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A Study on Measuring Roi in Social Media Advertising

*Shaik Asifa [a], Dr. P.Lavanya [b], Dr. Vara Lakshmi Thavva [c]**

[a] *MBA Student, Institute of Aeronautical Engineering, Telangana, India, 23951e0038@iare.ac.in*
[b] *Associate Professor, Institute of Aeronautical Engineering, Telangana, India, p.lavanya@iare.ac.in*
[c] *Professor & Head, Institute of Aeronautical Engineering, Telangana, India, hod-mba@iare.ac.in*

A B S T R A C T

This study aims to clarify the hurdles of social-media advertisement ROI measurement and the ways in which to measure them. As companies continue to devote more and more of their marketing budget to social media activity, understanding the return on these social-media advertising efforts to understand better whether they are producing growth and profits is a necessity. The study focuses on finding optimal identification and use of key performance indicators to develop frameworks for measuring return on investment. The key performance indicators considered are conversion rates, click-through rates, and engagement. this will allow platforms to also be compared, such as Facebook, Instagram, LinkedIn, and Twitter. The study aims to create practical insights for marketers and companies to better understand social media advertisements. The study will outline best practices or tools for measuring return on investment, and actionable recommendations to inform and encourage marketers and companies to strengthen their advertising strategy and synergy overall, in order to develop sustained growth better. The study examines the current landscape of ROI measurement, the challenges of a marketer-attributed ROI, and the current state of multiple touch-point attribution needs for businesses. It proposes further ability for marketers and businesses to have effective, unique metrics for each platform. The study acknowledges that emerging technologies like AI and analytics provide opportunities for marketers to intelligently use and track their ROI. The study posits the best techniques for efficiently improving social media campaigns. It provides practical insights and recommendations in order to make inferences next marketing strategy.

Keywords: Social Media Marketing, ROI, Digital Advertising, Campaign Performance, Marketing Analytics

1. INTRODUCTION

This study explores whether measuring ROI in social media advertising is truly possible, given the complexities involved. Despite having access to rich analytics, many businesses struggle to link social engagement metrics like likes or clicks to actual financial outcomes. ROI measurement is further complicated by a lack of standardization across platforms and metrics. While tools like Google Analytics offer data, interpreting it meaningfully remains a challenge. The research aims to identify effective metrics and platforms that influence profitability. Through frameworks, case studies, and expert insights, it seeks to bridge knowledge gaps. Ultimately, the goal is to offer clear, practical guidance for improving ROI measurement in social media campaigns.

ROI in social media advertising is the monetary return realized by a company from its marketing efforts across social platforms relative to what it actually pays for those efforts. Although this concept seems simple, this becomes quite complicated when we stand to measure it. This complexity further arises from the multi-dimensional nature of social engagement: the key performance the number of likes, shares, impressions, clicks, comments, or click-through rate-might never necessarily end up trading for concrete business results, like sales or leads. In light thereof, marketing professionals find themselves frequently wondering which metrics should be taken into consideration and how those metrics stand besides profitability.

1.1 Importance of the study

The importance of this project lies in addressing a critical challenge faced by businesses in the digital age—accurately measuring the return on investment (ROI) from social media advertising. As companies increasingly shift their marketing budgets toward digital platforms, it becomes essential to understand whether their investments are delivering real financial results.Unlike traditional advertising, social media offers engagement metrics like likes, shares, comments, and impressions—but these do not always translate into actual sales or revenue. For example, a post that goes viral may generate high engagement, but if it doesn’t lead to product purchases, its ROI remains low. This project is important because it helps bridge the gap between social engagement and business performance. Many companies use platforms like Facebook Ads Manager or Google Analytics but still struggle to interpret data into meaningful business decisions. A small business might spend ₹50,000 on Instagram ads and receive thousands of views, but without tracking conversions, the true value remains unclear. By studying the methods and frameworks for ROI measurement, this project aims to give businesses a clearer understanding of which metrics matter most. It is especially important for startups and small businesses that operate on tight marketing budgets and need measurable results. Moreover, the project evaluates platform-specific performance, helping marketers choose where to invest. For instance, a B2B company may benefit more from LinkedIn ads, while a fashion brand might perform better on Instagram.

2. LITERATURE REVIEW

The literature review analyzes prior research on the approach to measuring return on investment (ROI) when evaluating social media advertising. There are many researchers, experts, and practitioners who have done research exploring methods of evaluating social media campaigns.

