



CEMS MIM

ORIFLAME
S W E D E N

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Oriflame Usage Of Social Media To Improve Sales And Recruitment

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Abstract

This work project is related to the business project on Oriflame consultants usage of social media to improve sales and recruitment. The report is focused mainly on three aspects: the analysis of social media usage in Poland, and the direct selling industry where Oriflame is inserted; the exposition of the work done throughout the business project with further recommendations for Oriflame to implement, and an analysis of how ROI can be measured in social media campaigns.

Keywords: social media, consultants, direct selling, ROI

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1 Brief Context

1.1 Client – Oriflame Sweden

Oriflame Cosmetics AB, is a cosmetic company that was founded in Sweden in 1967. With a compounded annual growth rate of 15% in organic sales over the last 15 years and listed on the Nasdaq OMX Exchange since March 2004, Oriflame is now a €7.2 billion market capitalization company selling in more than 60 countries worldwide. It has 5 own production units in Sweden, Poland, China, Russia and India.¹

It differentiates from other cosmetic companies by its peculiar business model, taking advantage of multi network marketing through direct selling. Oriflame names their direct sellers as “consultants”. Any further reference to them in this project will be named the same as in Oriflame criteria. The global company has approximately 3.6 million active consultants working on a commission basis, together making a revenue of €1.5 billion per year. These consultants often build their own organization by recruiting a downline of other independent distributors who do the same - as a result the entire organization expands. Every three weeks, Oriflame launches a new catalogue to highlight some products of its varied portfolio that has more than 1000 natural and innovative Swedish beauty products.

Although it is a multinational company, the focus of my analysis will be in the operations of Oriflame Cosmetics AB in Poland – Oriflame Polska. Therefore, all references to Oriflame will refer only to the polish company.

1.2 Market overview

As it was mentioned, Oriflame Cosmetics AB competes in the direct selling market of “*Household & Personal Products*” according Nasdaq OMX, within the cosmetic and beauty segment. What distinguishes direct selling from the traditional ways of selling is the distribution channel used. In opposition to the retailers and wholesalers used by traditional companies, direct selling companies have more autonomy due to the fact of being the own intermediates of their business in each operation. This business model takes advantage of customer service potential: by using professional personalized approach towards the end consumer, direct selling companies are able to create value with a high quality customer service provided to their clients¹. In Poland the direct selling market has been growing 6.8% over the last three years, almost double of the

¹ Oriflame Corporate Presentation (2013)

European average of 3.6%.² Despite this fact, the evolution of e-commerce represents the main threat to direct selling, by the shift in demand towards an easy, efficient and practical way of buying.

In regards to “beauty and personal care” industry, it has been showing a steady demand in Poland within the last years, though it still generates the core part of the total direct selling sales in the country (approximately 36% in 2010 according WFDSA). It is a fragmented market, with two main players: Oriflame and Avon Cosmetics. Oriflame is the second major player with 15% of the beauty and cosmetics direct selling market, being Avon the main leader (with 38% market share)³. Apart from these big players, powerful and global brand names such as L’Oreal and Nivea also share small percentage of the market with their direct selling initiatives, while new direct selling company models such as Amway and Mary Kay are arising.

The main target group of the industry are females. The key drivers to choose among the competition are: access to a wide range of products, price and promotions, and the relationship with consultants that provide them with professional consultation.⁴

1.3 Oriflame current situation

Due to the market dynamics presented, Oriflame has been facing some challenges in order to remain competitive: new digital cosmetics business models are progressively fragmenting the market, while the remaining players struggle to prevail competitive through more innovative products and distribution and marketing channels. Oriflame has not been very successful in embracing new modern marketing channels, like social media, resulting in a loss of competitive advantage to its main competitors, and sales stagnation.

1.4 Business Project Challenge

The Business Project demanded two tasks: provide recommendations to Oriflame in order to help its consultants to: i) increase their sales; ii) increase their recruitment through social media. Thus, the group had three main challenges: firstly, by not having a marketing background, the three group elements had to gain knowledge in

² World Federation of Direct Selling Associations

³ Euromonitor (2014). “*Direct Selling in Poland Report*”.

⁴ Oriflame Corporate Presentation (2013)

social media marketing. Secondly, it implied a deep understanding of the company – its vision, goals, marketing operations and Oriflame-consultants relationship. Lastly, the group had to access insight from external elements of the company – the consultants, respecting Oriflame’s wills and way of procedure.

In order to overcome these difficulties different meetings with people from distinctive departments, like online specialists and consultant relationship managers, had to be held as well as meetings every two weeks in order to keep the company updated.

2 Reflection on the Work Done

2.1 Problem Definition

Being a cosmetic and sales direct company, it intends to maximize value under the personal marketing approach that each consultant gives to Oriflame business. As mentioned, Oriflame wants to adapt to the high pace market by improving its position in social media channels. Before formulating a hypothesis, the group needed to define a question as the main objective to the project: *How to improve Oriflame usage of social media in order to boost sales and recruitment?*

This main question comes from the already mentioned disparity between social media’s high pace involvement in individual personal lives and the traditional way which lacks social media integration with Oriflame current business. This disparity is one of the cause for the restrictions in Oriflame’s sales growth. By not taking advantage of “owned” media channels, Oriflame has lost advantage against its peers that are leveraging their position in the market from endless social media benefits.

