



The Return on Investment of Video

A guide to getting your videos ROI positive

DARK MATTER



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Disclaimer: The content presented within this document is based on our research, experience, analysis and our methodology. This guide is intended to be used a reference and results from your own implementation may vary depending on varying factors.



About Dark Matter

Dark Matter is a Christchurch based video production consultancy driven by creating ROI driven sales videos. We create videos that are designed to be implemented in your sales process. We take a detailed look into your sales funnel, establish where your prospects are dropping off, why they're losing interest and figure out how we can use your funnel to help guide cold prospects through to becoming your clients by implementing videos.

Our area of expertise is ROI driven video production with the goal of growing sales, generating leads and increasing revenue. We believe that by systematically researching, creating and implementing videos in your sales funnel, we can help you create a more efficient sales process, build an incredibly personable brand and help you gain an unprecedented advantage over your competition by using video in a meaningful way.

We know videos are powerful but we're not tapping into its full potential by creating content designed for brand awareness. Hence, Dark Matter solely focuses on videos that generate prospects, qualify leads and gives you an edge over your competitors. Using videos strategically in your sales process means your sales team is working smarter, more efficiently and you have access to actionable data to help make robust decisions.

That's a little bit about us. I genuinely hope this guide provides you with a ton of value and helps you get started on calculating ROI for your videos. If you have any questions, please don't hesitate to get in touch.

Kind Regards,

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[Schedule a meeting with me](#)

*Video helps establish a personal connection with your audience.
This personal connection is the thing that drives revenue growth.*



1.0 What is ROI?

According to Merriam-Webster:

"Return on investment (ROI) measures the gain or loss generated on an investment relative to the amount of money invested."

Videos are often viewed as an expense for a business and it makes sense why. They can be expensive to produce and a logistical nightmare to coordinate. However, video is a tool like no other. When it comes to increasing your revenue, converting new clients and growing your business, video can be one aspect that sets you apart from your competitors. That's if we're strategic and treat it like an investment. We'll talk about ROI in two different ways.

1. Sales focused videos
2. Marketing focused videos

Sales focused Videos

Dark Matter is known for videos that are used to turn prospects into clients or to qualify leads. For sales videos, it is really easy to work out the ROI, we track every relevant metric and therefore we can attribute each sale or conversion to a particular video that is part of your sales process. If you'd like to know more about how we do this, I'd be more than happy to explain the concept and how it would relate to your business, or keep reading and I'll explain more below.

Marketing focused videos

For videos that are used in social media, YouTube or other platforms, it may be a little blurry on how to calculate ROI of that video. By looking at metrics like views, watch time, social media interactions and engagement we can begin to determine the ROI of marketing videos. We'll talk more about this as we get into the guide.

In the meantime, everything we explain in this guide is meant to be a very high level overview of the concepts and it is likely that you will have some questions. We're more than happy to answer any questions you may have, direct them to hello@darkmatter.nz and we'll be in touch.



2.0 How to start capturing metrics

Before we can start to calculate the ROI of your videos, we need to first lay the foundations upon which we can start tracking and determining the ROI of your videos. There are two key foundations we need, these are technical and the financial.

The Technical Requirements

Website Analytics

It is important to have website analytics setup on your website. We'll need to determine the engagement of website visitors, their behaviour, acquisition channel and other key pieces of data from your website.

These metrics are crucial for video for a number of reasons. Firstly, looking at acquisitions, if you're tracking conversions from a social media video, being able to track back to see which portion of your conversions came from the call to action placed on the video, will help determine its success and aid in calculating its ROI. The same goes for videos on your website, analytics tools are required to determine the engagement website visitors have with embedded videos on your website.

We recommend using Google Analytics to track the metrics on your site. It's a great free tool, easy to implement and does an excellent job at providing high level data on things like your audience, where you've acquired them from, conversions plus many other metrics.

