

Market Insights

Social Advertising

Q2 | 2020



esome™

About esome

esome supports advertisers' and agencies' businesses by realizing their marketing goals. The Media Outcome Manager from Hamburg pursues a result-driven approach, connecting all digital media channels based on technology and know-how. In an increasingly complex digital advertising industry, esome offers harmonized access to all social platforms and programmatic inventory, allowing advertisers and agencies to focus on the realization of their marketing goals.

About Market Insights

The data for these Market Insights has been aggregated from more than 200 clients' social advertising campaigns in the German market spanning major industries. The foundation of these Market Insights was primarily the data from Q2|2020. For the calculation of Click-Through-Rate (CTR) and Cost-per-Click (CPC), only campaigns with the objective „Website Traffic“ have been adducted, Video content has been considered separately. The CPM served as an indicator for media costs and the competition around advertising inventory. The illustrated KPIs conduce to the cross-platform comparability and do not necessarily represent the best practices of social advertising campaign execution. The trends presented in the following are based exclusively on data from social advertising campaigns that have been executed by esome.

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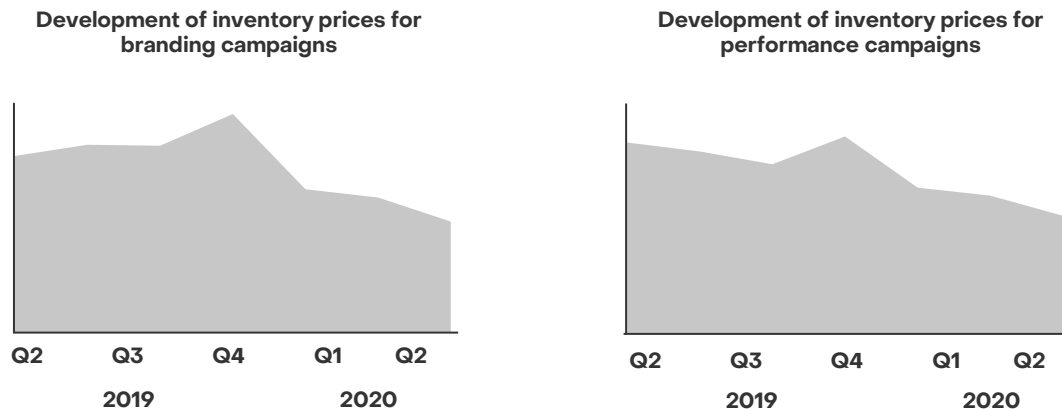
Market development

Beginning of a long summer slump in the second quarter

The uncertainty among advertisers as a result of the COVID 19 pandemic, was reflected in stagnating social advertising budgets and low inventory prices on the social platforms within the second quarter.

In the Market Insights Q1|20, we developed three possible future scenarios based on data from the first quarter and were right with the second scenario: stagnating advertising activities turned into a long summer slump. The market continued to take a wait-and-see role in the second quarter and did not increase its activity. Government decisions were awaited in order to make communication decisions. Prices and budgets stagnated at a low level. The transition to the summer and thus to the holiday season, in which advertising activities traditionally decline anyway, brought new uncertainties.

This uncertainty was reflected in decreasing inventory prices, which are heavily dependent on user behavior and the demand for inventory. The advertising pressure was accordingly low. Inventory prices for both branding and performance campaigns decreased in the second quarter.



Increasing traffic on Facebook – low CPC on Twitter

In April, the click price was lower than it has been for years across all platforms. In the course of the second quarter, the cost per click rose again and doubled from April to June. At the end of the quarter, the costs reached a normal, but still low, level. The market became more courageous and advertisers began to interact with users and vice versa. This was also reflected in rising click-through rates: On Facebook in particular, the cost per click (CPC) rose and even returned to the previous year's level at the end of the quarter. On contrast to that click prices on Twitter remained at a very low level with very good click-through rates. Overall, the CPC decreased by an average of ten percent between the first and second quarters. Rising user numbers and high consumption of social media were also reflected in the performance figures for video formats. The cost of watched videos (CPCV) was 20 percent lower than in the previous quarter.

Market development

Platform updates



With the introduction of the new "Shops" feature, Facebook and Instagram worked together to make the online shopping experience seamless on the platform. With the new feature, companies can set up an online store on Facebook and Instagram for free, upload products from their catalog and customize the look and feel of their store. Furthermore, the platforms are becoming increasingly connected to the Messenger services. In addition to the Facebook feed, Facebook Stories, Instagram and Marketplace, it has been possible since last quarter to place click-to-WhatsApp ads within Instagram Stories. To improve the design for Instagram Story Ads, new optimization and variation options for Story Ads have also been rolled out in the Ad Manager. Advertisers can now crop images for stories to a full-screen portrait or create story carousel ads from a single image. To improve the user experience, Facebook also tested new designs for video link ads, where videos are clicked at the top of the screen to play while the landing page loads below.