As stated by Bain consultants: *“Companies using social media to serve the needs of customers can achieve real returns at every touch point.”*⁵ Starting from increasing brand awareness to client’s retention rates, these channels are a tool that if used correctly can boost sales. In Oriflame’s direct selling model, three main benefits could be easily identified: i) improve customer service - Intuit’s is a good example of a company that succeeded in digital media marketing, having increased its clients satisfaction by 70% with social media usage; ii) increase sales by clients engagement and spending – The study conducted by Bain&Company discovered that by engaging clients through social media, consumption can increase by 30%. This can be verified

⁵ Barry, C., Markey, R., Almquist, E., Brahm, C. 2011. *“Putting social media to work”*. Retrieved 12 September 2011, from <http://www.bain.com/publications/articles/putting-social-media-to-work.aspx>

by the eBay case, where its community users spent 54% more than other customers and iii) increase sales by attracting new clients and consultants – progressively high brand awareness and penetration can reach more clients. One can look at Wet Seal’s case of success where social media active shoppers have a 2,5 times greater conversion rate than the average customer clients retention.

2.2 Methodology

2.2.1 Hypothesis

The tested hypothesis during the project was: *Oriflame’s lack of success in social media comes from lack of knowledge and interest of its consultants in the business.* As stated before, the business model Oriflame relies upon is totally dependent on its consultants, who are ultimately responsible for sales. As discovered, the main reason that is driving this social media lag comes from the consultants’ lack of expertise with social media usage.

The group came up with this hypothesis after the first formal meeting with the company. This meeting had two main objectives: i) to understand the company’s project coordinators perspective about the social media problem and ii) to identify the communication between consultants and Oriflame and the current tools used at the consultants’ disposal. With this, the group was able to understand that Oriflame was trying to be more present in social media, and has created different digital tools that consultants can use in order to be more efficient in these channels. Although never having addressed consultants on their opinion about social media, Oriflame project coordinators believed that the problem came from lack of the consultant’s knowledge. Most consultants consist as not high educated people and use Oriflame’s opportunity to make extra money. However, some of them are more modern, educated and sell Oriflame products on a part-time basis to close friends and family. Hence, the company wanted to verify this assumption and understand what it could do to motivate and educate consultants in using social media.

2.2.2 Analysis

2.2.2.1 Analysis of Social Media Market

On the first stage of the project, social media importance to polish business was found, as well as most popular channels to be use.

In regards to the social media industry, statistical information was found in a Forbes magazine article, showing that social media results are as crucial as the ones from traditional channels. More and more companies are taking advantage of social media to outperform their peers.⁶ That was verified in Oriflame's reality, since Avon had been investing in those channels resulting in outperforming its competitors. The North America institute presented a study finding that Facebook, YouTube and Twitter are the 10 most popular social platforms in the world for B2C (business to consumer).⁷ In addition, Google + and LinkedIn also played an important role with significant growth in the past years.

MarketingCharts.com, an important bibliography used on this topic, showed that polish consumers are "heavy users" with social media. Being a heavy user refers to visiting at least once a day social media channels. The most preferred social media channels in the country are Facebook and YouTube, while Twitter and LinkedIn competes for the third position.⁸ Each one of these channels presents specific vantages that were understood and presented in the project.

The group also interviewed two experts from the company, Marta Maj and Adelina Toma, Oriflame Central Europe Online Specialist and Senior Specialist, respectively. In these interviews, it was found that half of Oriflame consultants are not active in social media, and from those who are, Facebook was the preferred network. In regards to mobile device channels, Instagram is the most popular in Poland, however it has not reached the level of popularity seen in Western Europe.

2.2.2.2 Analyses of Oriflame Consultants – Quantitative and Qualitative Interviews

With the acquired insight from the interviews and the understanding of the current state of the consultants', their limitations, opportunities and possibilities it was found that there is plenty of room to increase consultant's usage of social media for business, being Facebook a must use tool. The online questioner, conducted internally through Questback program had 2.000 respondents from different ages, geographies, length of being in Oriflame and activity in the company. It was found that around ¾ of consultants are using social media. However, only half of the respondents use it

⁶ Fidelman, Mark. (2013). "Study: 78% Of Salespeople Using Social Media Outsell Their Peers." Forbes Magazine

⁷ Casas, Josefina (2014) "Social media trends 2014: the latest data, infographics and statistics". Posterom

⁸ Marketing Charts (2014) "Who's Using Which Social Networks?". MarketingChart.com

for helping them sell, in addition to 57% of the social media active consultants use it to help with recruiting.

From those who are using it for selling or recruiting, only 30% showed to be satisfied, which identifies that social media is not being used in an efficient level otherwise consultants would be satisfied by experimenting an increase in sales and recruitment.

As a results from those who sell, Facebook is the favorite method (97% uses Facebook for this purposes), next being YouTube and Google + the second and third favorite channels respectively.