Video Analytics

Alongside website analytics, you will also need to have detailed data on your videos. The reason why we want to capture metrics from videos is to analyse the performance of the videos, capture key metrics like watch times, unique video views, drop-offs, re-watches etc. This data is essential to determine ROI, making adjustments to future productions and increasing performance of your next videos.

A tool that gives you detailed data about your videos is Wistia. We've been using Wistia here at Dark Matter from the very beginning, it has a wealth of tools and is incredibly easy to use. What's great about Wistia is that it also creates a heatmap over your video, so you will also have a good idea of where to place calls to actions that are likely to get the most clicks.



The Financial Requirements

In order to calculate the ROI of your video, we need to identify some financial metrics that need to be tracked for each video. These are some basic financial metrics you'll need to identify before we can calculate the ROI of your videos.

Revenue

This is a simple one. Log into your accounting software and you'll quickly gain a high level insight into your revenue. What's also helpful is if you can break the revenue down to certain periods (months, quarters etc.) or specific trends (winter stock vs summer stock etc.)

Customer Lifetime Value

This be a little harder to calculate. Here's HubSpot's definition of Customer Lifetime Value:

"Customer lifetime value is the metric that indicates the total revenue a business can reasonably expect from a single customer account."

Reasonably straightforward right? The easiest way to calculate this is by taking the average annual revenue per customer and multiplying it by the number of years the customer is likely to use that product. For example:

Average Annual Revenue Per Customer: \$15,000

Average Lifetime of Customer (years): 5

$\$15,000 * 5 = \$75,000$ Customer Lifetime Value

Nothing really to do with video production, although incredibly useful for calculating the ROI of your videos.

Expenses

This is a simple one, keep a record of the costs associated with the production of the video. Expenses can include things such as production costs, time spent organising the video by your team, cost of advertising the video plus any other costs directly associated with the video. Let's take a look at an example:

Production cost: \$7,000

Internal staff time spent: \$500 (10 hours at \$50 per hour)

Marketing spend: \$7,500

Total investment = \$15,000.00



3.0 Basic metrics to keep track of

When it comes to videos, there are four key metrics we need to keep track of, these are:

1. Video metrics
2. Social metrics
3. Lead generation metrics
4. Revenue metrics

In this section, we will take an in-depth look at what each of these metrics involve and why we need to consider these metrics for your video ROI.

Video Metrics

Unique video views and Total video views

Unique video views: The amount of unique individuals that have watched your video.

Total video views: Total number of people that have watched your video either once or more.

For unique video views, If your video has 50,000 total views but only 40,000 were unique viewers, this indicates that some of the viewers watched your video more than once.

For total video views, let's assume that your video on YouTube has had a total video views of 50,000, this means that 50,000 people have watched your video once or 25,000 people have watched your video twice. This metric is the easiest to track, if you're using YouTube, your total video views can be found right under your video and your unique video views can be found in your YouTube Creator Video Analytics Page. You can also track these metrics from your website using Google Analytics

It's important to understand what percentage of your audience is coming back and re-watching the video. This indicates intent and it's also an indication for you to possibly initiate and nurture this prospect.

Click through rate (CTR)

Click through rate gives you an idea of the number of people that landed on your website and clicked play on the embedded video. The purpose of using videos on your website is to increase conversions so it is important to find out if the visitor is actually watching the video when they land on your site.



If you use Google Analytics and have set it up as required to track videos on your website, you'll be able to find the click through rate (CTR) on your Google Analytics Dashboard. CTR can also be calculated with relative ease, take your unique video views and dividing by your unique page views.

It's important to keep an eye on your CTR to determine if the video is placed in a good position on your website or if you need a more enticing thumbnail, headings or descriptions.

Drop-offs and Average attention span

Drop-off is one of the most important metrics you can track. Drop-off means the average amount of time your viewer watches a video. It is also a measure of how engaging your videos are.

