MSc INTERNATIONAL BUSINESS AND MARKETING

ADVERTISING SUCCESS ON FACEBOOK

In collaboration with Home24 company

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Declaration of Research Work Integrity

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU’s ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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Abstract

In the ever expanding digital world, the rise of social media is very evident and shows no signs for stopping. This have caused marketers to start adopting social media widely in their marketing activities. Facebook is one of the most popular social networking sites. Therefore, this paper sets out to determine the differences in impact between presenting different types of design factors across Facebook advertising campaigns. In order to fulfill the purpose of this study both primary and secondary data search were performed. Different ad images, messages and ad placement were tested. To measure Facebook Advertising campaigns effectiveness all data was collected and analyzed in Facebook Performance Marketing Platform tool Smartly.io. Results showed that different ad design factors have impact on advertising success on Facebook. This information gives useful insights for Home24 company in order to create successful advertising campaigns on Facebook.

Keywords: Advertising, Social media, Social networking sites, Facebook, Facebook advertising, design factors.
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Notation and Symbols

KPIs – Key Performance Indicator(s)
WCA – Website Custom Audience
CPC – Cost Per Click
CTR – Click Through Rate
SNSs – Social Networking Site(s)
RHSD - Right Hand Side
NFD – News Feed
PPLA – Page Post Link Ad
1 Introduction

1.1 General background

Internet usage and population is growing dramatically. According to Internet World Stats, around 40% of the world population has an Internet connection. In 1995 less than 1% of population had it. Therefore, these numbers shows that usage of the Internet in last years increased dramatically. Consequently, the Internet has become a preferred media for marketing and advertisements. Moreover, the Internet is the only advertising medium that delivers its product directly to the consumers, promotes one-to-one communication intimacy and encourages a correspondence relationship between the marketer and the end user (Silverstein, 2001).

In the ever expanding digital world, the rise of social media is very evident and shows no signs for stopping. Social media has become an essential part of people every day live: they are using it to keep connected with their friends or colleagues. Also, people use it to keep updated about everything they are interested in and to share information about goods and services that they are fans of. All of this have caused marketers to start adopting social media widely in their marketing activities. Moreover, advertising through social media has become an essential part of the integrated marketing communication efforts of companies in marketing their products and services (Gaber & Wright, 2014) in order to interact with their current and prospective customers.

According to the 2013 Social Media Marketing Industry Report, 86% of marketers consider social media as one of the most critical tools for successful businesses. There are many numbers of social media sites that could be used for advertising purpose. However, the social media chosen for this study is Facebook. It was launched in 2004 and its the most popular networks worldwide as of January 2016, ranked by number of active accounts. Market leader Facebook was the first social network to surpass 1 billion registered accounts and currently sits at 1.55 billion monthly active users. 968 million users logged onto Facebook daily (Facebook, 2015). On average, users access Facebook for approximately 21 min per day, which constitutes 33.3% of the time they spend on their social networking sites (eMarketer, 2014). These numbers shows that social media has gained a lot of attention among people around the world. Therefore, there is no surprise that Facebook gain a lot of attention between marketers.
Among various social media websites currently available on the Internet, Facebook has almost half of marketers’ votes (49%) for the most important social medium (Stelzner, 2013) and it is utilized by each of the Advertising Age Top 100 Advertisers for their brand marketing purposes (Lipsman, Mudd, Rich, & Bruich, 2012). Because of its sheer number of active users as well as the level of each user’s activity on this social networking website, Facebook is considered an appealing platform for Internet marketing specialists and online advertisers (Francisco, 2006) and is considering the largest platform through which advertisers communicate directly with consumers (Bennett, 2014).

With Facebook’s massive base of 1.55 billion monthly active users, it continues to be a critical digital channel for reaching existing and potential customers. This highly engaged audience are tremendous opportunity for marketers to not only build brand awareness, but also drive real revenue growth on a global scale (The 2016 Marketer’s Guide to Facebook Advertising, n.d). Moreover, such social interactions can build customer loyalty and lead to purchases (Algesheimer, Dholakia, and Herrmann, 2005; Zhou, Zhang, Su, and Zhou, 2012). It is therefore useful to determine the necessary elements that marketers must take this into account when decide to advertise on Facebook to increase ads effectiveness.

Despite the popularity of the social networking site Facebook, there is very limited research literature regarding advertising on Facebook. Previous studies provided with general background information on the topic and is crucial in the sense of understanding the major trends, functions and purposes of the virtual community. However, previous studies did lots of generalizations, but did not break down different types of Facebook advertisements. Moreover, most research regarding advertising on the Internet has compared different variables in an attempt to learn which variable is most affective and none have specifically researched Facebook advertising and what factors drives advertising success on most popular social networking site. Therefore, this paper sets out to determine the differences in impact between presenting different types of creative elements across advertising campaigns. It seeks to answer which creative elements are more effective in Facebook and to analyze of how pictures or certain information might affect success on Facebook. Without this information, marketers decided to advertise on Facebook lack a clear idea on how they should create their ads. Thus the demand for further research on the subject is very obvious. The goal of this study is to get better
insights and understanding of how successful advertising and is best implemented in a social networking site Facebook. A German e-commerce shop Home24 has been chosen as the subject of this enquiry.

1.2 Research Question

According The 2016 Marketer’s Guide to Facebook Advertising (n.d): “Facebook ads are such a highly visual medium, constant creative iteration is key to strong performance”. Also, constantly testing different creative elements can help reduce ad fatigue, which appears when users see the same advertising many times. Which eventually becomes blind to the promotion. Therefore, on constantly changing social networking platforms like Facebook, users will quickly get bored with ads if marketers continually feature the same creative and copy.

With Facebook ads companies have the opportunity to put business and product in front of very large and active user base. But there is, however, little known about what drives advertising success in online social network site Facebook. Therefore, current research study question - what creative elements drive advertising success on Facebook?

1.3 Research Objectives

Purpose of this study is to test and analyze which creative elements drives advertising success on Facebook. Specifically, the research objectives are to:

- To test if there is a difference in ad effectiveness when promoting discount.
- To test performance on different placements.
- Identify which pictures performs better:
  - On location product picture – product is placed in some natural environment to create realistic view of using that product.
  - Plain product picture – simply product is placed on white background.
  - Testimonials – “written recommendation from a celebrity or satisfied customer affirming the performance, quality, and/or value of a product or service. Testimonials are one of the most potent tools of marketing”(Business dictionary).
- Identify, which ad copy performs better:
• Asking questions.
• Stating benefits.
• Communicating social proof.

The goal of this study is to get better insights and understanding of how successful advertising works in terms of creative elements and is best implemented in a social network Facebook. Study will be conducted in collaboration with Home24 company.
1.4 Disposition

This section gives a general outline of the main parts of this research study. It will provide a reader with a clear picture of the structure of thesis:

- *Chapter 1* explains the general background of research, the purpose and objectives of the study.
- *Chapter 2* briefly discuss social media and social networking sites followed by a description of Facebook and advertising on Facebook.
- *Chapter 3* gives a brief overview of Home24, its objectives and Facebook advertising strategy.
- *Chapter 4* - literature review. This part analysis important existing theories and concepts on online advertising, social media advertising, Facebook and factors influencing advertising success on the Internet.
- *Chapter 5* explains practical methodology: sampling, research design, instrumentation and procedure of current research.
- *Chapter 6* presents empirical results.
- *Chapter 7* is devoted to discussing results.
- *Chapter 8* focuses on summarizing the results of the study, arguing on the research questions, fulfilling the research purposes, and discussing the theoretical contributions to marketing research and limitations of current research study.
2 Facebook

2.1 Social Media as Marketing Platform

Social media are “Internet-based channels that allow users to opportunistically interact and selectively self-present, either in real-time or asynchronously, with both broad and narrow audiences who derive value from user-generated content and the perception of interaction with others” (Carr & Hayes, 2015). According to Kaplan and Haenlein (2009), there are six different types of social media: collaborative projects, blogs and microblogs, content communities, social networking sites, virtual game worlds, and virtual social worlds.

Social media is highly interactive platform through which communities and individuals can share, discuss, create, and modify user-generated content. Social media platforms introduce pervasive changes to communication between communities, organizations, businesses, and individuals (Kietzmann & Hermkens 2011). According Carr and Hyes (2015), social media has become omnipresent and ubiquitous. It has changed the world we live in and also it changed our various aspects of life (Khang, Ki, & Ye, 2012; Mavridis, 2012). One of the main characteristic of online social networking is that it builds communities that bring people together on the Internet. It is really important in today information-centered society, where Internet-based social media are used as tools for online exchange, connection, and communication, allowing users to manage existing relationships while creating new ones (Ryan & Jones, 2009). Interaction and socializing are the main focus, with members learning about each other learning about each other by exchanging information and sharing similar interests (Buss & Strauss, 2009).

