

The Essentiality of Facebook Advertising



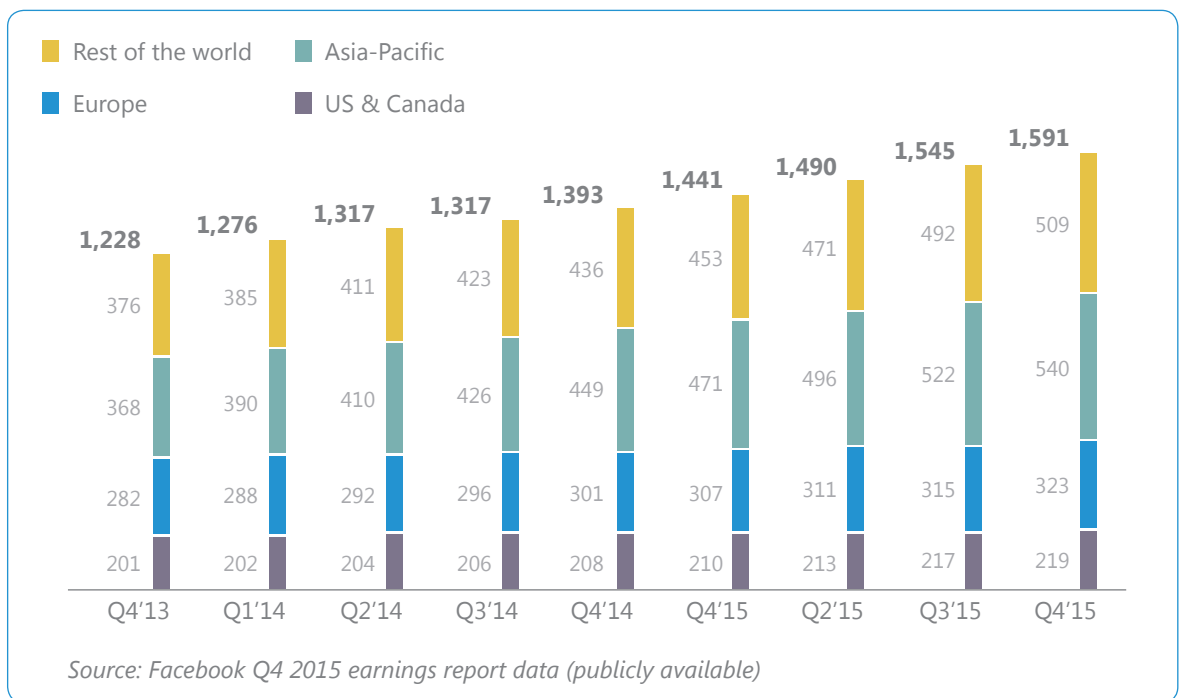
The Facebook Network

What began in a dorm room as a membership website for Harvard College in 2004 developed into the biggest social media network of today!

Facebook has created the largest, most highly-engaged audience on the globe. About 1.04 billion people log on to Facebook daily and its coverage is receiving a 17% year-on-year growth. It also claims more than 1.59 billion monthly active users, with numbers increasing each month. Facebook marketing has transformed conducting business and its use by local businesses to increase their markets. Facebook Advertising allows businesses to reach their target audience and connect real customers to businesses. There are more than 16 million business pages on Facebook.

42%

of marketers say that Facebook is critical or important to their business.



“It might be nice in the future to get some ads going to offset the cost of the servers”

- Mark Zuckerberg to The Harvard Crimson (Harvard College Paper) March 1, 2004

INTRODUCTION TO FACEBOOK ADVERTISING

Facebook was launched with a purpose of social networking and communication, and Mark Zuckerberg, Founder, was very clear with the ideas and goals. However, it soon became a major channel for audience and marketers. But little did they know that it would soon become a huge channel for audience and marketers.

As expected, it didn't take much time for them to think over it. Facebook ads were introduced in the very next month.

Facebook advertising has become a crucial element in the social marketing mix. The phenomenal rise of Facebook and its colossal audience offer an excellent platform to build brand awareness and acquire revenue. One of the most essential parameters for a successful advertising

campaign is the ability to reach the right audience.

