

The Secret To Facebook's \$67 Billion Ad Machine

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We will look back at this moment as one of the most confusing. On one hand, Facebook (which includes Instagram and Whatsapp) has given brands **an advertising platform that they cannot get enough of**. This year, Facebook will generate \$67 Billion in ad revenue and by next year, be larger than Google Search.

On the other hand, Facebook has given society a giant headache. Data scandals, election meddling, privacy and trust breaches, fake news, live streaming of suicides and mass murders, and more. **Facebook is breaking so many laws that have not yet been written.**

In this report, I start with a look at the rise of Facebook and end with the fall of Facebook. In between, I highlight in detail **what I think is owed far more credit than we give it** for why advertising on Facebook is effective: the creative.

Thank you for your attention,

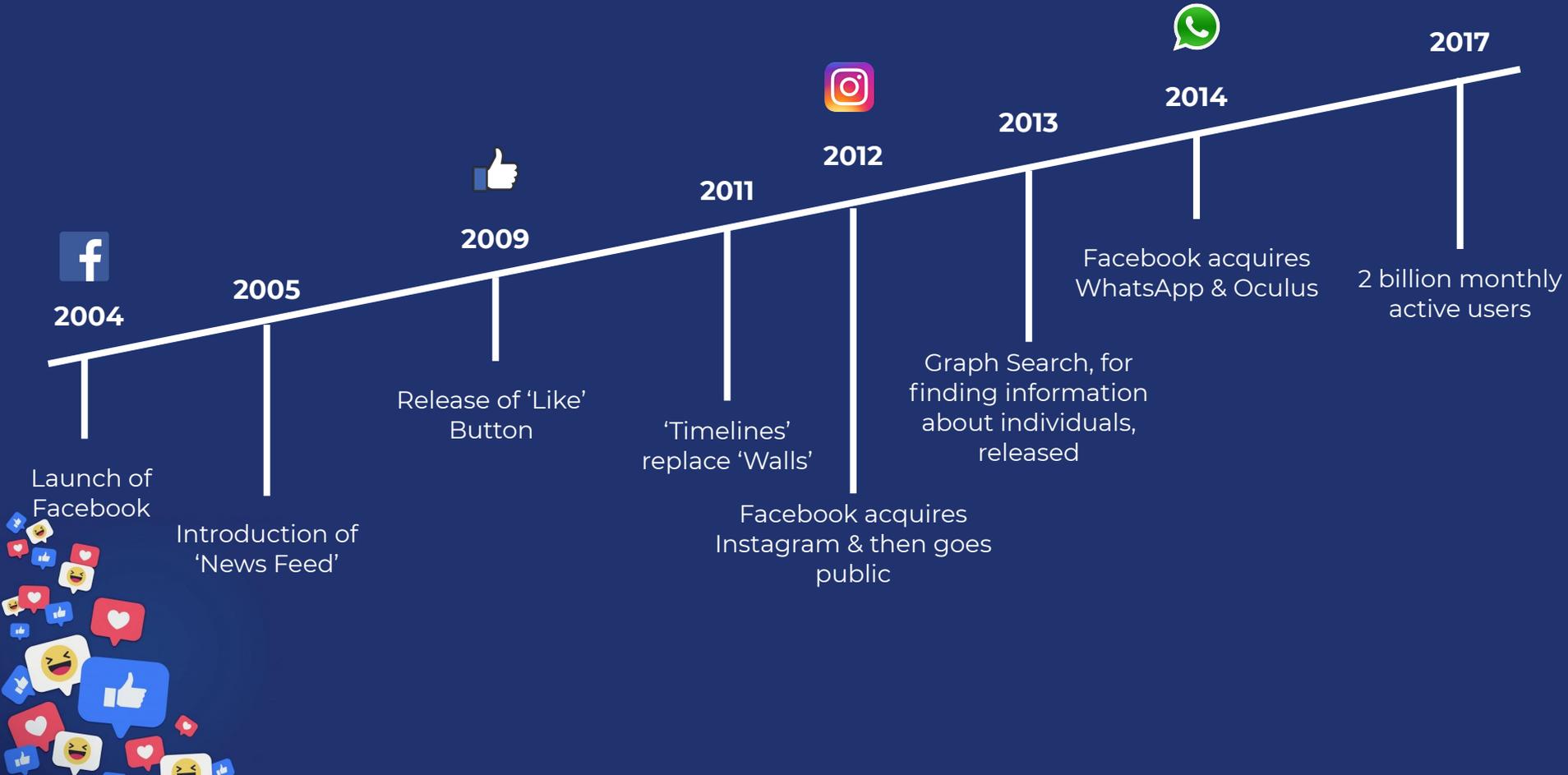
Nicole Fung

Product Manager, Polar (nicole@polar.me)