Therefore, in order to communicate, entertain, interact, and search for information, number of people using social media are always increasing (Ma et al, 2011). In August 2015 there were 2.206 billion active social media users. Moreover, people are spending more and more time on social media sites. As of 2015, daily social media usage of global internet users amounted to 106.2 minutes per day. Tuurosong and Faisal (2014) found that most of the people use social media daily, at least once a day.

Thus, a rapid growth and an increasing popularity of social media have drawn more and
more attention from marketers and researchers. By adopting accessible and highly open communication techniques turns one-way communication into interactive dialogue between marketers and consumers (Kaplan & Haenlein, 2009) and creates new opportunities and possibilities with the aim of increasing brand awareness (Comscore Media, 2009) and is a new arena to grab the consumer’s attention (Ko, Cho, & Roberts, 2005).

Social media now are attracting the marketer’s attention, not only because of huge regular user base and rapid growth, but also because of its huge market potential for advertising. Social media advertising is one type of advertising that particularly uses social media as the platform to deliver messages to their targeted customers (Ma et al., 2011). Therefore, not surprised that more and more advertisers move their advertising activities to social media platforms. According recent research, products which require strong social component and a high effort, have a strong influence on purchase decisions in terms of social environments (Yadav et al., 2013). Edwards (2011) found that companies, which employed social media, enhanced the elements of funnel of the purchase such as awareness, consideration and purchase. What’s more, Powers et al. (2012) disclosed that more than 20 per cent of consumers believed that social media was important for their final purchase decision, while another 20 per cent stated that social media it helped them to decide what to purchase. Another significant reason to advertise on social media is that when people want to purchase something they turn on to the Internet for primary research and investigation of that product. Such consumers can be targeted on the Internet by the companies.

2.2 Advertising on Social Networking Sites

Social networking sites are the most visited social media platforms where individuals can construct a public profile within a bounded system (Boyd & Ellison, 2007). It is a global phenomenon as social networks are the top online destinations reaching at least 60 percent of active Internet users and accounting for the majority of time spent online (Nielsen, 2011). According to Statista (2016), number of social networking site users worldwide from 2010 to 2018 is always increasing.

There are many reasons why people are using online social networking sites. Social
networks enable individuals to build a personal profile, connect to known and potential friends and view other members’ connections (Boyd and Ellison, 2007). Other important factor is ability to articulate a list of other users with whom they share a connection, also viewing and navigating their connections and those made by others within the system (Boyd and Ellison, 2007). According to van Der Heijden (2004), social networks provide entertainment are fun to use, stimulate the imagination and provide users with relief from a stressful life. People may also interact on social networking sites to increase their self-worth feelings or even because their identity is strongly linked with a particular community of interest. As individuals take part in these virtual communities, they build new ties with others who share the same interests and, eventually, they become members of that social group or community (Soares et al., 2012). So there is no surprise, that online social networks provide an exciting environment for researchers and a promising interactive advertising channel for marketers (Trusov, Bucklin, and Pauwels, 2009).

Since social networking websites have millions of active users who build relationships, share interests and activities an advertisement could reach a large scale of users (Yang, Kim, & Dhalwani, 2008). Also, important benefit of advertising on the social networking sites allows consumers to actively interact with advertising, because when a user receives such a promoting item one can pass it to friends and those friends to their friends. At a glance the advertisement can almost reach the whole world (Samiran, 2013). It also provides consumers with the opportunity to “like” certain ads. Furthermore, social networking sites allow consumers to see which friends like the ads.

As social networking advertising still represents a new and largely unexplored frontier for advertisers, consumer acceptance is vital both for social networking advertisers and for the providers of these platforms (Taylor, Lewin & Strutton, 2011) Fears exist that marketers may be intruding into user’s personal spaces and placing their advertisements next to less than desirable content (Kelley, Kerr & Drennan, 2010). Analyses of the advertising effectiveness of all social networks still are untapped (Khang, Ki, and Ye, 2012). Measuring these advertising effects is particular interest (Winer, 2009).

Most of the studies about advertising on social networks have focused on all forms of advertising, both “pushed” to consumers or “pulled” by consumers (Taylor, Lewin and Strutton, 2010; Kaplan & Haenlin, 2009; Hadija, Barnes & Hair, 2012; Kelly, Kerr &
Drennan, 2008) without differentiating between the two. Little is known specifically about pushed display ads on social networking sites. This has also been confirmed by (Hadija, Barnes & Hair, 2012) who also states that display advertising on social media has not received enough research attention. Further, display advertising has been studied from different perspectives, from the point of view of their effectiveness (e.g., Burns and Lutz, 2006; Fourquet-Courbet, Courbet, and Vanhuele, 2007; Geissler, Zinkhan, and Watson, 2006; Yaveroglu and Donthu, 2008) but also by looking at how consumers accept them (Brackett & Carr, 2001; 2002; Schlosser, Shavitt & Kanfer, 1999). However, these studies have been constructed in connection with traditional Web sites and not specifically for a social networking site. Therefore, for social networking sites to become effective advertising media, it is really important to fully understand the determinants of consumer response to advertisements.

Facebook is currently the market leader social networking site in terms of reach and scope. The site has been shaping the social media landscape since its launch.

2.3 Facebook

2.3.1 General overview about Facebook

Facebook is one of the most popular social networking sites (Schubarth, 2011). Facebook was launched in 2004 by Mark Zuckerberg along with his college roommates and currently have more 1.04 billion daily active users on average and 1.59 billion monthly active users (Facebook, 2015). The main reason why Facebook has reached such popularity is because it opens people free communication lines between genders across all over the world in a real time “and asynchronous way blending marketing, opinions and suggestions and games perfectly for several minutes of relaxation away from the problems of the world” (Naidoo, 2011).

In Facebook users can create profiles with photos, where they can share personal information such as: interests, contact information, employment, marital status, education and etc. Users can communicate with friends or other users through private messages. Moreover, users are allowed to create public messages. Content such as video, images and links to other websites can also be sharer on social networking site Facebook (Boyd
2.3.2 Advertising on Facebook

Facebook has been used as an advertising platform soon after its start in 2004, through application Facebook Ads and with its media richness and interactive character has with other online social networks, driven the rapid development of social media (Hensel and Deis, 2010).

One of the main benefits of social networking for organizations is therefore lower marketing costs in terms of monetary and personnel. Costs of communication have fallen drastically with Facebook and other social networking sites, creating opportunities for organizations to communicate directly, quickly and consistently with millions of individual customers (Mize, 2009; Palmer & Koenig-Lewis, 2009). Yang et al. (2008) reported that the advent of targeting ads, specifically toward demographics (age, sex, education, etc.), and tighter restrictions on ad quality has turned Facebook advertising into a viable traffic builder and advertising option for all kind of businesses. Facebook is considered an appealing platform for Internet marketing, because of its vast number of active users as well as the level of each user’s activity on this social networking website (Francisco, 2006).

Reuters and Ipsos (2012) claimed that one in five Facebook users had purchased products as a result of advertisements and/or comments that they viewed on Facebook. Facebook and ComScore (2012) disclosed that 4% of consumers bought something within a month after being exposed to earned brand impressions from a retailer.

2.3.3 Targeting

Facebook has developed an advertising platform that enables very precise targeting options. Facebook has an advanced campaign setup that allows companies to pick a specific demographic region, which means that they can target products to specific individuals living in a particular geographic area (Naidoo, 2011). This further provides a new capability to think global and to act local, which help advertisers to create more personal ads where the customers demographic and psychographic is known beforehand.
Targeting options available on Facebook:

- Interest based Audiences (keywords)
- Custom Audiences (Website, E-Mail)
- Lookalikes Audiences
- Product Audiences (DPA)

*Interest based Audience (keywords)*. Depending on the user personal information, marketers can choose which users will see the ad on Facebook. “Interest may include things people share on their Timelines, apps they use, ads they click, Pages they like and other activities on and off of Facebook and Instagram. Interests may also factor in demographics such as age, gender and location” (Facebook, n.d).

