

## **RETURN ON INVESTMENT IN SOCIAL NETWORKS**

One relatively new tool of communication, experiencing dynamic growth in the world and in Ukraine is marketing in social networks.

At its core, social networking is an active user community, communicating with each other, creating a large amount of thematic content. In modern conditions, the uses of information technology and virtual environments have a major impact on marketing activities. Marketing means market research, the study of the client, relationship with him, the structuring of product policy, molding a vision of new products based on the opinions and needs of customers, building brand image and etc. All these can be done within the framework of social services, as absolute benefit of this approach is instant feedback.

Most business leaders understand that social media is a powerful tool, but some of them still do not know how much powerful. Do not know because measuring the effectiveness of social networks is difficult. A new world of social media is one of the most analyzed, difficult to understand and evaluate, and at the same time, it is an outstanding instrument to influence the business today. It provides new channels and methods for conducting and measuring the level of sales, service and marketing. But since the establishment of social services, there is one problem remained unresolved - measuring ROI.

In the classical sense, ROI is the return on investment or profit margin on invested capital. ROI is ratio, which has the numerical value of the parameter that determines the return on investment over time. ROI is used to evaluate the effectiveness of investments.

Not correct today to determine the effectiveness of social media through economic indicator ROI that is traditionally considered in the context of money. The main problem is the complexity of tracking the different flows and forms of information within social networks as well as the fact that initially, the company simply did not set goals before the start of activities in the new media environment.

As for ROI, expressed in concrete sales, promoted in social media products / services, then it is worth to pay special attention to the figures. Not just the number

of contacts or hits to the site, but also time spent on it or display the depth of bounce. The main attention should be paid to the analysis of the target user activities - registration, phone calls, individual purchases, etc.

To calculate your return on investment in its simplest form, it is necessary to counter the benefits of social business expenses on its maintenance.

Calculate the ROI of social media in various ways:

1)  $ROI = (Revenue - Investment) + \text{attract the target audience (new customers)} / \text{investment} * 100\%$

This formula can be used to evaluate the effectiveness of advertising campaigns in traditional media. But due to the fact that social networks are more targeting, the chance to get useful contacts is on the rise.

2)  $ROI = (Revenue - Investment) + \text{interest and client generation of ideas} / \text{investments} * 100\%$

As an example, consider a campaign Old Spice. After her number of subscribers grew to twitter to 2700%, attendance facebook - page to 800%, the number of visitors on the internet at 300%. But more importantly, sales of Old Spice has risen more than 2 times!

3)  $ROI = (Revenue - Investment) + \text{social value} / \text{investment} * 100\%$

This is the most common formula for calculating ROI in social media today. Return on investment in most cases cannot be measured because the actions are aimed to increase the influence of the brand, change the attitude of users and the relationship to it. All this is a long-term strategy with no apparent financial results. It also need to be understood that in Social Media Marketing the way from a contact with the brand to its purchase is much longer than in other types of activity of the company.

Summarizing, we can draw the following conclusions: social networks are the catalysts to rethink the nature and value of concepts in consumer perceptions, points of contact and influence. Speaking as a quantitative index, ROI provides companies' marketing with very simple and intuitive tool for reporting and planning. ROI offers a way of reducing subjective assessments of profitability to thematically accurate indicators in order to evaluate investments and compare current justification of investments as well as to evaluate alternative ways of using capital. To sum up, the trend of calculation ROI gets the following picture: ROI is an indicator of financial health of the company, allowing you to evaluate the effectiveness of marketing and future earnings. Owners and investors use ROI to

evaluate a company's ability to bring a certain level of profit. Potential investors can use ROI to evaluate the prospects of investing in the project and the possible profit from it.