Some more questions were made in order to tackle Facebook's potential. For those using this channel, the majority advertise Oriflame through their personal pages, being a small percentage (around 20%) from those who use special or fan pages for this purpose. Other interesting findings were the vast majority of consultants who show willingness to share special promotional content made by Oriflame on their pages. This trend shows to be more favorable to the recruitment purposes rather than to the sales one. For the ones who were not willing to share Oriflame promotional content, the main reason was that they never saw Oriflame materials for that. Other barriers for them not to share content were the fact that consultant's do not like to use their personal accounts for business, including the lack of belief in social media as a tool to help increase sales and recruitment.

Finally, for those who do not use social media for sales and recruitment purposes, it was asked about their level of willingness to do so. The results were not positive, showing that only 20% are willing to use it to help them on sales, while for recruitment the number of consultants willing to do so are twice as much.

This questioner was very important to identify the four main trends that could help detect the real problems where the recommendations of the project should be implemented:

First, there is a **clear lack of efficacy using social media on the consultants' side**: With relatively high number of social media usage for Oriflame business, it is intriguing that social media activity in Oriflame has not yet been proved to be helpful with increasing sales. Lack of efficacy is the most reasonable explanation for this problem.

Second, there is a **high level of what is called "social media reluctant"** – which are consultants that do not believe in social media as a tool to help them sell. When asked, why do they not use social media to support their business, the vast majority

of answers pointed to the lack of time and belief that these new channels would have no impact on sales. This trend can be an interesting opportunity for Oriflame once the consultants can prove how to use social media. Therefore, Oriflame should work on making them less reluctant by improving social media trust and awareness among consultants.

Another important trend points to **high level of social media disappointment**. The results show a greater portion who currently use social media, namely Facebook, to help their business, are not satisfied or indifferent to it (around 50% and 60% for recruiting and sales respectively). The most reasonable explanation for this has to do with the consultants' disappointment with social media not having been efficient in their sales and recruitment campaigns. Again, this trend can be reversed by investing in training and tools on how to use social media, especially Facebook more effectively, with high emphasis on sales which is the area consultants are more reluctant.

Finally, the last important trend to highlight had to do with the lack of interests showed in the answers. As mentioned before, **a big portion of the sample did not show willingness to start using social media as a tool for business**. Hence, Oriflame has an opportunity to increase consultants' motivation by providing extra incentives for the ones that make an effort to use it (i.e. through seminars, workshops, product rewards, contexts and tutorials provided by Oriflame, etc.).

In this second stage, the group also got some qualitative input by conducting face to face interviews with the consultants. It is important to mention that those interviews had no statistical significance to the project, but were useful in providing some qualitative insight about consultants' opinion and point of view. Six 1 hour face-to-face interviews were conducted. The criteria for choosing the six consultants came down to a mixed group of social media savvy and not savvy individuals of different ages and different levels of commitment with Oriflame. Two of these consultants had Oriflame as their full-time job while the other four, worked part-time with other occupations as a way to gain some extra money.

The qualitative interview results were coherent with the quantitative questioner findings. For those who did not use social media, some of them showed no interest in learning these skills while others just mentioned that they do not believe that it actually could help them in their business. In addition, if they would spend time learning, it would be only for personal purposes. For the ones that know how to use

social media the results were very divergent. Some mentioned that they do not have enough time to use it for selling or recruiting, while others preferred to maintain these networks just to keep contacts with friends. However, some showed interest in learning new ways to improve sales and recruitment through these channels.

With these interviews, three important successful criterias were found to take into consideration while investing in social media.: i) **client proximity**; ii) **social media usage** and iii) **Oriflame's content**. As mentioned, Oriflame lies on direct selling, meaning that the client personal contact plays a determinant and crucial role. Some consultants were reluctant to use social media because they think it is a barrier to personal contact. This was an interesting finding since research acknowledged, social media can be of extremely helpful in this type of business working platform in order to get more personal and frequent contacts. This finding reinforces the lack of social media awareness patent in consultants. Regarding to social media usage, some of the reluctance comes from consultants finding it an annoying and very exigent tool. Nowadays, the colossal presence in social media requires extra creativity in order to reach some audience, otherwise it is not useful. Consultants do not strive to develop creative posts that can reach a vast audience, because they are afraid of annoying clients. Finally, the third criteria comes in line that was previously mentioned. Oriflame's content showed a crucial role in consultants' willingness to be active promoters of the brand in social media. It was mentioned that Oriflame materials are not appealing and attractive, including, negative comparisons with Avon. Another issue was the lack of clarity whether it is legal or not for consultants to share Oriflame's materials. Apparently the limits of what is legal to share are not well defined in the consultants' mind.

2.2.3 Work plan

The work plan was organized as a roadmap, with six main steps to follow in order to successfully give recommendations to further the process of implementation (see Exhibit 1, Appendix). As stated in the first meeting with the company on March 4th 2015, it was decided that the project should be split in three main stages, all of them of crucial importance: the research, the consultant interviews and the recommendations. With the work plan defined, the group presented the proposed milestones to the company at the second meeting on March 13th 2015. The intent of this meeting was to discuss the milestones and timeline of the project as well as

define the final goals and the schedule of the follow up meetings. In this meeting the corporate advisors, Mrs. Małgorzata Marcinkowska, Global Customer and Consultant Relationship Manager and Mr. Jakub Tomaszunas, Project Manager, proposed the group to spend more time on the initial research, followed by some adjustments to the table of the final milestones. From this the work split was created (table of milestones present in Exhibit 2, Appendix). With the initial work plan settled, the first stage of research, was planned to represent 35% of the project workload and last for the first 5 weeks. On this stage the group analyzed and conducted research on the social media market, statistics in different media channels and ran a deeper analysis in the direct selling market of Poland (the main players, growth rate, historical trends, etc.). A better understanding of the company was also achieved.

