

TRENDS & TIPS

Facebook Advertising in Q2 2014

Socialbakers Quarterly Ads Benchmark Reveals
News Feed Ads Dominate CTRs and Share of Spend



socialbakers

1. Introduction

Facebook advertising is serious business. With over \$1 billion a month being spent on the platform, it is essential to understand all the latest trends and best practices to make sure your business is at the cutting edge of the market - that's what smart social marketing is all about.

We've created this quarterly review of Facebook Ads activity from the Socialbakers Ad Analytics solution. We looked at the data from thousands of campaigns to show how things have changed this quarter and what you need to do to keep up.

In this report you will learn

- ▶ The most effective Facebook ad placements
- ▶ Average KPIs by industry;
- ▶ Average KPIs by region



1.1 Methodology

We've pulled together data from Socialbakers Ad Analytics, industry reports, and Facebook quarterly reports to present this study.

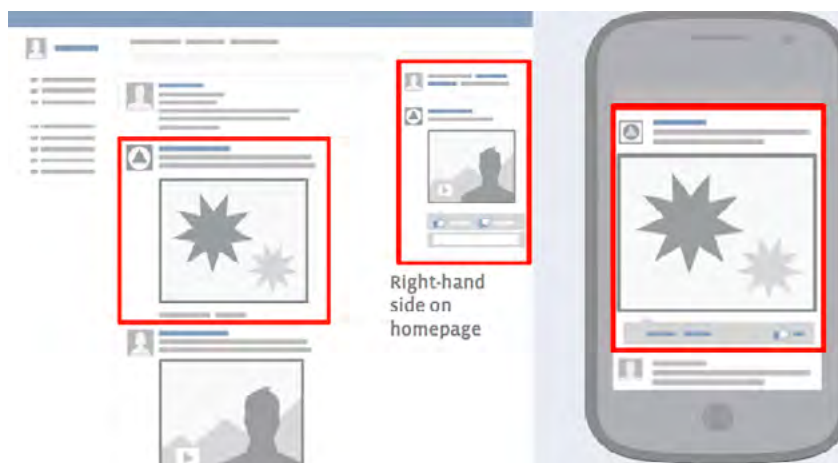
We have looked at more than 2,000 advertising accounts and aggregated their performance (impressions, spend, clicks) into ad types, placements, regions, and verticals.

2. Ad Placements

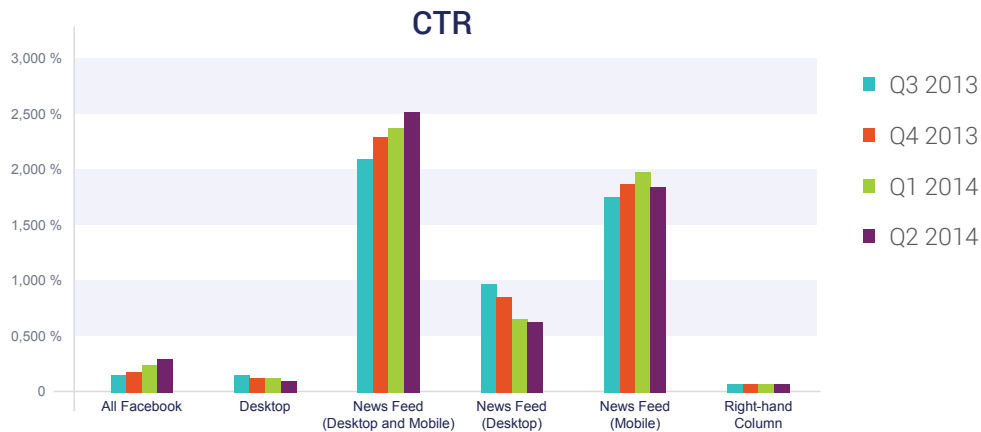
Determining the right ad placements are crucial for increasing the effectiveness of your ads. Why? Certain types of ads perform better in general - such as News Feed - while others work better based on the content that is distributed. The overall ad spend remained pretty consistent from Q1 to Q2, with an increase in both CTR and CPM - the space is getting more competitive, but many advertisers are finding more success than ever.