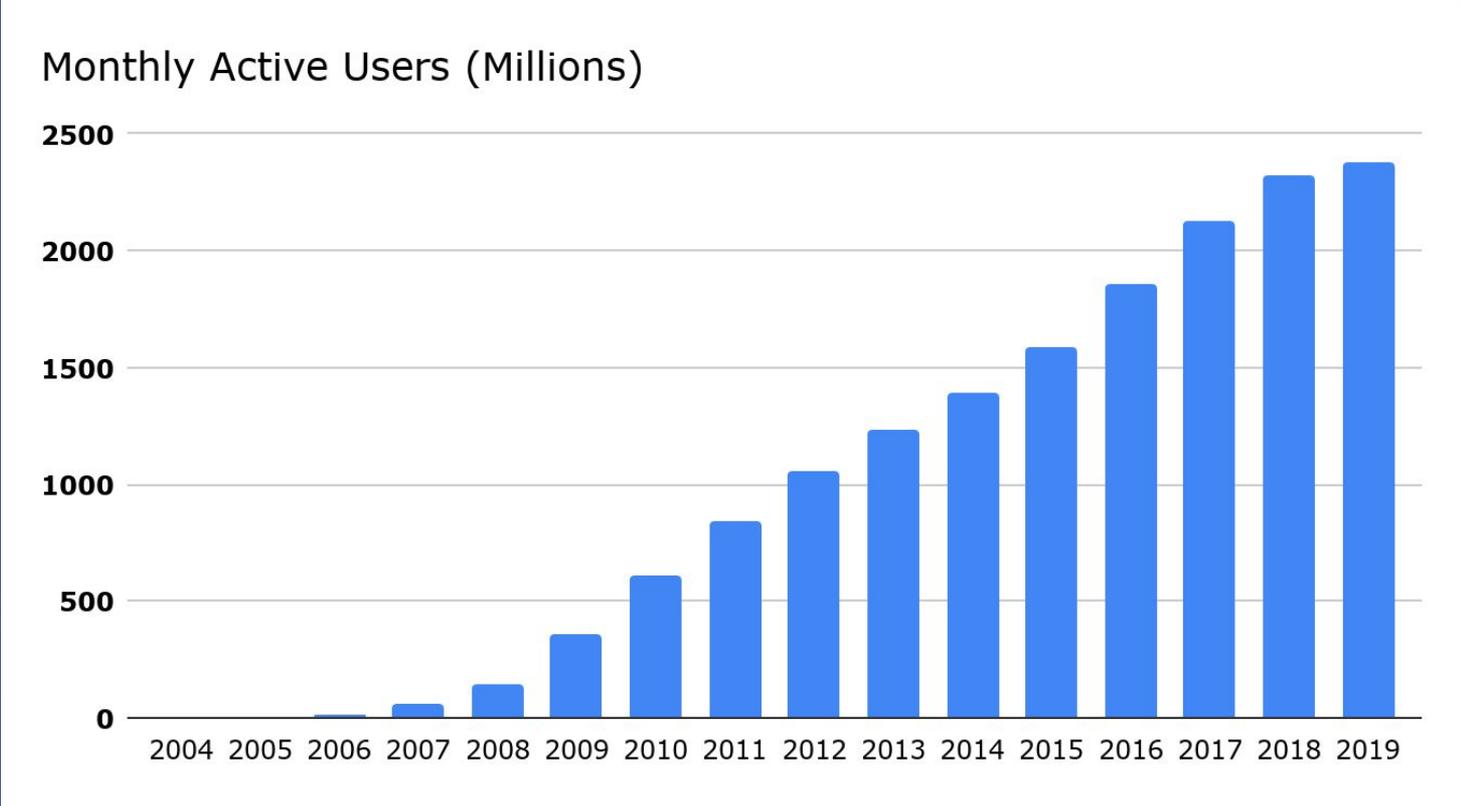


The Rise Of Facebook: A Closer Look At It's Platform Domination

The Rise Of Facebook



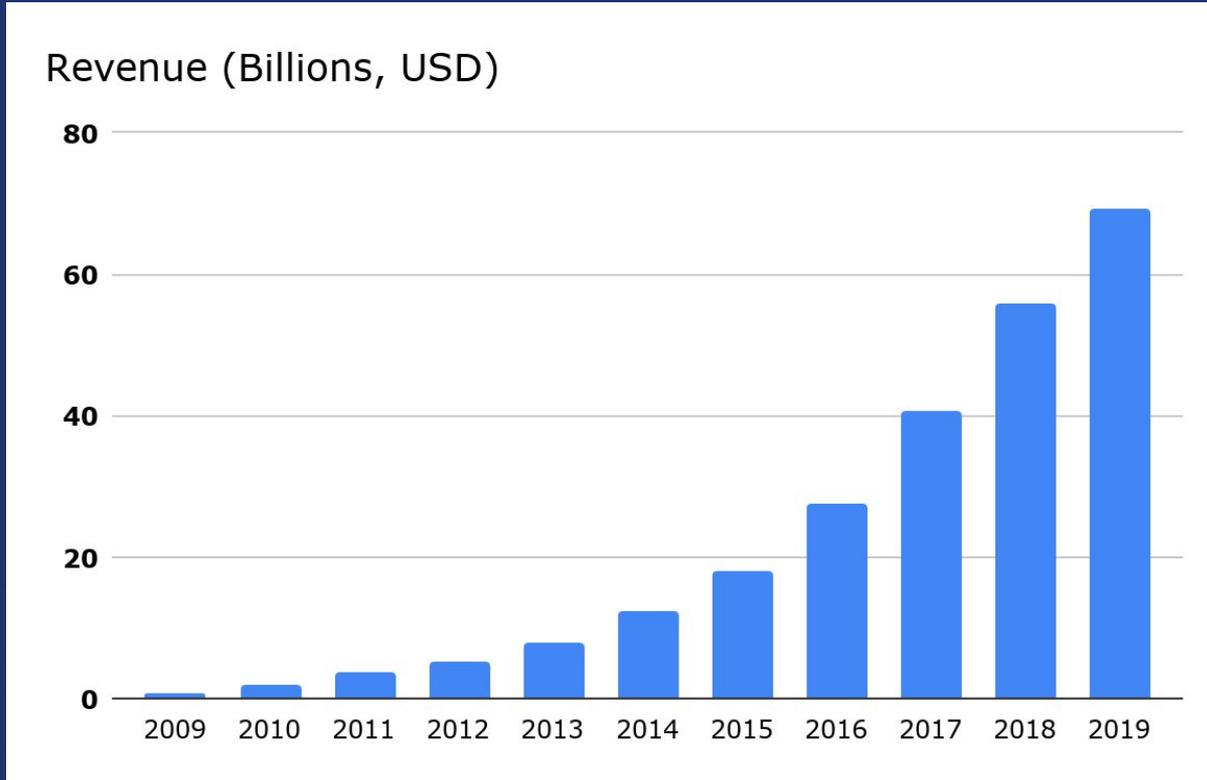
Facebook Would Be The World's Largest Country



Source: [Facebook](#)



1 Out of 10 Total Ad Dollars Will Go To Facebook This Year

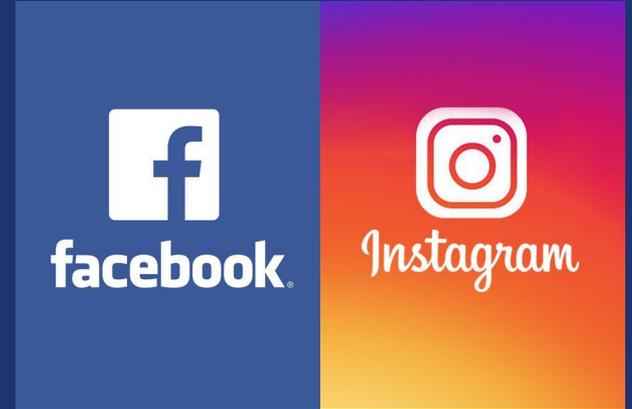


Source: [Facebook](#)

Only 1/10th of Businesses On Facebook Advertise Today

Over 80 million small to medium sized businesses are active on Facebook (including Instagram and WhatsApp), of which only **7 million advertise** on the platform.

