Why Facebook Ads keep failing: Lessons learned from spending over US$1m on Facebook Ads

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Abstract Facebook's utilisation of machine learning and artificial intelligence (AI) can often identify profitable targets more quickly and more effectively than can human campaign managers. However, there is still much that marketers may do to ensure optimal placement and delivery when it comes to their Facebook Ad campaigns and leveraging the power of Facebook's machine learning and AI capabilities. This article discusses the some of the issues that marketers face in trying to fully utilise Facebook's machine-learning capabilities and how many marketers struggle to create campaign structures that allow them to optimise and scale their digital campaigns on Facebook. This article will detail a

few of these frameworks, strategies and tactics. The article does not advocate the 'right' framework to use but rather argues simply that having a framework will ensure better results and support learning throughout the campaign.

KEYWORDS: Facebook, digital marketing, digital advertising, machine learning, social media, video marketing

INTRODUCTION

Before discussing the importance of content strength, machine learning and targeting, it is imperative to understand the objectives that Facebook is working toward. Facebook's corporate mission is to 'give people the power to build community and bring the world closer together'.

To capitalise successfully on advertising opportunities within Facebook, marketers should remember that the platform's fundamental goal is to unite individual users and communities through digital connectivity. This idea of community building is something that marketers should consider in their advertising decision, including strategy, creative and audience development. It is therefore important that marketers ask themselves whether what they are working on is helping to strengthen the community they are building, or simply spamming their audience with promotional offers. Promotional offers are acceptable, but only if they serve the platform objective. An alternative, but perhaps more effective question would be to ask whether the campaign is adding value to the community that is being built.

Facebook is so committed to its stated mission that user experience is a core element of how advertisement auctions are conducted. Rather than a straightforward auction in which the advertiser with the highest bid earns the right to show an advertisement to a targeted individual, Facebook Ad auctions determine a winner based on three categories of value measurement: bid, estimated action rates and advertisement quality.[1] Each of the key

elements is an opportunity for businesses to gain competitive advantage over other advertisers by adding value to the community:

- *Bids* are used to signal the worth of a potential customer, which may be a proxy for how much value is provided to the advertised business.
- *Estimated action rates* are a calculated likelihood that the viewer of an advertisement will find it sufficiently engaging to click or complete another desired action (such as making a purchase or liking a page), based on the type of advertising campaign. Estimated action rates serve as a proxy for the value provided to the customer, because they are unlikely to engage with content that offers little or no benefit.
- *Ad quality* is an indicator of value to the platform's community. Quality can be influenced by adherence to predetermined criteria, such as the amount of text in an image, or through subjective feedback, such as likes and comments on a post or users clicking to hide it from their feed.

Thus, the corporate mission must be accepted and embraced by digital marketers who hope to get the most from their Facebook Ad investment.

CHANNEL GROWTH

Despite being a household name, Facebook is a relatively new phenomenon in the marketing space. In 2005, one year after the company was founded, only 5 per cent of adults in the USA were active on any social

media sites.[2] Adoption quickly increased, however, as internet access became more commonplace,[3] with 79 per cent of the US population having at least one social media profile by 2019.[4] Facebook now holds a massive 43 per cent market share among social media platforms,[5] boasting nearly 3 billion monthly users worldwide.[6]

More significant than the volume of usership for Facebook products (which include Facebook, Messenger, Instagram and WhatsApp) is the frequency of use. In 2019, a survey of Facebook users showed that 74 per cent visited the site or app at least once per day.[7] That level of persistent engagement has created a nearly unprecedented climate for brands to communicate with members of their desired market segments. It is an opportunity that few can resist, but many have not yet mastered.

Effective marketing on Facebook is distinct from traditional marketing channels and strategies in several ways. Messages and imagery that work well on television, radio or in print may fail to capture attention in the high-speed, instant-feedback, attention-starved environment of a Facebook or Instagram feed. In contrast to mass media buys where demographic indicators are primary, Facebook Ads rely more heavily on psychographic and behavioural signals to define audience targets. Moreover, the interlaced digital ecosystem allows for measurement of both direct and indirect or downstream activity that results from investment in Facebook Ads.