Here is a quick list of the six different types of ad placements that advertisers can choose from when setting up an Ad Set:

- All Facebook - Will create variations for every type of ad placement;
- News Feed (Desktop and Mobile)
- News Feed (Mobile)
- Desktop - Will create 2 variations (News Feed Desktop and Right-hand Columnn);
- News Feed (Desktop)
- Right-hand Side



2.1 Here, we look at CTR and the breakdown of ad placement effectiveness:

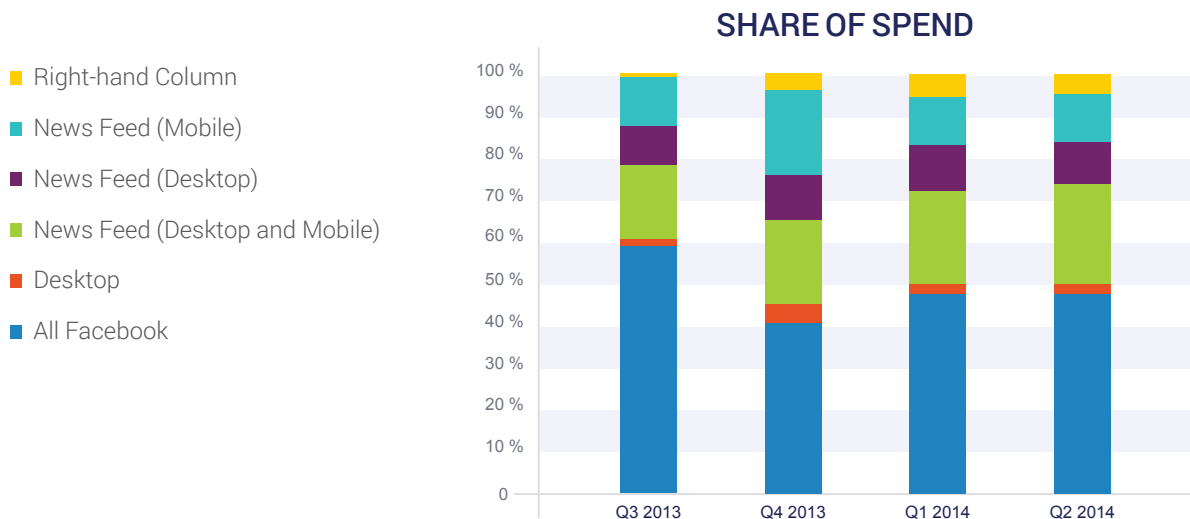


CTR across Facebook increased in Q2 from 0.247% to 0.302% - which is positive news for advertisers, and a possible result of Facebook's changes to the Right-hand Column ad format. News Feed ads continue to dominate this quarter, although the CTR dropped slightly on mobile News Feed ads.

We expect to see this trend continue, as well as the increase in Right-hand Column CTR which grew from 0.067% to 0.071%.

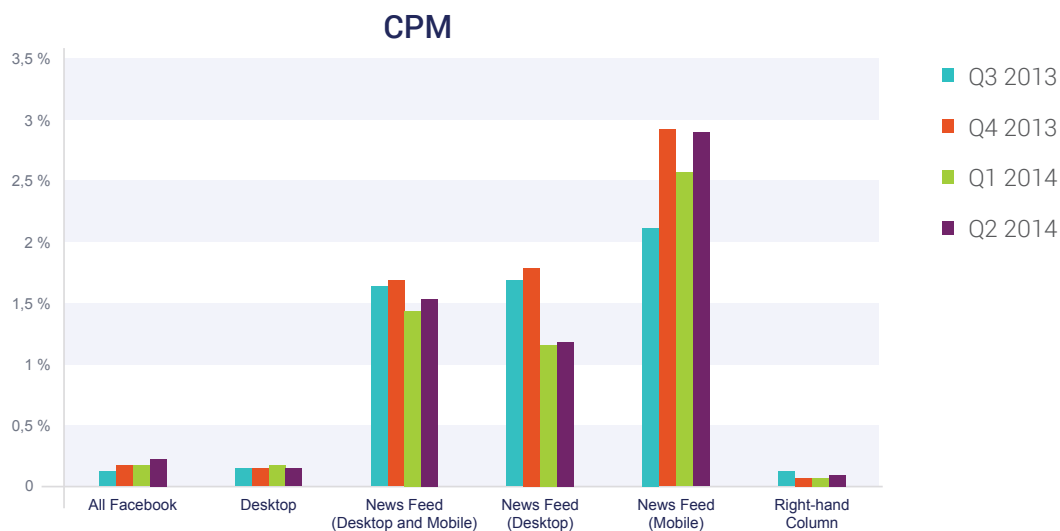
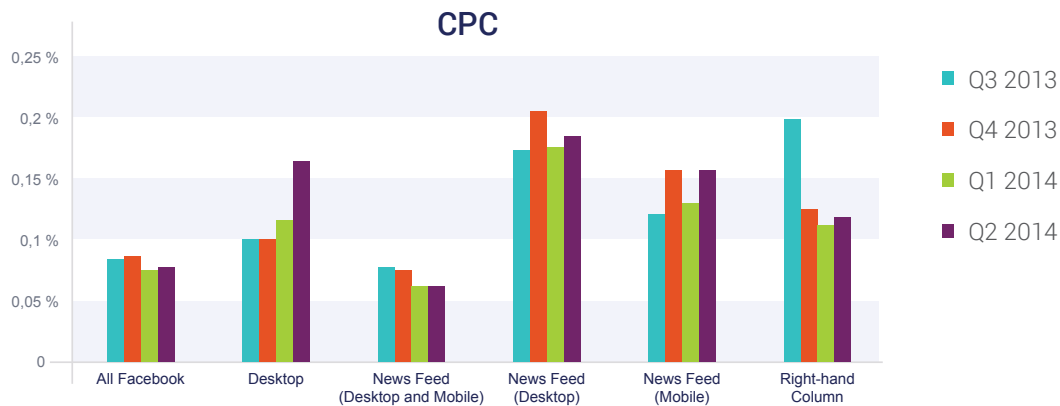
2.2 Let's have a look at the share of spend