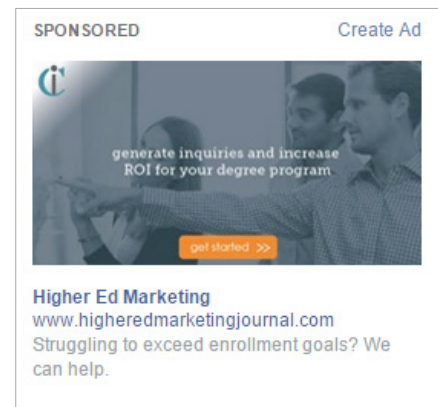
Facebook presents highly-targeted segments to advertisers through its tools. By applying the right positioning and other advanced

strategies on Facebook, advertisers can reach more of the relevant consumers with the right messages, and build lasting engagement with loyal customers.



Then Vs Now

Facebook ads have undergone tremendous changes with respect to appearance and influence since 2004



THE IMPACT

For most marketers, Facebook advertising is more important than other platforms. Several brands recognize its inarguable returns —the most effective way to reach and micro-target the audience. The ease with which brands are able to effectively set up a page and advertise makes Facebook a more exciting and favorable option.

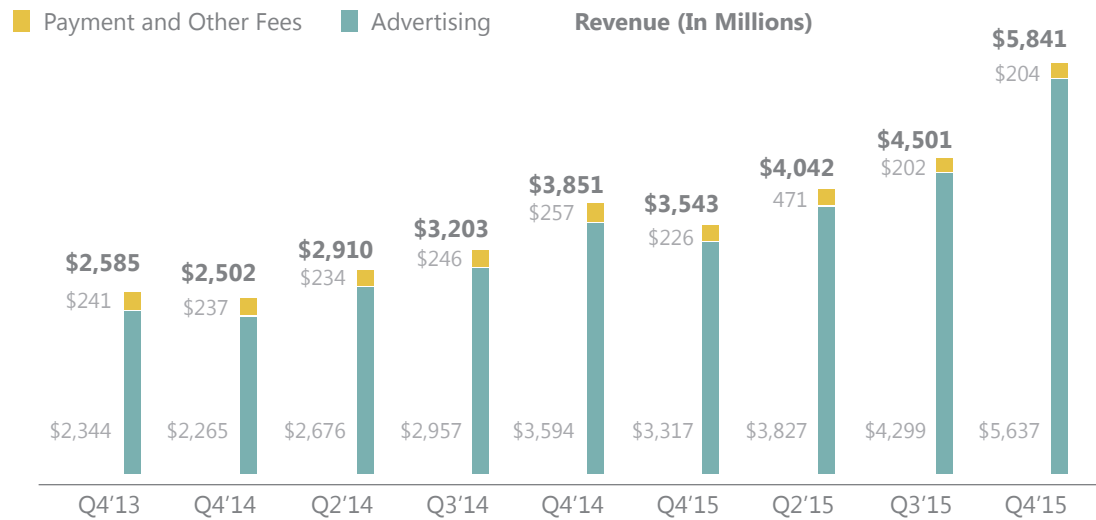
Facebook, now, has more than 2.5 million advertisers on its platform, and a majority of them are small to mid-sized businesses (SMB). These businesses can run ads for as less as \$2.00 per day, which gives them multiple flexibility options. According to Socialbaker's recent survey of marketers, 92% of respondents use Facebook advertising. Preferences for ads on other popular channels such as YouTube, Twitter, and LinkedIn come in at 35%, 24%, and 23% respectively. In a study by the Facebook Marketing Science team, it analyzed 23

conversion lift studies from various domains; it found the following impact points:

- Roughly one-quarter of the campaigns showed statistically significant gains in search referral traffic
- Campaigns showed higher volume, more efficient traffic, and lower funnel conversions
- Campaigns from small businesses had the greatest variance in lift
- The average lift in search traffic was 6.3% for mobile and 0.9% for desktop

Advertising revenue makes up almost 90% of Facebook's earnings. According to Facebook's

latest quarterly earnings data (Q4, 2015), a total revenue of \$5.63 billion was earned from advertising, which is an increase by over 20% since last quarter.



