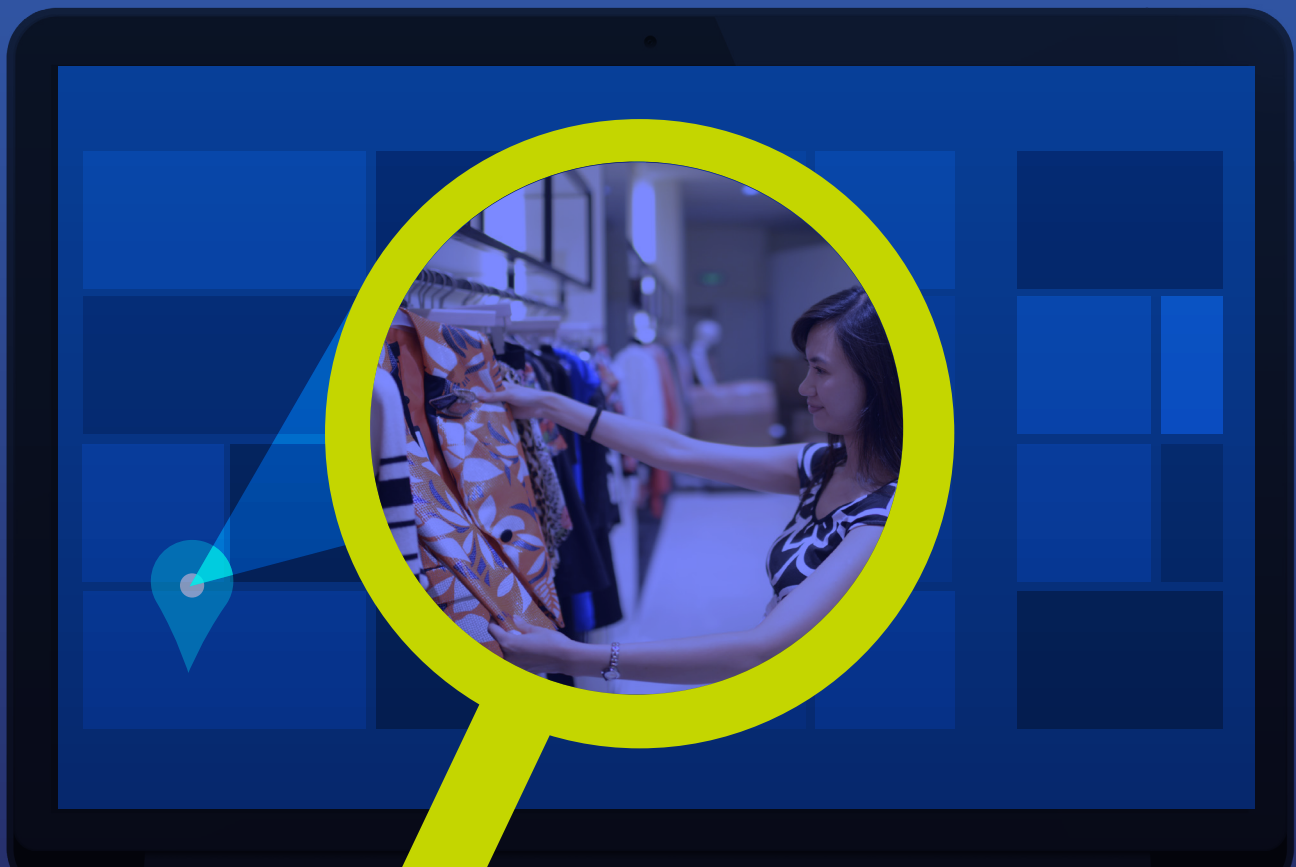




THE FACEBOOK ADDED VALUE SERIES: VOLUME 3

*Facebook ads unlock new revenue potential  
across the entire consumer retail search experience*



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# Executive Summary

In this study, Kenshoo analyzed recent paid search performance for a large retail advertiser across eight geographic markets in the United States. These market-level target audiences were exposed to both paid search and Facebook advertising and were then compared to a comparable period of time when the same markets were exposed to paid search alone.

