

# Using Facebook Advertising to Find Your Most Profitable Customers

## Introduction

Social media is now mainstream media. Two-thirds of online Americans have social networking profiles, logging in multiple times a day to do everything from share content to interact with friends and brands. Along with this social network proliferation is the rise of social advertising.

The backbone of social advertising is a new generation of targeting: one based on social connections, engagement and actively shared personal information. Yet nearly half of marketers report that measuring and demonstrating return on investment (ROI) of social advertising is their greatest challenge and deterrent to adoption.

This study examines how social advertising can be used to find profitable customers and deliver ROI. The campaign data is taken from Nanigans' fully automated Ad Engine™, a real-time bidding platform for the Facebook ads marketplace that optimizes for downstream goals such as registrations, word-of-mouth referrals and repeat purchases.

## Elements of Social Advertising

Unlike search engine advertising in which ad targeting is based on the terms people are searching for, Facebook advertising parameters center on who a person is and how s/he interacts with and relates to society. An ad on Facebook consists of the audience the ad will be targeted to as well as its creative elements – both of which are inherently social in nature before they are even served on Facebook.

## Social Targeting

People actively offer personal and social information on Facebook about who they are, what they do and what they are interested in. In fact, people are incentivized to share this information because it enhances their experience. For example, the more Pages a person Likes, the more personalized content they will receive in their News Feed.

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This personal and social information offers a new generation of targeting that is non-existent on traditional online ad mediums and providers.

	Location	Demographic	Contextual	Personal
Search	X			
Online Display	X		X	
DSPs	X	X	X	
Facebook	X	X	X	X

To be more specific, marketers can target Facebook users based on:

- **Location:** city, region, country
- **Demographics:** age, gender, relationship status
- **Networks:** education and workplace affiliations
- Likes and interests: pages Liked, Apps played, and other interests and profile information listed
- **Connections:** people who already Like a Page or have interacted with an App as well as these peoples' friends

## Social Creative

On top of the unprecedented targeting offered by Facebook advertising is the ad creative itself, which can also be social.

With Marketplace Ads on Facebook, marketers can include social information that indicates the number of people, for example, that Like their page. Sponsored Stories, another form of Facebook ads, includes action-based social information. This includes specific names of friends who have liked a Page, engaged with an App, checked into a Place or clicked the Like button on content outside of Facebook.

## How Social Advertising Yields Higher ROI

Marketers can leverage personal information on Facebook to tailor a more relevant message (the creative) to the right audience (the targeting), which ultimately yields better results.

## Example Results

Below is an example Nanigans Ad Engine™ campaign with a leading online retailer. The results illustrate how as targeting moves along a continuum from general to more relevant, the greater the ROI realized.

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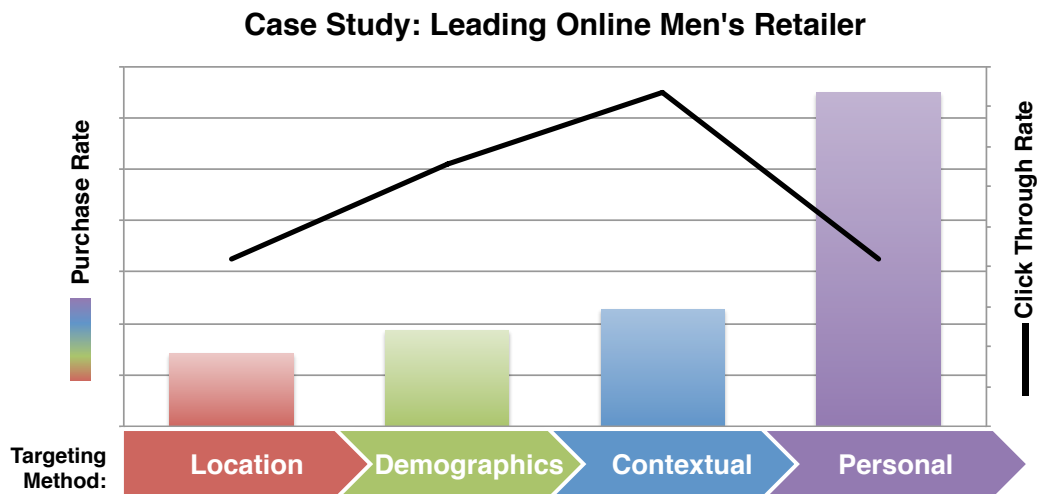
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**Goal:** Deliver an ROI positive Facebook advertising campaign that drives purchases, as opposed to clicks.

**Ad Tech:** The Nanigans Ad Engine™ automatically optimizes ad spend for ROI based on historical and real-time performance and bidding data. To identify high-value customers driven from particular Facebook ads, Nanigans placed a tracking mechanism within the retailer's homepage, shopping cart and checkout page.

**Strategy:** The Ad Engine™ employed four different targeting methods, from general to more personal: by location (e.g., northeast), by demographics (e.g., gender interested in), by contextual interest (e.g., sailing), and by personal/social information (e.g., specific college affiliation).



**Result:** More relevant and personal targeting resulted in over four times higher purchase rates, despite having a lower click through rate. The Ad Engine's dynamic decisioning used these learnings to find more high value customers for the retailer and deliver ROI on the campaign.

If you were to only look at click through rates in this example you would assume contextual targeting yielded the best results, and continue to serve those ads. However, by measuring beyond the click for purchases, you learn that personal targeting was in fact most effective -- and by a significant multiple.

The results illustrate how the more specific marketers are able to target people using social information, the more likely they are to gain real customers as opposed to just clicks.

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