Twitter gives its users a voice: In addition to photos or videos, Twitter tested the embedding of audio in tweets last quarter. As with writing voice messages, these audios are recorded and posted directly. The short news service also tested a carousel advertising format that uses eye-catching visuals to encourage users to download and open apps. To measure and optimize the effectiveness of the ads on its platform, Twitter also removed a privacy feature that prevented the sharing of information such as IP address and mobile device ID with third parties. From now on, this information is shared by default and cannot be turned off.



Like Facebook, **Pinterest** also worked on expanding the shopping functions in its visual search engine. With the introduction of Shopping Spotlights, Pinterest will display expert recommendations to Pinners. Shopping Spotlights appear on the Search tab with items with product pins linked to the product pages of retailers where Pinner can buy products. A new Shop Tab for visual search in the Lens Tool now guides Pinner to the product even faster. By clicking in the search bar, users can take or upload a photo and see a Shop tab with a feed of buyable pins. These pins are based on the products in stock identified in that photo.

With the introduction of Snap Focus, **Snapchat** released a new learning tool for advertisers. The free tool includes a total of six courses that help advertisers and agencies to understand and use advertising features on Snapchat. In addition, the photo platform rolled out the new premium ad option "First Commercial". This is a non-skippable ad that is displayed to Snappers before they view the first Discover content in a day. A new vertical video conversion tool also allows advertisers to convert horizontal format content to a vertical format.



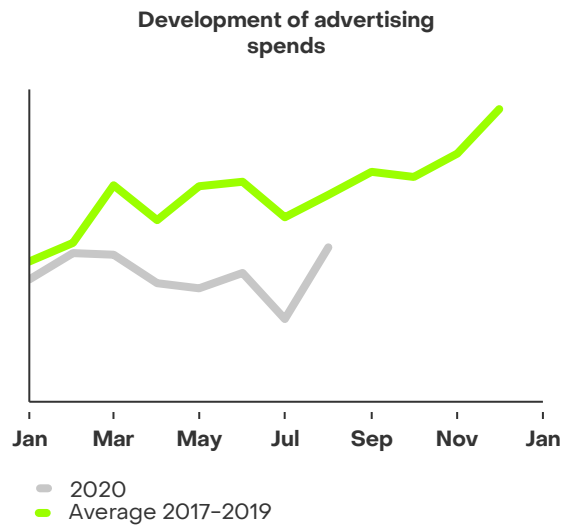
Highlights

The Corona Pandemic affected digital advertising spending

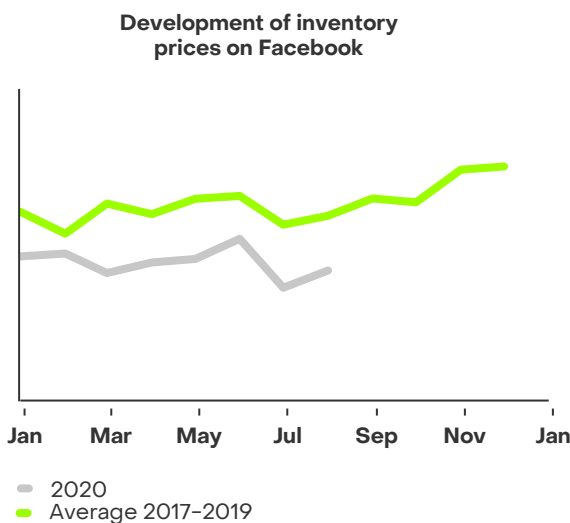
The significant impact of the COVID 19 pandemic on the activities of advertisers became particularly clear when comparing the development of this year's advertising spends with the average development of the past three years.

While the developments in January and February were very similar, a significant discrepancy between the two curves emerged from mid-March onwards. After decreasing spends in April and May, advertising business recovered briefly in June.

A glance at the third quarter already showed the additional impact of the "Stop Hate for Profit" initiative on the advertising activities of many companies on Facebook. This led to a further brief decline in advertising spending on the platform before the market seemed to recover from August onwards.