VIDEO MARKETING

Marketers need to understand the importance of video marketing as it pertains to the growth of the brands that they advertise:

- 84 per cent of consumers claim they were convinced to buy a product or service because of a video;[8]
- 80 per cent of businesses investing in video say it has directly helped increase sales;[9]

- 66 per cent of consumers say that watching a short video is their preferred method to learn about a product or service;[10] and
- 43 per cent of video marketers assert that video investment has reduced the number of phone calls to customer support.[11]

In 2015, Facebook commissioned Nielsen to analyse data on how video advertisements affect brand metrics.[12] The research demonstrated the following:

- 74 per cent of total campaign value was generated by individuals who watched for less than ten seconds;
- 47 per cent of advertisement recall effects were generated within the first three seconds of the video view; and
- 44 per cent of purchase intent effects were created within the first three seconds of the video view.

A key takeaway from the Nielsen study is that individuals do not need to watch an entire video to be affected by it. Even video views under ten seconds build awareness and drive purchase intent.[13]

Video marketing is a trend that continues to gain momentum due to its profitability,[14] independent of the industry that a brand may find itself in. The basic components of an effective video advertising strategy are summarised below.

CAPTURE ATTENTION QUICKLY

Mobile consumption is fast and time spent interacting with content is typically short. It is critical to capture attention right away and consolidate the message to 15 seconds or less. The following tactics are recommended:

- bring the action and focus forward;
- put the 'hero' front and centre;
- incorporate brand identity early;
- use engaging post copy.

'Design for sound off but delight with sound on' is a mantra across the Facebook resource

centre.[15,16] Videos should capture attention and deliver the message within the first few seconds without sound. If the customer chooses to opt into sound, the audio should only add to the advertising experience. Remember:

- tell the story visually;
- use text and graphics; and
- include captions.

Case study: Eagle Gate College

Eagle Gate College is a for-profit college located in Utah, USA. Prior to launching the first campaign with Eagle Gate College, the cost-per-lead (CPL) averaged more than US$600 across all Facebook campaigns. After completing the first set of routine optimisations, such as advertisement placement, targeting and description updates, the campaign CPL did not move significantly. However, once video advertisements were utilised as part of the campaign, the CPL dropped from US$600 to approximately US$150 — simply by utilising video content rather than static images. (As a control, the text in all variations was kept the same, with the only difference being the utilisation of video versus a static image.)

By incorporating video content into its advertising, Eagle Gate College was able to significantly decrease the CPL of the campaign while holding other variables (targeting, budget, audience, messaging) constant.

Throughout the rest of the campaign, routine optimisation focused on targeting adjustments, such as the audiences and placements for the video advertisements. A few months after initial launch, in August, the focus of campaign experimentation shifted to the video creative itself. During this phase of testing, audience targeting and placements were held constant. Utilising a paid promotion by a local news station, Eagle Gate College repurposed footage that leveraged its brand power to bring credibility to the school. Revising the video creative drove a near-immediate decrease in the average CPL, which fell by 80 per cent to approximately US$30 per lead, as can be seen in Figure 1.