The second stage, the interviews, would also represent 35% of the workload, and was supposed to last for 6 weeks. The group interviewed consultants, both in quantitative as in qualitative terms, to obtain a realistic image of their current situation and understand if the real problem was indeed a lack of knowledge or any other reason.

Lastly, the recommendations stage consisted of had providing solutions and recommendations designed to consultants for Oriflame to implement by taking into consideration its capabilities. It would represent 30% of the work load and last for three weeks, starting after the interviews.

However, this initial plan did not end up working as planned, resulting in a resettlement of the final presentation for the 11th of June, a delay of two weeks. This happened due to some changes that arose from the workload in the second stage of the project – the interviews. They affected the workload and time management of the project that was more intensive during the second stage, representing 50% of the total project workload instead of the initial 35%. Three main setbacks were in the roots of the interviews changes: i) legal authorization to interview consultants were required; ii) non English speaking consultants and iii) change in strategy that obliged the group to do an online questioner instead of relying on face to face interviews. These setbacks enriched the project by forcing the group to work in a more proactive way in order to overcome barriers due to the increased exigency that the project required.

Initially on the 13th of April, the interview stage should have started. The initial plan proposed by the group to corporate advisors was to do only qualitative interviews but on a large scale (around 50) to polish consultants. It would also be the group's responsibility to make the screenings of the consultants to be interviewed, according

to the company provided database. Since the group had only one polish speaker, and most consultants did not know how to speak English, this had to be reformulated to a small number of interviews held in polish. In mid-April, when the group was ready to start the interviews, the corporate advisors informed of problems within the company to allow the group as external consultants, to interview since a legal authorization was required. This legal authorization was never obtained, not even for English speaking consultants. Due to this, only six face to face interviews were held, always under supervision of one company worker who was responsible for making the screening since the group was never able to access the database. Furthermore, with all these changes and lack of autonomy, only by May 20th 2015 the first interview took place, a one month delay than previously set. These constraints forced the group to define a new strategy for this stage. It was decided that the group should do an online questioner to extract quantitative data that could provide more insight relevant to the qualitative interviews. Since the quantitative questioner was to be sent to all Polish consultants, the exigency and level of perfection needed to be high since Oriflame reputation was at stake. Together with the company, the group worked hard to have the questioner done in their internal questioner system, known as the Questback program. Due to bureaucratic procedures, only by the end of May the company sent the questioner to the consultants, leading to the postponement of the project's final presentation. Also, the time to analyze results and give recommendations was tight, which lead to learning the importance of increasing its flexibility towards a common goal.

In the end of the day, all these setbacks enriched the project by adding more value than originally planned. The group presented more consistent results, with both a qualitative and quantitative questioner and was able to dedicate more time to the research stage.

2.3 Recommendations to the company

Due to the immense number of social media channels, in order to provide practical and helpful recommendations for the company to implement, I would suggest two social media channels based on consultants preference and proven efficacy in the market: Facebook and YouTube.

To provide recommendations, three different consultant segments were identified based on both qualitative and quantitative questioner findings: the “**non-digital**

savvy's," and the digital savvy's: the "**digital savvy's – social media not interested and reluctant**" and the "**digital savvy's – social media disappointed**". The non-digital savvy's are the ones that do not dominate internet and barely know how to use social media. This group represents around 26% of total consultants according the questioner and data extracted from Adelina Toma, Central Europe Oriflame online specialist. Within the digital savvy group, they are not interested and reluctant using social media, and they do not believe or unwilling to try to use social media for business purposes (according questioner data, those account for 33% of total digital savvy's). Those who prefer the personal contact method by using phone and the paper catalogue, do not see Oriflame's current online catalogue as a complementary tool for social media channels. Finally, the social media disappointed consultants are the ones who attempted usage but did not see results – around 28% of digital savvy's. This segment is seen as a barrier due to lack of time, expertise and creativity as well as lack of materials and legal transparency in the Oriflame side.

Based on all these segments, five recommendations were made:

The first recommendation was directed to the digital savvy segment. **Oriflame should create and promote new digital material** covering digital savvy's problems with lack of time, expertise and creativity. In addition, making the ones who are more reluctant to use by providing tools that would help lighten their strong preference with traditional methods. The new digital materials should be made only for social media promotional proposes –although it may appear to be simple, the research concluded that promotion in social media has to be different than to the traditional methods. The material should also be easy to access by being in the consultants' personal page, with an easy to share link that is connected with their Facebook or Twitter pages. Among these materials will be videos of "*How to*" regarding topics such as make-up, fragrances, lotion skins, etc. YouTube should be utilized as well with original and colorful images of products to attract younger newcomer consultants.