Stable inventory prices on Facebook in times of global pandemic



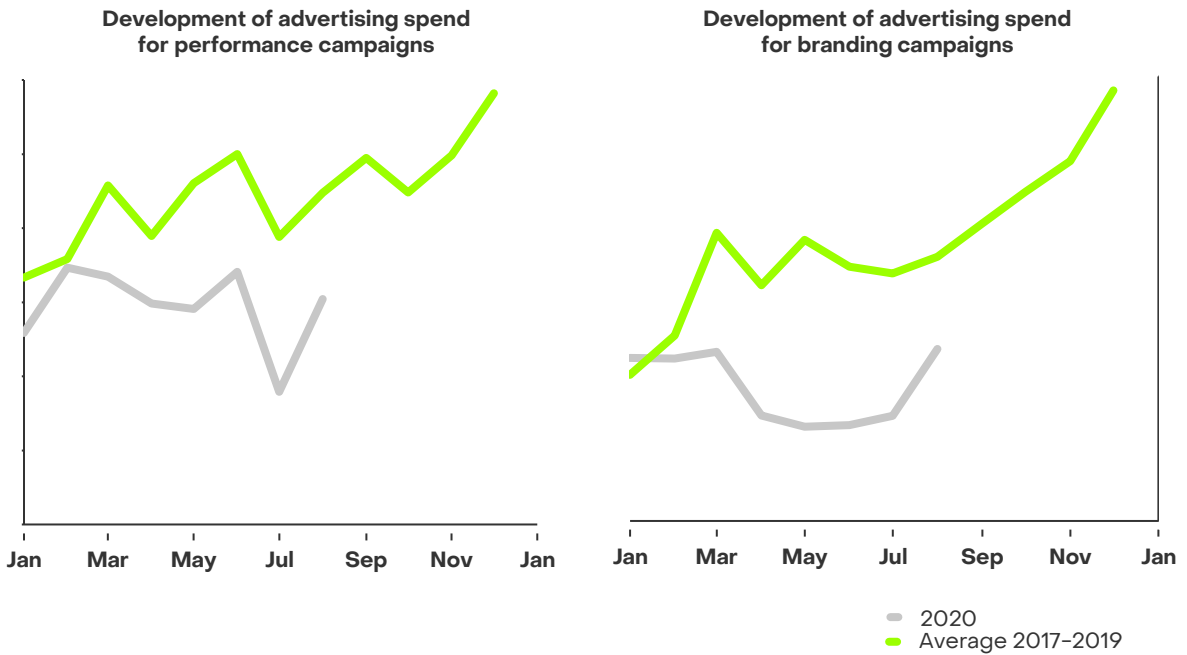
In contrast to advertising spends, the discrepancy between this year's inventory prices and the three-year average already arose in January on Facebook. This is due to an increased budget share of advertisers on Instagram and the comparably low inventory prices on Instagram.

With exception of February and March, the global development of inventory prices was approximating to the average of the previous years.

Highlights

Significant reduction of advertising spends for branding objectives

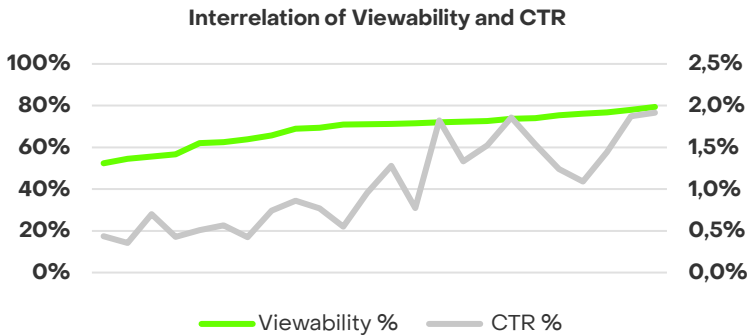
Advertisers primarily limited branding and reach campaigns in the course of the Corona Pandemic. While performance budgets, with exception of July, were a maximum of 20 percent below the previous year's figures, advertising spends for branding campaigns in May and June were more than 50 percent lower than the comparable figures. One reason for these effects was that branding campaigns mainly effect medium and long-term marketing goals, such as brand awareness. In contrast to branding campaigns, performance campaigns, especially traffic and conversion campaigns, have a direct impact on short-term sales and drive corporate liquidity.



Learnings

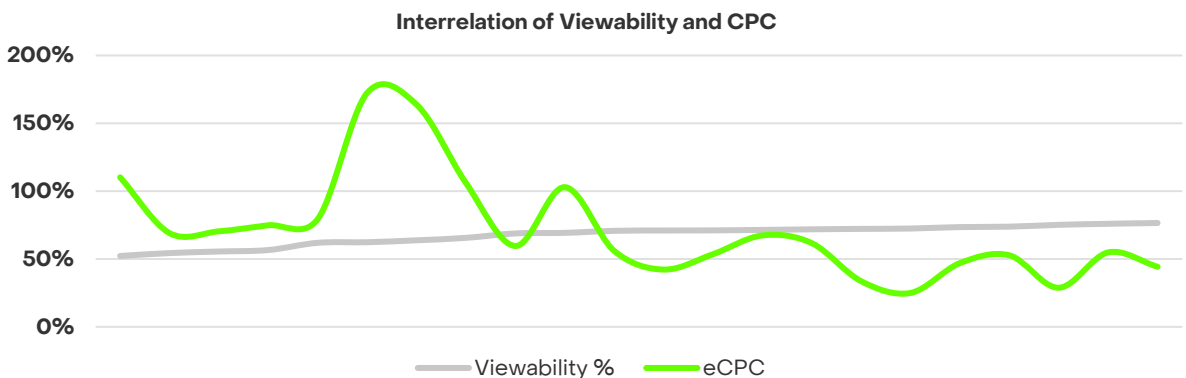
The ad viewability has a positive effect on the performance of traffic campaigns

