



THE FACEBOOK ADDED VALUE SERIES: VOLUME 2

Finding the
Sweet Spot
for Search & Social Investment



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Executive Summary

The following research provides more evidence that Facebook advertising has a direct, positive effect on paid search performance and that **the cross-channel impact increases as the investment ratio of Facebook to paid search spending rises.**

For the purposes of this study, Kenshoo analyzed recent paid search performance for the leading global information services company, Experian, in which certain segments of the target audience were exposed to both paid search and various levels of Facebook advertising while others were exposed to paid search alone.

Three key findings:

- 1. Paid search performance increases when strategically paired with Facebook advertising.** The results of the test showed 20% increases on average in conversion volume, driven by improvement in other key performance metrics.
- 2. As Facebook advertising spend levels increase, paid search performance increases.** Three levels of Facebook spending were tested, with detectable gains in performance when moving from zero to low to medium (1.81 times higher than low spend).
- 3. Through similar testing, advertisers may be able to determine an optimal ratio of Facebook investment in order to maximize the cross-channel effect on their paid search programs.** The highest Facebook spending level (2.34 times higher than low spend) showed diminishing returns in performance improvement, demonstrating the need for advertisers to calibrate their specific campaigns.

Note: this study was conducted by Kenshoo and commissioned by Facebook.





Introduction

Consumers perceive their relationship with brands as a single conversation, regardless of where, when, and how they engage with paid and owned media. They generally don't make a conscious distinction between channels, devices, and promotions but, rather, consume a unique mix of a brand's media and advertising which sometimes can influence consumers to become customers – and sometimes not.

Brands know that a “spray and pray” approach to advertising is sub-optimal. However, the reality is that, behind the scenes, many marketers have very complex and siloed advertising infrastructures that rarely work together in harmony. Nonetheless, marketers fundamentally believe that if they can understand how their various marketing tactics work together, they can have deeper conversations and build better consumer relationships.

Social advertising has gained prominence at a time when digital marketers are finally ready to commit to an omnichannel approach. Social, and Facebook in particular, is perceived as a complementary addition to the marketing portfolio — both as a proven performer for direct response programs as well as a strong brand-building vehicle with a unique environment where consumers can engage with companies.

Unlike a few years ago when Facebook advertising was still considered an emerging sub-channel of display advertising (basically just display with the ability to leverage detailed audience data for better targeting), it has now been promoted to its own line item on the annual media plan. This equates to bigger teams, larger budgets, and sometimes multiple agency and technology relationships.



Introduction cont'd...

To recoup more from what has become a significant investment in social advertising, marketers are trying to figure out how to connect the dots between Facebook and their other programs. For example, because paid search is usually one of the biggest single budget items on the digital marketing media plan, even small lifts in performance could equate to tremendous gains for enterprise-level advertisers. If social advertising on Facebook can drive a great return on investment (ROI) on its own while also helping to increase the return of paid search, it would be a major win for omnichannel champions and help drive this change forward throughout marketing organizations.

With the release of our first major study on this topic last year, *Added Value: Facebook Advertising Boosts Paid Search Performance*, marketers have tangible evidence of the combined success for these two channels. Marketers now need more research on how to best guide their approach in this new discipline of search and social synergy.

Consistent feedback raised by marketers after the publication of our first Added Value study was:

“How much do we need to invest in Facebook advertising to trigger the cross-channel synergy?”

“Is there a minimum spend needed to activate these effects?”

“Is there a maximum spend ratio in which the effects will eventually hit a point of diminishing returns?”

In this paper, we analyze paid search performance when exposed to various spend levels of Facebook advertising to uncover insights that will help answer these questions.



Methodology

This research reflects an analysis of live campaign performance data from Experian (“the advertiser”). Experian is the leading global information services company with total annual revenue of \$4.7 billion. This research was commissioned by Facebook, with Kenshoo collecting the data, conducting the analysis, and authoring the white paper in collaboration with the Facebook Marketing Science, Advertising Research group. The advertiser paid for all media costs and did not receive free impressions from Facebook.

For the purposes of this study, online conversion data from the advertiser’s website was tracked to determine the impact of Facebook advertising on paid search performance. A conversion is defined as an online application for a credit report, and full credit for the conversion is assigned to the last click before the event as specified by the advertiser’s overall program settings.

This test was executed from January 30th through February 12th, 2014. While the test campaign ran for two weeks, conversions that occurred after the end of the test were included if they originated with clicks during the test period. Data was also collected for an identical time period several weeks after the conclusion of the test to establish baseline metrics with full data collection in place.

