

MYTH-BUSTING SOCIAL MEDIA ADVERTISING

Do ads on social Web sites work? Multi-touch attribution makes it possible to separate the facts from fiction.





In recent years, social media has emerged as one of the most popular marketing tools to reach consumers, with companies like Twitter, Pinterest, Facebook, LinkedIn, YouTube and others vying for advertising dollars. As with other marketing channels, it has become vital for marketers to understand the absolute value of their investments in social channels—or change tactics accordingly.

Marketers intuitively know the power of social media and its virality, but they also want metrics that go beyond tracking clicks, likes and retweets. This includes more qualitative measurement to better explain the return on investment (ROI), such as how a specific social channel influenced a purchase online or in-store.

To understand how social media channels contribute to an advertiser's efforts, we leveraged Convertro's multi-touch attribution technology to analyze all social media exposures that occurred in Q1 2014 across its entire client base.

This data uncovers how social channels influenced sales conversions and to what extent, and how brands can use this information to optimize their media spend. To reveal true user action, this report is based on real world, third party customer data rather than relying on survey data, which can be unreliable.

Key takeaways include:

SOCIAL MEDIA WORKS FOR BRANDS. Social provides significant impact on a customer's path to purchase and strongly influences their buying decisions.

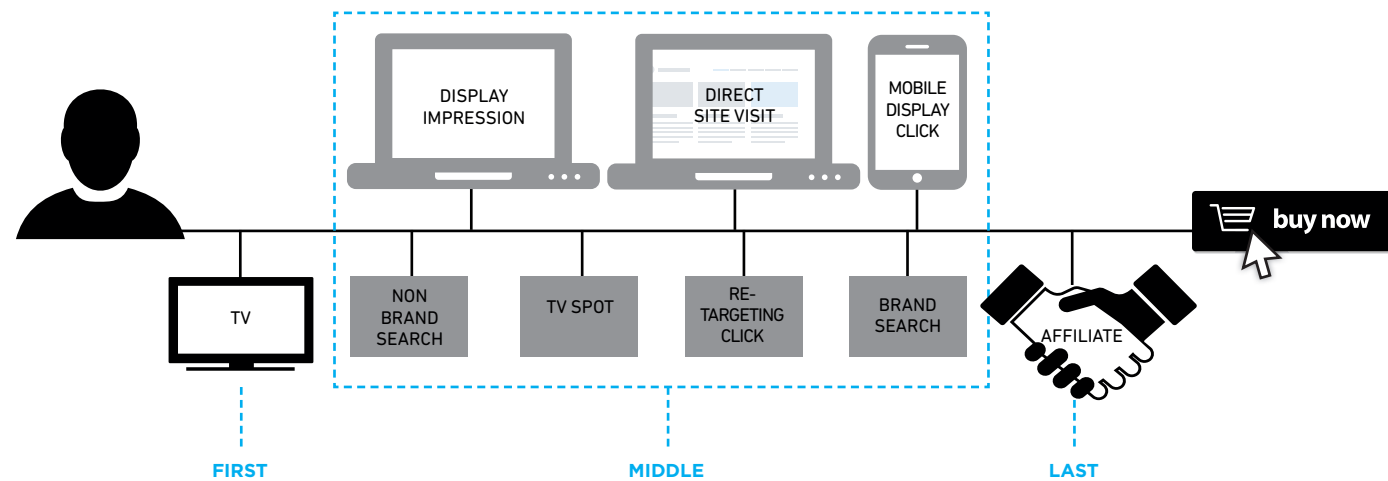
PAID SOCIAL PERFORMS. Paid social media advertising transforms the medium from an influencer tool into an effective upper and lower funnel solution that directly moves the needle on sales.

PAID ADVERTISING PERFORMANCE DIFFERS ON EACH SOCIAL NETWORK. Some social networks are more conducive to awareness vs. conversions.

THE VALUE OF SOCIAL DEPENDS ON PRODUCT VERTICAL. Social performance is not ubiquitous across all advertiser verticals—it varies by channel and product category.