As with previous studies in this series, this research shows that Facebook advertising positively affects paid search performance, improving return on search spending while also delivering a positive return in its own right. Furthermore, not only does the cross-channel lift occur at the final point of sale, but throughout the retail shopping experience, including online and offline. These effects span both existing and new customers.

## Three key findings:

### 1. Facebook advertising improves the bottom line of performance across channels

On average, the paid search and paid social programs saw \$2.19 in combined incremental returns for every \$1.00 spent on Facebook ads.

By considering only the incremental revenue generated by increases in search program efficiency and directly from Facebook advertising, and comparing it to the incremental cost of the Facebook advertising, we can determine the ROAS of the paid social media program across both search and social channels. This comes out to an average of \$2.19 for every incremental \$1.00 spent.

When looking at only the paid search channel, gains in program efficiency—Average Order Size and Conversion Rate—contributed to an average 78% increase in paid search Return on Ad Spend (ROAS) with Facebook advertising in place.



# Executive Summary cont'd...

## **2. Facebook advertising attracts more customers to shop through the search channel.**

When Facebook ads were utilized, the paid search campaign generated an average lift of 18% in Average Order Value and a 13% lift in Conversion Rate compared to the pre-test period in which Facebook ads were not in place.

Furthermore, the average rate at which customers added items to their online shopping carts increased (+7%), demonstrating that Facebook advertising works to influence active shoppers.

New and existing customer sales conversions were equally influenced by Facebook advertising; we found no significant difference in the effect of Facebook advertising on converting sales for new customers versus existing customers. This suggests a greater role for the channel than simply re-engaging with current customers.

## **3. Facebook advertising drives consumers from social to search to store.**

The rate of clicks on the website's Store Locator following a paid search click increased for the test period by 79% on average over the pre-test. This signals a greater intent to visit a physical store among customers exposed to Facebook advertising.





# Introduction

The relationship between brands and consumers continues to rapidly evolve along with technology trends. Consumers are connected more than ever with multiple devices, and this creates a continual dialogue across channels and devices that extends both the relationship and advocacy well beyond the sale.

The notion of simply mapping each channel to the appropriate step in a purchase funnel and delivering static messaging is no longer applicable, because the purchase funnel concept has expanded across devices and has become increasingly non-linear.

At Kenshoo, we describe the difference between the old media world and the new as a shift from static planning to real-time activation.

How does “real-time activation” work in the real world? One way we can investigate is by looking at how channels interact at different points in this extended dialogue between brands and consumers.

This Kenshoo research series has specifically examined the intersection of paid search and paid social as it relates to primary conversion events, whether an online sale or an application submission. We have seen that Facebook advertising combined with paid search makes [search programs work harder](#), driving up conversion volume and efficiency metrics. We’ve also seen that a [sweet spot](#) exists for search and social spend with minimum thresholds to activate the cross-channel impact and maximum levels beyond which returns diminish.

As there is more to the relationship between brand and consumer, there is also more to the interaction between channels that carry a customer relationship. Do more consumers search for a brand when exposed to Facebook ads? Are they more likely to add items to their shopping carts? Look for physical stores? And does the social channel primarily affect existing customers, or can it be effective in attracting new shoppers?

These are the questions we look to answer in this paper, the third installment in our Facebook Added Value Series.





# Methodology

This research reflects an analysis of live campaign performance data from a large North American retail advertiser.

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. The primary conversion was an online purchase. Adding items to an online shopping cart and visiting a store locator page were also considered for the analysis. Full credit for the conversion is assigned to the last click before the event in the paid search and paid social channels, as specified by the overall program settings for this advertiser. All metrics were tracked via the Kenshoo platform.

The test period for this research was February 26th through March 19th, 2014, during which Facebook advertising was shown in eight selected geographic markets in the United States. This was then compared to a baseline established by a pre-test period in the same geographic markets from February 3rd to February 25th. Paid search advertising ran during both the pre-test and test periods. Three days from the test period and four from the pre-test period where promotional offers introduced volatility into the results were excluded to ensure comparability in the paid search program for the two periods. The potential effects of seasonality were considered but were found to have no significant impact on the findings.