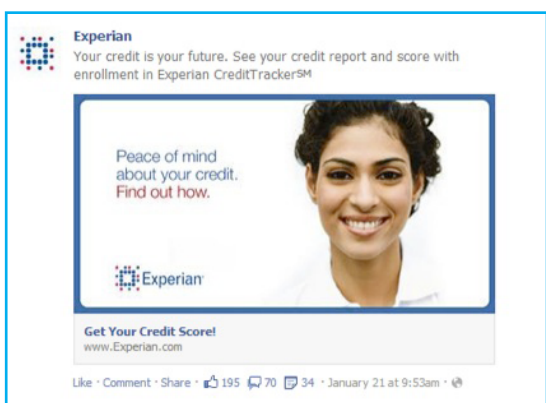
The test was organized into four segments with similar size and other characteristics. The control group was exposed only to paid search advertising (referred to as “No FB \$” in this paper), while three test groups were exposed to paid search along with low, medium and high spending levels of Facebook advertising (“Low FB \$,” “Mid FB \$” and “High FB \$,” respectively). Indexing the spend levels of each group so that Low FB \$ = 1.00 shows the relative spending for each group.

	No FB \$	Low FB \$	Mid FB \$	High FB \$
Paid Social Spending (Indexed)	0.00	1.00	1.81	2.34



Methodology cont'd...

The paid search campaign was targeted at both branded and non-branded keywords, with the goal of driving online conversions. As these were live campaigns, paid search bid optimization was performed throughout the study period and across all segments. Facebook advertising consisted primarily of optimized Cost-Per-Thousand-Impressions (oCPM), an algorithmic bidding type offered by Facebook, driving clicks to the advertiser website via ads in the News Feed with some also showing in the Right Hand Side ad position.



Experian.com - Experian® - Official Site
Ad www.experian.com/ ▼
Get Your \$1 Report & Free Score. America's #1 Trusted Online Source.
Experian has 28,300 followers on Google+

Free Credit Score Get Your Credit Score for Free When You Get Your \$1 Credit Report.	Experian® Credit Report Review Your Credit Report for Potential Inaccuracies.
Official Site America's #1 Trusted Online Source.	I.D. Theft Protection Toll-Free Support Available 7 Days a Week.

The 3 test groups and the “No FB \$” group used the same set of paid search ad creative and directed traffic to the same landing pages on the advertiser’s website.

Each segment consisted of 80 discrete ZIP codes across multiple U.S. regions to safeguard against any geographical bias. To ensure parity between segments in this type of “paired market” test, the following factors were evaluated when selecting the groups:

- ▶ Historical conversion quantities
- ▶ Estimated Facebook reach
- ▶ U.S. Census data

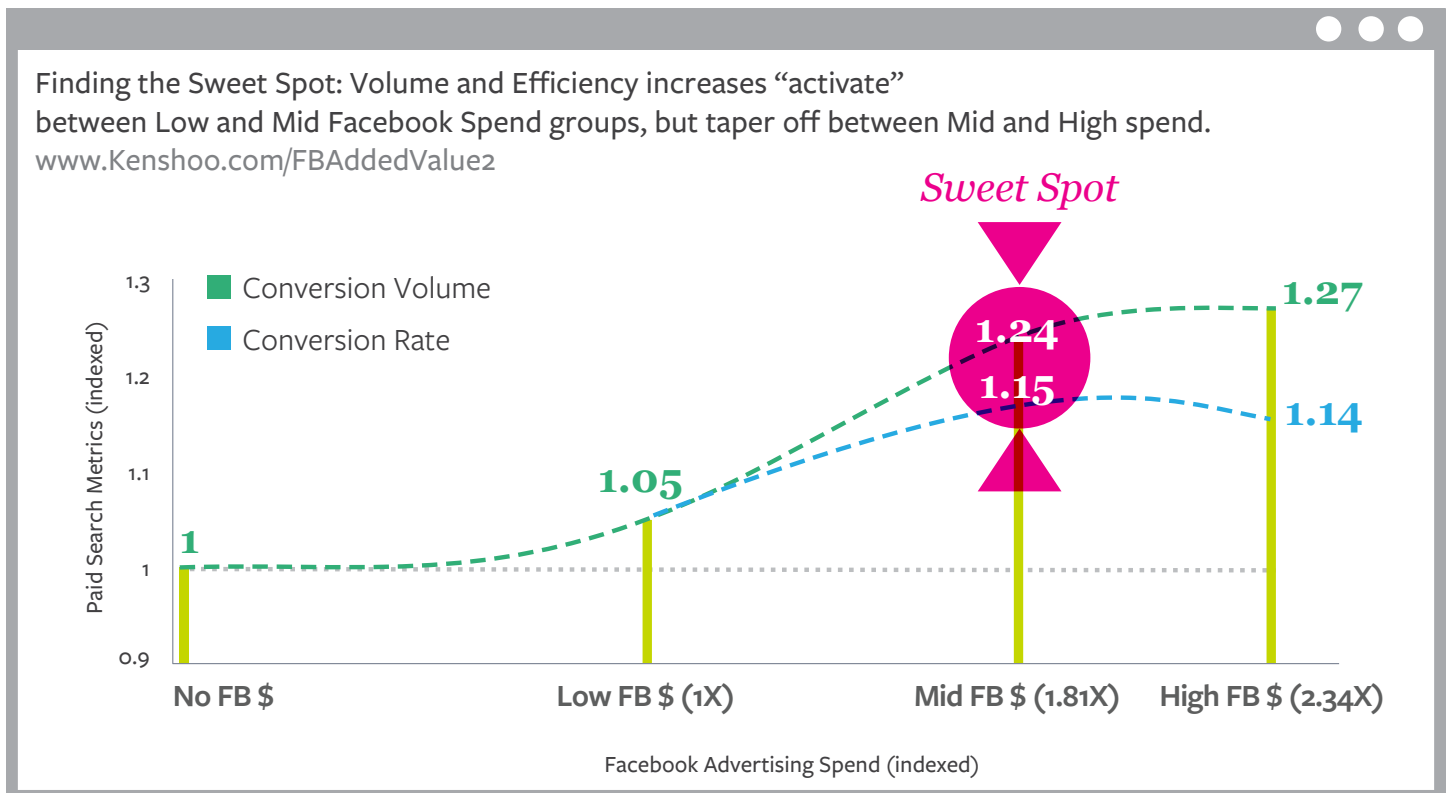
Note: The data in this white paper does not aggregate paid search and Facebook advertising metrics, but rather is a pure analysis of paid search metrics during the study period. The goal of this research is to quantify the impact that Facebook advertising has on paid search performance.