Let's assume you've made a videos that is two minutes in length and you're finding that the average drop-off (when viewers leave the video) is around the 20 second mark, this indicates that either the content wasn't relevant for your viewer or the viewer did not feel like they received enough value from the video to continue watching. In this case, we can take actions to make the video more appealing or relevant to the audience. If you want to track drop-off times, you'll need to use a tool like Wistia.

Social Metrics

Vanity Metrics

Vanity Metrics are things like, reactions, shares and comments on your videos, vanity metrics are a simple way to measure the impact a video has had on social media. The reason why we need to consider vanity metrics is to determine which platform is performing better. Is there a platform that reaches more people compared to others you're using? Going back to conversions, which of these platforms drove the most amount of traffic to your site?

Analysing vanity metrics on videos in a way that directly correlates to revenue is an excellent way to determine if the video is working to meet your goals. It is also the easiest set of metrics to track and one that is likely to give you good actionable data within a couple of hours.

Subscriber counts

This is an easy one. If your video is uploaded to platforms like YouTube or Vimeo and the video is providing value or answering the questions of your audience, you will likely see a growth in



subscriber counts. This is an excellent way to validate that your video content is working and you're reaching and retaining the type of audience you're going after.

Lead Generation Metrics

Leads

Here at Dark Matter, our video projects all have one goal and that is to generate leads using video. We have a list of metrics that we track to ensure you're contacting qualified leads and you're able to identify customers that are interested in buying versus those that aren't.

Lead metrics can include things like contact form submissions, phone calls, enquiries on products but from a video point of view, it includes metrics like watch times, re-watches and engagement with call to actions within the video. It is important to remember that metrics have to track back to either a dollar value or the number of customers/products sold.

Lead Conversion Rate (LCR)

As we identified above, a lead metric depends on how you define it for your product or service, it's also important to consider the lead conversion rate (LCR). Usually the lead conversion rate can be calculated by taking the total number of people who made contact divided by the total number of leads converted.

Let's take the example of a contact form on your website. If we assume you had 80 people make contact through the form and out of the 80, you converted 16 into paying customers. This gives you a conversion rate of 20% $((16/80)*100=20\%)$

One of the ways to determine the LCR for each of your products is to set up a landing page or create a product specific document with strong and measurable calls to action. If you're using Google Analytics, it captures this data for you.

Revenue Metrics

Campaign revenue

Campaign revenue is the revenue generated directly from the video itself. If you have gone through and implemented the metrics mentioned above, you would have a good idea of what kind of revenue was brought in by using the video as part of your marketing or sales strategy.



Campaign revenue does not stop after the campaign has finished. Videos are great for SEO, in theory they can still generate leads and revenue for your business even if you've stopped promoting it. It's important to still keep an eye on the video metrics even after it's use by date to give you a good idea of what the residual impacts are from that video.

Average sale

It's important to consider the average sale price of goods and services resulting from your video campaigns. Let's say your video had a total cost of \$15,000 to produce with your average sale value of \$500, you'll need to sell or onboard 30 people to break even on the production costs of the video. Increase the average sale price to 2,500 then you only need six people onboarded. Knowing your average sale price gives you an idea of how quickly the video can start generating a positive return for you.

4.0 Video ROI Models

Macro ROI Method

The Macro ROI Method is the simplest way to determine if your videos had a return on investment. It focuses on basic metrics such as, total number of views on your video, landing page views and average watch time. By comparing metrics like the campaigns lead conversion rate (LCR), can give you an excellent high level understanding of your video campaigns performance. Here is a guide on how to implement the Micro ROI Method.

Step One: Determine which metrics are key for your video campaign

The Macro ROI Method gives you a high level overview, which means the metrics you choose to track don't have to be in-depth or complex. Choose a set of simple metrics that relate to your video goal like video views, watch times etc as well as financial metrics, like leads, revenue from campaign etc.

Step Two: Determine how you will define a view, lead or sale

Once you've selected your metrics, define what they mean to you. Is a view the total views or unique views? Is a lead defined as a contact or a phone call? How is a sale defined, is an expression of interest good enough or do you need a signed contract? Determining these will help you easily categorise each result from your video campaign.