The phased testing model utilised with Eagle Gate College demonstrates an advantage of Facebook Ads over traditional media. Rather than conducting a multivariate test with distinct media and audience targets, each variable was tested individually while holding others constant.
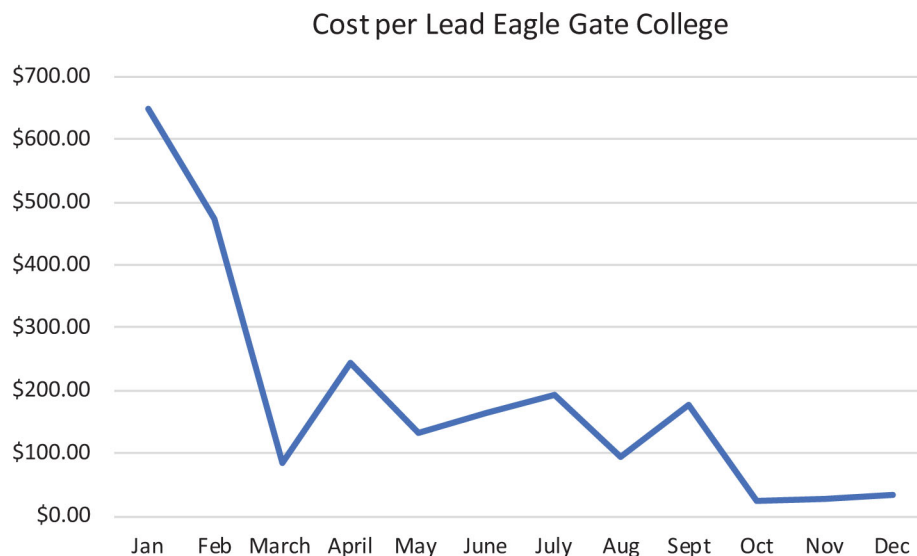

Figure 1: CPL for Eagle Gate College

The impact of each round of testing was observed through one key performance indicator determined at the outset and based on the company's own goals.

This case study supports other anecdotal evidence suggesting that, when crafting a video marketing strategy on Facebook, brands may find added value by launching a campaign with a static imagery first and beginning with structural and targeting optimisation. This allows the campaign manager to find the appropriate audiences and identify the messages that best speak to those market segments. Once the initial advertisement set optimisation is completed, video advertisements can be incorporated into the campaign mix to help enhance the overall campaign for peak performance. This approach guards against instances where exceptionally strong and engaging creative masks underlying issues within the advertisement set structure or strategy that are not identified until much later in the campaign.

AD TARGETING

A key component in finding success with a Facebook Ads campaign is leveraging Facebook's machine learning when setting up the advertisement targeting and thus creating advertisement groups that allow it to learn best.

Facebook provides multiple targeting options that allow advertisers to narrow down their target audience more effectively. Two of the more frequently used options are Custom Audiences and Lookalike Audiences. As defined by Facebook, 'Custom Audience is a targeting option that lets you find your existing audiences among people who are on Facebook … You can use sources like customer lists, website or app traffic, or engagement on Facebook, to create Custom Audiences of people who already know your business'.[17] This differs from the Lookalike Audience targeting option, which comprises 'lists of people to target with advertising who are similar to (or 'look like') the people currently engaging with your business'.[18] This differs from general demographic targeting that is a mainstay in traditional media options, as it is much more refined and focused and allows marketers to exclude many individuals to whom the advertisements would not be relevant.

Many Facebook advertisers understand the power behind Custom and Lookalike Audiences but fail to understand how to properly leverage those targeting options to generate lift for their brand and create a strategy that gets the right message in front of the right people at the right time.

In traditional marketing, awareness is equated with the top of the funnel. Interest or engagement is tied to the middle of the funnel, and the purchase decision or conversion actions that move toward purchase are represented by the bottom of the funnel. When first targeting an audience at the campaign or advertisement set level, advertisers should ensure that each campaign is targeting at least one defined section of that funnel and that the advertising campaigns are supporting the other part of the funnel.

One of the biggest mistakes that even experienced marketers make is failing to develop a campaign structure that accounts for all elements of various customer journeys. While campaigns should be designed for a complex customer journey, this does not mean that advertising campaign setups must be overly complicated. Simplicity often works best, allowing marketers to identify the problematic areas and helping to isolate the variables that have the largest impact on the campaign.

Case study: VASA Fitness
Warm audience targeting

This multi-funnel approach was highlighted by Facebook in a recent case study.[19] The campaign included a structure that strategically focused on various phases of the marketing funnel and tied those campaigns together to produce an 8.8 return on advertising spend and a 37 per cent decrease year-over-year in cost per purchase.

In addition to the referenced case study, notable campaign results included the following:

- CPL decreased by 72 per cent;
- percentage of online sales (online sales/total sales) increased from 20 per cent to 30 per cent; and
- total year-on-year sales increased by 32 per cent.