*Custom Audience (Website, E-Mail)*. Marketers can upload a list of email addresses or phone numbers of at least 20 people and Facebook will deliver ad to those people if they're on Facebook. There is also possibility to build audiences from the people that visit your website or from people who use your mobile app. Custom Audience allows to target Facebook ads to audiences of people who have visited companies website (Facebook, n.d). If someone visits companies website after clicking on a Facebook Ad, they may not always complete a purchase. One great way to remarket to them is by using your Facebook pixel, formerly known as the Custom Audience pixel, to create a Custom Audience from website. It helps for company to:

- Bring website visitors back to complete a purchase
- Find new people who are similar to your website visitors
- Get more value from new customer acquisition campaigns by excluding existing customers (Facebook, 2016)

Facebook pixel is installed on companies web page and then custom audience pixel is activated every time users opens this webpage. When the pixel is activated, certain event is sent to Facebook's servers with general information about the users browsing session including page URLs. After that, those events are compared to a set of Audience rules the advertiser has created. If an Audience rule matches the event, then person who visited the webpage is added to that Audience. These website Custom Audiences can later be targeted by Facebook ads (Facebook, 2016).
**Lookalike Audience.** Advertisers can create lookalike up to 20% percent with Smartly advertising tool. Facebook only allows 10%. Cluster your lookalike audiences (e.g. 1-2%, 3-4%, etc.) since results can be very different the further you “go away” from the seed audience. Marketers should try be very narrow with the source (=seed audience) of Lookalike audience. If, for example, advertiser wants to reach new customers, he should “clone” your customers, not all visitors. By including visitors marketers might end up with a very unspecific lookalike. (Home24 internal information).

**Product Audiences (DPA).** Automatically promote relevant products from advertisers entire catalog across any device. DPAs are fully automated. All information is pulled from the feed. Facebook can dynamically report when specific product IDs from companies catalog are viewed, added to cart or purchased. As a result, advertisers could then dynamically serve ads based on the specific product someone viewed — and based on the specific spot they reached in the purchase process.

It is possible to mix targeting methods. For instance, marketers can create an audience using Website Custom and Interests. The combinations act with an AND operator, that means: Facebook only targets people that show interests in the keywords you enter within your custom audience.

### 2.3.4 Bidding

Facebook offers lots of different bidding types. Advertisements on Facebook are subject to an auction, where advertisers compete among themselves for an audition through bidding the price of click on their ad (pay per click) or the price of displaying their ad to selected target group (pay per impression). Advertisers get suggested bid range which currently is winning the auction among similar adverts. The advertiser sets maximum bid (per click or per thousand impressions), but Facebook charges only the amount required for an advert to win an auction. This price may be lower than the maximum bid set by advertiser, making a marketing campaign more efficient. Advertisers have also control of their daily budget – the maximum amount that can be spent on campaign per day. If a
daily budget is spent, the advertisement will automatically stop showing until next day of a current campaign (Alto, 2011).

2.3.5 Ad formats

There are lots of different ad formats on Facebook. They look slightly different depending on advertising objective. Most popular ad formats are page post link ad and carousel ad.

*Page Post Link Ad (PPLA).* This ad format is one of the most common of all the Facebook ads between the marketers. It allows to place 1200x628px format ads, which helps to catch users attention. This ad type is available on news feed desktop and mobile. With this ad marketers can link Facebook users direct to companies web page.

*Carousel ad.* This ad format is very useful for eCommerce business, because with this ad format advertisers can promote multiple products in one ad. Instead showing only one link to product this format allows to show up to five different products. Meaning, that with single ad you can promote five different products. This ad type is available on news feed desktop and mobile. Like PPLA carousel ad also let customers to direct to companies web page.

2.3.6 Ad placement

Ad placements are places where your ads can appear on Facebook. Facebook offers three different ad placements: desktop news feed, mobile news feed and right column on desktop.

*Desktop News Feed (NFD).* When choosing the desktop news feed placement (Figure 1), ads will be eligible to appear on the desktop news feed along with posts from people's friends and families. Facebook suggest to choose this placement if marketers want to show ads to people using laptop or desktop computers. News feed ads are considering to be more native. It doesn’t interrupt user’s attention with a pop-up and instead makes ads feel like part of the experience. Thus, consumers don’t ignore native ads, they engage with them.
Figure 1 Ad placement on Desktop News Feed (Source: www.facebook.com)

Mobile News Feed. Ads on this placement (see Figure 2) will show up for people who are using the Facebook app on mobile devices like Androids, iPhones and tablets. People accessing Facebook through a mobile browser on either smartphones or feature phones will also be eligible to see ads. These ads will appear in people's news feeds along with posts from their friends and family. Facebook also suggest to choose this placement if you want to reach people while they're on the go.

Figure 2 Ad placement on Mobile News Feed (Source: www.facebook.com)
Right Column on Desktop (RHSD). When you choose the desktop right column, your ads will be eligible to appear on the right column of Facebook. Keep in mind that right column ads will only appear to people using the desktop version of Facebook. If you want to show your ads to people using laptop or desktop computers, then you may want to consider using this ad placement.

![Ad Placement on Right Column on Desktop](Source: www.facebook.com)

### 2.3.7 Optimization

When marketers decide on whom, to target, chooses bidding option and set up new advertising the final step is optimization. Without it even most creative idea can't work. Marketers need to optimize and update ads regularly. To get detailed insights into the performance an audience, advertisers can use breakdowns (age, gender, device, etc.). Depending on the business goal, there are many KPIs advertiser should look at:

- **Performance**: include metrics like results, reach, frequency and impressions.
- **Website**: include metrics like website actions (all), checkouts, payment details, purchases and adds to cart.
- **Clicks**: include metrics like clicks, unique clicks, CTR (click-through rate) and CPC (cost per click).
- **Settings**: include metrics like start date, end date, ad set name, ad ID, delivery, bid and objective. (Facebook, n.d.)
2.3.8 Testing ads

Facebook provides advertisers with testing tools, these conversion lift studies with multiple test and control groups help advertisers determine which ad units (creative elements, targeting, optimization rules, bidding strategies) perform best for their objective. Also, whether brand and direct response ads work better in order to achieve marketers desired objective than brand ads or direct response ads on their own. What’s more, testing helps to determine whether lifestyle creative or product-focused creative works better.

When creating a Facebook campaign, a randomized test group (people that see ads) and control group (people that don’t) are established. The advertiser securely shares conversion data from the campaign with Facebook. Typically, this data comes from sources like the Facebook Custom Audiences pixel, conversion pixel or secure point-of-sale data. Facebook determines additional lift generated from the campaign by comparing conversions in the test and control groups (Facebook, 2015).
3 Home24

This chapter will give a quick overview of Home24 (which is part of Rocket Internet), the types of service it provides and companies goals and objectives as regards Facebook advertising. Reader will be provided with some background on Home24, which will help to understand how current research study will help in optimizing advertising campaigns on Facebook.

3.1 Rocket Internet

Rocket Internet is known for its aggressive business model. It builds and invests in Internet companies that take proven online business models to new and transfer proven business models to new markets. Rocket Internet adapt to local habits, developing proprietary solutions that meet customer’s needs. As part of their global strategy, company have created Regional Internet Groups in Africa, Asia Pacific, Latin America and the Middle East in order to bundle local market and business model insights. Rocket Internet focuses on five industry sectors of online and mobile retail services: Food and Groceries, Fashion, General Merchandise, Home & Living and Travel. Its network of companies operates a variety of business models in more than 110 countries on six continents with more than 36,000 employees at the end of 2015 (Rocket Internet, n.d).

3.2 Home24 Operations and Services

Home24 is one of the Rocket Internet companies and the leading online shop for furniture and home accessories. The broad range of around 150,000 products from over 800 manufacturers includes furniture, lamps, home accessories and garden equipment. The company is created in 2009 and today operates in seven core markets in Europe: Germany, France, Netherlands, Austria, Switzerland, Belgium and Italy. It is headquartered in Berlin, and employs around 1000 people worldwide.

Home24 delivers all kinds of furniture – regardless of weight and dimensions – for free and right to the customer’s place of choice throughout Europe - a very important competitive advantage compared to the other companies in the sector. Home24 assortment consists of around 1000 brands, including a variety of Home24’s exclusive
brands, such as Smood, Kinx, Skop, Kiyoo, Kollected by Johanna, Capeside Westcoast, Mazzy, Shan Rahminkhan and Mørteens.

When the business was started, the founders had noticed that there is a huge market for furniture for home and living, and also that the search volume and the customers demand were rapidly moving from the offline world, to the online world. And so far nobody has created this category ecommerce shop, thus the new idea was born.

Home24 managed to create a very broad assortment to satisfy the many needs of the end customers. The company manages to provide very short delivery time for everybody who wants to refurnish or redecorate their home at very attractive prices, and in addition to the free delivery, the return is offered. All those points combined, Home24 is trying to offer a very inspiring online shopping experience. As it was a very successful business model in Germany, Home24’s model has been systematically rolled down across international markets and today more than 50% of company’s revenues are done outside of Germany and this share is rapidly growing.