Top Takeaway

Paid search conversions increased as Facebook spending increased but there is a minimum spend requirement needed to activate the cross-channel benefits and also a point of diminishing returns that can be reached.

The study shows quantifiable evidence that paid search conversion activity increases as advertisers spend more on Facebook. Across all test groups, there was a significant lift in overall conversion volume. The research also identifies a minimum spend requirement needed to activate the cross-channel benefits as well as a point of diminishing returns, indicating the existence of a “sweet spot” for marketers’ investment.





Key Findings

Facebook advertising can be a profitable channel on its own and also drive performance lifts for adjacent channels, making a very solid case for advertisers to invest heavily into quantifying the synergy that social ads can provide in their own marketing environments.

The following three key findings from this research provide insights to help advertisers understand more about the cross-channel effects that Facebook marketing has on paid search marketing programs:

1.

Facebook advertising directly and positively impacts paid search performance.

For marketers still unsure if Facebook advertising can provide lift to paid search performance, this study presents even more data that these effects are real and definitive. Over the course of the test, we saw significant increases in conversion volume, driven by improvement in other key performance metrics.

Total Conversions up 19% on average

- ▶ For most advertisers, where the rubber meets the road is in actual conversions – be it orders, downloads, leads, etc. During the study period, the three groups exposed to Facebook advertising generated an average increase of 19% in total conversions over the control (unexposed) group, with a statistical confidence level of over 90%.



Key Findings cont'd...

Conversion Rate up 11% on average

- ▶ The average conversion rate of the exposed groups increased by 11%. By setting the value of the additional conversions generated by this difference against the cost of the Facebook ads, individual marketers can assess whether the additional conversion volume is worthwhile. For example, if every 10,000 clicks yielded an additional 73 conversions, each with a value of \$100, an additional \$7,300 would be generated by running Facebook ads alongside paid search. With slightly less than a 90% statistical confidence level, we understand this difference to be directional.

Cost per Acquisition down 10% on average

- ▶ The increase in conversion rate helped fuel a 10% average drop in Cost per Acquisition (CPA) across the three exposed groups, with a statistical confidence level of over 90%. For many brands that focus on repeat/ongoing business and customer lifetime value, acquiring new customers at a lower cost represents a major opportunity for future return.

Conversion Contribution up 8% on average

- ▶ We can also assess the significance in the change of volume in the test groups by looking at the combined percentage of conversions coming from those groups. It can be reasonably assumed that each of the four groups would contribute roughly 25% of total conversions, and based on the post-test baseline period, the three groups exposed to Facebook advertising actually contributed 72% of the total. During the study period, those three groups represented 78% of total conversions, which marks an increase of 8% increase for the test. The difference is significant at the 90% level.



Key Findings cont'd...

2.

The level of spend on Facebook advertising correlates to the effect on paid search performance.

There is directional evidence that the cross-channel effects of Facebook advertising on paid search strengthen when the ratio of Facebook spend between the two channels rises.