MEASURING SOCIAL MEDIA WITH MULTI-TOUCH ATTRIBUTION

There are several ways in which advertising can influence a customer along the purchase path. We have classified these touchpoints into four categories, which constitutes the data layers of our analysis:



- **First:** a touch point at the beginning of the customer path. The customer may have interacted with other advertising sources, but this was the first visit in the interaction mix, and therefore introduced the user to the product. TV is the typical channel for introducing audiences to a new product because of its national reach.
- **Middle:** a touch point in the middle of the customer path that rarely gets credited with conversions as, historically, it has been very difficult to prove its effect and relationship with the last touch point. Display and social media ads are typical middle touch points; they rarely close a sale by themselves (except maybe with customers who impulse-buy), but have a significant impact on customer awareness and research.
- **Last:** the last touch point in the customer path. This is usually the channel the user was last exposed to before converting. For example, search advertising is a common last touch point, as consumers can search Google for a brand name to quickly and directly access a website to make a purchase.
- **Only:** a conversion event that is achieved without the user interacting with any other sources. These are special cases of first visits where no other source was involved in the customer's path to conversion.

Analyzing the channel position in the purchase funnel is crucial for a data-driven marketing strategy.

For example, if a brand's priority is acquiring new customers, it should probably invest more heavily in channels that are traditionally stronger first touch points, rather than middle or only touch points, as it will want to generate product awareness first before trying more direct response ad channels lower down the sales funnel. This is why you often see large, new product marketing campaigns kick off in the U.S. right before or during the Super Bowl.

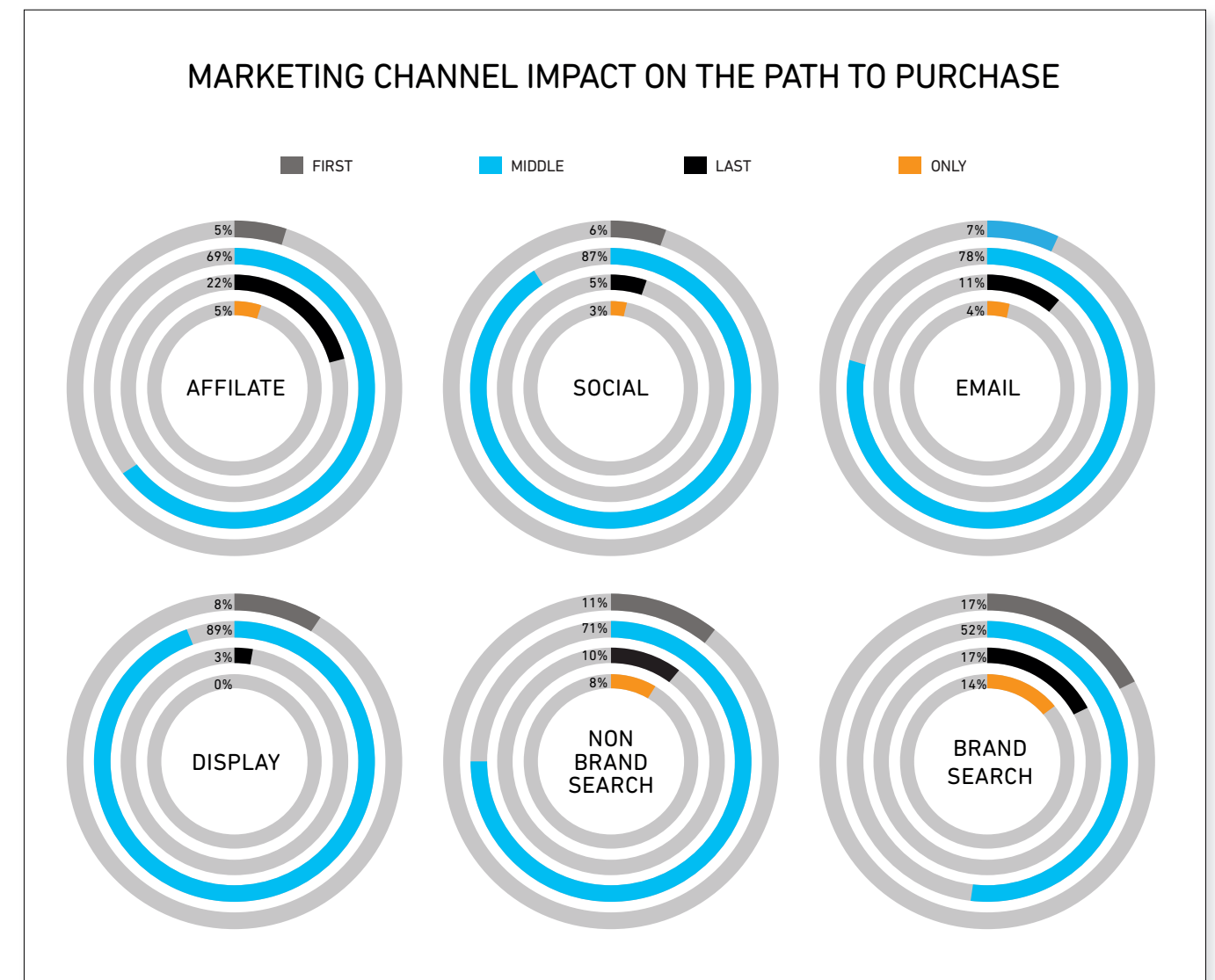
The customer journey from product introduction to conversion can be long or short, and finding the right combination of middle touchpoints plays an important role in driving sales. In other words, it's important to optimize campaigns across all touchpoints in order to maximize the ROI.