Throughout the pre-test and test periods, the paid search campaign targeted both branded and non-branded keywords, with the goal of driving online sales. As these were live campaigns, paid search bid optimization was performed throughout the study period and across all segments. Facebook advertising consisted primarily of product-focused Page Post Link Ads in the News Feed overlaid with lookalike targeting of recent customers.

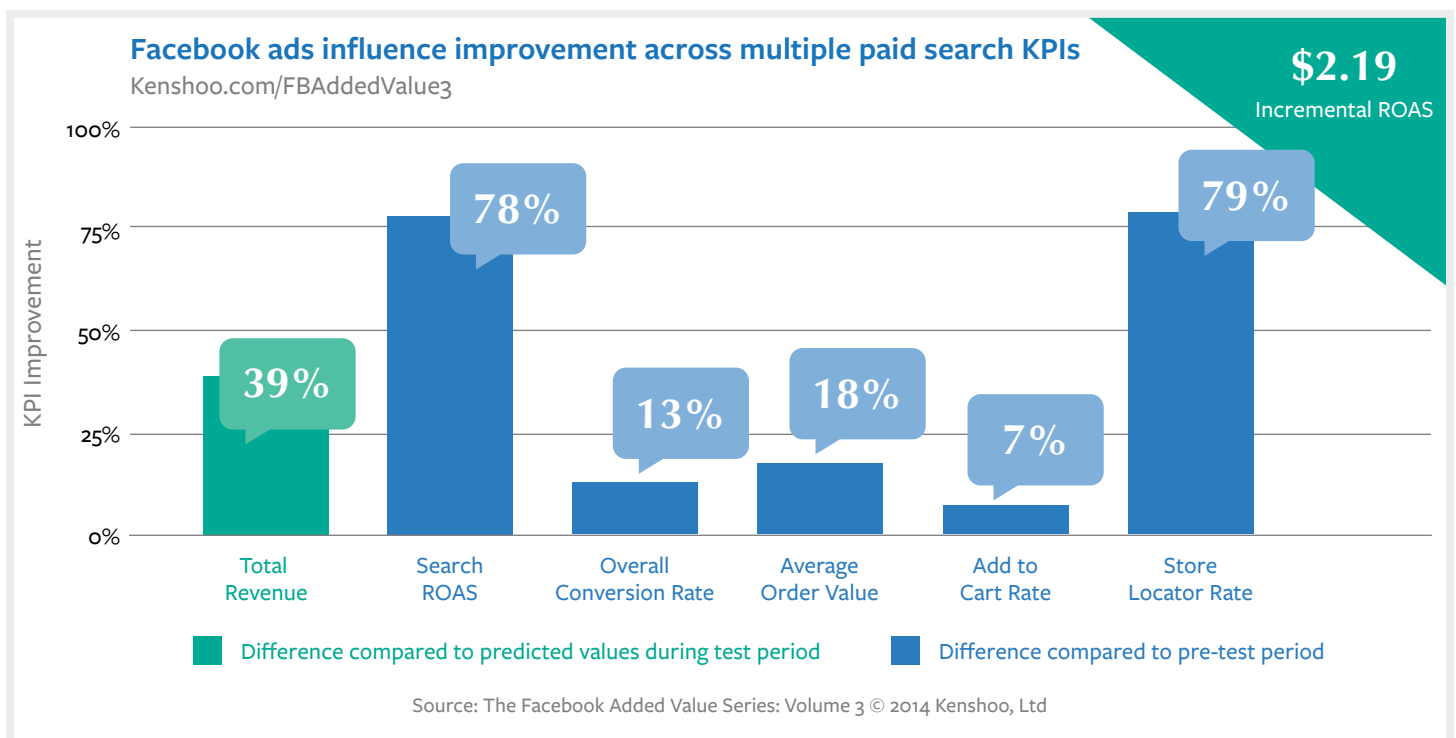


# Top Takeaway

**Facebook advertising unlocks new revenue potential across the customer journey that would not have been achieved through paid search marketing alone.**

Our research continues to reveal that the synergy between Facebook and paid search advertising drives measurable increases in return. In raw terms, we saw an average increase in total revenue of 39% over what we would have predicted had there been no Facebook advertising. When compared to just the search spending during the test period, this increase improved Search ROAS by 78% on average over the pre-test. When we factored in the costs of the Facebook advertising, we calculated better than a 2:1 return purely on the incremental spending. What's more, these gains may not have been accessible by additional paid search investment alone.