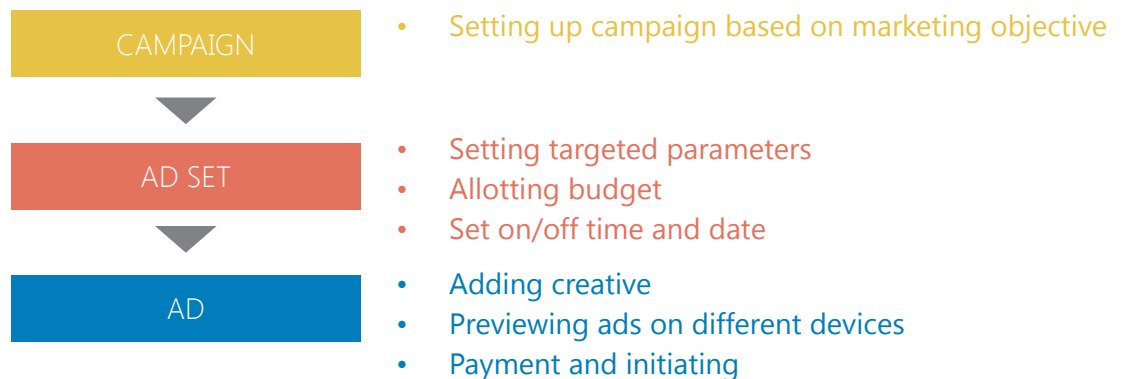
Source: Facebook Q4 2015 earnings report data (publicly available)

With more advertisers preferring Facebook advertising, the competition for grabbing users' attention with paid ads is becoming challenging than ever. Marketers need a well-defined Facebook advertising strategy to produce quality results.

ADVERTISING STRUCTURE

One of the prime reasons for the success of Facebook ads is the ease with which the advertisers can operate ad campaigns. Facebook has kept refining its advertising

structure and flow over the course of time to add more value to both the advertiser's and user's experience.



CAMPAIGN

Campaign in the Facebook ad structure refers to the objective of the advertiser for running ads. The objectives are:

- Boost your posts
- Promote your page
- Send people to your website
- Increase conversions on your website
- Get installs of your app
- Increase engagement in your app
- Reach people near your business
- Raise attendance at your event
- Get people to claim your offer
- Get video views
- Collect leads for your business

These objectives vary and each of them has separate metrics for performance analysis. It is very essential for a brand to identify its advertising objectives before embarking on a campaign.

| Campaign Objective | Cost-to-Performance Metrics | Performance Metrics |
|---------------------------|-----------------------------|----------------------|
| Boost your posts | CPM/Post engagement | Reach, engagement |
| Promote your Page | CPM/CPC | Impressions |
| Website visits | CPM/CPC | Clicks, CTR |
| Website conversions | CPA | Conversions |
| Get installs of your app | CPA | Actions |
| Increase App engagement | CPA | Actions, clicks |
| Reach near business | CPM | Impressions |
| Get video views | CPM/10-second video view | Impressions, views |
| Raise event attendance | CPM/CPC | Action |
| Collect business leads | CPM | Actions |
| Get people to claim offer | CPM/CPC | Impressions, actions |

600

Facebook ads have more than **600** targeting options

AD SET

Ad set is the second step and the most relevant part of the structure. Here, the user/brand has to

identify the target audience, allocate budget, and set up schedules for running the ad.

Audience

The ads should reach the people they are meant to, or to someone who may be relevant to the brand

for its business. Precise targeting is very essential to ensure a cost-to-return

equilibrium. Facebook's advanced targeting options give a brand multiple parameters to funnel their required audience.

- Location
- Age & Gender
- Languages
- Demographics
- Interests
- Behaviors
- Connections
- Custom audience (add or upload specific contacts list)

Budgeting & Scheduling

Facebook allows the user to start with ads costing as less as \$0.59 per day (INR 40). A low minimum bar to initiate ads is very essential for SMBs to push their presence out and reach masses. As the budget is pushed up, the reach and engagement rate goes up, too.

Scheduling involves the time duration for the ads. A continuous running time has the ads running throughout the day. On the other hand, setting a start time and a stop time enables a user to run ads for a specific time frame in a day; say 1PM – 3PM. Determining the exact time of the day and days of the week in which your ads perform well is one of the most important aspects of Ad Set scheduling.

For determining when to run ads, it is recommended to use the Facebook analytics to determine user activity graph, which displays the time and day of the week when fans of a page are interacting most with them.

Ad

The final step in the ad structure is creating the final Ad with creatives and content.