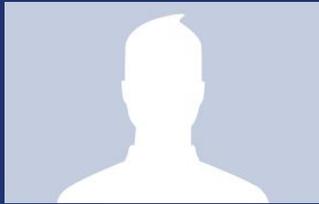
Instagram alone has **25 million** business profiles of which **2 million advertise**.



If Facebook Were A Drug...Then We Are Addicted

74%

of users visit
Facebook daily



96%

of users access
via mobile



43%

of U.S. users see
Facebook as their
go-to news source



Hold The (Mobile) Phone

\$11.9 billion in mobile ad revenue in the past quarter, a 50% increase YoY and **91% of total ad revenue.**

The Stories format is a main point of focus for Facebook. **500 million users** share Stories on Instagram. **3 million advertisers** are using Stories.

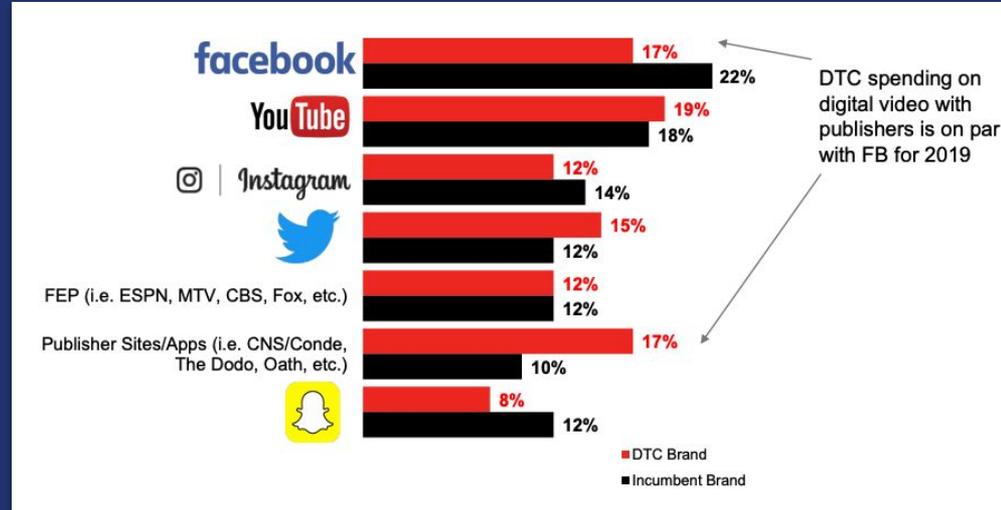
Stories Product Daily Active Users



Did You Watch That Video?

Marketers reported an increase in digital video budgets by **25% YoY**. Facebook owned **24.5% of all U.S. digital video ad spending** in 2018.

According to Facebook, advertisers can expect to see a **67% increase in brand awareness lift** from mobile-optimized videos. Videos on average got **20% more clicks** than photo ads.



Facebook and Instagram Are Premium

Average media CPMs for social platforms vary greatly, with Facebook and Instagram in the top 3.

The average cost of a Facebook ad globally in Q1 2019 was **\$9.60 CPM (USD)**.

Advertiser interest in Instagram is partly because it is a cheap alternative to YouTube and Facebook. That will change as the average rates continue to increase.

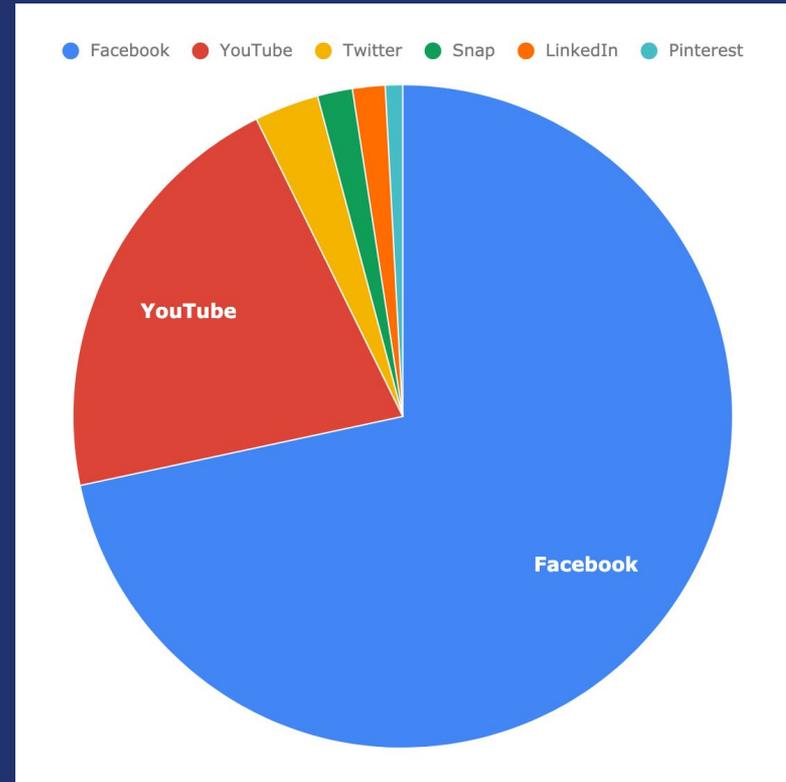
| Platform | Avg CPM |
|-----------|---------|
| YouTube | \$9.88 |
| Facebook | \$9.60 |
| Instagram | \$6.70 |
| LinkedIn | \$6.05 |
| Twitter | \$5.76 |
| Snap | \$4.30 |



Facebook Is The King Of Social

There is little value discussing any of the other social platforms, as Facebook has **71% of global social ad spending**, even when including YouTube as social.

Twitter, Snap, LinkedIn and Pinterest are fighting for scraps from the giant - Facebook. YouTube's growth is also slower than Facebook's.



Facebook Creative:

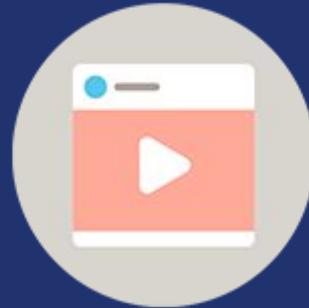
The Most Valued Asset In Social
That No One Talks About

The Most Valued Aspect of Social Is Not Only Targeting

Advertisers believe that Facebook works due to targeting and targeting alone. We think there is more to the story.