The campaign created an advertisement set that was targeted to a lookalike audience based on customers who had purchased a membership online. This seed audience differed from the list of all current members as it specifically sought to target those individuals who would be most likely to purchase a gym membership online, not simply to purchase a gym membership in general.

In the first portion of the campaign, video advertisements were utilised and the campaign used the Traffic objective. The advertisements tested two distinct calls to action of 'Sign up' and 'Join Now' that linked to more information on VASA's website about the various gym memberships available.

The campaign then retargeted individuals who had visited the website within the last 30 days. A new set of creatives were generated, including a 'Join Now' call-to-action (CTA) button that linked to

a signup page. Current gym members were excluded from seeing the advertisements. A lookalike audience based on those who had purchased a membership was included and also received the retargeting advertisements. Table 1 summarises the campaign setup.

There were four different Ad Sets in this campaign, all utilising automated placements. The highest-level advertisement set is advertisement set 4, which targeted lookalike audiences focused on video views or Instagram engagement. The only exclusions in this advertisement set were purchasers, due to the fact that individuals who had already made purchases needed to be excluded from the entire campaign. This advertisement set targeted the upper portion of the funnel. Ad Set 3 targeted a high-value lookalike audience based on a list of current members from the company's customer relationship management database. Ad Set 3 excluded purchasers and the members of advertisement set 4. Ad Set 2 targeted a high-value lookalike audience based on online purchases from the website (Facebook pixel data) while excluding purchasers and members of advertisement sets 3 and 4. Lastly, an interest and demographic-based advertisement set, excluding purchasers and members of advertisement sets 4, 3 and 2, was created. All of these advertisement sets were optimised toward conversions measured

Table 1: Ad Set structure for the VASA retargeting campaign

Advertisement set	Exclusion	Optimisation
Set 1 — Automatic placements, interest, demographic information	Ad Set 4, 3, 2 and purchase	Optimise towards conversion — Facebook pixel event: purchase
Set 2 — Automatic placements, high-value 'super' lookalike on purchase (pixel data)	Ad Set 4, 3 and purchase	Monitor progress and adjust after 7 days
Set 3 — Automatic placements, High-value lookalike on purchase (CRM data)	Ad Set 4 and purchase	
Set 4 — Automatic placements, lookalike on video views or Instagram engagement	Purchase	

by Facebook's pixel purchases. The campaign was monitored and readjusted as needed after the first week.

Table 2 provides an alternative setup that utilises the same advertisement targeting strategy. However, it utilises different end points within the targeting.

Cold audience targeting

The conversion campaign objective is the most expensive campaign type on Facebook. Therefore, to maximise return on investment when the primary audience is a cold audience, the proper objective must be chosen during the creation of the campaign.

With a conversion-focused campaign, a multitude of conversion types could be tracked or optimised. These include custom conversions based on interactions with a website, viewing of content, lead generation, adding item(s) to a cart and making a purchase. Each time the selected action occurs (or does not), it teaches the algorithm whether the user's behaviour has contributed to the desired objective.

As Susan Wenograd discusses, one of the biggest mistakes that marketers make is that they optimise a campaign for an objective that does not occur very frequently.[19] Marketers often pick a conversion objective that does not receive many conversions. For example, campaigns that require the completion of a contact form or an event that occurs only a few times per week may not perform as well as expected.

Facebook recommends that the selected conversion type should occur 50 times per week per advertisement set.[20] Marketers often either ignore or simply just do not trust the machine learning to do this properly. Having trust in the process will ultimately lead to better outcomes, as will be shown in the TAB Bank case study below.

Optimising advertisements

For Facebook campaigns to succeed, it is vital to first establish a process for optimising them. By developing a systematic process to look at the data and make optimisation choices, brands can create decision trees that are repeatable and more reliable in their results.

Below is a baseline checklist template that can be utilised to better understand the data received during a campaign:

- Sort all advertisement sets by highest impact (conversions, budget).
- Check whether advertisements are active and landing page is correct.
- Check whether CTR is >1.5 per cent:
  - if CTR is <1.5 per cent, look to revise creative, advertising copy and CTAs;
  - if CTR is too low, the advertisements may not be relevant;
  - if CTR is high but there are no conversions, the landing page may not be relevant.
- Check whether the frequency over the past seven days is <4:
  - if frequency is >4, change ad creative and/or increase audience size;
  - expand audience either by creating a new advertisement set targeting a larger but distinct audience or expanding the current advertisement set to more individuals.