SOCIAL MEDIA VS. THE (MARKETING) WORLD

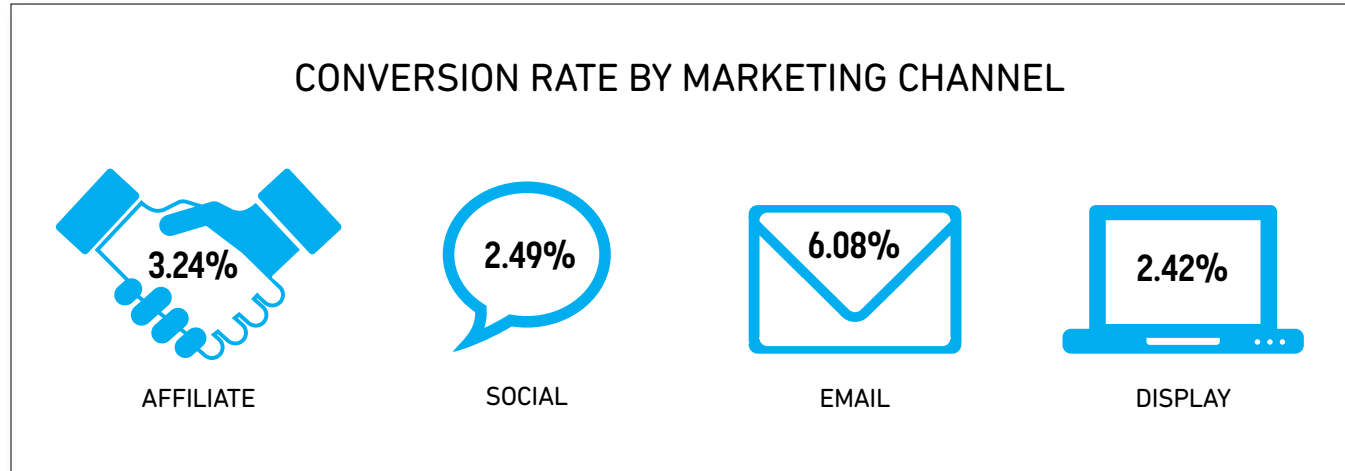
News stories about advertisers increasing their spend on social have dominated many of the headlines recently—and with good reason. eMarketer estimates that spending on social media ads will hit \$6.6 billion in the US this year, growing more than 46 percent from 2013.

Spending on social certainly allows marketers to reach incremental audiences that they may not necessarily get through TV and other media channels. However, it's important to understand how a brand's presence on those sites, from a paid and organic standpoint, affects the path of a consumer's journey towards purchasing a product.

Social media is much more likely than any other marketing channel to serve as a MIDDLE touchpoint (87%) along the path to purchase, which is an important part of customer awareness and consideration of a product.