*Home24’s mission: To be the best company at sustainably creating value for customers in Home & Living retailing! Every day. Globally.*

### 3.3 Home24 Facebook Advertising Strategy

Since Facebook can reach vast range of existing or potential customers, Home24 decided to take this opportunity and start promoting its products to big Facebook users base. Home24 Facebook advertising activities started in 2015 June with dedicated employees constantly monitoring and testing advertisements performance. Home24 policy regarding Facebook is to use social networking site for brand awareness also to increase sales and revenue.

Home24 uses all targeting options available on Facebook: Interest based audiences (keywords), Lookalikes, Custom Audiences (Website, E-Mail), Product Audiences (DPA). However, dynamic product ads website custom audiences are working better than interest based or lookalike audiences. Users in DPAs and Custom Audiences are already interested in Home24 website/content/products, where lookalikes and interest based
audience most likely never heard of Home24 company or the product you are advertising for (Home24, 2015). Dynamic product ads are fully automated. All information is pulled from the products feed. With Smartlys Dynamic Image Template Home24 can also customize ads (adding price, logos, etc. automatically). With website custom audiences Home24 are using regular creatives. Usually they are better looking and therefore more appealing to the audience. However, it takes quite a while to set up lots of manual creatives. Also it has to be tested and to be refreshed regularly in order to attract users to click on ad. As mentioned above, there are lots of different ad formats on Facebook. Home24 mainly work with Page Post Link Ads and Carousel Ads.

There is no clear answer for Home24 which texts and creatives are working best since audiences and products can be highly different. According Home24 Facebook advertising manager, depending on the funnel you need to differentiate the message and image. For early funnel steps (especially for prospecting) you should be less commercial, especially on news feed, where people surf the news feed for inspiration, for entertainments, not necessarily for commerce. Try to be entertaining, try to be engaging (ask questions). In website custom audiences and dynamic product ads, commercial aspects can matter much more. Like price information, delivery times, sales, vouchers, etc. However, Home24 company doesn’t have clear answer to what creative elements are most effective on Facebook.
4 Literature Review

Despite the popularity of the social media, there is very limited research literature regarding social media advertising. Therefore, this chapter aims to give a theoretical background for the analysis of online advertising success. The main purpose of the chapter will be to analyze advertising environment on the Internet. In order to do this, literature review first analysis why people using Facebook. Further, factors influence advertising success on the Internet will be analyzed.

4.1 Motivation for using Facebook

In order to develop a successful online advertising strategy using Facebook, marketers must question what makes Facebook so popular and what are users behavior on most popular social networking site.

A number of studies have been conducted to understand Facebook user and behavior (Chen & Marcus, 2012; Ellison et al., 2007; Jin, Phua, & Lee, 2015; Lang & Barton, 2015; Ryan & Xenos, 2011). Consumers spend time on Facebook due to their need for social capital. Social capital is defined as “the benefits consumers receive from our social relationships” (Lin, 1999). Also, people are seeking friends, social support, entertainment, information, and convenience” (Kim et al, 2011). Another researcher pointed out that people rarely use Facebook for brand information, instead they are using it for purposes like professional advancement, social interaction, personal entertainment, sharing expressive information, escapism, and just passing the time (Balakrishnan & Shamim, 2013; Papacharissi & Mendelson, 2011). However, Palmer, A. & Koenig-Lewis, N. (2009) pointed out that according to one research, 62% of Generation Y users have accessed a brand or fan community on Facebook, and 48% have joined in a community where they can usually check for sales promotion, releases, and opinions. However, the same research showed that only 19% checked ads and 39% never checked any ads.

As already mentioned above - people use Facebook to socialize and rarely think about buying something when they log into their Facebook account (Piskorski, 2011). However, scholars Pashkevich, Dorai-Raj, Kellar, and Zigmond wrote: “Giving users the choice to
view (or not view) may actually increase this advertising effectiveness by engaging users in the advertising process. In this way, empowering users to choose the advertisements they watch online need not come at the cost of advertiser value but actually appears to serve the interests of advertisers, content owners and users” (Pashkevich, Dorai-Raj, Kellar, Zigmond, 2012). Based on this information, businesses may need to learn how to become a part of the conversation and to understand what factors influencing advertising success on the Internet.

4.2 Factors influencing advertising success on the Internet

4.2.1 Attitudes towards Advertising

Attitudes towards advertising have been broadly researched over the past few decades and it was found that consumer’s attitudes towards advertising have a direct influence on attitudes towards the brand that impacts intention to purchase and purchase. Additionally, attitudes towards advertising have also been deemed to be an efficient measure of advertising effectiveness (Yoo et al., 2010). Ducoffe (1995) claimed that there are three elements, which has most influence on advertising success. First, informativeness is a benefit derived from advertising that is consumers view as highly valuable. Second, consumers may also consider advertising irritated, this would lead to negative attitude about advertising. Finally, Ducoffe (1995) study showed that advertising should be entertaining in order to be pleasant and likable between customers. Another research made by Schlosser, Shavitt, & Kanfer (1999) also confirm Ducoffe (1995) statement and indicates that informativeness, enjoyment and interactivity of Internet advertising have significantly contributed to attitude towards Internet advertising. Other research made by Sung-Joon and Joo-Ho (2001) also stated that adequacy of information on the Internet is an important factor for marketers in terms of advertising success on Internet. Study done by Azeem and Haq, (2012) found that people clicked on online advertising if they could get relevant information from it. What’s more, the information delivered to the end user needs to present qualitative features like accuracy, timeliness, and usefulness (Siau & Shen, 2003).

Advertising phenomenal has changed from push advertising to trust based advertising. “Facebook advertising offers this advantage, the nature of such advertising dictates that
the successful effectiveness on consumers should include features such as participation, realization, personalization and feedback” (Dehghani, 2015). Menon and Soman research (2002) showed that curiosity motivate users to find value in advertising on the Web. Their study results showed that ads that present a gap of knowledge about a new product can influence the amount and direction of elaboration and can improve attitudes toward the brand. Facebook research conducted in 2012 looked at what aspects of ad creative have the most impact at different points along a consumer’s journey from awareness to purchase. The research suggested that a sense of reward is most highly correlated with the bottom of the purchase funnel: purchase consideration (Bhargava, 2014).

According Wharton (2008) there are three criteria that advertising campaigns on social networks need to fulfill in order to be successful:

- **It has to be unobtrusive:** advertising campaigns have to be unobtrusive to ensure that users listen to their messages in order to be successful on social networks.
- **It has to be creative:** In order to attract user’s attention, companies need to deliver their advertising messages in creative ways that have never been done before. Social networking website users are increasingly ignoring advertising forms as they reiterate similar messages and detract from usage experiences.
- **It has to engage users:** Companies can engage users in advertising process with social networking ads. Moreover, companies should encourage user involvement and advertising in order to be closer to their customers.

### 4.2.2 Design factors

Advertiser controlled design factors are also believed to influence which ads get noticed and considered. Visual perception is the process whereby the brain and eyes receive and interpret external reality. The tools advertisers use to direct consumer’s attention to visual stimuli are color, graphics, position and size. Advertisers arrange texts and images in ways that are calculated to draw the eyes of consumers. Banner ads are not merely advertising tools, but banners are designed to attract attention (Chansavat, 2002).

### 4.2.3 Ad image

Researchers discovered that product images impact user’s behavior. Good quality images provide better user experience by providing a better idea of the product features and
condition, where the lightness of the background is the most correlated feature (Goswami et al., 2011). Motes, Hilton and Fielden (1992) found that the active and colorless advertisement resulted in the highest score. Moreover, graphics, logos, cartoons, color, and the nature of the banners also have a high visual impact on the viewer (Barreto, 2013).

Many researchers also proved that image size has impact on user’s behavior. Nacarato and Neundorf (1998) research showed that ad whose size is small leads to a negative effect on interactivity and therefore a low click rate. Another research made by Hoan and Chang (1999) showed that the size of the ad is acting positively on the intention to click for most users. The study conducted by Li and Bukovac’s (1999) showed that larger ads resulted in much more often and quicker click-through and a significantly higher recall than smaller ads.

Another research study shows that highly vivid banners ads are more effective with respect to intention to click (Cho 1999) and click-through rates (Lohtia, Donthu, and Hershberger 2003) Vividness reflects the richness of a brand post's formal features; in other words, it is the extent to which a brand post stimulates the different senses (Steuer 1992). Dahlen (2001) also found a statistically significant relationship between user experience and an inclination to click on banner ads.

Nihel (2013) research summarized all finding before. He claimed that size, color position, animation, occupation of the user and the duration in terms of user experience of the Web, are determinants of advertising effectiveness Internet (Nihel, 2013).

