Background

Since going public, Facebook has introduced many new products in an effort to develop its nascent advertising platform. These updates include: real-time bidding (Facebook Exchange); unbundling Facebook ad products - including an a la cart newsfeed offering; the ability to purchase Sponsored Stories in desktop and mobile Newsfeed, and tracking performance by channel; increased targeting options to fans and Friends of Fans (FOFs) and launching Self-Serve Premium ads.

Details & Implications

- **Value of 'à la carte':** Instead of one-size-fits-all, now almost every slice of Facebook's media inventory will be decoupled and offered **à la carte** through self-serve auction. For advertisers, this creates new targeting efficiencies and should improve ROI results across the board. Five **à la carte** placements are available through the Ads API and Power Editor (see chart). These will not be supported through the main self-serve ad dashboard, nor will they be available through Facebook advertising reps or insertion orders. It's important to call out that this means going forward, mobile and desktop Newsfeed ad placement can only be purchased through self-serve online bidding.

- **Mobile shift:** As Facebook's audience migrates to mobile, Facebook's business strategy must transition its focus to mobile as well. It is important to target specifically for mobile through social as mobile audiences have different behaviors, usage patterns and needs. Geo-targeted offers and mobile apps are two types of objects that will likely use this segment exclusively. There are two potential negative outcomes from this shift brands should consider when thinking about advertising opportunities: 1. Since Facebook's mobile ads only exist in the Newsfeed, there is a possibility Facebook will increase supply and run the risk of cluttering the user experience. 2. If Facebook limits supply, mobile Newsfeed ads could become costly to advertisers. Close monitoring will be necessary as this product takes hold.

- **Self-Serve increases need for brand Social Ad Management:** Facebook's push to self-serve becomes an entirely new ecosystem for ad buyers to drive acquisition, engagement, calls to action – and even transaction. Each new ad-targeting segment should represent a different approach and outcome for marketers. Brands will need help developing and understanding each different segment for these categories: Fans, Rest of Network, Right-hand Side, Mobile, Friends of Fans, Newsfeed and Desktop.

- **Valuable potential for Friends of Fans targeting and Sponsored Stories in Newsfeed:** The new self-serve page post ads will be shown in Newsfeeds of fans who liked the brand page and FoFs. Besides the ability to reach a brand's FoFs, Facebook also increased the size of the ad unit. Newsfeed ads have 22x the engagement than right-hand side marketplace ads, and 7x the engagement of premium right-hand side ads. Since they are the only format to appear on mobile, and they are camouflaged to feel like organic content, these ads should generate more earned lift and generate a cheaper eCPM.

- **What to expect with pricing:** Brands will see pricing fluctuations until appropriate bid levels are understood. Until now, Newsfeed inventory had been available at premium rates through Facebook's sales reps. Unlike buying media through an insertion order, auction-based pricing doesn't allow for reach guarantees. While some brands will have a problem with the lack of guaranteed reach, we anticipate overall spend per brand to increase, especially among brands familiar with SEM and other auction style pricing.

Summary

These changes signify that Facebook is maturing into a company focused on its business model and not just its user experience. These are major, aggressive moves that allow brands to have a different level of access to inventory sold in different formats. This combination will enable brands with a better opportunity to interpret data from Facebook, compare it to the market place and make more-informed buying decisions for better overall ROI.