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The Effectiveness of Facebook Ads – An Experiment with a Small Business

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According to Qualman (2011), 93% of businesses conduct their marketing and branding through social networking. Among businesses with fewer than 500 employees, 27% of the surveyed identified Facebook and/or other social media sites as the most effective marketing method (Needleman and Marshall, 2014). Although there have been numerous studies focusing social media, studies investigating social media and marketing are very limited (Akar and Topcu, 2011). While Facebook advertisement (ad) cost has increased, most small businesses do not have the resources to implement successful social media marketing (Needleman and Marshall, 2014). It is clear that there is a need to investigate the effectiveness of social media ad.

The purpose of this study was to evaluate the effectiveness of Facebook ad by a small business through experimentation with 12 boosted ads on its Facebook page. The specific objectives were: to generate average Facebook ad performance measures from 12 paid ads, to compare average performance measures between six \$15.00 ads and six \$25.00 ads, to evaluate this small business' Facebook ad performance measures against Facebook ad industry benchmarks, and to identify sales and consumer comments generated by these 12 Facebook ads. The findings of this study not only contribute to expand the literature of social media marketing but also provide small businesses with 'lessons' of how Facebook ad works.

The small business used in the study is a company developing and selling collegiate licensed products in the United States since 2009. The author of this study assisted the company with developing and launching six ads boosted by \$15.00 each and six ads boosted by \$25.00 each in a three-month period. These ads were all about the company's new products rather than promotions. Each of the 12 ads was set up by targeting specific interest groups and each was boosted between two to five days. Online orders were monitored through the same time period. The performance measures generated by Facebook.com were compiled and analyzed by Excel. The standard ad performance measures include Click-Through Rate (CTR), Cost per Click (CPC), Cost per (1000) Impression (CPM), Page Like Rate (PLR) and Cost per Like (CPL).

Results of the 12 Facebook ads' performance were summarized in the table below along with selected Facebook ad industry benchmarks reported by Salesforce.com (2013). The 12 Facebook ads generated a total of 59,221 impressions, 1,815 clicks, 1,560 actions and 68 page

likes with a total cost of \$240. In comparison with the selected industry benchmarks, these Facebook ads of this small business performed quite well with 3.19% CTR, \$0.17 CPC and 0.12% Page Like Rate, although the CPM and CPL of these ads were high at \$4.06 and \$3.53 respectively. It was found that, in average, the \$15.00 ads performed better than the \$25.00 ads

		CTR	CPC	CPM	CPL	PLR
This Study	12 Ads average	3.19%	\$0.17	\$4.06	\$3.53	0.120%
	Six \$15.00 ads average	2.99%	\$0.17	\$3.74	\$2.81	0.130%
	Six \$25.00 ads average	3.39%	\$0.17	\$4.39	\$4.17	0.110%
Industry Benchmark	Sponsored place check-in story	3.20%	\$0.04	\$6.27	--	--
	Page Post	2.03%	\$0.23	\$4.00	--	--
	Clothing and Fashion	0.25%	\$0.08	\$0.36	\$0.84	0.084
	General Retail	0.50%	\$0.31	\$1.39	\$1.23	0.108
	Sports	0.29%	\$0.36	\$0.98	\$0.68	0.043
	USA	0.17%	\$0.24	\$0.67	\$0.64	0.068

in all measures except CTR. This relative low CTR of 2.99%, generated by the six \$15.00 ads, is still much higher than the 2.09% CTR of Page Post benchmark. Meanwhile, CPC (\$0.17) and CPM (\$3.74) of the small business' \$15.00 ads are both lower than Page Post benchmarks (\$0.23 and \$4.00 respectively). However, there was only one Online order occurred during the campaign period and two comments were recorded on the company's Facebook. In contrast, a direct mass email list campaign after these Facebook ads generated a lot of online orders.

In conclusion, Facebook ad can be used as an effective tool by small businesses to generate brand or product awareness with a low budget. However, impressions, click-through and page likes do not necessarily lead to online orders. Direct email campaign does lead to sales. The Facebook ads used in this study were all new product debuts rather than promotion offers. Future studies could, by using similar experimental approach, investigate the effect of promotional advertisement through Facebook.

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