Creatives on Facebook are better than ever. The platform offers **11 different creative ad formats** (including video, carousel and Stories).

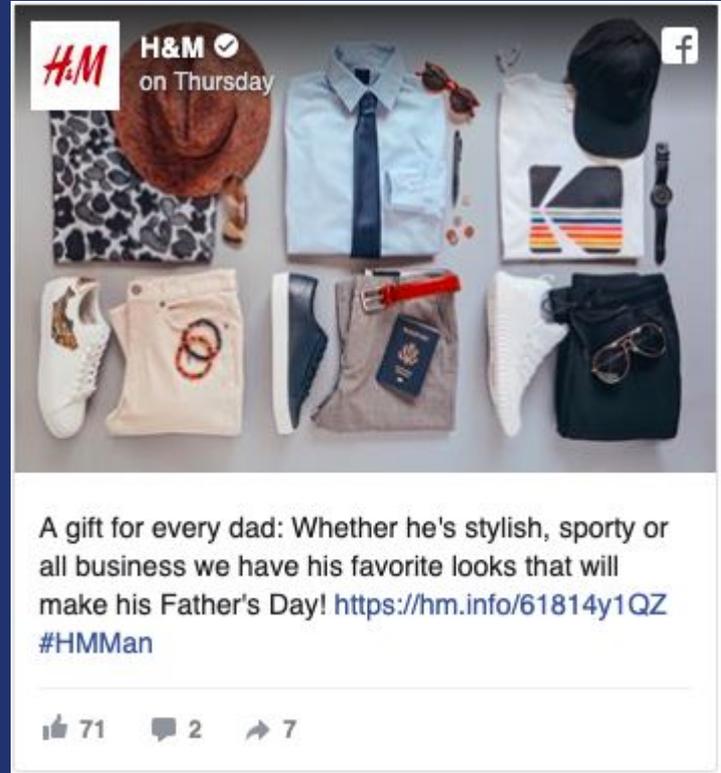
Every aspect of the marketing funnel can be addressed with these creatives, including Awareness, Consideration and Conversion.



Facebook Photo Creative

Brands and users can leverage their beautiful photos and turn them into image ads. The format features an inspiring photo in full-view with the option to add an engaging caption.

Ideal for increasing brand awareness.



The image shows a Facebook post from H&M. At the top left is the H&M logo. To its right, the text reads "H&M" with a verified badge and "on Thursday". The main visual is a flat-lay of men's clothing items: a leopard-print shirt, a brown hat, a light blue dress shirt with a dark tie, a white t-shirt with a colorful sailboat graphic, a black cap, a watch, a pair of white sneakers, a white t-shirt with a red and black logo, a pair of khaki shorts with a red belt, a pair of white socks, and a pair of dark shorts with glasses. At the bottom left of the post is a Facebook "f" logo. Below the image is a caption: "A gift for every dad: Whether he's stylish, sporty or all business we have his favorite looks that will make his Father's Day! <https://hm.info/61814y1QZ> #HMMan". At the bottom of the post are engagement icons: a thumbs-up icon with the number 71, a speech bubble icon with the number 2, and a share icon with the number 7.



Facebook Video Creative

Brands and users can upload an entertaining video and transform it into an ad. The ad will feature an in-unit video player and an optional caption.

Ideal for driving engagement.

How Prime Members... Save

Posted by Whole Foo...
32,141 Views

WHOLE FOODS MARKET + prime

-0:43

Introducing new savings available exclusively to Amazon.com Prime members at Whole Foods Market, launching in Florida stores today and across stores nationwide starting this summer. Download the app and learn more: <http://bit.ly/2k2pTji> #PrimexWholeFoods

400 390 213



Facebook Link Creative

Brands and users can link to outbound pages directly from the social post. Typically those pages include blog posts, articles, product pages, homepages, and more.

Ideal for maximizing conversions.



 **Ben & Jerry's** 
about a month ago 

Grilling? Our Flavor Gurus have the perfect dessert pairing for you.



[BENJERRY.COM](https://www.benjerry.com)
6 Unbeatable Dessert Pairings For Sum...
It's grilling season! We asked our Flavor Gurus w...

 44  3  9

Instagram Photo Creative

Brands and users can take any photo, apply any photo edits in-app, and post it as an ad within the Instagram platform.

Ideal for increasing brand awareness.



gucci 34.5m followers [View Profile](#)

[View More on Instagram](#)

♡ 💬 ↗ 📌

13,819 likes

gucci

Featuring the House Web stripe and the Double G—an archival detail—new leather wallets and card cases. Discover the #GucciPreFall19 collection through link in bio. @alessandro_michele #AlessandroMichele

[view all 55 comments](#)

Add a comment... 

Instagram Video Creative

Brands and users can upload a video and use it in an ad. The ad will allow users to interact with the video asset directly in the post, bypassing a clickout experience. Video ads provide a strong platform to communicate your brand narratives.

Ideal for driving engagement.



gowhistler
Whistler, Canada [View Profile](#)

[View More on Instagram](#)

♡ 💬 ↗ 📌

143 likes

gowhistler

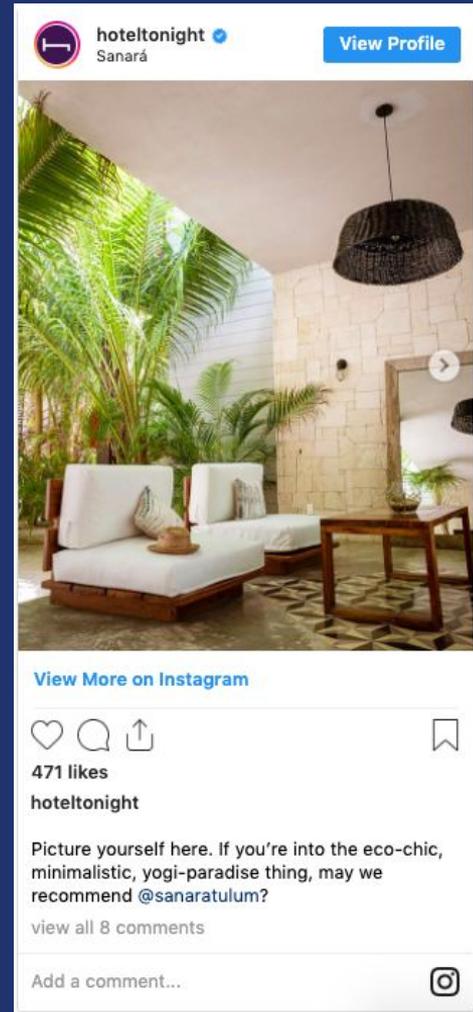
Bike trails or icy plunges. Which way would you choose to adventure? #OnlyInWhistler

Add a comment... 📷

Instagram Carousel Creative

Brands and users can select a variety of photos and videos to showcase as a feed. Perfect for telling a story or promoting multiple products and services.

