk may already have an approved figure for the value of an answer or their cost for providing an answer. Since your community is replacing that labor-intensive effort, that cost avoidance number is a good place to start your calculation. The result is a conservative measure, because it only accounts for the cost to deliver the answer, not the value of the answer to the recipient.

Estimating Answer Values:
## The Cost/Value Option

Start with your community members. Estimate generally what their fully burdened FTE (full-time equivalent) cost is. This means how much do they make in a year, including benefits. For an example, see chart below.

Be slightly conservative in your estimate to ensure that it seems reasonable to stakeholders.

Now, consider how long it would be to get an answer from a member outside of the community space. Twice as long? 10x as long? 100x times as long?
Time saved defines the cost savings.

In some cases, it would be impossible to get a trusted answer anywhere else – in which case, the value goes up exponentially.
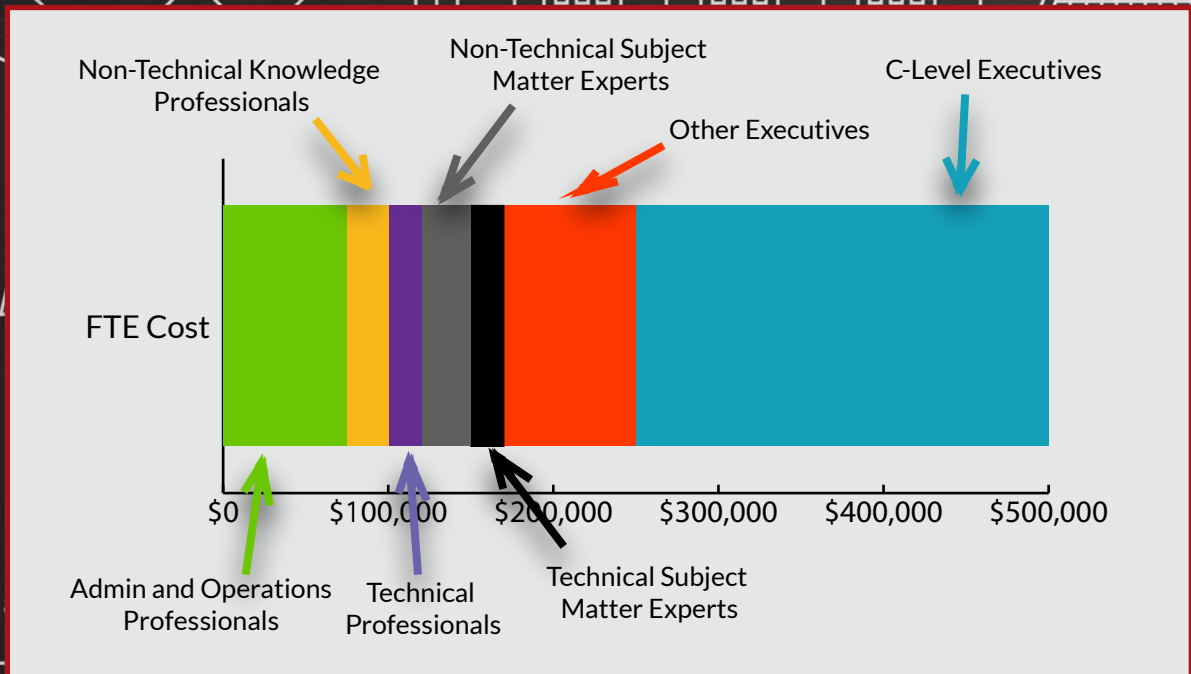
Estimating Answer Values: "Rough is Enough" Option

All ROI calculations rely on estimates

While you gather your data, or to speed the process, your approach can be as simple as gathering estimates from stakeholders.

Ask 15 stakeholders to estimate the value range of an answer is for the community population (i.e. between $50 and $150). Either average their answers to get an overall average, or use their numbers to get an average high and low number.

Be sure to give them some guidance about who the members are and how scarce the access to trusted answers is in the context of the members and topic of the community.

But can that work?

This method doesn't have the precision of finding the "real number," but using stakeholder estimates does two important things:

It gets stakeholders engaged in thinking about and understanding the value of community – a critical element to garnering long-term support for community efforts.

It pre-vets your results – because stakeholders are contributing to the data - that makes it less likely for your value calculations to be dismissed out of hand.

Notes on Estimating Answer Values

Three truths:

1. There is no guaranteed correct answer -- you will have to estimate.

2. Answers in a community can have a huge range in value. Your goal is to find an estimate for the average that is comfortable, reasonable, and defensible to stakeholders.

3. Your estimate should be more than the value of the time it takes to answer. It also can include the **uniqueness** of the expertise required to answer (common vs. specific knowledge), the relative **accessibility** of the answers (widely available or specific to the community), and the cost of developing the answer (usually the time for the answerer to respond).

Playing the numbers:

- Even if you have an answer value you feel comfortable with, it's worth playing with the formula to see how changes of that value would affect your overall ROI number.

- Say you've estimated an answer at $50.