It was also proposed to Oriflame to work on the improvement of their older site with better search results, allowing to select favorite's from the list of products using a specific tool, allowing the possibility for the consultants to send only products that may interest the consumers instead of the whole catalogue. This measure would provide ease through digital support which will not only attract new consultants, but make the existing consultants more connected to the digital catalogue, leading them to

be more focused on digital media. The second recommendation was inspired by a measure from the Social Media Center describing it as the “best first step to social media success,”⁹ by **provide training**. In fact, the training would help all the segments mentioned above. The non-digital savvy’s would have the opportunity to become more experienced, the non interest and reluctant digital savvy’s would get curious and motivated to try. In regards to the disappointed digital savvy’s, would understand and experience the success of social media. The training implementation should be implemented in a top to bottom approach by investing in intensive training to the digital savvy leaders which in turn would have incentives to invest and give training to their network subordinates. The recommendation is to provide training to the top level by inviting social media experts to give seminars and workshops at Oriflame headquarters. The level of those seminars would be basic, intermediate and expert in order to fit the needs of all leaders. At the same time, a sharing platform should be created where the leaders could share webinars, meetings, trainings, materials files and campaigns. This platform will promote personal meetings where all leaders could share their experiences and best practices. It’s important to note, that personal contact is crucial for success especially in the first phase of development. By becoming experts, Oriflame should provide incentives for the leaders to share their knowledge that will not only come from the inspiring webinars provided, but by price rewards, competitions and contexts among networks. To make sure that lower consultant levels will be addressed, Oriflame should also have a corporate direct approach by providing tutorials for the non-digital savvy’s and promote online contexts and conferences for digital savvy’s non-leaders.

The third recommendation is the more innovative one. It was recommended that **the creation of a new digital platform** will make usage of social media easier and faster by allowing each client to order online with an easy “click” in the online catalogue product, creating simplicity for both parties. The order would then be directed to the client’s respective consultant personal page, which then would order all the requests to Oriflame. This new platform will attract younger consultants, as well as change Oriflame position to a more digital one, which in return more usage within social channels due to a higher digital exposition. . Even though this platform would create

⁹ Keenan, J., Giamanco, B. “*The impact of Social Media on Sales Quota and Corporate Revenue, A Research Report for B2B companies, 2013*” Social Media Center.

advantages with selling online, Oriflame does not want to lose their direct selling business model to an online one, therefore a direct selling model still needs to be implemented.

Another recommendation was the promotion of social media partnerships that could help Oriflame get more exposure on channels and allow it to be open to more powerful social campaigns. The partnerships should be with top social media players that sell complementary products (i.e. other kind of soaps or creams).

2.4 Concerns and Limitations

Besides some limitations, the work conducted, lead to recommendations that have some concerns for the company, especially due to the project nature: social media.

By improving social media presence, Oriflame will be more exposed in digital channels, which makes more **difficult to control consultants social media activity on Oriflame**: there is the risk of them to expose illegal or inappropriate content.

Another concern for the company to analyze is that, social media exposure can **harm Oriflame core brand image**. Taking into consideration that brand image is developed over time through advertising campaigns which are planned according the brand image the company wants to have, Oriflame also faces the risk of losing its core brand image. Each consultant may advertise Oriflame in their social channels as the way Oriflame brands personality lies on their minds. Rules and clear guidelines about Oriflame social media advertising in each consultant personal page should be defined in order to avoid this risk.

Finally, **clients' defamation of the brand** is another concern that Oriflame should try to mitigate: while social media allows a company to interact directly with customers in real time, it also gives those customers a public platform to voice dissatisfaction. Constant feedback by the post owners should be given in order to minimize this risk, as well as keep pages free from abusive content or spam.

The work conducted had three main limitations worth to mention, since they might have affect final recommendations:

Firstly the nature of Questback data. The online questioner was made through internet, hence, the consultants who received it are obviously internet users. As so, the questioner did not gave a total realistic picture about Oriflame's consultants reality overestimating digital savvy's number of consultants.

Another limitation was Questback sample size: According to company's number, there are 60.000 currently active consultants in Oriflame. Hence, 2000 respondents represent only 3,3% of them, which did not allow the group to extract statistical significant conclusions. Due to this, the group had the caution of stating only trends instead of facts.

Finally, during the Questback sending process, a problem occurred in the company internal system, having the online questioner to be resent in the following week (the results considered only the last questioner sent). Since the questioner was sent to the same consultants twice, the results may had been biased since there is a high chance of the ones that answer the first questioner having not answer the second.