Ideal for driving engagement and conversions.

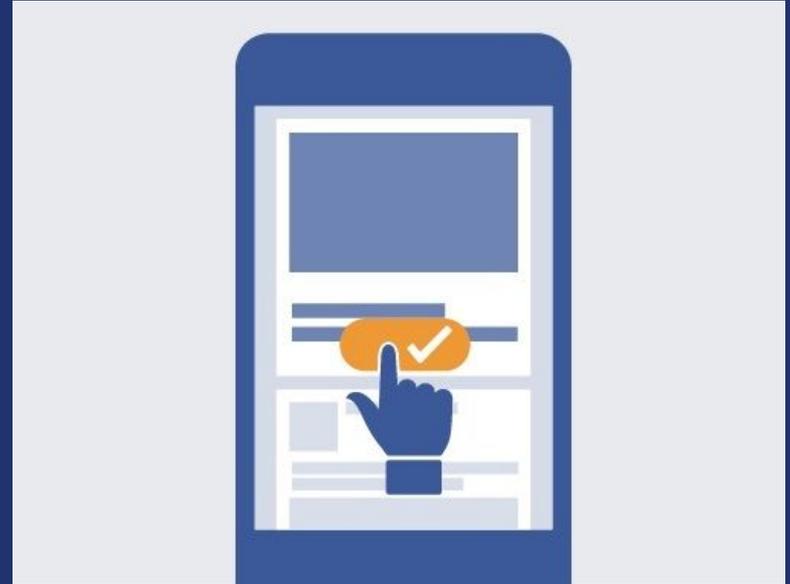


User Engagement With Facebook Creative Is Strong

The average user clicks on **10+ ads a month**.

78% of American consumers discover retail products to buy on Facebook.

We believe this impressive engagement is in large part due to the **creative** brands feature on Facebook.



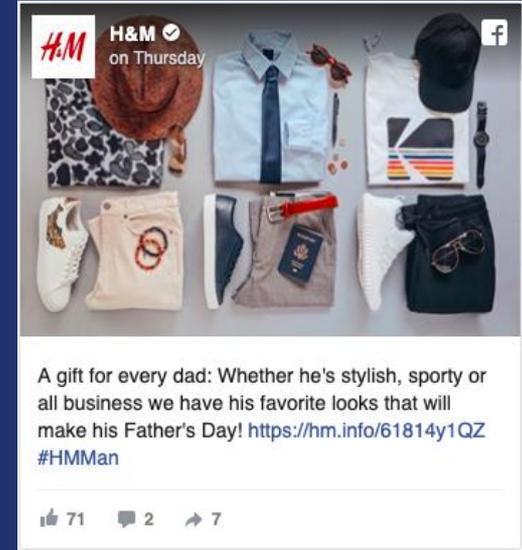
Why Facebook Creative Works So Well

Facebook creative is proven to be

...**effective** with higher engagement rates than standard display.

...**diverse** and caters to a wide range of campaign objectives.

...**familiar** for users, who have been trained to engage with social posts. When compared with other ad formats (like display ads on the web), social creative benefits from **format familiarity** (versus banner blindness).



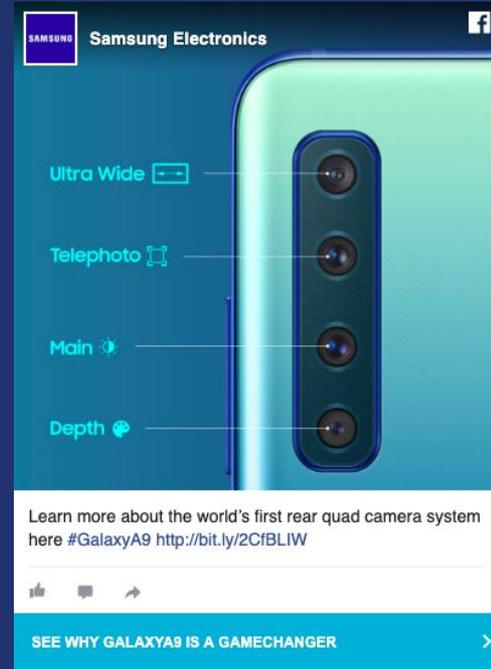
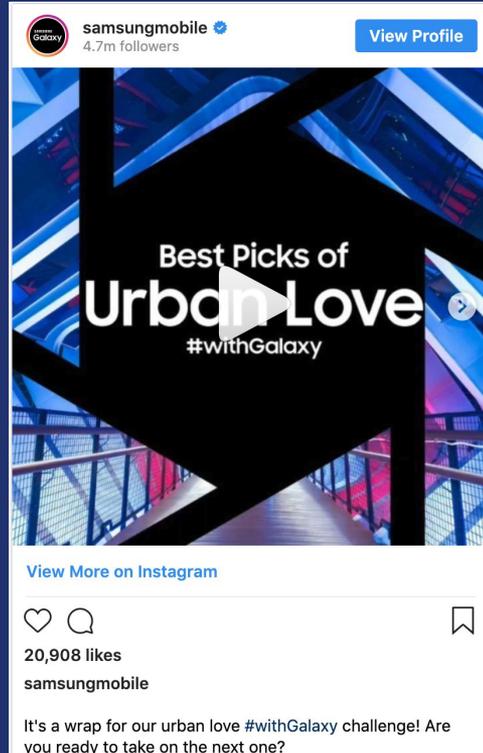
Hey Samsung, We Looked At Your Creative

Display Creatives



VS

Facebook Creatives



Hey Adidas, We Also Looked At Your Creative

Display Creatives



VS

Facebook Creatives



466,838 likes
adidas



And American Express, Here Is What We Saw

Display Creatives

A Savings Account with the service and reliability of American Express.

HIGH-YIELD SAVINGS ACCOUNT

2.10% APY Terms apply.