This study also demonstrates that Facebook advertising affects multiple KPIs spanning many facets of the customer experience. In addition to significant lift in Search ROAS driven by increases in Conversion Rate and Average Order Value during the test period, we observed lift in the rate customers clicked 'Add To Shopping Cart' and 'Store Locator' buttons as well.



# Key Findings

As predicted, quantifying the interaction between social and search advertising can significantly improve a marketer's understanding of the impact of Facebook ad spending. Furthermore, considering more than just the final conversion illuminates the depth of that interaction.

The following key findings from this research demonstrate more ways in which marketers can understand the cross-channel effects of Facebook advertising on paid search programs.

# 1.

## Facebook advertising improves the bottom line of performance across channels.

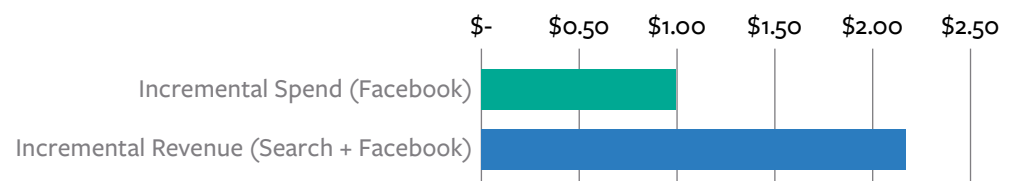
This study reveals the positive impact on paid search campaign performance at the point of the online sale. *On average, every dollar in incremental investment on Facebook yielded \$2.19 in return, above and beyond what would have been expected of the paid search campaign without Facebook.* This calculation was the result of several individual findings.

### Incremental ROAS of \$2.19

- By analyzing the sales volume generated by the lifts in Conversion Rate and Average Order Value and comparing these to *what we would have predicted without those lifts*, we calculated the incremental Return on Ad Spend (ROAS) of the Facebook advertising campaign. Overall, the combined paid search and paid social advertising drove an average of 39% more revenue than would have been expected for paid search alone. When Facebook ad costs are then taken into consideration, the estimate for incremental ROAS is \$2.19 for every dollar spent.

Total Revenue  
**+39%**

**On average, \$1 spent on Facebook yields \$2.19 in return across Paid Search and Paid Social Channels**



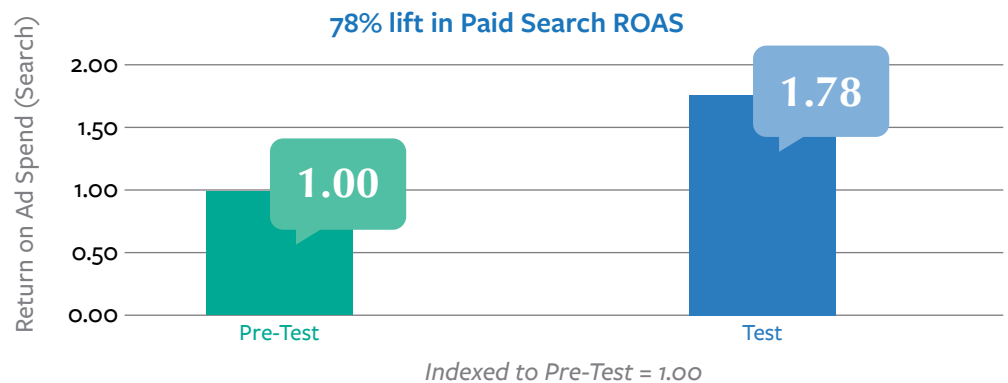


# Key Findings cont'd...

The context for this ROAS should not be the paid search program itself—keep in mind that a mature search program will have captured a large quantity of “low-hanging fruit” from the customers with the strongest intent. Incremental ROAS is more about driving additional scale without paying too much for it, and individual marketers will always have their own internal barometer to determine what is “too much.”