ROI Measurement Frameworks: Kaplan and Haenlein (2010) indicated that social media is an additional type of marketing, including frameworks to evaluate the success of social media. Hoffman and Fodor (2010) indicate that traditional ROI approaches are insufficient for measuring the success of social media and examine other alternatives focusing on engagement instead. Mangold and Faulds (2009) they argued that social media acts as a hybrid element of the promotion mix, enabling companies to communicate with customers and influence the conversation. ROI needs to be measured through brand conversations, sentiment, and advocacy. Chaffey and Smith (2017) In Digital Marketing Excellence, they provide SMART KPIs for evaluating digital and social media campaigns, such as Cost per Acquisition (CPA), Return on Ad Spend (ROAS), and Customer Lifetime Value (CLTV).Key Performance Indicators (KPIs): Numerous studies, witch Peters et al. (2013) include, include some KPIs that include measuring ROI conversion rate, engagement, and brand awareness as key ROI factors. Studies examining the ROI of social media show that social media ROI varies from industry to industry. Kumar and Mirchandani (2012) emphasize KPI characteristics specific to platforms. Comparative Analysis of Social Media Platforms: Studies by Fischer and Reuber (2011) indicated that platform usage is more likely to influence ROI based on different audience segments and user engagement strategies. The studies on advertising and engagement with social media platforms such as Facebook and Instagram, versus those such as Twitter or LinkedIn, suggest that the use of visuals and targeted ads leads to more effective engagement and conversion.

3. NEED OF THE STUDY

The impetus for this research is the growing dependence on social media and social media advertising, as well as the growing importance of quantifying ROI. With respect to businesses, advertising budgets we planned continue to be shifted from traditional methods into more diverse digital methods; therefore, companies will very much want to know clearly and more reliably methods to define their own advertising spend performance. Accurate ROI measurement will assist firms in measuring budget and reallocation decisions, making refinements to marketing plans cautiously, and enhancing informed decisions for productivity growth and sustainable effectiveness.

In regard to marketers, with respect to it, it has become an important matter in speed when we advertise on social media, and as a result must adapt our use of the latest and most current strategies to gain audience visits and/or exposure while facilitating a positive and advantageous return on investment. Which measures identify business-relevant outcomes is a key measure to take note of to assist in running their advertising campaigns and maximizing expected outcomes.

From an academic point of view, social media advertising assessment of ROI is an emerging area of study. A thorough examination can contribute greatly to the literature and offer practical knowledge through offering an application and application-view from theory outwards.

4. PROBLEM STATEMENT

As digital marketing grows, companies are investing heavily in social media advertising to engage with their audiences. However, accurately measuring the ROI of these campaigns remains a major challenge. Tracking customer journeys from social media to purchase is often complex. Interpreting social media performance metrics into meaningful business outcomes is difficult. Additionally, revenue may come from multiple sources, making it hard to link directly to specific campaigns. Without clear ROI measurement, marketing budgets may be misused, leading to inefficiency. A standardized approach is needed that considers platform-specific indicators and campaign variations by business type.

5. RESEARCH GAP

Despite the widespread use of social media advertising by businesses across industries, there is still no universally accepted method to accurately measure its return on investment (ROI). While several frameworks and digital tools (e.g., Google Analytics, Meta Ads Manager) provide performance data, they often focus on engagement metrics like likes, shares, and impressions, which do not directly reflect business outcomes such as sales or lead conversions. Existing literature often discusses either quantitative or qualitative metrics in isolation but fails to integrate them into a comprehensive ROI measurement model. Additionally, current studies rarely consider differences across platforms (e.g., Facebook vs. LinkedIn) or industry-specific variations, making it hard for businesses to adopt one clear method.

6. OBJECTIVES

- To identify the key metrics used for measuring ROI when it comes to social media advertising (conversion rates, engagement rates, click-through rates, etc.

- To explore a framework for businesses to measure ROI from their social media advertising campaigns.
- To analyse ROI results based on industry types, business types, and the social media platform.
- To evaluate the effectiveness of different social media platforms (Facebook, Instagram, Twitter, LinkedIn, TikTok, etc.) with respect to advertising ROI.
- To recommend best practices for optimizing ROI from social media advertising campaigns.

7. HYPOTHESIS

- H_{01}: The type of content that is being used for social media advertising will have no significant impact on the level of ROI.
- H_{02}: There is no significant relationship between social media advertising efforts and measuring ROI via standard indicators.

8. METHODOLOGY

The research method that is used in this study to measure ROI in social media advertising consists of my research methodology, which consists of primary and secondary data. Primary data is collected from primary sources, and secondary data is collected from websites and other.

Quantitative analysis is conducted using regression analysis to examine how factors like ad spend, CTR, and impressions influence ROI. ANOVA is used to test the model's overall significance, while R-squared indicates how much variance in ROI is explained by the inputs.

9. RESULT & DATA ANALYSIS

9.1 Hypothesis Testing

H_{01}: The type of content that is being used for social media advertising will have no significant impact on the level of ROI.

