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Facebook: Automatic Placement Enhancing Ad Efficiency

FB

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Broadening usage of Carousel, Instant Experience, Dynamic Product ads, facilitated by wider adoption of automatic placement, is improving overall engagement, ROIs and eCPM's., while lowering aggregate CPAs.

- Spending on FB rose yy in 2Q19 by 28% on average (versus 31% yy in 1Q19), roughly in-line with source expectations; 3Q19 yy growth projected at 26%.
- Automatic placement spurring diversification of spending across formats; attributable ROI from Stories ads improving as advertisers learn to run and manage hybrid Stories/retargeting campaigns for ecommerce.
- Marketplace and Messenger ads increasingly finding a place in ecommerce mix; strong early enthusiasm for Instagram Shopping and Instagram Checkout continues

Mild Spending Deceleration According to Plan

Sources saw spending rise 28% yy in 2Q19, in-line with expectations both in 1Q19 and mid-2Q19 (see VMI's June note), with sources noting that a combination of iterative ROI improvements along a variety of audience segmentation options and a more aggressive adoption of DPAs and newer ecommerce-friendly formats has helped to boost overall spending. "We see a lot more opportunities to promote products further down the funnel on Facebook's properties, and that's been driving our spending more than anything," said a source. "Facebook is still well behind Google, much less Amazon, as an ecommerce platform. However, the progress toward that goal is meaningful," said another source.

Sources see spending to continue on its current trajectory, with growth ebbing very slightly to 26% yy in 3Q19, but sources said an even slower rate of spending growth deceleration is possible among smaller advertisers as they get more familiar with the variety of ad formats currently available on Facebook.

Automatic Placement Boosts Performance

A key move toward boosting ad efficiency and eliminating confusion among smaller advertisers regarding which ads are best for their campaigns has been a key focus at Facebook, and those efforts are bearing fruit. “The challenge with Facebook has been keeping up with all the new ad formats. It’s been hard to do and so by default either advertisers stuck with the newsfeed only ads, pushing CPAs up dangerously high, or tried to experiment on their own, inefficiently,” said a source. “By making it easier to optimize spending across a wide variety of ad units, showing for example how lower-priced Stories ads can improve conversion on higher price product ads, Facebook is starting to create more of a win-win for advertisers. There’s less congestion in the newsfeed which means lower CPAs and higher CTRs.”

Sources noted that Facebook’s back-end improvements to automatic placement has made pricing much more efficient, which in turn has boosted spending. “We don’t see ridiculous pricing on Facebook anymore, which was a problem about a year ago as Facebook introduced all these formats and people stuck with just plain newsfeed ads, driving pricing too high. Now that more people understand how to make creative that can work for a variety of placements, pricing is much fairer and overall performance is better,” said a source. “It’s not really a question of doing Stories or Newsfeed or Lead Gen on Messenger. It’s really how to use them all in an optimal mix. That’s been a stumbling block for manually run campaigns, but automated placement, while not perfect, is removing confusion and friction.”

Attributable ROI Boosts Stories Investment

In addition to seeing wide across-the-board improvements in ad efficiency, sources were pleasantly surprised to see Stories spending has exceeded prior expectations, with previous concerns about ad performance attribution fading and confidence over cross-format ad targeting rising. “Where the murkiness has been with Stories is knowing how to attribute ROI beyond awareness. As we steadily get better at attributing post-engagement behavior in tandem with more ecommerce units, it’s getting easier to see how Stories can be used to improve overall ROI in aggregate, which is what counts,” said a source. “Stories is not just about branding anymore—it’s still not the last touchpoint where you close a sale, but it’s also not entirely worthless for an mcommerce campaign. The key is figuring out how Stories can improve clickthroughs on other ad formats, and more people are learning how to make those attributions possible, both on Facebook and Snapchat,” said a source.

Marketplace, Messenger, Instagram See Growing Interest

Source spending on Marketplace and Messenger ads is seeing rapid growth on a small base, with some sources saying competition for ads on Marketplace in particular is growing as a result of very aggressive spending from small-business advertisers. “It’s a

good place to reach an audience who is in buying mode, while Messenger ads are great for retargeting and upselling,” said a source. In the future, sources expect to be able to use a mix of Messenger, Marketplace, and other ad formats as well as Instagram Shopping and Checkout to drive in-app purchases, and direct-response advertisers are happy to leverage Facebook’s infrastructure to drive sales instead of building up their own external platforms. “The merchants who have been sampling Instagram Checkout are pretty impressed with the potential. But, more immediately, units like playable apps or Instant Experiences, which enable interaction within the Facebook app, rather than off-app, are driving strong leads and, in some cases, sales directly within Facebook.”

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