AMERICAN EXPRESS Personal Savings

AMERICAN EXPRESS

Verify charges with real-time fraud alerts

Activate Now

VS

Facebook Creatives

americanexpress 342.6k followers View Profile

View More on Instagram

1,274 likes

americanexpress

Take on the world and eat like a local. Introducing the

American Express

Start checking off those wish list destinations by using the #AmexGold Card to earn 3X Membership Rewards points when you book flights directly with airlines or on AmexTravel.com. Don't let those redeye flights stop you. Where are you off to next? Terms apply. americanexpress.com/amexgold

APPLY NOW

Did You Know That You Are More Likely To...



**Get into
Harvard**



**Become a
Navy Seal**



**Get a full house
in Poker**



Climb Everest



**Have
Twins**

than click a banner ad.



Facebook Has Solved Banner Blindness



**AVERAGE CLICK
THRU RATE
FOR BANNERS IS**
0.06%



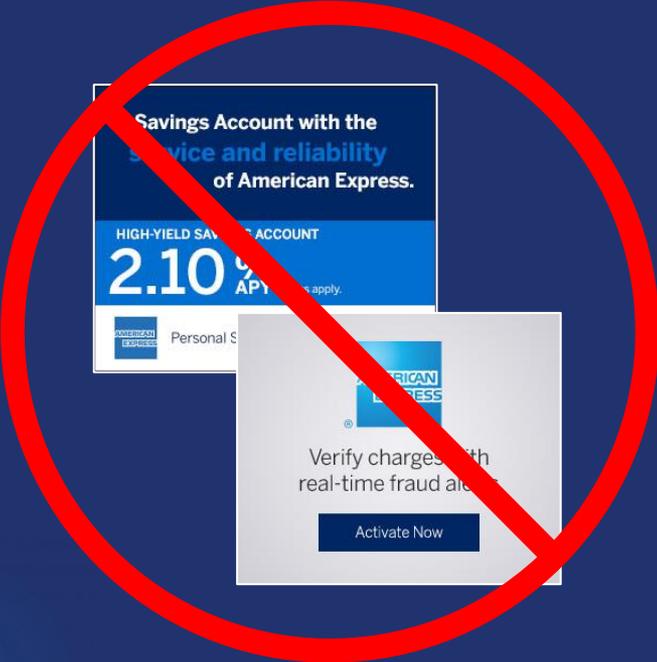
**25% Of Us Use
Ad Blockers**
↑ *up 34% vs. previous year* ↑

**33% of
Internet Users
find display
ads completely
intolerable**

Once a digital banner ad reaches
the same person 40 times or
more in a month, sales can
actually decline



Forget The IAB, Facebook Is The New Standard



The Fall of Facebook: Why The Social Web Is Now The Toxic Web For Everyone

The Fall Of Facebook

2018



Cambridge Analytica Scandal

Mark Zuckerberg testifies at Congress

UN cites Facebook's role in violence in Myanmar

Instagram founders leave

30 million FB accounts hacked



Whatsapp founder leaves



Lawsuit for inflated video metrics

Private photos from 6.8 million users exposed

Chris Cox leaves

2019



Chris Hughes calls for break-up

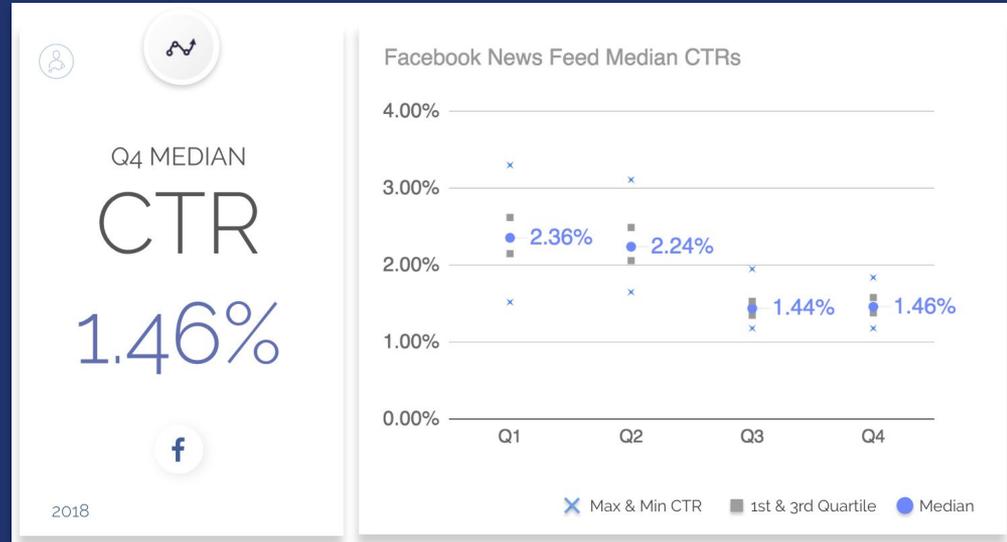
Live-streamed New Zealand shooting



Ad Engagement Is Dropping; Prices Are Increasing

Advertisers saw a **17% increase in price per ad** in Q2 of 2018, all while **engagement is steadily dropping** quarter over quarter.

Facebook has hit ad density, and with revenue growing 25% (faster than audience growth), that means only one thing: **prices will continue to rise.**



Facebook Is Marking Its Own Homework

It's difficult to trust Facebook for brands:

- The platform offers **few ad verification vendor** integrations, all of whom are forced to use Facebook's data stream (and are mere reporting dashboards, not measurement tools)
- Facebook removed **583 million fake accounts** in 2018, and that's just what they were *able* to identify as fake. Personally, I have 3 accounts (does Facebook think I'm 3 people?)
- Facebook video ad **metrics were knowingly inflated by up to 80%** for over a year. A lawsuit in regards to this was just settled - how many more lawsuits are to come?



Feed Fatigue on Facebook Is Real

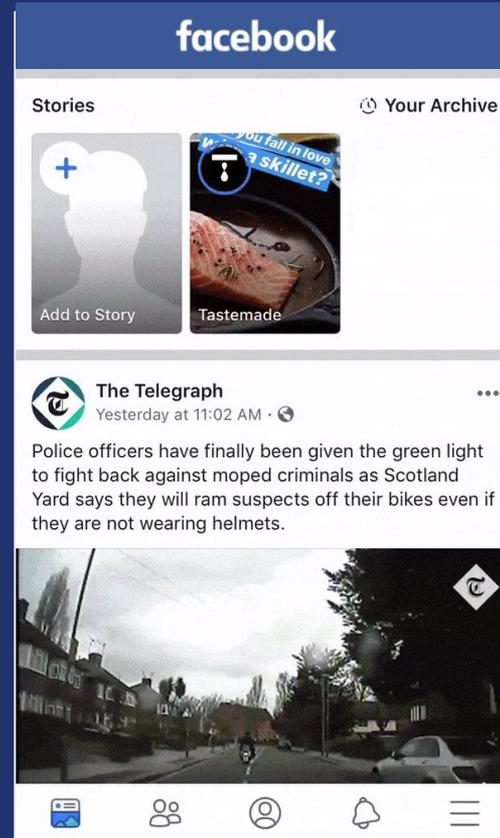
1.7 secs

The average time an ad is seen on Facebook

Facebook has a **massive** viewability problem



Source: Wall Street Journal



You Won't Believe This, But It's True

The average user scrolls the height of the **Empire State Building** each day on social media.