Below, you can see how advertisers have adjusted their ad placement preferences by taking a look at the quarter-over-quarter spend:



The distribution of spend this quarter tightly reflects the distribution of spend seen in Q1 2014. The All Facebook placement has steadied following its heavy decline in Q4 2013, while Right-hand Column ads have seen their share of spend decline slightly, even though the total spend has continued to increase in Q2.

2.3 Next, we look at CPC and CPM of each ad placement:



CPC on News Feed mobile ads have increased by 21.5% this quarter compared to Q1. This is presumably due to an increase in competition for space with this placement type. CPM have increased by 12% for mobile News Feed ads across the same period.

CPC has increased across all ad placement types; however, desktop placements have seen the largest rise, by 40% from Q1. This is despite a decrease in CPM for Desktop placements across the same time period.

2.4 Ad Placement Takeaway

In terms of ad placement, the key takeaway for advertisers is that both CTR and CPC are increasing. This shows a healthier advertising ecosystem with more competition, making it more essential than ever to target your ads as well as possible.

2.5 Suggestion

We recommend that advertisers focus their attention on the News Feed - this is more competitive, but the rewards are far greater and there are more options for content promotion. However, to ensure that you don't get caught in an overly-competitive environment we suggest that you analyze and understand your audience to find creative ways to target prospective Fans.

3. Advertising Type

We studied the full range of ad objectives, including:

- ▶ Post engagement;
- ▶ Mobile app installs;
- ▶ Mobile app engagements;
- ▶ Page likes;
- ▶ Canvas app installs;
- ▶ Offer claims
- ▶ Website clicks;
- ▶ Event responses;
- ▶ Website conversions;
- ▶ Canvas app engagements;