### 4.2.4 Ad copy

Other important elements of banner ads are headline and copy. The headline of the banner ads consists of a few words that introduce the advertisement. The copy is the more detailed text that supports the message. In the banner context, the headline is usually the only text that is seen, with the subsequent copy appearing on the target pages to which the banner links (Barreto, 2013).

Another research study indicates that Facebook marketing communication messages must be entertaining to have a favorable effect on positive attitude of the user. This can be done
by using of creative and humorous advertisements. It is more likely to stimulate interaction with customers. (Carrillat et al, 2014). Advertising research further suggests that message length may affect advertising success (Baltas 2003; Robinson, Wysocka, and Hand 2007).

Use of personal references (you, yours) in the advertisement had an effect on both advertisement recognition and brand association. (Hofacker, 1998). Dehghani (2015) stated that in order to optimize Facebook advertising, marketers should provide more customized messages to their customers and offer incentives as well as promotions to encourage them to pass on messages.

Barreto (2013) suggested that by adding a social component to their ads, advertisers could transfer the feelings of trust from a friend to the promoted message, thus legitimizing the ad. In addition, advertising must also be able to change attitudes, based on trust. Another study showed that individuals accessing the news feed page responded more favorably to abstractly framed and desirability-focused messages than those messages which were concretely framed feasibility-focused (Kim et al, 2016).

Research made by Dooley suggested that campaigns with purely emotional content performed about twice as well (31% vs. 16%) with only rational content, and those that were purely emotional did a little better (31% vs 26%) those that mixed emotional and rational content. Another related studies in the field also recognize emotion as a vital element that can importantly affect the effectiveness of a message (Xie, Donthu, Lohtia, & Osmonbekov, 2004) Messages with strong emotional appeals have been found to be more likely to be shared online (Alhabash et al., 2013). Thus, the related studies suggest that the stronger emotional appeals a SNS ad possesses, the more positive attitude a user is likely to develop toward the ad.

Lee and Hong (2016) research showed that a creative social networking site ad captures consumers attention. It drives them to express their positive affective evaluation of the ad. Researchers also found that the more creative and informative users perceive an advertising message to be, the more positive their attitude to empathy expression is. Thus, consumers are more likely to develop a positive attitude to the expression of favorable affective evaluation of a SNS ad when the ad provides information that addresses their
functional needs like making an optimal choice of product or service and when it is creative enough to provide hedonic value.

In creating effective ads, advertisers must remember that the "message is everything, design is second, but both factors should work along together. The message does not have to be strong, but it does need to appeal to the viewers' interests” (Bannertips, 2001).

4.2.5 Placement

A study by Shamdasani, Stanaland, and Tan (2001) examined banner ad effectiveness in terms of the Website reputation the ad was placed and the relevance between the banner ad product category and site’s content. Research showed that the banner ad effectiveness for a high-involvement product is driven by the relevance of content on the Web page and for low-involvement products appear to be driven by the reputation of the Website where the ad is located. Also, advertising research by Drèze and Huss herr (2003) and Goodrich (20011) showed that the position of a banner ad on a website has a positive effect on attention paid to the ad.

Another study conducted by Kozlen (2006) also stated that banners location and relevancy to the consumers are the characteristics that most often cause them to notice banner ads. However, it takes additional elements for banner ads to actually gain their attention, such as: bright colors, graphics, logo, size, interactivity, discounts, sales.

4.2.6 Product type

Several studies have examined the effectiveness of banner advertising based upon the type of products being advertised. Dahlen and Bergendahl (2001) study investigates the effectiveness of banner ads whether the product is expressive or functional. An expressive product is one which is purchased for ego gratification, emotional stimulation or social acceptance, and is not easily purchased based on cognitive reasoning or differentiated by features. A functional product was described as the product which features are important and based upon the solution to a particular need purchase decisions are made logically. The researchers discovered that people who clicked on a banner ad with an expressive product are greater brand users than those who are exposed to the banner ad and do not click and have more positive attitude toward the brand.
Another study conducted by Dahlen (2001) looked at how familiar brands affects banner ad effectiveness in terms of click-through and impressions. Researcher found out that familiar brands received more than double the click-through rate comparing with unfamiliar brands and had an initial click-through rate around 10 times bigger than for unfamiliar brands. Dahlen (2001) also found that click-through rates decrease with multiple exposures of familiar brands and increased with multiple exposures of unfamiliar brands. So its useful for companies, which doesn’t have familiar bands advertise more in regards to create brand awareness. Another research by Chang – Hoan Cho (2003) indicates that people who are involved with a product are more likely to click a banner ad than those with lower product involvement.

As literature review part showed, previous research made lots of generalization about what factors influence advertising success, but nobody analyzed design factors which can affect advertising success on Facebook.
5 Methodology

5.1 Participants and Setting

Participants for current research study were chosen from Home24 website custom audience. They are past 90 day website visitors who visited “Smood” landing page. “Smood” mattress is companies best seller product. Participants were from 18 to +65 years old. Both man and woman, who are living in Germany. Estimated audience size is 17000.

5.2 Research Design

This research reflects an analysis of live campaigns performance data from Home24 company. Different design elements were tested: ad copy, pictures and ad location to see which creatives and its combinations contributes most revenue to company.

For the purposes of this study, online conversion data from the advertiser’s website were tracked to determine the impact of Facebook advertising creative elements. A conversion is defined as an online application for a credit report, and full credit for the conversion is assigned to the last click before the event as specified by the advertiser’s overall program settings.

This test was executed from January till March, 2016.

5.3 Instrumentation

To measure Facebook Advertising campaigns effectiveness all data was collected with Facebook Performance Marketing Platform tool Smartly.io. With Smartly.io marketers can quickly create, manage and optimize every aspect of a successful Facebook advertising campaign using tools like A/B testing, automated budget allocation, trigger rules etc.
For current research study A/B testing were chosen. It provides advertisers an easier way to run experiments on how different factors affect the performance of Facebook ads. It measures Facebook Ads with the same objective against each other. So advertisers can not only see if their Facebook ad is working, but also which advertising elements work the best to their goal. Tool also provide a slick real time reporting interface and conversion tracking to attribute campaign performance with a precision. In Smartly.io tool quantitative data was analyzed to compare different ad campaigns to see which has better KPIs.

5.4 Procedure

5.4.1 Key Performance Indicators

Key performance indicator (KPI) is a type of performance measurement, which help marketers to measure how well companies are performing compared to their strategic goals and objectives. For purposes of advertising efficiency measuring Facebook has a wide range of simple advertising performance monitoring tools. For current research study basic KPIs were chosen:

- **Impressions** - it is the number of times ad is displayed. The number by itself does not hold much value but it is a metric used to calculate other metrics and KPIs. An impression does not mean that someone actually saw the ad, it just that the ad was shown on a web page/app.
- **Clicks** - cumber of clicks ad unit was clicked.
- **CPC** – cost per click is the cost that you pay for each click. It is calculated by dividing the cost with number of clicks. $CPC = \frac{\text{Cost}}{\text{Clicks}}$
- **CTR** - it is the number of clicks generated per impression of a banner ad. This number is expressed as a percentage. $CTR = \left(\frac{\text{click}}{\text{impressions}}\right) \times 100\%$
- **Demographic metrics** – age, gender.

5.4.2 Facebook Advertising Efficiency Measuring

Simple metrics provides only an incomplete overview of online advertising campaign showing only partial efficiency of an advert, therefore I decided to use research method made by Vejacka (2012) - a composite index to measure the Facebook ads efficiency in
a more complex way and to enable an easy comparison.

First, according researcher the following three measures has to be part of the proposed composite index. CTR can identify the quality of advert. For example, the attractiveness of the advert to the target group in desired degree: clarity of ad statement, text appeal on users, attractiveness of design, placement. The higher value it has, the advert is more attractive and therefore users click through it more often (Vejacka, 2012). CPC shows average cost of one click on particular advert achieved during campaign. However, it is important to mention that CPC price always differ. In areas where there are a lot of advertisers competing for the same demographic the costs are higher and vice versa. Lower CPC means more efficient advertisement. An alternative to CPC is CPM (cost per mille), which measures costs per thousand impressions, meaning that advertiser has to pay for every 1000 impressions advertising campaign gets (Guide to Facebook Ads, 2011).