Social feeds are a scrolling frenzy, making it near impossible for brands to make an impression on users.



Source: [Shutterstock](#)

Brands Should Worry About Facebook's Targeting

A recent Harvard study examined what happens if a company reveals to people how and why they have been targeted for a given ad:

- People who were told that they were targeted based on activity elsewhere on the internet **were turned off and became 24% less interested** in the brand. Facebook looks at your online browsing history (the Facebook login, cookies, like button) to target ads on Facebook.
- People were **17% less interested in purchasing** if they had been told were targeted for an ad based on “what was inferred about you.” This is Facebook's default behavior.

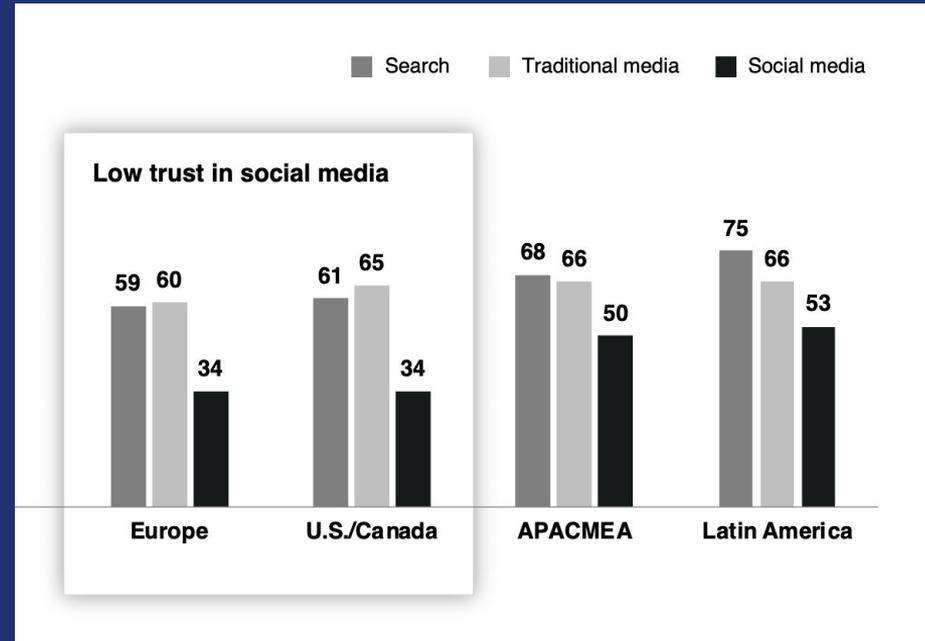


Sources: Harvard

People In The West Don't Trust Social Media

Edelman's annual trust barometer found that **only 34% of people in Europe, US and Canada trust social media**. That's significantly lower than the trust in Traditional Media and Search.

Trust in social media in Asia Pacific and Latin America remains high but will likely trend downwards as Facebook issues continue to be exposed.



What About the User's Cut?

Facebook generates over **\$120 per year** in revenue from Facebook user data. Where's the user's cut?

This is not a fair value exchange, especially considering what users get in return is threats to democracy, abuse of their privacy and feelings of isolation and loneliness.



The Scandals Seem Never Ending

Cambridge Analytica stole **87 million users' private Facebook data** from a survey taken by only 300,000 users.

Facebook stored hundreds and millions of user **passwords in plaintext** since 2012.

6.8 million users' private photos were exposed during an API leak.

Facebook's "research program" targeted teens and young adults and paid them to **track all phone and web activity**.

The Verge published an exclusive story around the **harsh and extreme working conditions** of Facebook content moderators.



Facebook Is Toxic For Society

Live video streams have grown in popularity, but this particular format is also a horrific tool used to **spread violence, hate and turmoil**.

It equips users with a method to publicly broadcast suicides, abuse and murder.



Sources: [The Sun](#), [Recode](#)

