



Is Facebook Advertising Effective?

Interview with Kerry Holden, Managing Director of Mediascene and Mailbird – July 2015.

Earlier this year I put out a blog entitled, 'How much is a like worth?' – you can see it on our website. And that blog essentially tried to tackle some of the functional and strategic issues that marketers face when using social media as a direct marketing channel. So, I'd like to follow on from that and tackle a question that I get asked a lot, which is: Is Facebook advertising effective or not?

To answer that, I think you need to define "effective". For me, as a direct marketer, a direct marketing channel has to demonstrate return on investment. In fact, as a direct marketer, if that channel doesn't demonstrate ROI, I'd be asking myself why am I using it. And this is what makes the question difficult to answer because "return", when it comes to Facebook – or any social media for that matter – is not only extremely difficult to quantify, but it is dependent on what you classify as a return. Traditionally, that means money, but with social media it may mean, say, new followers, or click-through to a landing page, or a straightforward purchase. And part of the problem, is that ROI is really a tangible calculation. Therefore, arguably, you shouldn't use it to calculate intangible values that are, well, incalculable.

Let's take a band as a simple example – a band that wants to increase their fan base; that's their campaign goal. They have a Facebook page and they choose to boost one of their posts, offering a free download of their new single to anyone who signs up through their website. So, they spend £100 running an advert for 2 weeks, targeting their ideal audience. They put a conversion pixel on their website to track conversions, and off they go.

Now let's go back the question of return. What does that mean for the band? The value exchange for them is a free song in return for whatever information is gathered from people who have been driven to their website through Facebook. They can then use this information to further market themselves, reach a wider Facebook audience, promote their gigs, sell merchandise etc. So in a simple sense, return for them is not necessarily a financial consideration, it's more a question of: if we spend a £100, how many people get to hear our music? That number, for them, will dictate the success or failure of the campaign, and it is not ROI in the traditional sense. They might even say, 'some of these people will go on to buy our album, and they'll come to our gigs, so we may actually make a return'. Happy days. But then of course, the complexities of attribution come into play.

But you know, put that into a business context and here's where it starts to get messy. As far as I'm concerned, ROI is not an effective metric for assessing the effectiveness of Facebook advertising – or any social media advertising for that matter. Applying ROI to social media is a bit like trying to put the round block through the square window. It just doesn't fit. Maybe that's because we, as marketers' haven't found a viable alternative yet. As opposed to trying to assign monetary value to things such as "likes" or page impressions, instead, try and recognise what sites like Facebook are good for, which is brand positioning, improving brand perception, as well as customer service. This is where social media has real value and usefulness.

If, however, you're hell bent on trying to measure ROI, then think about this:

Ultimately, in what context are you measuring your ROI? For example, knowing what costs should be included in your ROI calculation is half the battle. You may, or may not, wish to include and apportion your salary; your copy and creative costs; your social media monitoring platform or agency costs. And what is there to be gained? Maybe you're interested in click through rates, increasing engagement, costs per thousand impressions, or direct revenue. I would suggest that you only look at direct conversions – things where you can accurately assign monetary value, i.e. this campaign cost me X and I generated Y directly from that campaign.

As soon as you start to look at ROI in broader channel terms, you could end up making some strategic errors – and I've seen this happen on number of occasions. For example, however you choose to calculate your ROI, you might discover that your ROI from Facebook advertising is higher than say, direct mail. Should you therefore put more budget into Facebook? And here lies a key part of the problem. ROI percentages ignore context. For example, say you get a 25% return off Facebook advertising and a 10% return off direct mail – it's unlikely you'd get either, but for the purposes of the example, bear with me. Surely, you want to go where the return is greater, right? Ok, well, don't forget to ask yourself how much money has actually been made. Spending £1000 on Facebook and getting a 25% return, nets you £250. Spending £100,000 on direct mail and getting a 10% return, nets you £10,000. Problem solved – let's just spend the £100K on Facebook and we'll get a 25% return, right? Wrong. Because you're now making an assumption that Facebook advertising will scale. You have to remember, that you're bidding to have your advert displayed on Facebook. So to reach the audience that everyone else is trying to reach, your cost per click will go up, meaning your ROI is highly likely to go down.

So we need to actually expand on the original question, is Facebook advertising an effective replacement of another direct marketing channel? No it isn't. For direct revenue, I would say that whilst Facebook advertising can be effective, it doesn't come close to other direct marketing channels. The reason for that is the social context. If I sponsor Google AdWords and pay per click, my advertising is being positioned in front of people who are actively searching for what I'm offering. On Facebook, people are not necessarily in the buying mind-set – they're engaging in social activities. So I'm likely to get a far better ROI from Google than I am from Facebook. But is Facebook advertising an effective way to bring a dimension to your marketing strategy that other channels cannot bring? Yes it is.

And you have to be careful with Facebook advertising in how you assess its effectiveness – and I'm not just talking about ROI here. If you have time, go on YouTube and search for 'Facebook Fraud', or Google 'Virtual Bagel'. But to summarise, these were experiments to highlight potential flaws in Facebook advertising. The flaws being that due to a substantial number of fake accounts on Facebook, which are used by what are termed 'click-farms', i.e. companies that are paid to get you "likes" on your page, your engagement rate slows down as the number of spamming followers grow. This then forces you to buy another ad campaign, so you can try again to reach your actual intended audience. I should point out that it is not Facebook itself that is perpetrating this, rather, it is often a business's competitors, or the click-farms themselves. So, if you and I are in competition, I pay a click farm to click on your page and like it. This uses up your budget and then I put my campaign out there, getting prominent position in my audiences news feed. It is of course in Facebook's interest to delete these fake profiles when found, as an advertising platform that lacks integrity, will not be long for this world, but apparently, whilst Facebook delete the fake accounts when they find them, they don't delete the page likes that came from these accounts.

So is your audience actually genuine – and if not, what does that do to your ROI figures that you might be basing strategic marketing decisions on? Food for thought.