5.4.3 Efficiency Index Proposition

To utilize simple efficiency comparison between ads or advertising forms, Vejacka (2012) formed a proposed composite efficiency index (CEI) from click through rate (CTR – clicks per impression) and cost per click rate (CPC). Its proposed composition is as follows in figure 4.

\[
\text{CEI} = \frac{\text{clicks}}{\text{impression}} \cdot \frac{\text{clicks}}{\text{cost}}
\]

This can be transformed to:

\[
\text{CEI} = \frac{\text{clicks}^2}{\text{impression} \cdot \text{cost}}
\]

If we consider the following equation:

\[
\frac{\text{clicks}}{\text{cost}} = \text{CPC}^{-1}
\]

Then we can transcript the first equation into the simplest form:

\[
\text{CEI} = \frac{\text{clicks through rate}}{\text{cost per click}} = \frac{\text{CTR}}{\text{CPC}}
\]

Figure 4 Efficiency Index Proposition by Vejacka (2012)
It means that advertising has better quality if it has the higher number of clicks per impression (CTR). Also, the lower costs for one click (CPC) also leads to a more effective advertisement. Presented ratio of the number of costs and clicks shows how many clicks the advertisement gets per one currency unit. The higher value is, the better performance of the ad. Researcher composed these two basic indicators into the one simple coefficient - in a single number reflects how the advertisement is performing. According to Vejacka (2012), it gives for advertiser a good basis to compare various social media advertising campaigns against each other. The proposed composite efficiency index (CEI) is constituted from a ratio of click-through rate and cost per click. Where the lowest efficiency represents zero - value of CEI. This is possible only when no one will click on ad and therefore this ad is totally ineffective. The lower number of impressions necessary per a click and lower costs on a campaign mean better efficiency. Although, it is not necessary to restrict number of impressions, if a campaign is paid per a click, not per impressions (Vejacka, 2012).
6 Results

The following chapter will take a closer look at the results of the Facebook advertising tests which were made with collaboration with company Home24. Results section will give an answer to the research question and objectives of this thesis. The aim of this section is to get a deeper understanding of what creative elements drives advertising success on Facebook. The first part of this analysis seeks to present a general overview of the descriptive statistics. Second part will introduce and analyze Facebook advertising tests made in collaboration with Home24.

6.1 Descriptive Statistics

The number of the respondents that click on ads was 9578. All of the respondents were Facebook users, from which we had female (n=4197), male (n=5235) and unknown (n=146).

Table 1
Descriptive statistics

<table>
<thead>
<tr>
<th>Genre/Age</th>
<th>Impressions</th>
<th>Clicks</th>
<th>CTR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>197546</td>
<td>345</td>
<td>0,175%</td>
</tr>
<tr>
<td>25-34</td>
<td>581172</td>
<td>1482</td>
<td>0,255%</td>
</tr>
<tr>
<td>35-44</td>
<td>404825</td>
<td>995</td>
<td>0,246%</td>
</tr>
<tr>
<td>45-54</td>
<td>137758</td>
<td>872</td>
<td>0,633%</td>
</tr>
<tr>
<td>55-64</td>
<td>54770</td>
<td>347</td>
<td>0,634%</td>
</tr>
<tr>
<td>65+</td>
<td>11407</td>
<td>156</td>
<td>1,368%</td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>203366</td>
<td>527</td>
<td>0,259%</td>
</tr>
<tr>
<td>25-34</td>
<td>595464</td>
<td>1841</td>
<td>0,309%</td>
</tr>
<tr>
<td>35-44</td>
<td>391670</td>
<td>1304</td>
<td>0,333%</td>
</tr>
<tr>
<td>45-54</td>
<td>159102</td>
<td>1002</td>
<td>0,630%</td>
</tr>
<tr>
<td>55-64</td>
<td>58027</td>
<td>357</td>
<td>0,615%</td>
</tr>
<tr>
<td>65+</td>
<td>13364</td>
<td>204</td>
<td>1,526%</td>
</tr>
<tr>
<td>Unknown</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>964</td>
<td>7</td>
<td>0,726%</td>
</tr>
<tr>
<td>25-34</td>
<td>6652</td>
<td>62</td>
<td>0,932%</td>
</tr>
<tr>
<td>35-44</td>
<td>5346</td>
<td>39</td>
<td>0,730%</td>
</tr>
<tr>
<td>45-54</td>
<td>2641</td>
<td>21</td>
<td>0,795%</td>
</tr>
<tr>
<td>55-64</td>
<td>807</td>
<td>8</td>
<td>0,991%</td>
</tr>
<tr>
<td>65+</td>
<td>979</td>
<td>9</td>
<td>0,919%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2825860</strong></td>
<td><strong>9578</strong></td>
<td><strong>0,339%</strong></td>
</tr>
</tbody>
</table>
The oldest respondent was at the age of 65+ and the youngest at the age of 18. As table 1 shows, male CTR to the ad is 0,368%. Which is higher than woman CTR – 0,302%. In both groups age group 65+ has highest CTR: for female its 1,368% and for male it is 1,526%. Also, the lowest CTR has age group 18-24. Female 18-24 CTR – 0,175% and male – 0,259%.

### 6.2 Home24 Facebook Advertising Data summary

The main reason for conducting Facebook advertising experiments was to deepen knowledge about Facebook advertising campaigns efficiency of Home24 company and understanding what factors influence advertising success on Facebook. The main acquired average Facebook advertising data are presented in the following table 2. This table shows the basic summary of current research study numerical output. In total all Facebook ads have a high number of impressions, suggesting that Facebook ads have a very wide reach of potential customers. However, Facebook algorithm can show the same ad to the same person two times per day on News Feed placement and Right Hand side placement doesn’t have frequency cap. Meaning that same ad can be showed many times per day to a single person. With average number of clicks at 9578 it represented average really click-through rate of 0,339%.

<table>
<thead>
<tr>
<th>“Home24” Facebook Advertising</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Impressions</td>
<td>282577</td>
</tr>
<tr>
<td>Clicks</td>
<td>9578</td>
</tr>
<tr>
<td>CTR (average)</td>
<td>0,339%</td>
</tr>
<tr>
<td>CPC (average)</td>
<td>0,83 €</td>
</tr>
<tr>
<td>Spent</td>
<td>254,91 €</td>
</tr>
<tr>
<td>CEI</td>
<td>0,004</td>
</tr>
</tbody>
</table>

Average from recorded costs per click was at level of 0.83 EUR, which shows pretty high expensiveness of Facebook advertising. These high costs of Facebook ads market in Germany show that competition between advertisers has pushed prices very high. Home24 company spent around average of 254,91 EUR on their single campaign in
average. Due to long conversion funnel and late conversions it is really difficult to estimate how much revenue every single campaign contributed. Therefore, Facebook advertising on this stage it is more abound brand awareness and not about sales. Finally, I expressed efficiency index, which was at average value of 0.004.

6.3 Test 1 – Voucher code

Home24 is an eCommerce shop, which sells furniture and decoration for home. All products in the web shop are high quality, but very expensive. Therefore, in order to communicate with existing customers and build relationship with them or in order to attract new customers, company always offers some discounts for products.

As Facebook is social media where people are usually coming not to buy products, but to share news and pictures, to relax, or just to socialize with their friends it is really important to understand what are their attitudes towards Facebook advertising. In other words, how people react to more aggressive ads (push ads) on Facebook. For this reason, I wanted to test if advertising sales on Facebook has better performance than advertising with not that aggressive messages on Facebook. In order to do that, two similar Facebook ads were created. Figure 5 shows ad without promoting discount. Figure 6 shows ad with 15 % discount on the picture. Test was running for 16 days.
Results in table 3 shows that advertising without promoting discounts are working better on social media platform Facebook. Comparing impressions Ad 1 has 300316 and Ad 2 – 297517. Ad 1 were clicked 3314 times, which lead to click-through rate (CTR) of 1,104% Ad 2 were clicked only 2165 times and has lower CTR – 0,728%. Advertiser for Ad 1 had to pay 0,94 EUR for one click on average, while Ad 2 cost were much higher - 1,40 EUR for one click. Composed Efficiency Index proposed (CEI) by Vejacka (2013) shows higher index for Ad 1 is 0,0117 than for Ad 2 - 0,0052.