## Return on Ad Spend (ROAS) up 78%

- ▶ While Facebook advertising drives its own revenue and incurs its own costs, as we have shown, we can also measure the impact of that advertising on the paid search channel in isolation. Based on the increases in both Conversion Rate and Average Order Value, the efficiency of the search program itself is greatly improved. In fact, paid search ROAS increases by 78% on average for the test period over the pre-test period.



# Key Findings cont'd...

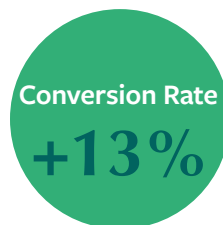
## 2.

### Facebook advertising attracts more customers to shop through the search channel.

By looking at other outcomes, the study draws a picture of a more complex interaction between channels that reflects the evolution of what we used to call the purchase funnel.

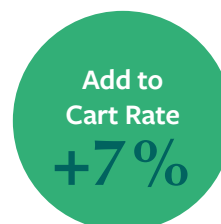
#### Increase in Conversion Rate and Average Order Value

- ▶ Digital marketers focus much of their attention on primary conversions. For the retail sector, that means online purchases, and the test period in this study saw both an 18% lift on Average Order Value and a 13% increase in overall online Conversion Rate, on average. Not only were searchers buying at a higher rate, they were also buying more – to the tune of almost \$30 per order.



#### Add To Cart Lift of 7%

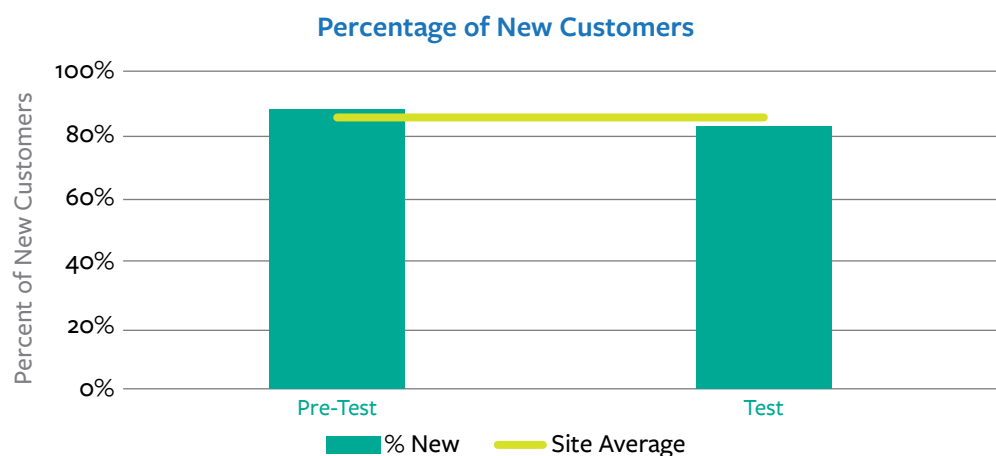
- ▶ In order to generate a higher rate of conversions, marketers need to generate more potential orders, and that is exactly what we see in this study, with the “Add to Cart” rate (the rate at which consumers add products to the shopping cart) increasing by an average of 7% in the test period when compared to the pre-test.



# Key Findings cont'd...

## Effects on New vs. Returning Customers

► At the outset of this study, it was suggested that the impact of Facebook advertising would be greater on existing customers than on new customers. While the percentage of overall conversions reflecting returning customers was slightly higher than new customers, these differences were not found to be statistically significant. This suggests that Facebook advertising's influence is just as effective for new customer acquisition as it was for converting repeat customers. Specifically, the use of lookalike targeting against known customers can be an effective tactic in marketing to new customers on Facebook.