Table 2: Alternative Ad Set structure

Ad Sets	Exclusion	Optimisation
Set 1 — Automatic placements, past 180 days' web visits *and* 3+ page views	Ad Set 2, 3 and purchase	Optimise towards conversion — Facebook pixel event: purchase
Set 2 — Automatic placements, video view custom audience	Ad Set 3 and purchase	Monitor progress and adjust after 7 days
Set 3 — Automatic placements, checkout initiated	Purchase	

- Check whether CPA has increased recently:
  - if it has, look to improve the following:
    - landing page CTA;
    - landing page load time;
    - audience size.
- Check whether relevance score is <5
  - if relevance score is <5 look to improve the creative;
  - try different content × targeting combo.

TAB Bank case study

A major component in the success of the TAB Bank Treasury Management Service (TMS) campaign was the use of tracking for events and conversions. When dealing with a large enterprise site and multiple third-party integrations that are critical to the customer journey, the implementation of conversion events can be difficult.

This campaign required customers to complete several steps along the way to opening an account, each one having a drop-off from the one before. It took time to create and test conversion events along the entire funnel. While there are many arguments for good funnel tracking, the most obvious is how it opens up communication channels with Facebook's machine learning.

Unfortunately, Facebook tools are built primarily for e-commerce and for lead-generation support for sales teams. Facebook tools are not well suited for conversions with a large lifetime value but no immediate recognition of revenue.

The TMS campaign for TAB Bank fell into the latter category. This meant that in order for the campaign to succeed, TAB Bank needed an understanding of what really drove value for the business, as well as an understanding of how Facebook's machine learning and optimisation works; it then had to force the two to communicate with each other, on Facebook's terms.

Facebook only allows one conversion event per advertisement set to be selected for optimisation. This is sufficient for most e-commerce businesses, but it creates a challenge for other types of business. The limitation effectively forces marketers to choose between a high funnel event with a lower chance to ultimately convert, or a bottom-of-the-funnel event where conversions will be sparse and machine learning severely limited.

To overcome this challenge, marketers need to remember that conversion value is just the name of a variable, and that the value you put into it can be arbitrary. In the case of lead generation, increasing value can be assigned to sequential steps in a customer journey or purchase process. To optimise return on advertising spend (ROAS), marketers must follow Facebook's rules, which currently include 100+ purchases and having at least ten distinct conversion values for purchases over a 28-day period. If there are fewer than ten steps in the funnel, marketers can add a bit of variety to the 'purchases' conversion event by adding a random component to the 'cents', every time the event fires.

The TAB Bank campaign also used the funnel conversions for reporting and analysis. For this reason, it did not make sense to change all of the events to the standard purchase event. To implement conversion value tracking, this strategy continued to use the triggers as normal but paired them with a second event each time they fired.

To accomplish this, the following had to be done:

- create a combined event as a purchase event;
- fire the regular conversion event used for tracking, as well as the new purchase event;
- use the same combined event alongside all of the events in the funnel; and
- add in a conversion value to each event that is inversely proportional to the position in the funnel.

The combined purchase event could then be utilised as the 'one' conversion for the campaign and optimising advertisement delivery to value. Now, what the campaign

is sending Facebook in conversion value is a probabilistic representation of an individual getting to the bottom of the funnel, and the campaign can optimise from the start to the finish of the process.

By implementing this, the campaign generated significant growth in account openings for TMS, as demonstrated in Figure 2.

It is worth noting that this specific campaign was intertwined with paid search and other platforms. Following the same steps on other major platforms was critical to success on Facebook, as remarketing was one of the targeting strategies employed.

CONCLUSION

Facebook's machine learning and AI platform is becoming increasingly sophisticated and is a powerful tool for marketers to leverage.