Step Three: Determine platforms to use

Where will your video be hosted? YouTube, Vimeo, Wistia etc. Is the platform capable of capturing and reporting the types of metrics you've identified? Does your website have analytics capturing plugins installed. Ensure all of these are ready before you launch your campaign.

Step 4: Analysis

Depending on your metrics, you'll need to analyse the results gathered. For a Macro ROI Method, it can be as simple as conducting a lead conversion rate or a simple expense/revenue calculation.

Step 5: Conclusion

Was the video campaign successful? Did it provide you with a return on investment? Dig deep and find ways to use the collected data to improve future video campaigns.

The Macro ROI Method is great for businesses with smaller video campaigns and those that are just starting to apply metrics to their video content. It's a great way to start, it gives you simple actionable data and results, it's also great for future improvements to videos that may be produced.

For larger companies that are well versed in using metrics, this method may be used for testing the performance of a campaign with a focus group before it goes live to your intended audience. Either way, it is a great way to get quick and actionable insights into your videos.

Micro ROI Method

The Micro ROI Method is the next step up from the Macro ROI Method. In this case, we set very clear, measurable goals to gain a more detailed understanding about the video's performance. The goal for the Micro ROI Method is to give you a granular view on how each video is performing based on a specific set of metrics. It takes into account performance of the video as well as financial returns gained by the video campaign. Here is a guide on how to implement the Micro ROI Method.

Step One: Establish clear and measurable goals

This is key to determining the success using the Micro ROI Method is to set highly specific goals against which you can track results from your metrics.



Step Two: Define the metrics that relate to your goals

Once you've decided on your video campaign goals, think about what metrics best relate to the goal you have.

Step Three: Ensure infrastructure is in place to capture metrics

Once you have determined your metrics, ensure that you have the correct platform that is capable of recording the metric you need.

Step 4: Competitive Analysis

Depending on your metrics, you'll need to analyse the results gathered. For a Micro ROI Method, it can be a complex analysis as you're trying to determine performance against many various metrics

Step 5: Conclusion

The Micro ROI Method is great for businesses with complex video campaigns that require a highly detailed analysis of its performance based on each metric. Using the Micro ROI Method, it gives you a detailed overview of the videos performance, it provides a basis to create detailed reports and it provides a detailed and holistic view of your video campaign.

5.0 Conclusion and recap

The intention of this guide is to help the reader understand that video is not a business expense but rather an investment or a tool used to generate revenue. The concepts we discuss in this guide is to help you understand the types of metrics you can implement in your strategies to then calculate a return on the initial investment of your videos.

Videos are a powerful tool but only if it's used with the intention to generate revenue. It's important to understand, like with any tool if videos are not created with specific goals and targeted audience, it is unlikely to have any effect on your bottom line. We'd be more than happy to chat about how videos can help grow your business. Below is a brief recap of the sections above.

How to start capturing metrics

Before we can start to calculate the ROI of your videos, we need to first lay the foundations upon which we can start tracking and determining the ROI of your videos. There are two key foundations we need, these are technical and the financial.



A tool for capturing useful analytics on your website is Google Analytics and video analytics can be captured using video hosting services like Wistia, YouTube and Vimeo. It is important to determine your goals before deciding on a platform or metric.

Basic metrics to keep track of

When it comes to videos, there are four key metrics we need to keep track of, these are: video metrics, social metrics, lead generation metrics and revenue metrics. There are also a subset of metrics to consider below these top tier metrics. Determining which metrics you need to consider will depend on the goals for the video. If your goal is to drive traffic from social platforms to your website then you'll need to consider metrics that will give you results specific to your goals.

If your goal is to generate leads, then you'll need to keep an eye on lead generation metrics like contact form submissions, calls etc. Which set of metrics you use will depend on the goal of your video.

Video Campaigns ROI Models

Macro ROI Model

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