Facebook Is Not Time Well Spent

56%

People who experienced online hate or harassment on Facebook

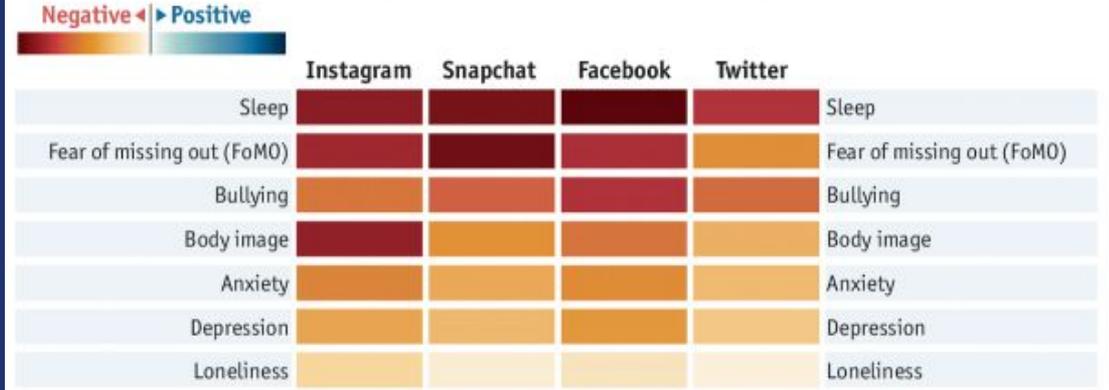
1 million

Children who have been targets of cyberbullying on Facebook



Like, obsessed

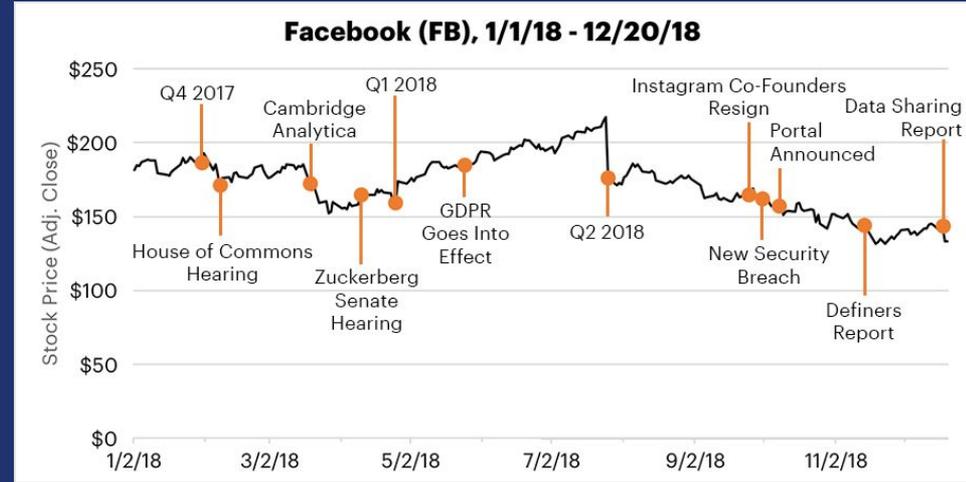
Britain, social media users, 14- to 24-years-old, reported impact on well-being, 2017



Move Fast And Break Things

Facebook experienced scandal after scandal over the recent years, from **user privacy breaches** to **the spread of unsafe content**.

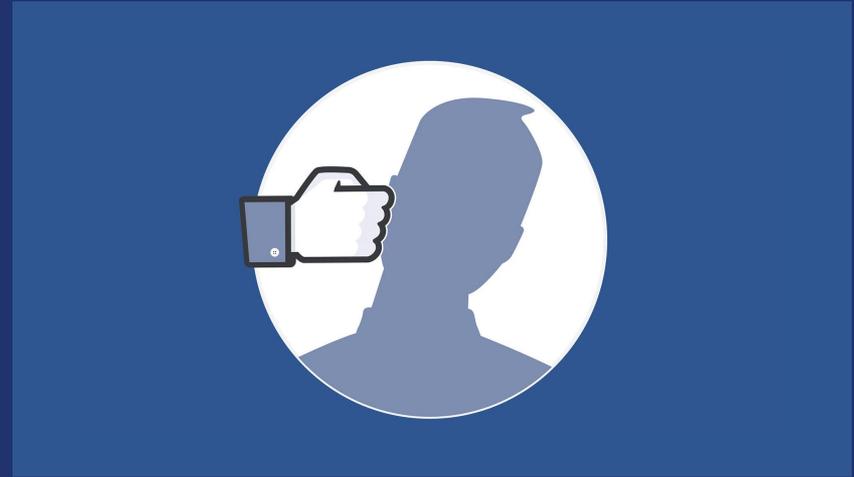
The company set-aside **\$3 billion USD** to cover upcoming FTC fines.



Algorithm Changes Make Ripples

LittleThings spent 4 years building a formidable audience on Facebook and after the release of a News Feed algorithm update that favors user posts, they **lost 75% of their reach and were forced to shut down.**

Click fraud complaints date back to 2009 but the platform still does not offer third-party verification across all formats. This **artificially lowers CPC** rates so advertising on Facebook seems more attractive to advertisers.



Users Do Care About Privacy

44%

People limit information shared on social media

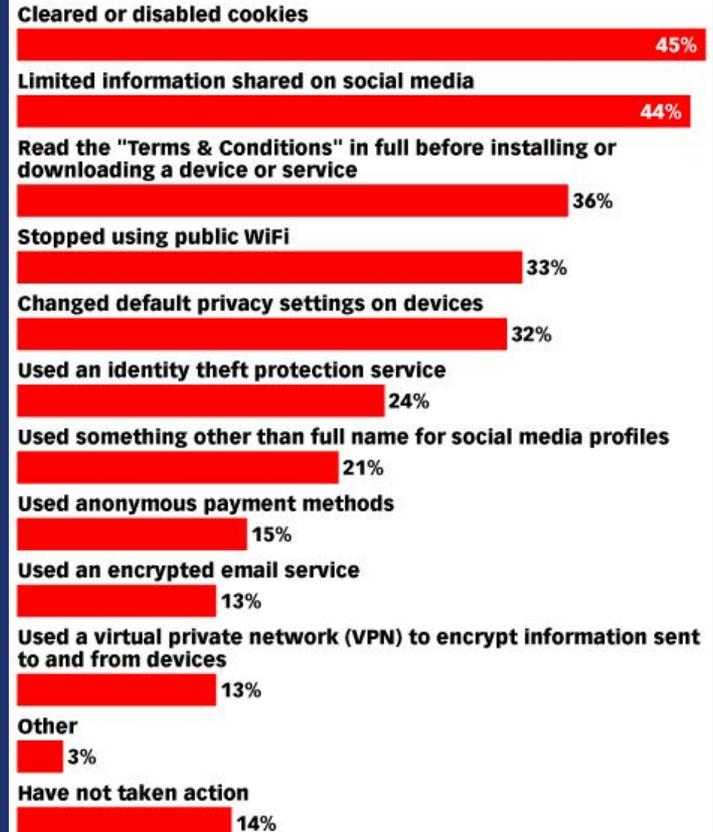
21%

People do not use their full name on social media platforms

Sources: [eMarketer](#)

Steps that US Internet Users Have Taken to Protect Their Personal Information, Oct 2018

% of respondents



Note: ages 18+

Source: Norton Lifelock, "Cyber Safety Insights Report" conducted by The Harris Poll, March 27, 2019

246273

[www.eMarketer.com](#)

Here Is What Facebook Has To Say

“If other people share info about you, even if it’s something you shared with them but did not make public, **they can choose to make it public.**” - Facebook Help Center

“... [Facebook] **can provide access to or send public information to anyone on or off our Products**, including in other Facebook Company Products, in search results, or through tools and APIs.” - Facebook’s Data Policy

Senator Blunt: And that would also include offline data...**tracking that’s not necessarily linked to Facebook** [including device tracking]...?

Zuckerberg: Senator, I want to make sure we get this right. So I want to have my team follow up with you...

- **Zuckerberg before congress, discussing if Facebook tracks offline data**

Even Zuckerberg thinks Facebook’s privacy policies are **confusing.**



Thank You For Your Attention

Nicole Fung

nicole@polar.me