<table>
<thead>
<tr>
<th></th>
<th>Ad 1</th>
<th>Ad 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impressions</td>
<td>300316</td>
<td>297517</td>
</tr>
<tr>
<td>Clicks</td>
<td>3314</td>
<td>2165</td>
</tr>
<tr>
<td>CTR</td>
<td>1,104%</td>
<td>0,728%</td>
</tr>
<tr>
<td>CPC</td>
<td>0,94 €</td>
<td>1,40 €</td>
</tr>
<tr>
<td>Spent</td>
<td>3.129,53 €</td>
<td>3.036,08 €</td>
</tr>
<tr>
<td>CEI (CTR/CPC)</td>
<td>0,0117</td>
<td>0,0052</td>
</tr>
</tbody>
</table>

6.4 Test 2 – Right-Hand-Side ad

Facebook is very visual platform and pictures are the first point which grabs reader attention, so it’s really important to understand what pictures should be placed in order to make advertising successful. In current Facebook advertising research study, advertising placement – right hand side was tested in order to define which pictures performs better on this Facebook advertising placement. Two ads were created with similar ad copies, but different pictures to get most accurate results. One ad shows same product on location picture (Figure 8) and another advertising presents plain product picture on white background (Figure 7). Both ads were running for 19 days.
After testing these creatives results showed that advertisement with on location product picture (Ad 4) is working better than plain product picture (Ad 3) on Right Hand Side. Comparing impressions - Ad 3 has 1012874 and Ad 4 – 1180844. Ad 3 were clicked 1292 times, which lead to click-through rate (CTR) of 0,128%. Ad 4 were clicked 2302 times and has higher CTR – 0,195%. Home24 company for Ad 3 had to pay 0,71 EUR for one click on average, while Ad 4 cost were lower - 0,54 EUR for one click. Composed Efficiency Index (CEI) for Ad 3 – 0,0018, while Ad 4 0,0036. This number shows that Ad 4 is more efficient ad on Facebook.

<table>
<thead>
<tr>
<th></th>
<th>Ad 3</th>
<th>Ad 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impressions</td>
<td>1012874</td>
<td>1180844</td>
</tr>
<tr>
<td>Clicks</td>
<td>1292</td>
<td>2302</td>
</tr>
<tr>
<td>CTR</td>
<td>0,128%</td>
<td>0,195%</td>
</tr>
<tr>
<td>CPC</td>
<td>0,71 €</td>
<td>0,54 €</td>
</tr>
<tr>
<td>Spent</td>
<td>912,96 €</td>
<td>1,242,45 €</td>
</tr>
<tr>
<td>CEI (CTR/CPC)</td>
<td>0,0018</td>
<td>0,0036</td>
</tr>
</tbody>
</table>

Table 4
Facebook Advertising Efficiency – Right Hand Side ads test
6.5 Test 3 – Page Post Link ad (PPLA)

Choosing the right image is essential to creating a great ad. Page post link ads are usually a brand’s best bet to drive conversions from Facebook. Therefore, in this test I wanted to identify which picture performs best. Three different creative elements were chosen. Figure 9 shows on location product picture. Figure 10 shows plain product picture and figure 11 represents creative with testimonial.

![Figure 9 Ad 5 – On location product picture](image)

![Figure 10 Ad 6 – Plain product picture](image)

![Figure 11 Ad 7 – Ad with testimonial](image)
Results in table 5 shows that advertising pictures with testimonials (Ad 5) are working better on social media platform Facebook, than promoting only plain product picture (Ad 6) or on location product picture (Ad 7). Comparing impressions Ad 5 has 4792, Ad 6 – 2536 and Ad 7 - 3295. Ad 5 were clicked 104 times, which lead to very high click-through rate (CTR) of 2,17%. Ad 6 were clicked only 42 times and has lower CTR – 1,656%. Ad 7 was clicked 53 times (more than Ad 6), but has lowest CTR – 1,609%. Advertiser for Ad 5 had to pay 0,65 EUR for one click on average, while cost for Ad 6 were cheaper - 0,60 EUR for one click. However, Ad 7 was most expensive - 0,74 EUR. Composed Efficiency Index proposed (CEI) shows higher index for Ad 5 - it is 0,0334. CEI for Ad 6 is lower – 0,0276. Most inefficient ad is Ad 7 with CEI of 0,0217.

<table>
<thead>
<tr>
<th></th>
<th>Ad 5</th>
<th>Ad 6</th>
<th>Ad 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impressions</td>
<td>4792</td>
<td>2536</td>
<td>3295</td>
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<tr>
<td>Clicks</td>
<td>104</td>
<td>42</td>
<td>53</td>
</tr>
<tr>
<td>CTR</td>
<td>2,170%</td>
<td>1,656%</td>
<td>1,609%</td>
</tr>
<tr>
<td>CPC</td>
<td>0,65 €</td>
<td>0,60 €</td>
<td>0,74 €</td>
</tr>
<tr>
<td>Spent</td>
<td>67,08 €</td>
<td>24,99 €</td>
<td>39,39 €</td>
</tr>
<tr>
<td>CEI (CTR/CPC)</td>
<td>0,0334</td>
<td>0,0276</td>
<td>0,0217</td>
</tr>
</tbody>
</table>

### 6.6 Test 4 – Ad copy

Everything can be tested with Facebook A/B Testing tool and even the smaller element can drastically improve marketing performance. In previous tests I mainly focused testing different pictures and placement of the ad. In last test I wanted to find out which ad copy performs best. In order to do that creative from previous test which had highest click-through-rate (CTR) and was performing better than others was chosen as well for current test. 3 different ad copies were created.

nights sleeping with sample “Smood”. Free Shipping & return. 15-year guarantee. Many satisfied customers.”

Second ad copy instead stating benefits are asking questions, believing that it could help to engage customers with the product (Figure 13). It says: “Hast Du schon einmal auf einer Faserschaum – Gel – Matratze geschlafen? Nein? Wir versprechen, du wirst es lieben! Smood – Die Matratze für einfach guten Schlaf. Sie ist nicht zu weich. Sie ist nicht zu hart”. – “Have you ever slept on a fiber foam – gel sleeping mattress? No? We promise you’ll love it! Smood - The mattress for your good sleep. It is not too soft. It is not too hard.”

To sell on social media platform, social proof should be used in order to trust advertiser. I wanted to compare how Facebook ads with customer content performed against ads with only brand content. Third ad copy consist of social proof (Figure 14). It says: “Auf Smood liegt es sich gut. Das bestätigen auch unsere Kunden und bewerten Smood mit durchschnittlich 4 von 5 Sternen. Eure Bewertung: 4/5. Matratze für gute Schlaf.” – “Smood it is great. That confirms our customers and evaluate “Smood” with an average of 4 out of 5 stars. Your Rating: 4/5. Mattress for good sleep. ”

Figure 12 Ad 8 – Ad copy stating benefits

Figure 13 Ad 9 - Ad copy asking questions
Testing different ad copies showed that asking questions (Ad 9) is the best technique to catch people attention comparing with only stating product benefits (Ad 8) or claiming how many satisfied customers company already has (Ad 10). Comparing impressions Ad 8 has 4092, Ad 9 – 2222 and Ad 10 - 4711. Ad 8 were clicked only 36 times, which lead to click-through rate (CTR) of 0.880%. Ad 9 were clicked 222 times and has highest CTR – 1,501%. Ad 10 was clicked 48 times and has CTR of 1,019%. Which is higher than Ad 8, but lower than Ad 9. Average CPC for Ad 8 is 0.95 EUR. CPC for Ad 9 is 0.81 EUR on average and Ad 10 cost is the same like Ad 8 - 0.95 EUR. Comparing Efficiency Index (CEI) for Ad 8 is 0,0093, for Ad 9 0,0185 and for Ad 10 – 0,0107.

<table>
<thead>
<tr>
<th></th>
<th>Ad 8</th>
<th>Ad 9</th>
<th>Ad 10</th>
</tr>
</thead>
<tbody>
<tr>
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<td>14788</td>
<td>4711</td>
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<tr>
<td>Clicks</td>
<td>36</td>
<td>222</td>
<td>48</td>
</tr>
<tr>
<td>CTR</td>
<td>0.880%</td>
<td>1,501%</td>
<td>1,019%</td>
</tr>
<tr>
<td>CPC</td>
<td>0.95 €</td>
<td>0.81 €</td>
<td>0.95 €</td>
</tr>
<tr>
<td>Spent</td>
<td>34.29 €</td>
<td>180.14 €</td>
<td>45.48 €</td>
</tr>
<tr>
<td>CEI (CTR/CPC)</td>
<td>0,0093</td>
<td>0,0185</td>
<td>0,0107</td>
</tr>
</tbody>
</table>
7 Discussion

The goal of the following research was to investigate which creative elements are more effective in Facebook advertising. Findings should encourage advertisers to focus on quality of their creative and to develop the best digital ads to attract user’s attention.

The image a consumer sees in an ad can have a dramatic effect on how they feel about it, and ultimately, if they click it or not. Therefore, in current research study different pictures were tested. Current research study results showed that Facebook users are clicking the ad more without voucher code on the picture. This is really surprising results, because usually marketers expect to attract new customers by offering them discounts. As mentioned above, Facebook is different social media channel, than others. People are not coming to buy products or services, they are coming to communicate with other people, to relax or just are seeking entertainment. Therefore, all advertising activities could irritate Facebook users. Knowing this, marketers should focus on advertisements, which engage users and are more users – oriented.