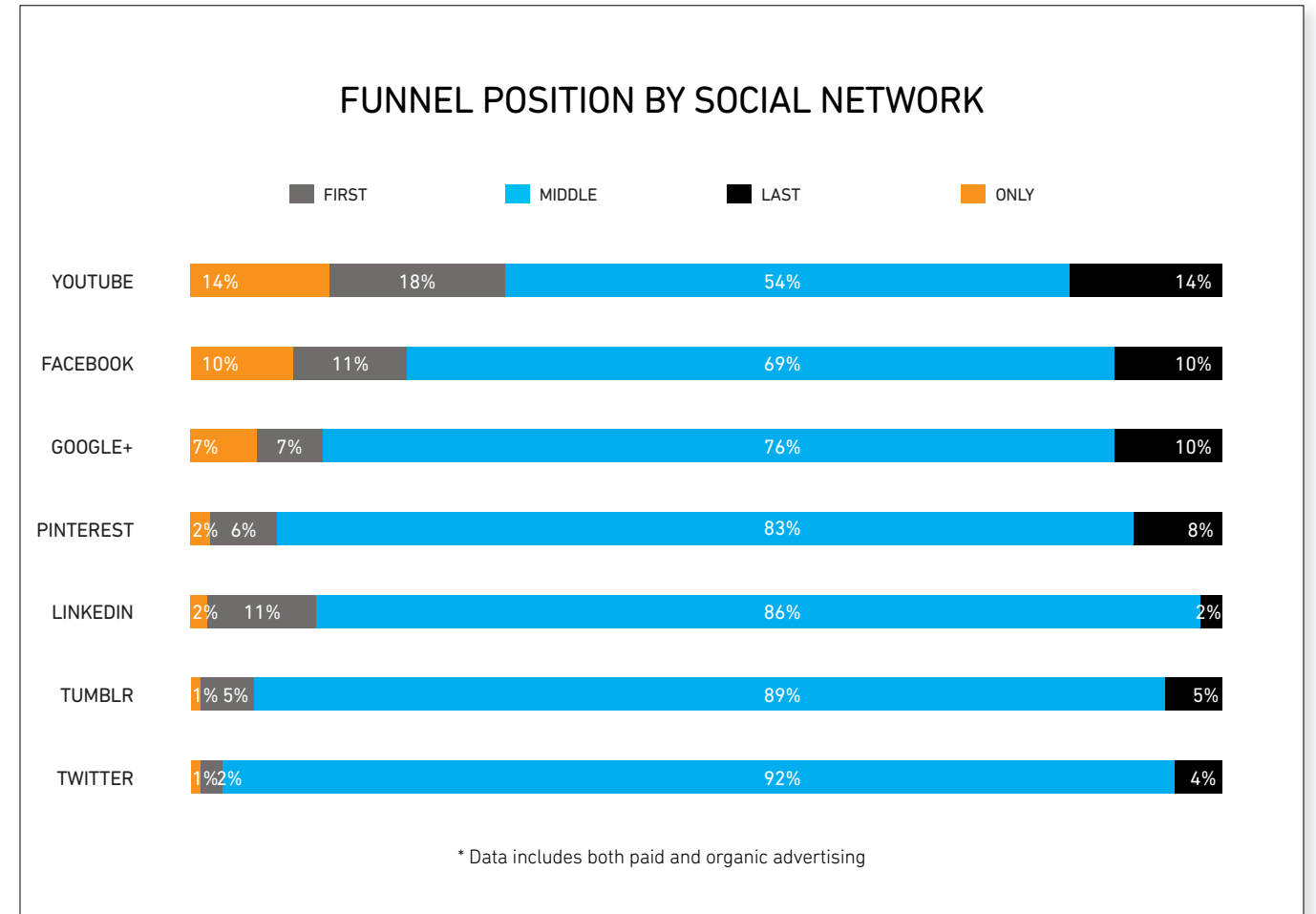
In our analysis of conversions, social media (paid and organic in aggregate) was ranked at or just below middle-of-the-road in terms of introducing new products or driving conversions, compared to its digital peers.



NOT EVERY SOCIAL MEDIA NETWORK IS CREATED EQUAL.

Social media sites vary widely with respect to how much they contribute to a consumer's path to purchase. This is made abundantly clear by dissecting social channels by where they fall in the sales funnel.