Independent from the effects of the pandemic on the digital advertising market, we analyzed the effect of an ad's viewability on its performance. The goal of traffic campaigns is to achieve optimal click-through rates. However, a high visibility of ads is also relevant for many advertisers in traffic campaigns, as higher viewability is expected to lead to higher click rates.



The analysis of over 30 campaigns of advertisers from various industries confirmed this expectation: The higher the ad's viewability, the higher the click rate.

The increasing viewability also had an impact on the click price. As expected, we found that the click price decreased as the ad's viewability increased. In accordance with the law of diminishing returns, we expected a higher click price for more visible inventory above a certain viewability rate, which equalizes the increasing click rate and consequently reduces the profitability of viewability. However, this effect was not found for an increasing viewability.



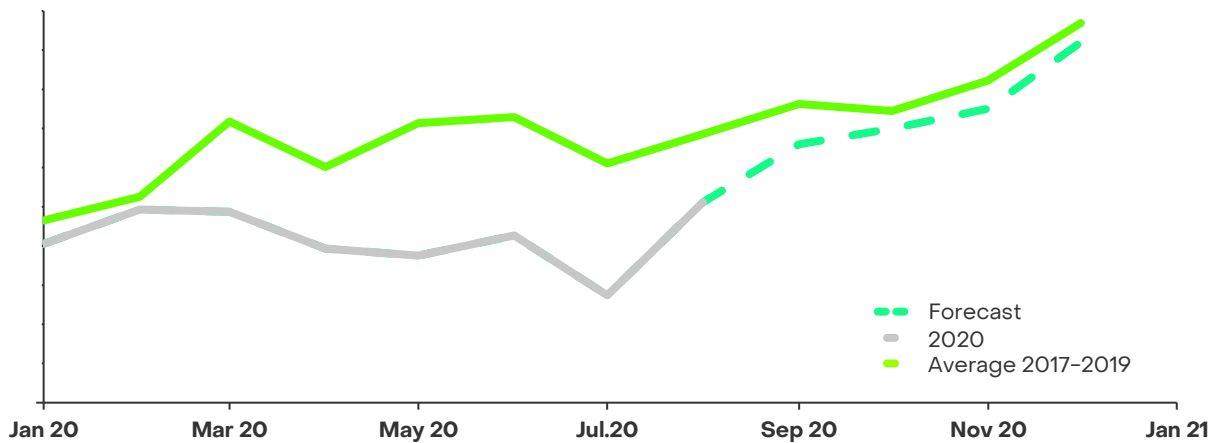
The reason for the missing diminishing returns effect could be the environment in which the campaigns have been set up. The campaigns analyzed were primarily running on social networks. In contrast to the programmatic environment, pricing on these networks is detached from viewability, which meant that the expected effect of the diminishing returns did not occur even with high viewability.

A high viewability can therefore be achieved primarily through a good pre-selection of formats and placements and by choosing appropriate platforms.

Forecast

Slow recovery of the digital advertising market

The COVID 19 pandemic has been influencing developments in the digital advertising market since the end of the first quarter and will continue to affect advertising activities for the rest of the year. Nevertheless, a recovery of the market could already be seen in August, which was reflected in rising advertising spends. In the third and in the traditionally strong fourth quarter, advertising budgets are expected to come closer to the developments of recent years in many sectors.



Nevertheless, given the volatility of the markets and the continuing general uncertainty resulting from the pandemic, unexpected developments could continue to affect the digital advertising market and might have a different impact on the various industries. It is therefore important for advertisers to take advantage of the dynamics and flexibility of the digital market and adapt advertising strategies in line with social developments. The increasing user activity on the social media and the comparatively low inventory prices also offer advertisers the potential to test new advertising possibilities on the platforms in order to establish further contact with their target groups. Especially in times of social distancing, engagement campaigns are becoming more and more important, as brands are looking for alternatives to stay in touch with their audience despite the distance.

In the next Market Insights, we will take a closer look at innovative advertising formats to increase interaction with the target group and analyze which formats have the best performance values for companies in today's times in order to achieve individual advertising goals.

Authors



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