1. Homepage Ad

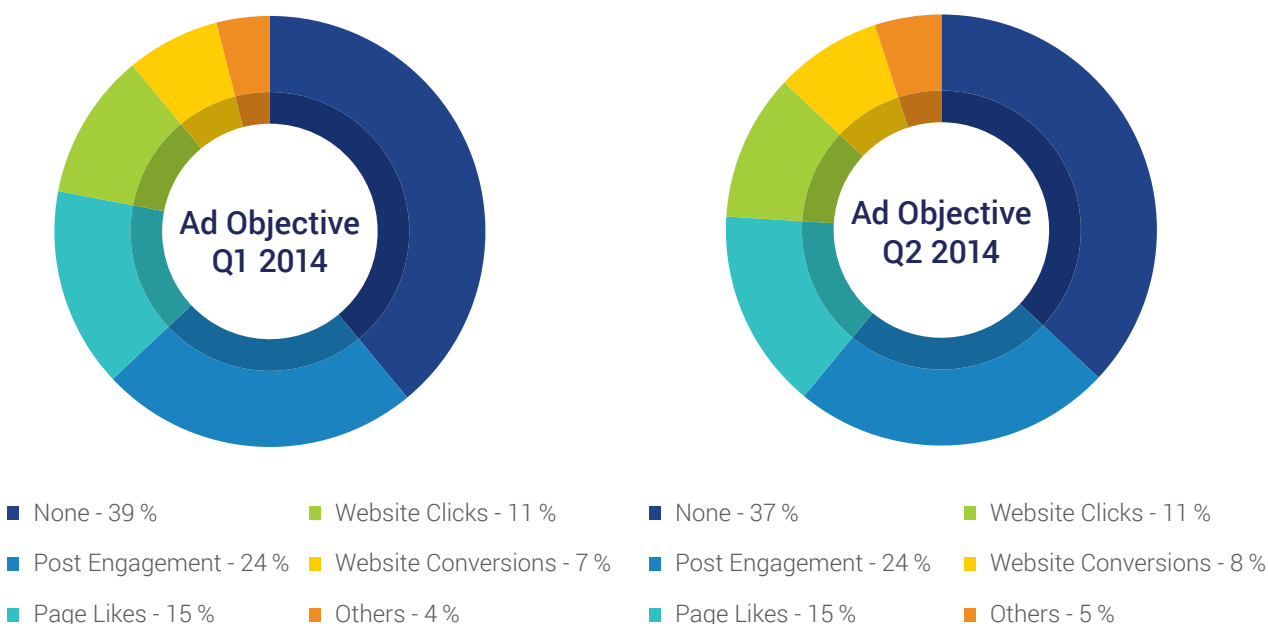


2. Homepage Ad with Social Context



3. Organic Impression

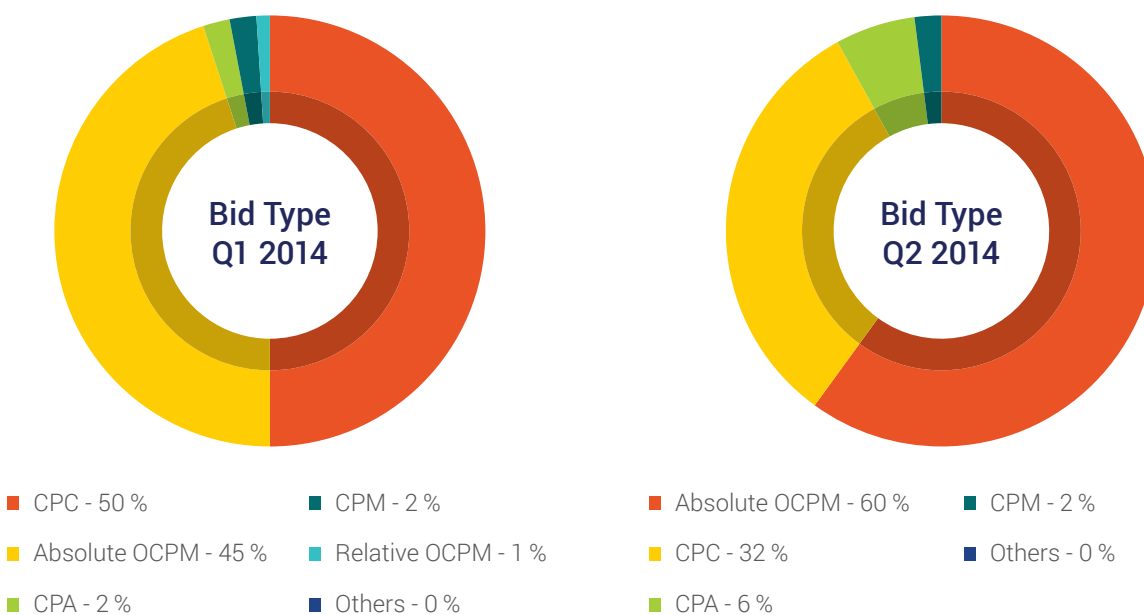
3.1 The first data point shows the share of spend of each ad objective type in Q1 and Q2



As you can see, there hasn't been much change in the objectives of ad campaigns this quarter. "None" is still (depressingly) predominant, followed by post engagement, which shows the continued dominance of native content ads in the Facebook News Feed.

3.2 And the second data point focuses on Bid Type Q1 and Q2 difference

We also studied bid type alongside objectives, to show the share of spend by differing bid types (CPC, CPM, oCPM, CPA):



There has been a fairly sizeable shift here in terms of oCPM bids, which are bids budget-optimized by Facebook in order to maximize the efficacy of your specified objective, being used in favor of CPC bidding. oCPM had a 45% share of spend in Q1, as opposed to 60% in Q2. CPC dropped from 50% to 32%. This is a significant change, and is likely down in part due to tweaks in the Facebook ad flow, and the increase in people using the "Boost Post" button when they post their content, rather than using the full ad options.

3.3 Takeaway Ad Types

Over one third of ads are run with no clear objective, while Page Post Engagement Ads are the most common ads with set objectives. oCPM is dominant in terms of bid types, after a massive rise quarter-over-quarter.

3.4 Suggestion

Ensure you set ad objectives when you create your campaigns, and consider using oCPM where appropriate. It's not for every campaign, as you need to measure the quality carefully as you're not in control of the optimisation and which segments of the audience are being targeted. If in doubt, CPC is likely a better way to go.