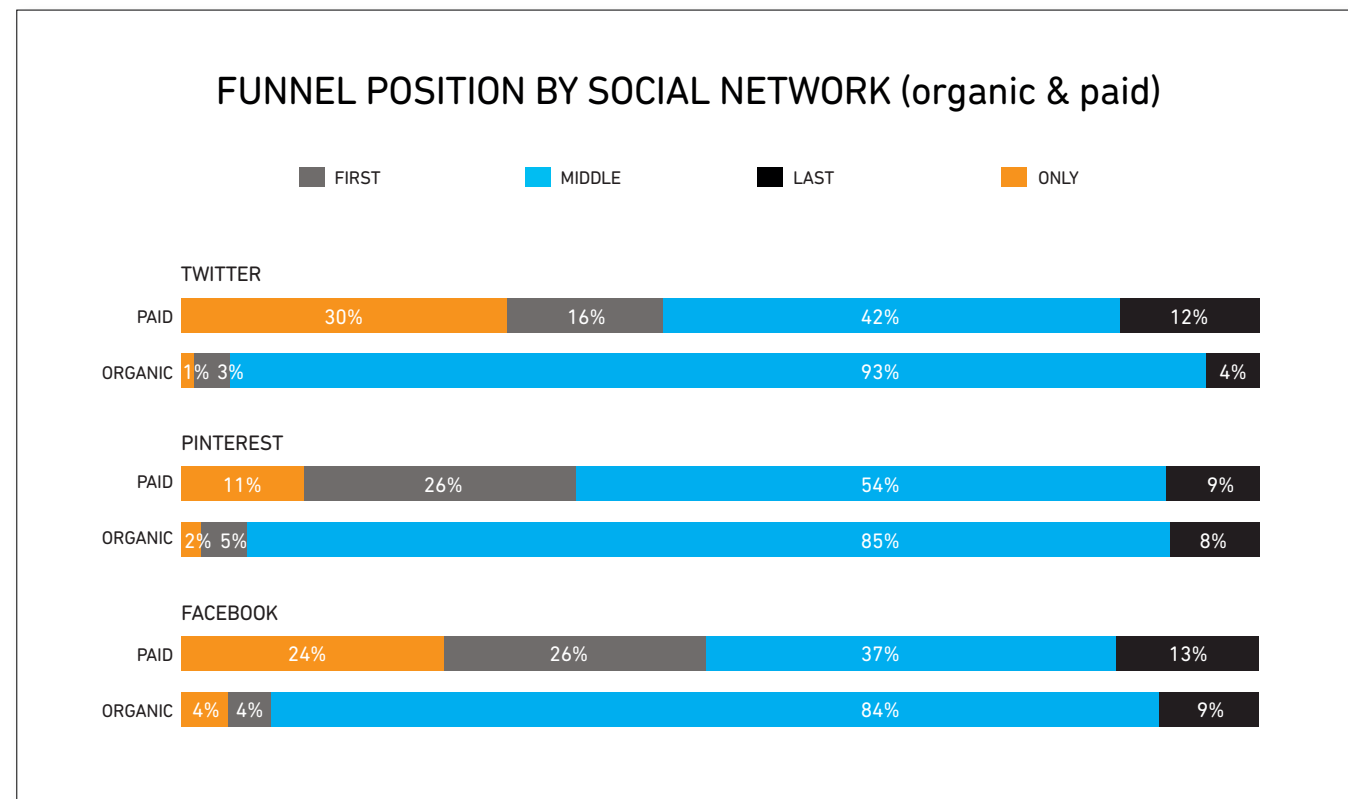
In our analysis, YouTube appeared to be the strongest of the social networks at introducing new products (18%) and driving conversions (14%). This is a good indication that video is an important format for advertising to potential customers. Facebook came in a close second place in terms of introducing new products (11%) and closing sales (10%) and closing sales (10%).