3 Reflection on Learning

3.1 Previous knowledge adapted

Being this project a pure marketing one, it was not that obvious how I could apply financial knowledge to it. After careful consideration to three alternative financial aspects where I could apply some of my finance master knowledge, adjusted to this work project, I came up with the following:

- 1) Estimate Oriflame's social media presence impact in the company Profit and Loss statement
- 2) Estimate social media investment as a real option
- 3) How to measure the ROI in Social Media

All these alternatives seemed to be a good way of applying my knowledge in Finance to the work project and, at the same time, add some finance-related value to the work conducted, even though that they were not explored during the business project. Yet, I decided to focus only on one of these aspects to be able to run a deeper analysis:

How to measure Return of Investment (for now on, ROI) in social media seemed to be the best option since it is a current hot topic, where corporate research has been focused on, due to the extreme importance of it to all companies that are implementing social media strategies. ROI is measured by the following formula:

$ROI = \frac{Earnings}{Initial\ Investment}$, giving the percentage return on a particular investment for a given amount of time. In a social media perspective one can adapt it as:

$$ROI = \frac{Gains\ from\ Social\ Media\ Campaign - Cost\ of\ Social\ Media\ Campaign}{Cost\ of\ Social\ Media\ Campaign}$$

Although there is still no scientific method to estimate the real value of gains from social media campaigns, it is crucial for companies to measure it by identifying key social media metrics to measure in their businesses. After all, ROI allows a company to set realistic expectations, necessary to continue to justify the investment. What is the point of investing in social media if in the end of the day you cannot tell whether that investment is driving sales and saving costs for the company? And if it is indeed having a positive impact on company's brand? A CEO has to know that he is putting money into something that will give it back with a profit.

The challenge of measuring ROI in social media campaigns

The measurement of ROI in social media projects and campaigns, can be more demanding than the ROI measurement of other projects. The three biggest challenges in measure social media financial impact are: i) the difficulty to choose each metrics to track; ii) how to measure them; iii) how to translate them into monetary value.

If ones looks to a supermarket promotional marketing campaign he can easily identify how many products were sold and the gains generated from this campaign: the gains (sales improvement) can be directly tracked from the consumers that took advantage of the campaign. One knows each metrics to use (number of products sold; price and cost of each product) and they are exact and straightforward, giving the real value of the gains coming directly from the campaign. On the other hand, in a social media campaign, is not that obvious how to measure the real financial impact it can have: one can easily measure the number of leads, but the challenge is to measure their conversion into sales opportunities. As so, in social media, the main challenge, comes from the fact that **campaigns do not have a direct cause-to-effect relation with profits**. For that, a corporation should look at different key factors and understand which ones should measure and include in social media campaign ROI measurement in order to get to the real gain coming from it.

Choose the metrics to use - Goal and metrics

Hence, KPI's have to be settled upfront – how they will be tracked and how a team can grow them? There are different possible KPI's in social media that could end up meaning anything if considered alone: if a corporation wants to track sales lift, cost savings impact and retention rate, it needs a combination of different metrics. Hence, one should start by **understanding different metrics nature by segmenting them**. A lot of research has already been done in metrics segmentation and one can find different propose ways of segmenting them. One known way is segmenting them by

goal nature: i) consumption metrics (How many people viewed the campaign content?); ii) sharing metrics (How many people shared the campaign content?); iii) lead generation metrics (How often does content consumption generates a lead?) ; iv) sales metrics (Did the campaign generate money?).

However, I will focus my analysis in a different segmentation adapted by Robert Rosa and Joe Pulizzi, founder of Content Marketing Institute and author of “*Epic Content Marketing*”. Three different indicators can be identified: i) **primary indicators**; ii) **secondary indicators** and iii) **user indicators**.¹⁰ Primary indicators are the ones that are going to be inputted in ROI calculation (sales, cost savings and retention rates) – the type of indicators that company administration wants to know. These indicators drive the choice of all the other metrics. Secondary indicators are indicators that help make the case for primary indicators (lead quantity, shorter sales cycle etc.). Finally, user indicators, are the more easy-to-measure (number of “likes”, page views, number of sharing, web traffic, etc.) and they intend to help one to drive secondary indicators.

How to measure social media metrics

The author defines a pyramid that can help to make the framework clearer. First the primary indicator should be identified – this will represent the top of the pyramid, being the middle level the secondary indicators and the bottom the user indicators. (See Exhibit 3, Appendix). The idea of the pyramid for the metrics to be computed from a bottom to top approach. I.e. in Oriflame case, to track the goal defined, a primary content indicator could be the number and total cost of converted leads (leads that become clients) per catalogue. In order to help to get those metrics, a second indicator could be the total number of leads per catalogue, and lastly to get the insight to improve the process of the secondary indicators, Oriflame consultants could track user indicators as number of visitors, most popular posts, number of shares of each post, etc.

So the question that remains after having the metrics defined and the pyramid organized is: how to measure them?

One can get the primary indicators by multiplying the number of converted leads by client value. But how to measure the converted leads? One needs to get the secondary indicators for that. These, also known as lead generation metrics, represent the number of e-mail or blog subscriptions, number of website registrations, number of

¹⁰ Pulizzi, Joe. 2014. “Measuring the Impact of Your Content Marketing.” In *Epic Content Marketing*, 278 – 94. New York: MC Graw Hill

social conversations where people show interest about the products, etc. In most case lead generation is indirect: when the campaign can contribute to lead generation behavior that one cannot identify. Setting goals in Google Analytics or similar data program can help one to get a good proxy of how a campaign indirectly contributed to lead generation. Finally, to measure user indicators, one can easily rely on day-to-day metrics as sharing and consumption metrics: likes, shares, tweets, pins, pageviews, videoviews, document views, downloads number. These metrics are easy to track, since most of social media platforms give these statistics for free (i.e. Facebook, Google Analytics, and YouTube etc.).