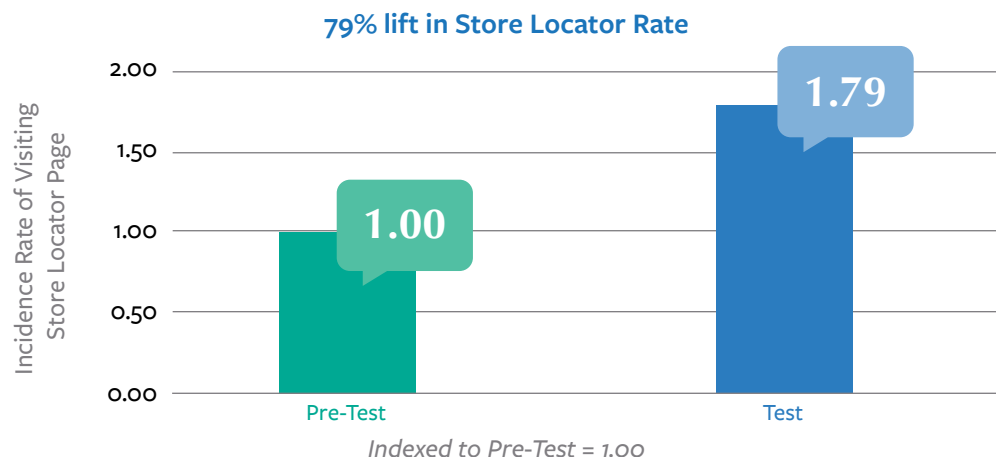


*This analysis was performed on a subset of the test and pre-test periods.*

## 3.

### Facebook advertising drives consumers from social to search to store.

Tracking the incidence rate of visiting a store locator page, the test period saw an average lift of 79% when compared to the pre-test period. While the scope of this study did not measure whether these customers actually set foot in a store, the results indicate that Facebook advertising can lead to searches that can lead to in-store sales.





# Recommendations

## Calculate your incremental ROI.

It is not enough just to see the lift in your search program—you must ensure that lift is justified when incorporating your Facebook ad costs. By mathematically “removing” the lift in Conversion Rate and Average Order Value from the click volume in a test group, you can predict the conversion volume and revenue that would have occurred if Facebook had not been running and then compare that to the social ad spending.

## Look beyond the online conversion.

Expanding your measurement beyond just the sale or the primary conversion event can uncover additional ways in which your advertising works across channels. For example, precursors to purchases such as adding items to an online shopping cart can shed light on the quality of visitors engaged in the purchase cycle. Incorporating offline conversion events will give you a more complete picture of the impact social spending has on overall sales.

## Determine the impact of various targeting techniques.

Marketers can test several targeting options within Facebook advertising to see if they have greater or lesser impact on search performance, such as Custom Audiences, lookalike models, and demographic targeting. Savvy marketers develop testing plans to continually try new approaches and compare those things against each other to see which elements provide the greatest improvements.

## Allocate budget and adjust bids based on the customer journey.

Trace all the points of interaction with your customers across channels and devices and ensure that budgets and bid strategies address the key apertures. Think differently about new and existing customers and factor lifetime value into your unit economics. Bid higher for your most valuable audiences and set budgets that enable you to capture the full opportunity from social to search to store.



# About Kenshoo

Kenshoo is the global leader in predictive marketing software. Brands, agencies and developers use Kenshoo Search, Kenshoo Social, Adquant by Kenshoo, Kenshoo Local, Kenshoo SmartPath, Kenshoo Halogen, and Kenshoo Anywhere to direct more than \$200 billion in annualized client sales revenue through the platform. Kenshoo is the only Facebook strategic Preferred Marketing Developer with native API solutions for ads across Facebook, FBX, Twitter, Google, Yahoo, Yahoo Japan, Bing, Baidu and CityGrid. Kenshoo powers digital marketing 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, Facebook, KAYAK, Havas Media, IREP, John Lewis, Resolution Media, Sears, Starcom MediaVest Group, Tesco, Travelocity, Walgreens, and Zappos. Kenshoo has 24 international locations and is backed by Sequoia Capital, Arts Alliance, Tenaya Capital, and Bain Capital Ventures. Please visit [www.Kenshoo.com](http://www.Kenshoo.com) for more information.

The Added Value Series is the collaborative output of a partnership between Kenshoo and the Facebook Marketing Science, Advertising Research Group. Kenshoo designed and executed the research and authored the whitepaper. The advertiser paid for all media costs and did not receive free impressions from Facebook.

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