SOCIAL MEDIA MARKETING: YOU GET WHAT YOU PAY FOR

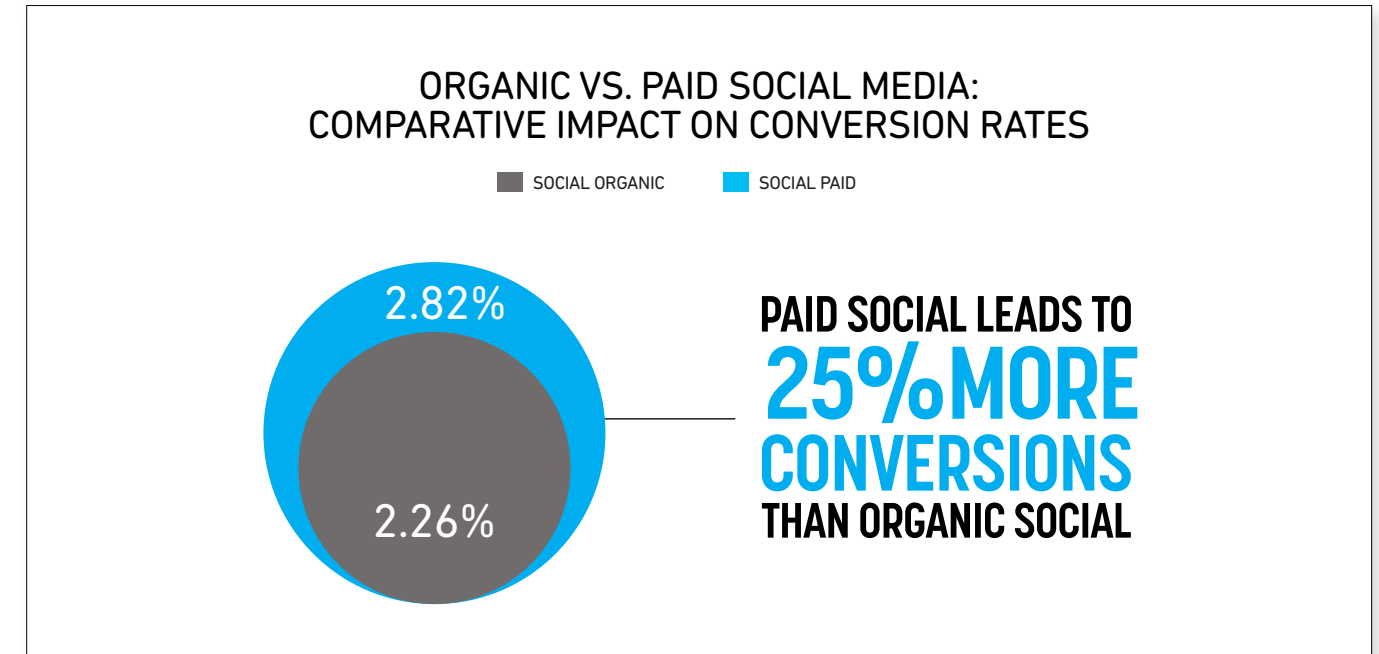
While analyzing social channels in aggregate is useful, to get a better sense of the direct effect advertising has on generating sales—rather than likes, retweets, pins and other user interactions—we examined paid versus organic social marketing campaigns to get a more granular look at how social media drives sales. To ensure a statistically significant comparison, we focused on Facebook, Pinterest and Twitter.

The data shows an interesting trend for the operators of social sites and marketers alike: while organic social advertising is usually a middle touch point that marketers can leverage to keep the consumers engaged and accelerate conversion, paid social advertising definitely works for new customer acquisition tactics, appearing many times as FIRST or ONLY touchpoints.