Another finding from Facebook advertising pictures testing is that users are clicking the ad with testimonials more, than ad, which shows only plain product picture or product on location picture. The ad with testimonials looks more natural and fits to users News Feed wall, meaning that when person scrolls down Facebook and see the ad with testimonial, it doesn’t look like and ad it can be his/her friend posting a new picture. Having testimonials in Facebook ads can be a great tool to endorse a product, which is also immediately gives credibility and removes a level of fear.

Previous creative tests were running on News Feed, so it is also really important to understand how and what right hand side ads are working in order to know if marketers should invest their money and time on this placement. Two different pictures were tested on right hand side placement: plain product picture and on location product picture. This test showed that on location picture are working by far better than only plain product picture. It could also lead to the idea that people doesn’t want to see really commercial ads, they want to be involved in the ad. Also, on location picture was chosen with “Berlin style” home looking. People could be inspired by it.
There is always a question do Facebook users ignore right hand side ads and better engage with news feed ads? In current research study I wanted to test RHSD and NFD ads against each other. However, it is really difficult to compare NFD and RHSD ads. Facebook only allows two impressions per user per company page per day on News Feed (both mobile and desktop are taken into consideration, so they share the 2 impressions). The amount of possible impressions for an advertiser doubles (from 2 to 4), if a user “likes” your page. Right Hand Side does not have an impression cap. Furthermore, it might give a wrong impression of your reach. Meaning that the same Ad on RHSD can be showed for user many times per day, therefore it will have much lower CTR than the same ad showed to user on news feed.

To summarize, marketers need to put more research and focus into the creative elements they use in Facebook. The relatively short lifespan of a Facebook ad means that brands must constantly refreshed images and ad copy in order to keep their ads and content interesting for users. Furthermore, Facebook user should always be able to glance at the ad and immediately know what this ad means, what action they are supposed to take and what value they are going to derive from that action. Moreover, advertising on Facebook it is really important not to stop testing once you’ve established a winning variation. Different targeting options, can lead to very different results in terms of creative elements. So it is really important to leave room in your budget for testing. It’s a small amount that yields the biggest results. Sometimes the ad which looks boring for you, can lead to brilliant results and many conversions. Marketers should not get attached to their favorite ad variation. As your ads are seen more often, users just start losing their impact. So it’s important to continue split testing on a regular basis.
8 Conclusion

8.1 General summary

Digital marketing has become a standard element in every marketer’s strategy. In the ever expanding digital world, the rise of social media is very evident and shows no signs for stopping. Social media has become an essential part of people lives. All of this have caused marketers to start adopting social media widely in their marketing activities. Companies start using social media for interacting with their current and prospective customers. Additionally, advertising through social media has become an essential part of the integrated marketing communication efforts of companies in marketing their products and services (Gaber & Wright, 2014).

Among various social media websites currently available on the Internet, Facebook has almost half of marketers’ votes (49%). Facebook has an incredible vast reach. There are more than 1.55 billion active users on Facebook. Moreover, majority of these people log in several times per day and spend a lot of time on the network. There is no surprise that with Facebook’s massive base of monthly active users, it continues to be a critical digital channel for reaching existing and potential customers. The advantage of Facebook is its ability to attract users to use text, images, videos and links as interactive content, as strategies to track and share new products with consumers (Yaakop et al., 2012). With Facebook ads companies have the opportunity to put business in front of very large and active user base, but there is, however, little known about what exactly drives advertising success on online social networking site - Facebook.

This research is a step forward towards answering the question: "What drives advertising success on Facebook?" The aim of this study is to provide marketers with more depth understanding what creative elements is most powerful on social networking site Facebook. These findings could draw guidelines for strengthening ads in Facebook Advertising before ads go live.

To measure Facebook Advertising campaigns effectiveness all data were collected and analyzed in Facebook Performance Marketing Platform tool Smartly.io. This tool provides a slick real time reporting interface and conversion tracking to attribute
campaign performance with a precision. In Smartly.io quantitative data were used to analyze and compare different ad campaigns to see which has better KPIs.

This research reflected an analysis of live campaigns performance data from Home24 company. Different design elements were tested: ad copy, pictures and ad placement to see which creatives and its combinations are most effective. Creative with on location product picture is working better than plain product picture on Right-Hand Side placement. Moreover, creative with testimonial is most successful on News Feed placement. Ad copy which is asking questions, instead stating product benefits is most affective. Very interesting findings are that creative, which promoting discount has worse performance than same product picture without discount.

### 8.2 Managerial Implications

Creative elements are very important part of advertising on Facebook. Choosing right picture, ad copy and placement leads to advertising success. Pictures are first thing what users notices on Facebook, so it should be eye-catching and creative, but not too commercial. As current research showed, pictures with testimonials are most effective. As well as ad copy, instead stating stating benefits of the product, ad copy should engage people to interact with ad. Asking questions is one of tool which could be used in Facebook Advertising.

Regarding placement of the ad, it is difficult to compare news feed ad (NFD) with ads on the right hand side (RHSD). NFD is more expensive placement, which has frequency cap. meaning that the same ad to one person can be shown only one time per day, while RHSD ads has much lower CTR and no frequency cap. Ad can be shown many times per day for same user. It depends on marketers goals, objectives and budget of ad campaign in order to choose best placement for the ad on Facebook.

In order for Facebook Advertising campaign to be successful, marketers should focus more on the informativeness and interactivity of the advertising. Research by Ducoffe (1995) already proved that people are willing to click on the ad if it informative and interactive. Therefore, creativity would be very important aspect to make the advertising on Facebook interactive, informative and entertaining in order to attract Facebook user’s
attention. The entertainment of advertising refers to the concept that the message of advertising should not only state benefits of the product, but also involving consumers with questions, thus it immediately draws consumer’s attention. Therefore, an entertaining advertising message could increase the attention to a company’s products or services, bringing opportunity for the company. Moreover, marketers should be less commercial and always remember: people surf the news feed for inspiration, for entertainments, not necessarily for commerce. Try to be entertaining, try to be engaging (ask questions).

When using social media for advertising, the focus should not be on a “campaign mentality”. Companies must be customer-focused, by promoting relationships and engaging their target in one-to-one communications. This could be achieved with creative and interesting advertisements. Marketers should focus on creating experiences for consumers, which leads to adding value to the brand and building long lasting relationship with customers.

Another very important aspect that advertisers should take in consideration is to identify the various populations on Facebook. Marketers should know user needs and preferences in order to determine target groups. The availability of relevant and consumer-oriented information on Facebook advertising should therefore be considered. Companies should know their target population and engage it with creative content.

In the current digital media environment, due to social medias unique characteristics and increasing amounts of clutter online and with increasing ways for consumers to interact with advertising content, social media marketers must provide value to consumers to gain their attention. Understanding the ways consumers interact in social media and creating seamless messages that not only fit into the media environment but also encourage users to pass them along is the biggest obstacle for social media marketers. By understanding that marketing may not be welcome for the most part in these platforms, advertisers can better position themselves to operate on a permission-based approach while seeking to help consumers further their interests by providing value (Mabry, 2010).
8.3 Further Research Possibilities and Limitations to the Study

This research has reached its aim, reader should also be aware of its limitations. First, because of the time limit and cost, this research was conducted only for a short time period. Also, due to limited budget, advertisements could not be tested for longer time. Therefore, to generalize result and to have more accurate data, same tests should be running for a longer period of time and with a larger budget. Second, Facebook Advertising experiment was conducted in e-commerce company, which is selling furniture. Therefore, would be interesting to test different retail business and to see if users interact in the same way. Third, research study was conducted only in Germany. Therefore, other markets should be tested due to possible differences in consumer’s behavior and interaction with advertisements. What's more, Facebook Advertising test was conducted with Website Customer Audiences, meaning that consumers already where familiar with Home24 brand. This could also lead to different user’s behavior comparing with Facebook users who never seen Home24 brand before. Finally, Facebook is very dynamic platforms, which is constantly changing and always introducing new tools for advertisers. Therefore, marketers should be aware of this and before launching most expensive advertising campaigns and putting a lot of money behind it should always test their ads. Current research focus was to analyze different creative elements on Facebook and to see which are most effective. However, it is only one part of advertising success on Facebook. There are many other testing opportunities: different ad formats, targeting and bidding options. Marketers should have this in mind in order to create affective ads on Facebook. Every experiment, successful or not, will increase understanding of audience and long term success.

To summarize, digital marketing has become a standard element in every marketer’s advertising strategy. However, there remain unique strategies to deliver a series of creative elements efficiently to audiences with the right mix of targeting and bidding options. Changing the creative employed in a digital advertising campaign, advertisers have the ability to achieve their core business objectives in an accurate and measured way.
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