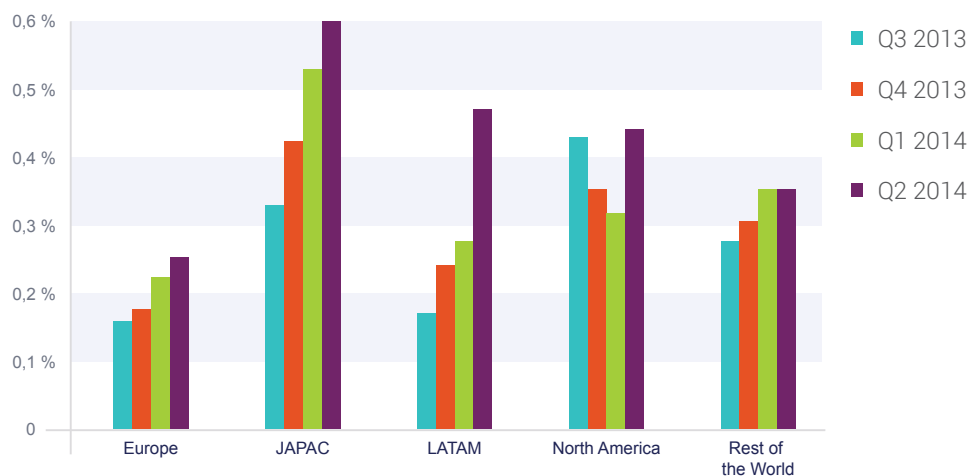
4. Regional Breakdown

We've looked at the world of Facebook advertising on a regional basis, covering:

- Europe
- JAPAC
- LATAM
- North America
- Rest of the World

Here we compare CTR, CPC, CPM, and the share of spend among these regions..

4.1 First, we looked at CTR by region

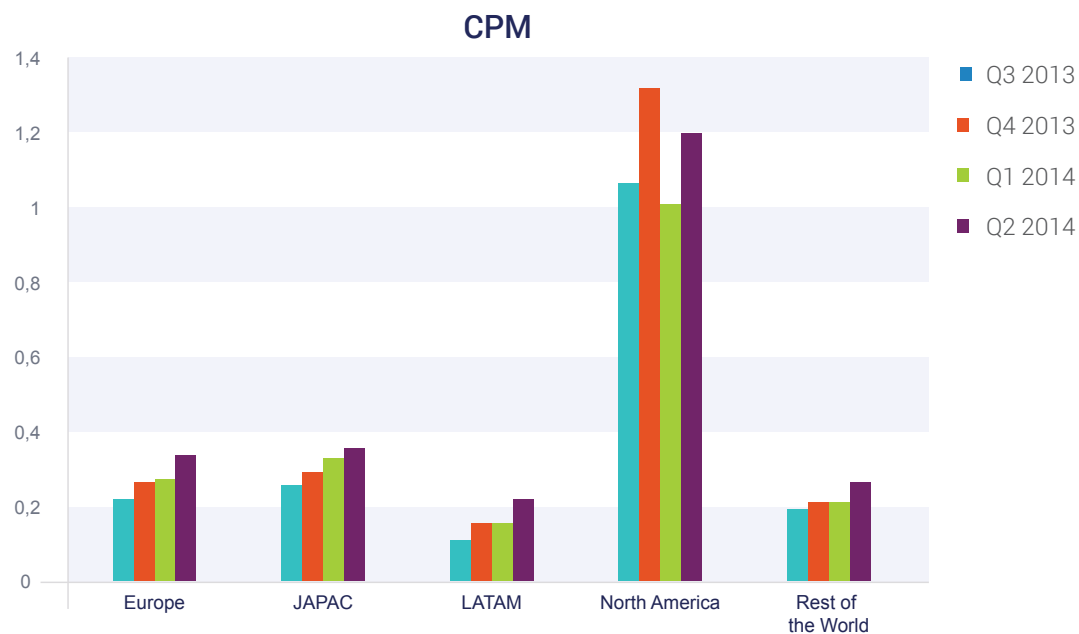
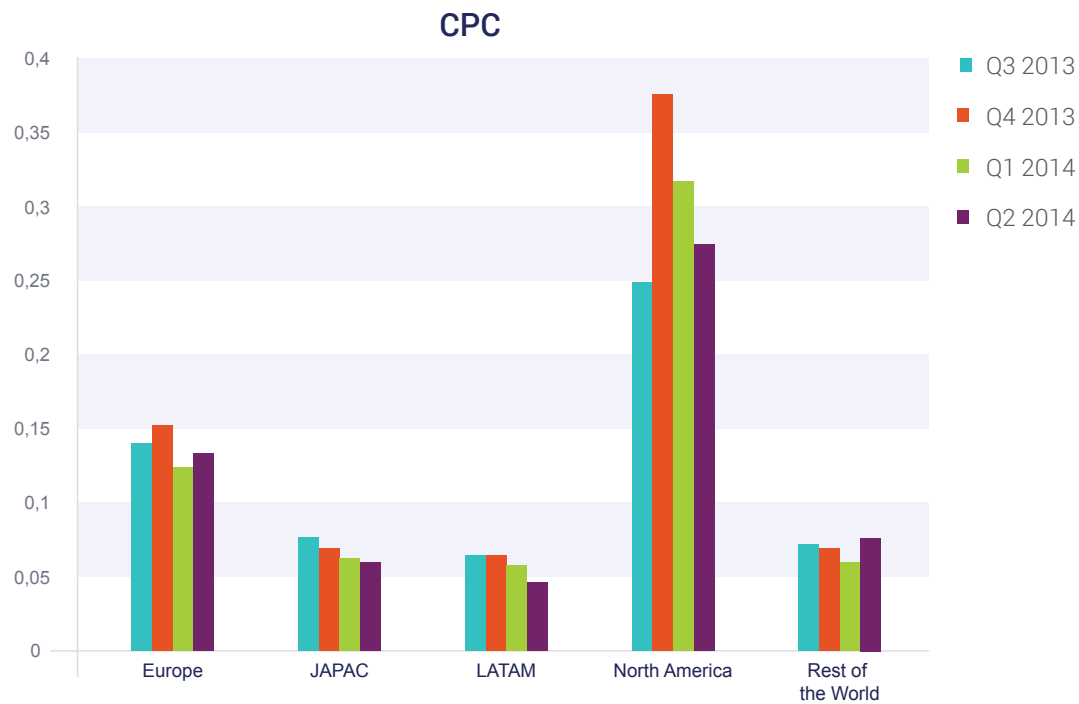


