

Facebook Advertisers Find Better Payoff With Sponsored Stories

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Facebook's social ads projected to account for half of the social network's ad budgets by end of year

Social ads just might be working out the way Facebook hoped. According to early results from online advertising management company Marin Software, the addition of Facebook's new ad units, Sponsored Stories, appears to have boosted Facebook's ad performance as a whole—perhaps proving that ads with a social context do, in fact, resonate more with Facebook users.

Marin Software compared Facebook's worldwide advertising performance metrics from April 2011 to March 2012 and called out increases in clickthrough rates (CTRs), costs per click (CPCs) as well as costs per thousand (CPMs).

The upticks suggest that Sponsored Stories may have had a positive impact on Facebook's ad revenue. According to Marin's data, clickthrough rates have improved 20%. Moreover, CPM has risen 51% and CPC has increased 26%.

Sponsored Stories may be proving more effective for advertisers, but they are also more expensive. Marin Software estimated that about a quarter of its own client base was using Sponsored Stories. As more advertisers adopt these kinds of social ads, it's likely that the cost for the ad unit will continue to rise.

Part of the reason social ads are helping Facebook's ad platform is due to improved targeting. The social context is key, too. The ads, which insert references to a user's social circle, are said to be more relevant toward user interests.

Perhaps better targeted, more relevant ads will improve Facebook users' perceptions and their willingness to engage with Facebook ad content in the future. According to AYT Market Research, as of May, less than half of surveyed Facebook users believed Facebook ads were very or somewhat relevant to their interests.

Marin Software predicted that Facebook advertisers would allocate 50% of their budgets towards social ad formats like Sponsored Stories by the end of 2012, which would be a big leap from the current 23%.

Advertisers should take note of the new social ad opportunities Facebook is offering, including new units to reach users on their mobile devices.

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