How to translate metrics into Monetary Value? – ROI computation

After having the primary indicator it is time to compute ROI. As it was seen, for that one needs both the gains, as the cost of the investment.

Calculate the investment revenues

In order to compute the gains from the investment one can rely on the following equation: *Leads per campaign * lead conversion rate * average lifetime customer value*.

Leads per campaign represent the number of leads that the social campaign attracted, computing as it was mentioned in the secondary indicators.

Lead conversion rate is the number of people that become clients. That can be measured by dividing the number of people that actually became clients, generating revenues for the company, by the n° of leads per campaign. This rate should lie on historical values by observing the behavior and impact of past social media campaigns in the company.

Average lifetime customer value is a variable that includes: average value of a sale; average number of sales per lifetime; average retention time for a typical customer and average profit margin per customer. Again these variables are tracked by observing historical data.

Calculate the investment cost

In order to compute the investment cost, one should take into consideration two main types of costs: the external and the internal ones. Internal costs represent all the set up costs needed to build the campaign: design and software fees, employee's payment, etc. The employee's payment variable should be computed by multiplying the hours spent working on the social media social media campaign by each worker hourly salary. To be more realistic one should include in the employer hourly pay rate both the non-overhead (wage paid by the company) as the overhead costs. On the external

cost side the main costs to take into consideration are marketing digital services. Those can be either fixed (marketing automation system fees; digital and subcontractors paid services) or variables (social media channels analytical tools -i.e. Facebook analytical tools where one pay based on the “views” and “likes” he gets).

ROI Computation and Limitations

After having the investment costs and revenues, one just needs to compute the ROI equation above shown, by adding the revenues and costs just mentioned.

The model presented is very limited and should be adjusted to each different business. There are some main limitations about frameworks like this to measure social media campaigns' ROI. First of all, in order to get realistic measures, one should rely on historic values, but social media real data takes a lot of time to get and quantify so, ROI computation is based on wrong assumptions many times. Another concern about ROI measurement is the **risk of wrong measuring**: metrics are subjective and subject to failure. In the end of the day, social media is about branding and is increasingly difficult to measure branding as a direct, one-to-one conversion. For example, **conversion rate is a variable difficult to determine, average customer value can be ambiguous**, etc. Algorithms, social media specialized services, frameworks adjusted to each business are some ways of overcoming this problem.

There are still some marketing experts who argue that ROI measurement in social media marketing campaigns can be of wrong application since these campaigns can be seen as continuous capital project. Also, in marketing campaigns, ROI is too limited and by itself is not explicative. It fails in helping to understand marketing's contribution to business goals, or how those contributions can be improved. An analysis of the social impact in the P&L, under these circumstances could be more reasonable.¹¹

Finally, another challenge coming from this topic is how to disassemble the leads and impact that is directly generated from one specific digital media campaign and the leads that come from other social networks influence, other forms of advertising etc. Sometimes one may think that this “like” has been driven from the social media campaign and it is not always the case. External factors can influence social media impact and it is challenging to separate those from the internal social media campaign impact.

¹¹Kehrer, Daniel (2013). “*Why ROI Is Often Wrong For Measuring Marketing Impact*”. Forbes Magazine

The estimation of the impact of social media presence in Oriflame Profit & Loss statement would be interesting to explore, since it allows to understand the yearly impact of social media presence in the company, a determinant factor to understand whether or not social media investments are sustainable for the company. One can see social media marketing investments as marketing expenses rather than different one shot investments, and in this case, they should be accounted as a P&L item. I excluded this analysis since I was not able to get real data from the company that could make this a realistic measurement.

Estimate a real option would also be an interesting approach to social media investments which, as it was seen, are uncertain and difficult to quantify. Apart from “getting a number” a real option would be useful in a sense that could provide a useful framework for strategic decision making by helping any company to determine in a certain period of time, the value of continuing to invest in social media, or to abandoning the investment. This could leverage uncertainty (that makes part of social media investments nature) and limit downside risk. I excluded this analysis, since it would only rely on qualitative data.

3.2 New knowledge

Besides all the previous knowledge adapted, the project was also an opportunity to gain new knowledge in some management areas:

Firstly, I had the opportunity of acquiring knowledge in an area in which I did not know much: social media marketing. I learnt about digital marketing concepts and tools and social media industry and key drivers, which I am sure being relevant for my future.

Secondly, I extended my knowledge in market assessment and consumer insight areas. In order to start the interviews stage I had to have different meetings with Oriflame specialists who explained all the “science” beyond screening and interviewing and were constantly giving feedback. Also I had the opportunity to learn how to work with statistical tools in this area as Questback.

Finally, from the very beginning I had to communicate almost daily with the company. This was a challenging task due to problems of communication within the company. Thanks to this, I extended my knowledge about efficient internal communication within companies: length of emails, e-mail timings, dealing with situations where lack of communication is clear, etc.