Our data shows that all regions have increased in terms of CTR quarter-over-quarter. LATAM (71%) and North America (38%) saw the largest increases in terms of CTR. Despite this, JAPAC still has the highest CTR of all regions, with Europe still lagging behind.

4.2

In terms of share of spend, Europe remains the largest (the extra competition potentially explaining the lower CTR above), while LATAM has seen the largest decrease in terms of share of spend. All areas have grown in terms of their level of spend, with the exception of LATAM.

4.3 Next, we look at the pricing of each region by CPC and CPM:



This data shows that CPC and CPM are much higher in North America than the other areas; however, CPC has decreased for the second successive quarter in this region. The CPM in North America has increased and is still much higher than the rest of the world.

CPC has decreased in all regions except for Europe and the Rest of the World, while CPM has increased across the board as competition continues to hot up worldwide for placement. The largest rise was in LATAM, with an increase in CPM rates of 42% from Q1 2014.

4.4 Takeaway

The key takeaway from the regional data is that North America has a more competitive market, leading to higher CPC and CPM and lower CTR. CPM is increasing across the board, while CPC are generally declining in most regions.

4.5 Suggestion

If you're in North America, you need to get advanced with your targeting data to get the best CPC possible. LATAM has the lowest CPC on offer, representing a great chance to maximize returns.

5. Industry

Facebook advertising performance by vertical is a particularly interesting area - as it provides benchmarks for brands to compare themselves to their industry, shows how different industries perform in the social advertising environment.

We've studied a number of verticals with a particular focus on



Telecom



FMCG Food



Electronics



Finance



Retail (food)