Paid search total conversions rise as the level of investment in Facebook advertising increases:

	No FB \$	Low FB \$	Mid FB \$	High FB \$
Paid Search Conversions (indexed)	1	1.05	1.24	1.27

Paid search clicks also increased by 8 to 12 percent as more consumers were exposed to higher levels of Facebook advertising:

	No FB \$	Low FB \$	Mid FB \$	High FB \$
Paid Search Clicks (indexed)	1	1.00	1.08	1.12



Key Findings cont'd...

3.

The data suggests there exists a minimum and maximum spend ratio (i.e. “the sweet spot”) to leverage the most effective cross-channel impact.

As with any multi-channel relationship, there needs to be a minimal threshold of overlap in order for any influence to occur. For example, if a local restaurant wants to measure the impact of their flyers, just passing them out to the houses on a single street would probably not generate as much impact as canvassing the entire neighborhood.

Taking it one step further, although passing out more flyers should generate more impact, would the restaurant really quadruple their sales if they passed out the same flyer four days in a row to the same neighborhood? Probably not. In fact, there may be a lower net return than just passing out flyers on a single day because of the cost of labor and printing it would require for four days. That’s the law of diminishing returns, and it most likely applies to the ratio of spend between Facebook advertising and paid search when measuring the cross-channel impact.

For example, even though the average conversion rate of the three exposed groups was up 11% over the control group, it was actually the Mid FB \$ group that had the highest conversion rate. Cost Per Acquisition follows a similar trend — the middle spend group had the lowest CPA.

	No FB \$	Low FB \$	Mid FB \$	High FB \$
Paid Search Conversion Rate (indexed)	1.00	1.05	1.15	1.14
Paid Search CPA (indexed)	1.00	0.96	0.87	0.88

This supports the hypothesis that there may be a minimum/maximum “sweet spot” where advertisers can determine how to spend the least to get the most synergistic effects. In this test, there is clearly an “activation effect” in this test between Low and Mid FB \$ groups, but the smaller gains between Mid and High indicate additional spending may not yield proportionate levels of improvement, or may require spending levels beyond the scope of this test. Additional factors like the size of the available Facebook media audience can also come into the decision making process.





Recommendations

Find your Facebook advertising to paid search “sweet spot” spend ratio.

The debate is over at this point on whether or not Facebook advertising can positively affect your paid search performance. Of course, it may not yield major gains every time with every campaign, but the data is clear that this synergy does exist and it’s now up to you to figure out how this cross-channel force can be harnessed in your marketing environment.

Perform similar tests to the one presented in this study. Isolate similar paid search markets and see how various levels of Facebook spend impact paid search performance versus an unexposed control group. Compare those results to your acquisition costs. Find your sweet spot spend ratio and then do more testing to refine your insights.

Go granular – find the elements that seem to work best together.

The next level of research after finding your sweet spot spend ratio is to start testing which Facebook advertising elements work best to drive specific paid search lifts. For example, it may be a certain type of audience demographic or likes & interests targeting on Facebook that have the greatest impact. You should also test bids and ad formats. Certainly, messaging has a part to play here as well.

Use this granular testing to achieve small lifts in performance. In the long run, these tiny advancements will equate to big gains as well as provide deep insights to help drive more cross-channel synergy among the rest of your digital marketing channels.



Recommendations cont'd...

Implement cross-channel measurement and attribution models.

Cross-channel marketing requires cross-channel measurement. In order to dive deep into the relationship between Facebook advertising and paid search – or any combination of your marketing channels – you will need to have cross-channel measurement to provide an accurate picture of which media mixes drive the highest performance.

From there, you can leverage multi-touch attribution (MTA) models to determine the role of each interaction with your customers along the path to conversion and provision the appropriate amount of credit to each ad placement.



About Kenshoo

Kenshoo is a global software company that engineers cloud-based digital marketing solutions and predictive media optimization technology. Brands, agencies and developers use Kenshoo Search, Kenshoo Social, Kenshoo Local, Kenshoo SmartPath, and Kenshoo Halogen to direct more than \$200 billion in annualized online client sales revenue through the platform. Kenshoo is a Facebook strategic Preferred Marketing Developer with native API solutions for ads across Facebook, FBX, Twitter, Google, Bing, Yahoo, Yahoo Japan, Baidu and CityGrid. Kenshoo powers campaigns in more than 190 countries for nearly half of the Fortune 50 and all 10 top global ad agency networks. Kenshoo clients include CareerBuilder, Expedia, Experian, Facebook, KAYAK, Havas Media, iREP, John Lewis, Resolution Media, Sears, Starcom MediaVest Group, Tesco, Travelocity, Walgreens, and Zappos. Kenshoo has 23 international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital.