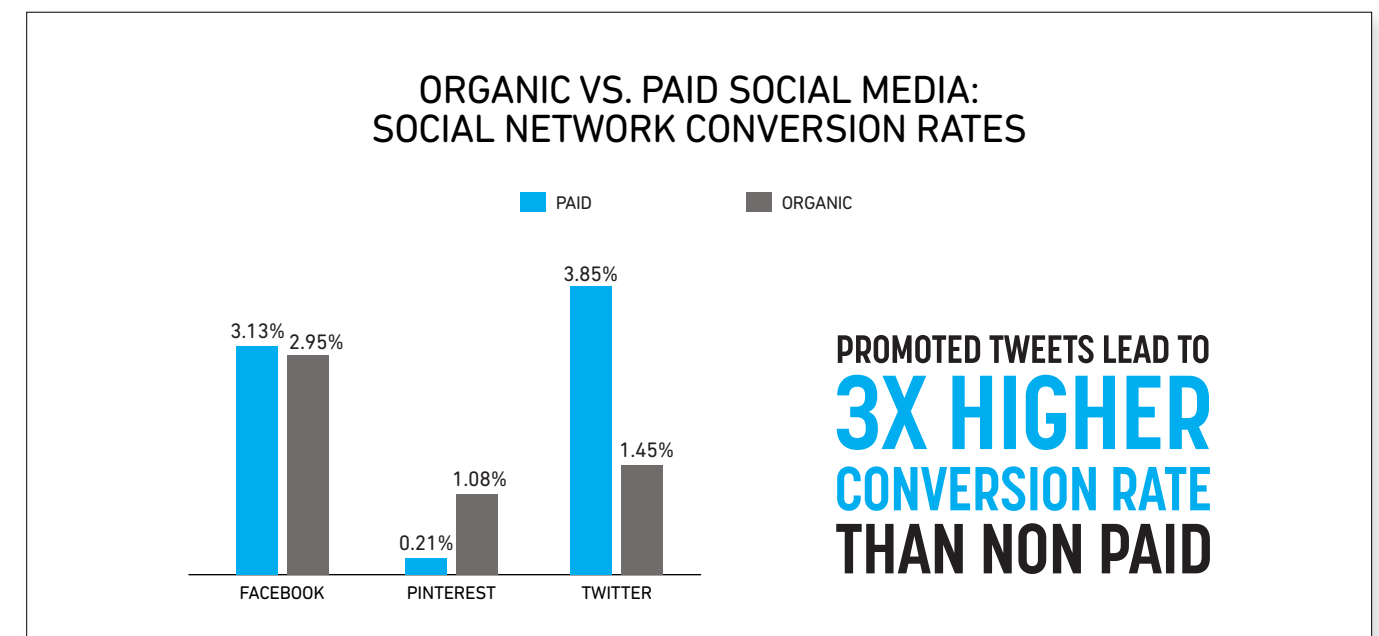


It's possible to quantify this impact by comparing organic versus paid social media conversion rates. **Marketers that allocate ad spend to social channels see a nearly 25 percent lift in the number of sales generated by advertising, compared to sales generated by organic, non-paid marketing touchpoints.**

As Facebook, LinkedIn and others tinker with their algorithms for displaying user content, we believe this ratio—sales generated by organic versus paid—will continue to skew further towards paid social advertising, allowing marketers to control what is shown, when and to whom. While some consumer surveys have shown advertising on social to have a negligible impact on actual sales—and therefore relegating the sites to being more brand awareness—this real-world data indicates the opposite.