Table 1 – Regression statistics of H_{01}

Multiple R	**0.998983**
R Square	0.997967
Adjusted R Square	0.997628
Standard Error	0.318555
Observations	8

Table 2 – Anova of H_{01}

	df	SS	MS	F	Significance F
Regression	1	298.8911	298.8911	2945.402	2.63E-09
Residual	6	0.608863	0.101477		
Total	7	299.5			

1. Multiple R ≈ 0.76

This value indicates a moderately strong positive correlation between the independent variable (e.g., advertisement content) and the dependent variable (e.g., behavioural ROI). It suggests that changes in advertisement content are fairly well associated with changes in behavioural ROI.

2. R Square ≈ 0.57

Approximately 57.4% of the variation in behavioural ROI is explained by the model based on advertisement content. This indicates a moderately good fit, meaning that the ad content explains more than half of the variation in the ROI outcomes.

3. Adjusted R Square ≈ 0.51

After adjusting for the sample size and number of predictors, the model still explains around 51.3% of the variation in ROI. This supports the conclusion that the predictor has a meaningful influence, even when considering the limited number of observations (n=9).

4. Standard Error ≈ 4.12

This reflects the average deviation of observed values from the regression line. A standard error of 4.12 suggests a moderate level of prediction accuracy — the smaller the value, the closer the predictions are to the actual data. The p-value (0.018) is less than 0.05, indicating that this effect is statistically significant — we can be confident this predictor is associated with changes in registration time.

H_{02}: There is no significant relationship between social media advertising efforts and measurable ROI through standard performance indicators.

Table 3 – Regression statistics of H_{02}

Multiple R	**0.757481**
R Square	0.573778
Adjusted R Square	0.512889
Standard Error	4.12083
Observations	9

Table 4 – Anova of H_{02}

	df	SS	MS	F	Significance F
Regression	1	160.0202	160.0202	9.423351	0.018074
Residual	7	118.8687	16.98124		
Total	8	278.8889			

1. Multiple R ≈ 0.999

This indicates an extremely strong positive correlation between the independent and dependent variables. It means the model nearly perfectly predicts the dependent variable (e.g., behavioral ROI) based on the independent variable (e.g., advertisement content).

2. R Square ≈ 0.998

Approximately 99.8% of the variation in the dependent variable is explained by the model. This suggests an almost perfect fit — the independent variable accounts for nearly all the observed changes in the outcome.

3. Adjusted R Square ≈ 0.998

After adjusting for the number of predictors and the sample size, the model still explains about 99.76% of the variation. This reinforces that the model is highly reliable and generalizes well, even with a small sample size.

4. Standard Error ≈ 0.319

This is a very low value, indicating that the observed data points fall very close to the regression line. The model predicts the dependent variable with high precision and minimal error. P-value ≈ 0.0000000026: The coefficient is highly statistically significant ($p < 0.05$), indicating a strong and reliable relationship between the independent and dependent variables.

10. KEY FINDINGS

- Facebook provides an opportunity to see the greatest ROI with direct-response campaigns as it has a great range of ad tools and precise audience targeting.
- Instagram provides engagement, especially for visual content and influencer-driven content.
- Conversion tracking and attribution are still problematic without measuring multi-channel customer journeys.
- The higher the CTA, A/B testing, and retargeting strategy in a campaign, the better the ROI.
- Marketing channels perform differently according to the industry, with e-commerce seeing better success stories from Instagram and B2B firms enjoying far superior levels of success and happiness from LinkedIn.
- Video consistently has better engagement and click-through rates than static images, the majority of the time across advertising platforms.
- Ad effectiveness will be restricted by the timing and frequency of the ad placements, as this can markedly alter the ultimate ROI it generates.

11. RECOMMENDATIONS

- Invest in Analytics Tools: Invest in tools that count! Strong Google Tag Manager and UTM tracking tools will enhance attribution.

- Leverage AI: Utilize AI to help with predictive targeting and personalization.
- Strategic Platform: Don't use a cookie-cutter strategy across platforms! Choose appropriate content and KPIs for the platform..
- Test & Optimize: Always be testing. A/B test creative, targeting, and bidding strategy. Adjust bid types accordingly.
- Train teams: Training marketing teams on how to analyse data and optimize ad spend.

12. CONCLUSION

In today's complicated digital environment, understanding and measuring ROI in social media advertising is vitally important and challenging. While platforms such as Facebook, Instagram, LinkedIn, and TikTok are powerful tools for growing a business, getting the level of growth needed takes serious planning and a data-driven approach, not just a presence on a platform. This study shows ROI is not just one thing—it exists along a continuum and looks different depending on the platform, the type of industry, and the goals. Important things to note when using these digital platforms for social media advertising include the relevance and quality of content, audience targeting, budget, and the type of analytical tool used to assess the ROI.

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