3.3 Personal experience

For my personal experience, I will start by expressing two of my strengths that I believe had been emphasized and further developed due to this project: first, my leadership skills, which were important to keep the high pace of the group especially in the setbacks and to effectively split tasks in the pressuring moments. Second, my determination and businesslike that helped the group to move against barriers and find alternative and feasible solutions with timing pressure. In what regards weaknesses, this project helped me to recognize my difficulty in trusting others, that if overcome can leverage project quality.

In order to develop my areas of improvement I plan to try to be more relaxed in order to give more room for the others to express their ideas. By doing this, I believe it will be easy to get to know others' vision and feel more safe in trusting their work.

3.4 Benefit of hindsight

Apart from all the knowledge in social media, in my opinion, what added most value to the project were both the knowledge and expertise gain in consumer insight and market assessment as well as the setbacks occurred during the project.

The group had the opportunity of having some interviews' with Oriflame specialists in this areas that prepared us both for the quantitative as for the qualitative questioner. All the knowledge shared with us to be put in practice in the interviews' stage was useful and leveraged group conclusions.

Finally, the way this project was organized since the beginning, and the way the company worked internally was a great lesson for me, in what regards both project management and risk mitigation problems in a project where one works as an external consultant. Although the setbacks occurred during the project were not group's fault, I realized that one should always assess risk mitigation of the project before start working on it, in order to prevent stressful and adverse situations. Also, I understood that on companies, even though that you did all your responsibilities well not everything depends on you and the results can be affect by external interferences. Hence, I learnt you gain nothing from being frustrated under these circumstances, actually you should look positively at them and understand what lessons you can extract to your life.

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5 Appendix

Exhibit 1 – Work Plan Methodology

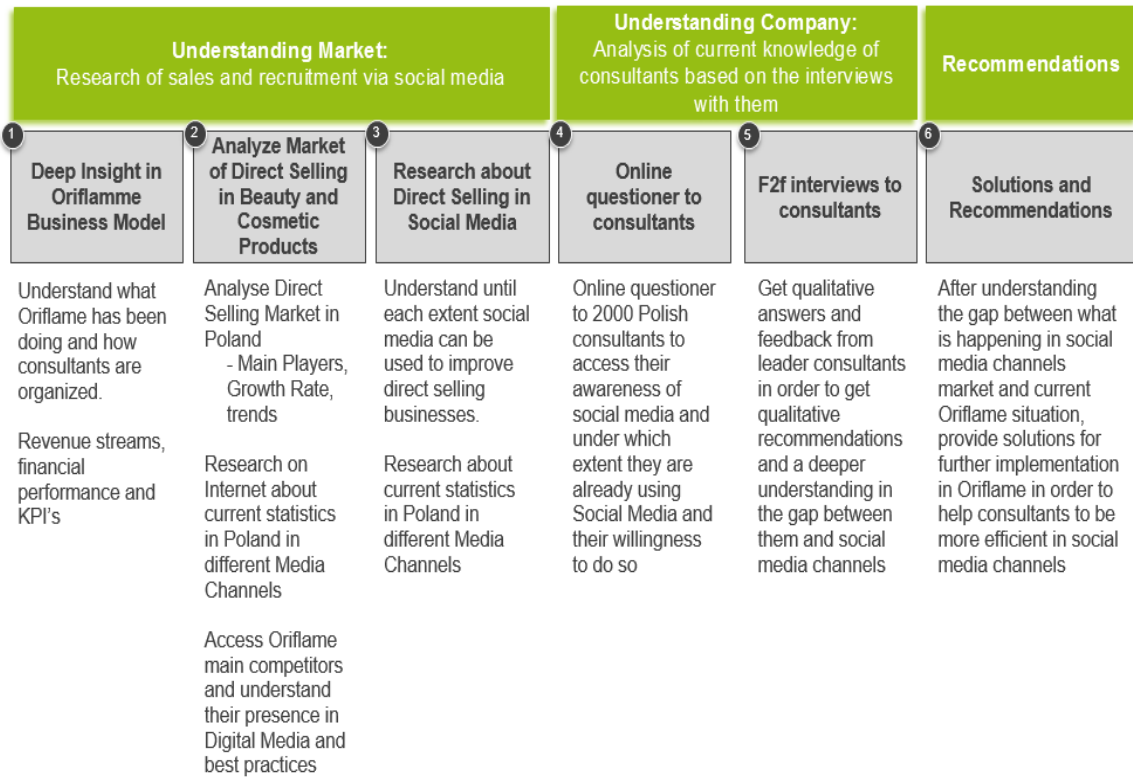


Exhibit 2 – Work Plan Milestones

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	End
Starts on	16/3	23/3	30/3	6/4	13/4	20/4	27/4	4/5	11/5	18/5	25/5	1/6	8/6	11/6
Phase 1 (35%): Research of sales and recruitment via social media														
Deep insight into Oriflame Business	█													
Analyze competition and best practices	█													
Research about Social Media on Direct Selling	█													
Phase 2 (35%) : Analysis of current knowledge of consultants based on the interviews with them														
Online Questioner to Consultants							█							
F2F interviews with consultants										█				
Report main findings										█				
Phase 3 (30%): Recommendations														
Recommendations											█			

Exhibit 3 – Pyramid Framework to organize and measure metrics