- What if it was $5 or $500?

- Use the opportunity to talk with stakeholders -- and don't be shy about improving your value number as you get more information.

Additional Considerations

Some Common Concerns About Estimation

"This doesn't account for everything! What about x?"

Does the value of an answer account for the full value of a community? No. But that's not the point. What the value of an answer approach allows you to do is get a number to start working with that captures a major portion of community value for almost any community. And it moves the conversation forward in critical ways.

"I can't get the value of an answer! What can I do?"

Don't get discouraged. Try the "rough is enough" approach to get stakeholders thinking about the value of an answer and the value of your community. If they truly can't give you a value – use all the other variables to find a break even point for your community – the point where if an answer was worth x, your community efforts would show a profit. If your break even value is $2 per answer and your gut tells you an answer is worth at least 10x that, congratulations! Now you can get back to work finding a value to plug in with the knowledge that you are preparing a success story.

"Estimates make me feel uncomfortable."

ROI models by their very nature rely on estimates. It's just that they're often obscured in language that obfuscates the numbers that go into them. Get the best numbers you can for comparison purposes. If your call center has values they are comfortable with, use them, or work to get numbers that meet the same standard.

Value: More Than Cost Avoidance

The value of an answer isn't just the cost of getting from Q to A, whether that is on the phone, on chat, online, or in person.

If you can get a dollar cost of a customer support case, and demonstrate that the community reduces that cost, that's just the beginning of your ROI.

What's the value of an answer:

- …that captures customer insights to your product group?
- …that comes from an advocate to your marketing group?
- …that speeds the adoption cycle to your innovation group?
- …that speeds upsells and renewals to your sales group?

And what's the *networked* value of those answers, discoverable in search, captured in the community, that utilizes community knowledge at no additional cost.

When you talk to stakeholders about the value of an answer, put it in the terms that apply to them most directly. Leverage the conversation with stakeholders to help them see the value and return of community.

Other Insights into Community Value

Heather Ausmus, Director of Community at Ciena, measures the success of her community through four key metrics:

1. Questions

2. Answers

3. Views of answered questions

4. Peer-to-Peer engagement

To measure the ROI of her open, external community, Heather takes into account answers, the value of a case, and views of answered questions. She then maps her ROI through three different projections: a competent, a conservative, and an aggressive projection.

ROI Actual vs. Projections

Actual — — Confident Projection .... Conservative Projection — — Aggressive Projection

Her goals for presenting her ROI are three-fold:

1. To speak to executives

2. To track progress

3. To secure stakeholder support

Sharing her ROI internally has had several effects including increased attention, curiosity, and confidence in the community program. Another important result has been the start of conversations about the community at an executive level and how these calculations could be further leveraged, something that hadn't been discussed previously.
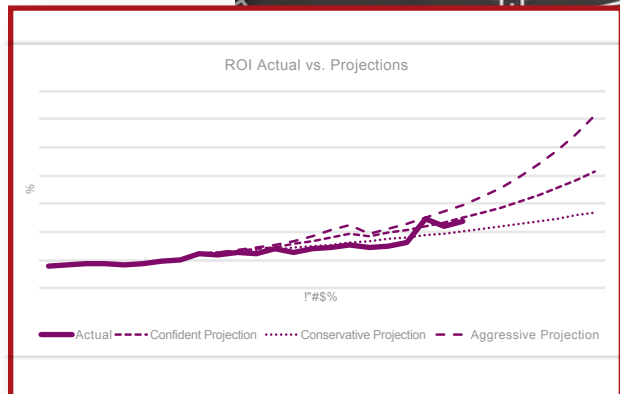
"Calculating our community ROI allowed executives to understand the potential value they could expect from our community program.

We report against our conservative projection to grow trust in our reporting, bust as our community matures, the impact of our programs and campaigns has elevated the true value of our community closer to our aggressive projections."

Four Takeaways for Today

1. **ROI doesn't have to be overwhelming**

   Because all communities rely on the same critical behavior -- asking and answering questions -- focusing on that behavior provides an easy method for ROI calculations.

2. **ROI is a tool, not simply an outcome**

   Thinking about ROI as an element that informs and feeds into the evolution of your community strategy is the best way to give it value.

3. **Search is a critical element of community success**

   The numbers are still evolving, but the power of communities comes not just from answering questions, but in making those validated answers available for others with the same questions -- the networked value.

4. **ROI informs community management**

   If search is a critical behavior, ask yourself how to get members to complete one more search per month. Making community a bigger part of workflows can exponentially increase ROI.

Calculation Worksheet

1. # of Answers

2. # of Searches

6. Value of Answers
(1 * 4)

3. # of Successful Searches

**Community ROI
((6+7)-5)/5**

4. $ Value of an Answer

7. Networked Value of Answers
(2 * 3 * 4)

5. Cost of Community Program

Online Calculator: http://the.cr/ROI

The Community Roundtable collaborates with clients to develop proven, practical strategies for community success.

Our clients rely on our models, frameworks, research, and expertise to take their communities to the next level.

Connect with us:

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