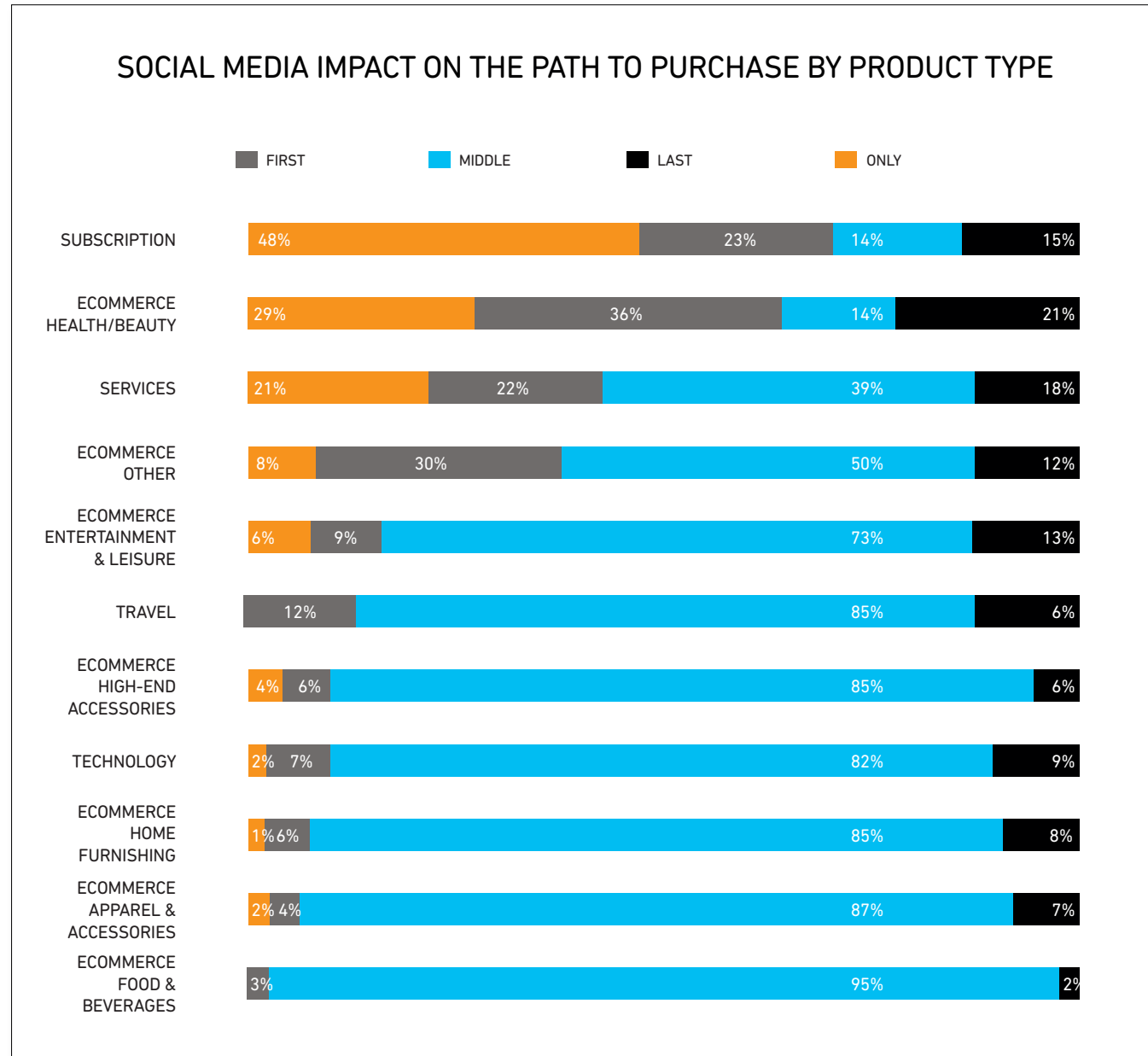


If you're a marketer holding off on paid ads on Facebook and Twitter because your earned media is performing well enough, think again: your conversion rate for paid social could be dramatically higher.



NOT ALL PRODUCTS PERFORM THE SAME ON SOCIAL MEDIA

Social media is commonly believed to be more effective for consumer-oriented retailers that can leverage powerful visuals and impulse buying. We went one layer deeper and analyzed social media performance of advertising for specific product categories, rather than advertiser verticals.



Subscription-based and health & beauty product advertising yielded the most impulse buyers overall. Paid social media also tended to be a strong channel for introducing those products to new audiences, and it played a strong part at the end of the consumer's path to purchase, driving the eventual sale.

Conversely, paid social media had the least customer acquisition and sales impact on food & beverage and apparel & accessories products, whereas organic social drove far better performance.

In that regard, paid social media may not be the best investment for an advertiser in that category, or ad creative may need to be carefully customized to fit the channel's effect, which is more of an influencer, on that kind of product.

REPORT METHODOLOGY

Convertro tracks user-level interactions to predict consumer behavior. Specifically, our software scientifically determines which media exposures influence a purchase and by how much, and uses this information to help brands optimize media spend across advertising channels.

For this study, we analyzed 500 million clicks, 15 million conversions and three billion impressions (a total of more than \$1 billion of attributed revenue) gathered during Q1 2014 across Convertro customers that invested in social media to analyze how paid and organic advertising on social networks influences sales and the effectiveness of other media channels. The research involved the analysis of more than 13 million unique purchase paths and the touch points involved, looking at their position in the path.

Convertro's attribution methodology is not rule-based (i.e., it's not last touch, first touch or even, or any of the traditional flawed methods). Convertro runs attribution by using an algorithmic, machine-learning model that analyzes all converting and non-converting paths and uses a complex statistical function to look for patterns in touchpoints to predict the exact influence (to the cent) that each touchpoint had on each individual sale, with 97 percent accuracy.

Analysis does not take into account impressions for organic social media, as networks do not allow third party tracking. Furthermore, impressions for Facebook Lookalike and/or Custom Audiences targeting are not taken into account as Facebook does not allow third party tracking. Impressions for paid ads on Twitter, LinkedIn, Tumblr and Pinterest are not taken into account as the networks do not allow third party tracking.

Source: Convertro Cross-Client Attribution Data Q1 2014



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