Creative: The user can add an image, a slideshow, or a video as a creative in the ad. The images used should be easily identifiable and attractive. Any content on the image should be readable. Ad images with text that takes up more than 20% of the image don't get approved by Facebook; hence, it is essential to add less but relevant text (if required). A user can select up to six images to create different

ads and see which one works the best. Facebook also gives an option of using stock images.

Content: The content part includes the ad headline and the description. The headline or the title of the ad should be what the ad is about. The character limit for the headline is 25, therefore should be decided accordingly. The character limit for description is 90. It should be precise and relevant to the ad or the brand.

Conversion Tracking: Facebook ads also enable the user to track the conversions that happen through

ads. A standard code can be generated for each conversion parameter to be added to the website's code.

Ad preview: The preview section gives the user a snapshot of how the ad will look in the Desktop News Feed, Mobile News Feed, and Desktop right column.

VITAL ADVERTISING TRENDS

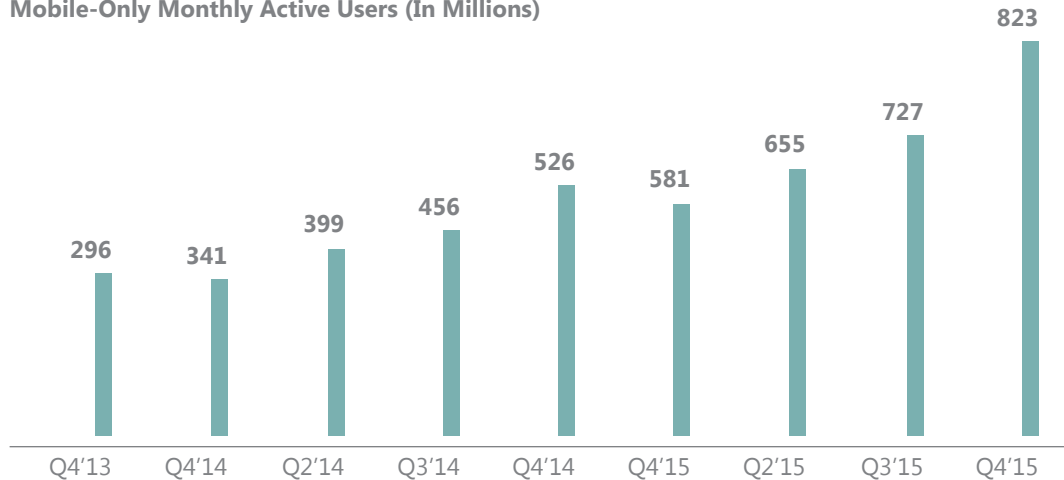
Facebook ads are an integral part of the marketing plan for businesses, be it big conglomerates or SMBs. These brands need to adapt and utilize every aspect of it. With new trends in Facebook ads, these brands can maximize their return on investment (ROI).

MOBILE ADVERTISING

The spread of smartphones has been quicker than any consumer technology in human history,

reaching market maturity faster than radio, TV, commercial Internet, and many other devices and technologies. According to Facebook data, 823 million users access the social networking website only through mobile.

Mobile-Only Monthly Active Users (In Millions)



Source: Facebook Q4 2015 earnings report data (publicly available)

80%

of Facebook's revenue comes from mobile advertising

Facebook users' mobile preference climbed sharply in 2013 when Facebook developed new

mobile advertising solutions, primarily focused on the high-growth app market. This increase, along with healthy click-through rates (CTR) achieved through mobile advertising, has changed the way advertisers manage their campaigns.

Since 2013, Facebook began disclosing the percentage of advertising revenue that was attributable to mobile. From a mere 3% in Q2 2012, the revenues rose to 80% in Q4 2015. Overall, Facebook has now generated \$13.2 billion in mobile ad revenue over the past four years.

NEWS FEED ADVERTISING (NATIVE ADVERTISING)

Facebook launched News Feed ads in 2012 as a complement to its original right-hand side display

ads. Compared to traditional right-hand side advertising placements, News Feed placements are

designed to blend into the users' natural, social experience on Facebook rather than on the sidelines

of the page. This way, it does not intrude into the viewer's experience, and also gives a high chance for marketers to get traction.

CAROUSEL AD FORMATS

Carousel ads have gained a lot of popularity since the last year. They are ideal for a business that wants

to showcase several images, videos, or links of its products in just one ad. According to Facebook, carousel ads drive 30-50% lower cost-per-conversion and 20-30% lower cost-per-click than a single-image ad. Apart from attractive numbers, carousel ads also give the creative freedom to mix images with videos and links that bring out a very appealing ad format for the brands to showcase.