Alcohol



Ecommerce



Airlines

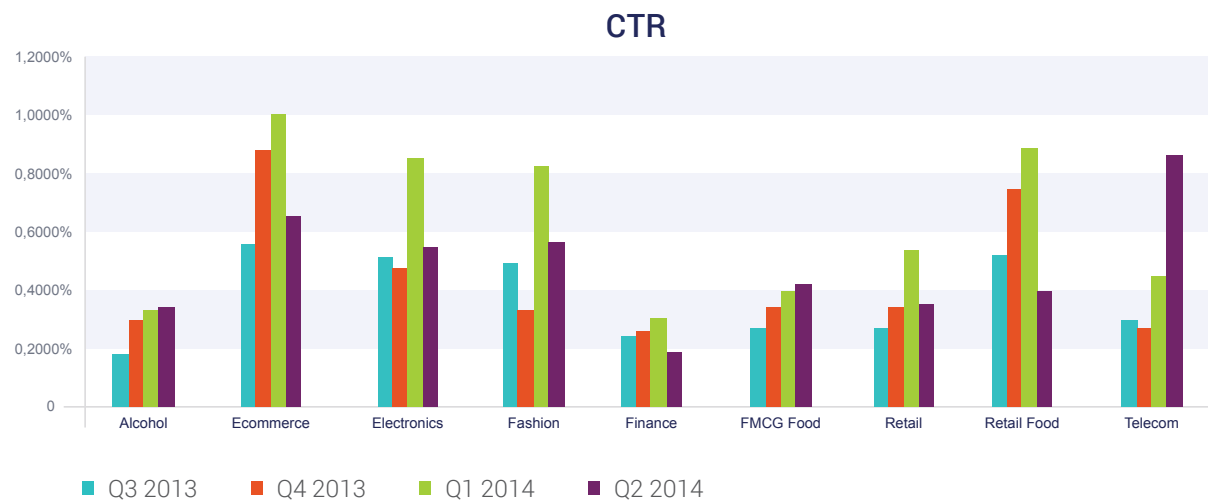


Auto



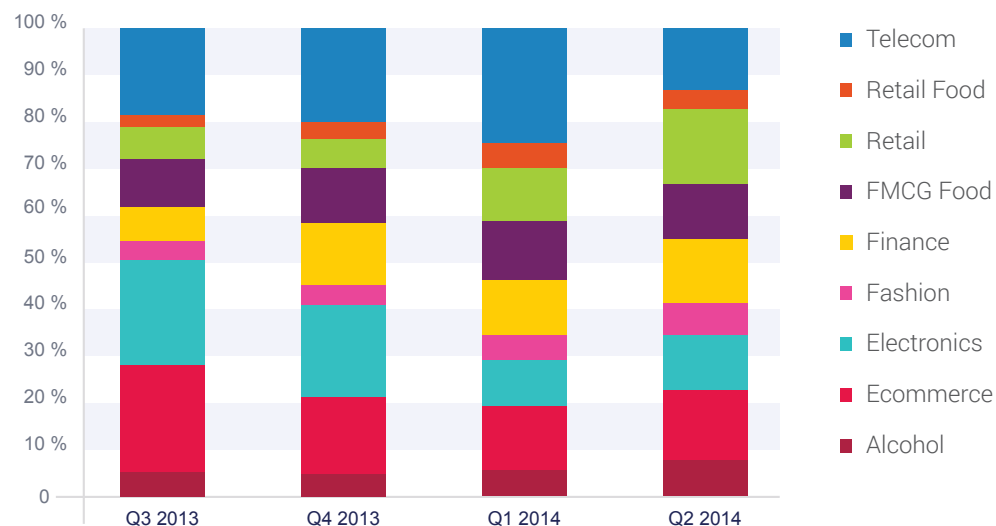
Fashion

5.1 CTR by industry



There has been a lot of variation in CTRs this quarter compared to Q1. For example retail, retail food, finance, fashion, and electronics have all experienced a drop in CTR, while FMCG food, alcohol, and telecoms all made significant gains.

5.2 Share of spend



As you can see above, auto brands have increased their share of spend in this quarter, as have retail brands. Retail food brands, and FMCG food brands have decreased their share of spend, which is interesting considering the amount of FMCG related ads over the World Cup.

5.3 CPC & CPM

In terms of CPC and CPM, the following results have been found.



CPC and CPM have fluctuated between Q1 and Q2 2014 with some verticals seeing increases, and others seeing decreases. While prices would be expected to be higher in Q2 due to extra competition around events like the World Cup, this has not affected advertisers in all verticals.

5.4 Takeaway

The key takeaway from this section is that some verticals are more competitive, and therefore more expensive to target than others. This is changing on a quarter-by-quarter basis, dependent upon events and other seasonal factors that affect competition levels among the different verticals.

5.5 Suggestion

Consider the time period and potential audiences carefully before advertising. Different time periods can be more competitive and therefore more expensive. Planning in advance for these periods means you can get smarter with your targeting sets and create better content to give your ads a better chance of outperforming the competition.

6. Conclusion

Major Q2 trends:

- Ad Placement CTR and CPC are increasing and will likely continue to do so. Smart ads targeting is more essential than ever
- One third of ads are not targeted and have no objectives set. A huge amount of advertisers are flying blind and just hoping for the best
- The Page Post Engagement ad objective - the most commonly used - is on the rise, but advertisers are spreading their buys over using a larger variety of objectives compared to Q1
- Verticals vary by season, with share of spend decreasing across retail and food brands.
- The OCPM bid type gained against CPC

The Q2 results show strong performance across several elements of the Facebook advertising ecosystem. There are a variety of changes happening all the time, and you should keep up with the latest trends and numbers to stay ahead of the competition. We expect even more interesting results in Q3 as the full impact of the changes to the Right-hand Column Ad format will be felt.

Socialbakers Ad Analytics is the most advanced social ad management and optimization solution on the market. For more on how to increase the effectiveness of your social advertising campaigns, check out ads.socialbakers.com

More key findings:

- News Feed Ads dominate CTRs and share of spend
- North America dominates in terms of regions, although CTR are higher globally
- Verticals vary by season, with share of spend decreasing across retail and food brands

KPI Definitions

Click-Through Rate (CTR)

Number of clicks divided by number of impressions per ad. Example: If the CTR of an ad is 1%, that means that 1% of everyone who saw the ad clicked on it.