CANVAS AD FORMATS

Facebook introduced Canvas in February 2015. Canvas is a new mobile experience

that enriches creative advertising, at a loading time which is 10 times faster than a standard mobile website. Canvas offers full-screen ads that grab the audience's attention through a powerful storytelling format. The ads look like normal posts, but once the users click such posts, they are directed to interesting and effective full-screen ads. Facebook states that the Canvas format has got a great response from marketers.

VIDEOS

Facebook has reported eight billion average daily video views by the end of 2015—a 100% growth in a seven-month period. Facebook is now focusing on improving and refining video ad formats to increase user engagement and relevance. With **360 videos**, **Facebook Live**, **Animated GIFs**, and **Profile Videos** already launched, or partly launched in a few nations, Facebook is looking strong to capitalize on the video marketing trend.

LOCAL AWARENESS ADS

Geo-targeted ads, which were launched in 2015, rapidly gained major steam on Facebook. Local ad targeting enabled marketers to reach very specific audience within a mile of select locations. Local awareness ads offer call-to-action buttons such as **Send Message**, **Call Now**, **Get Directions**, and **Learn More**, that gives marketers the chance to connect with the local audience to drive offline sales.

LEAD ADS

Lead ads get the marketers potential customers who sign up for offerings and accurate contact information to follow up with them. By clicking lead ads, customers see a form that's already filled with information they've shared with Facebook; that is, name, number, or email. The form is mobile-device-friendly and designed for the least amount of typing possible, which makes it quicker for customers to reach back.

THE ARRIVING TRENDS OF 2016

PYLON OR TOPIC DATA

Facebook's massive bank of data has always been inaccessible to marketers. Apart from their own business page, brands are unaware of the sentiments and conversations about them. PYLON or Topic

Data will allow access to anonymized data, which will provide insights to advertisers through this API. Brands will get access to data showing the conversations around events, brands, topics, and activities. This data will contain more than 60 different attributes, while protecting the identity of an individual user. This process enables more targeted ads, along with additional insights for users of social intelligence. PYLON or Topic Data is currently available to only a few brands in the USA and the UK.

ADVERTISING ON MESSENGER

Currently available only in the US, Businesses on Messenger enables brands to improve their customer service offering by having personal, real-time conversations. Shipping status and order confirmations can be delivered to the consumer easily, in addition to any free-form questions the consumer might have. The platform also allows push notifications, notifying a user when an item comes back in stock. The year 2016 will see this feature roll out to other markets as well.

M

M, a virtual assistant introduced by Facebook recently, is similar to Siri, Cortana, and Google Now. Instead of relying solely on Artificial Intelligence (AI), M uses a mix

FOUR BILLION

Facebook users view more than **four billion** videos a day and **75%** of those video views occur on mobile devices

of AI and human brain power to deliver a service that can complete tasks for you, rather than simply finding information. Users can book tickets, buy products, and get recommendations without having to leave the Messenger. The software is currently in an early stage of development and therefore only accessible to a limited number of users. Early reports show M using comparison and peer review sites to provide recommendations, highlighting the importance of these sites, and the need to engage with reviews. In future, we can expect to see Facebook relying on its own data to determine whether a brand is reliable or not.

INSTANT ARTICLES

Instant Articles is Facebook's attempt to keep people on the site when accessing content. Publishers can create interactive articles on Facebook that load instantly, without users having to leave the app. The content is richer and faster than when viewed on a mobile browser, but it raises issues for marketers. If articles are to be hosted directly on Facebook, accessing that content no longer leads the user to the publisher's website. This reduction in traffic means the publisher cannot benefit from any banner advertising on their site. With people sharing Instant Articles about 15 percent more than old Facebook articles, one can see potential for them to be even more lucrative.

CONCLUSION

The future for Facebook and marketers looks bright. With a growing number of brands on the platform, it'll be a challenging job for Facebook to give its users a socially nourishing experience, while also providing an unwavering platform for marketers. Facebook has a healthy mix of technologies and concepts that needs to be utilized in a feasible way. With the introduction of Virtual Reality, it is evident that Facebook is not complacently riding its waves of success; rather, it is looking ahead and creating future trends.

ABOUT CYBAGE SOFTWARE

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