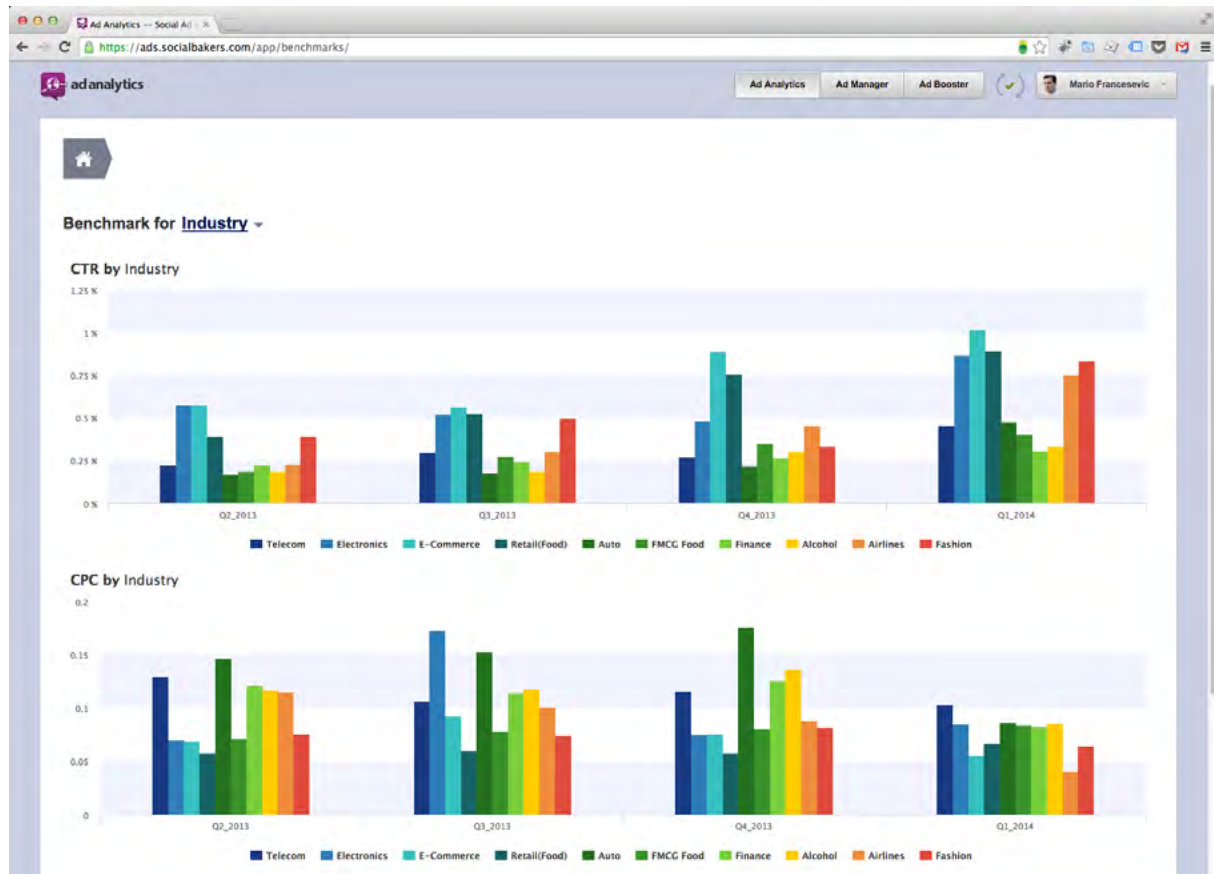
Cost per Click (CPC)

Total cost divided by number of clicks per ad.

Cost per Impression (CPM)

Total cost divided by number of impressions per ad, multiplied by 1000. Example: A business may have bought 10,000 impressions at a CPM of \$5, meaning they spent \$50.

Quarterly Ads Benchmarks are now a regular part of Ad Analytics. Stay on the top of the latest trends for different KPIs thanks to our overviews, which are organized by region and industry.

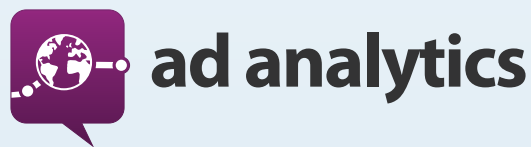


START YOUR TRIAL **NOW**

The Q2 results show strong performance across various elements of the Facebook advertising ecosystem. There are a variety of changes happening all the time, and you should keep up with the latest trends and numbers to stay ahead of the competition. We expect even more interesting results in Q3 as the full impact of the changes to the Right-hand Column Ad format will be felt.

Socialbakers Ad Analytics is the most advanced social ad management and optimization solution on the market. For more on how to increase the effectiveness of your social advertising campaigns

For more, check out



ads.socialbakers.com