One of the ways that Facebook allows marketers to understand their audience, and the messaging and timing of their messages more clearly than traditional methods is by allowing them to isolate and focus on a single variable at a time. While multivariant analysis is still possible, Facebook as a platform provides great flexibility to marketers in terms of how they can set up experiments and analyse resulting data.
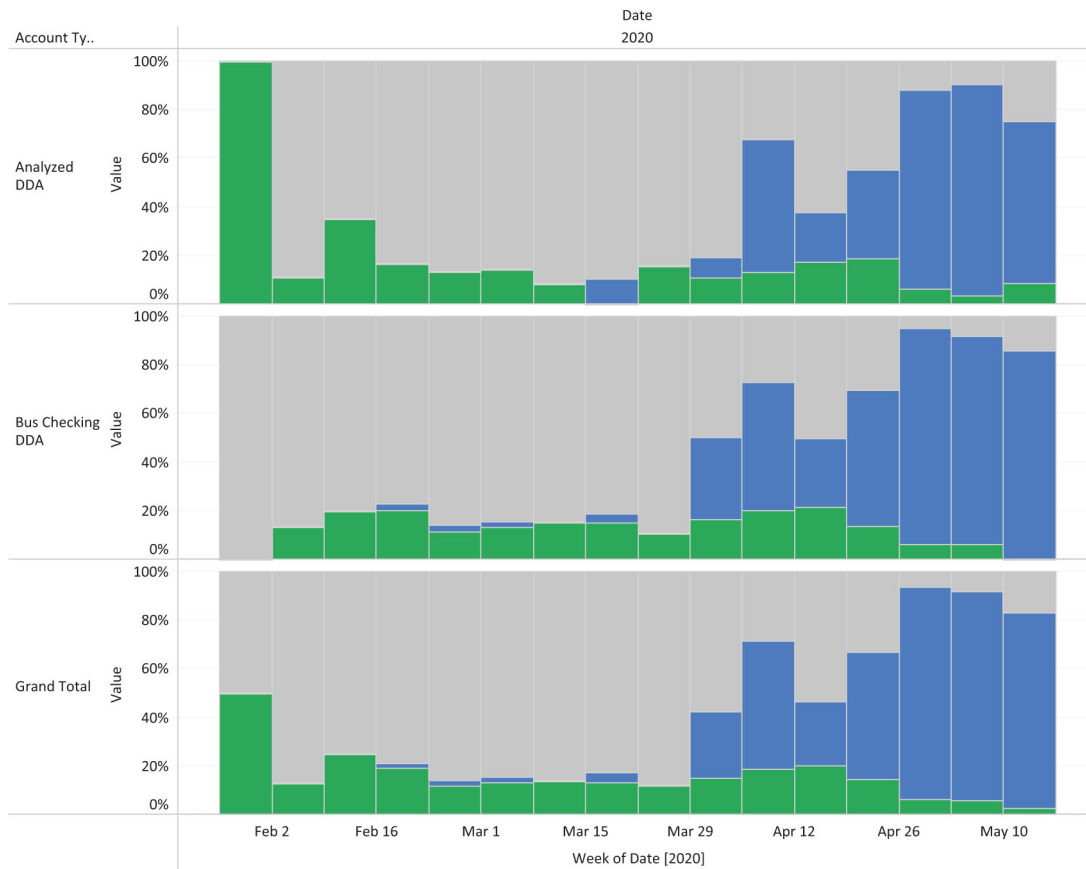
The plots of % Lapsed, % in Progress and % Approved for Date Week broken down by Date Year vs. Account Type. Color shows details about % Lapsed, % in Progress and % Approved. The marks are labeled by % Approved. Details are shown for % Lapsed, % in Progress and % Approved.

Measure Names
- % Lapsed
- % in Progress
- % Approved

Figure 2: TMS application increase

The Eagle Gate case study demonstrates the effectiveness of employing video creative to help struggling campaigns that are utilising static images only. This finding complements previous research showing the effectiveness of video advertisements on the platform.

Marketers can also better tap into the power of machine learning and AI capabilities that Facebook has to offer by implementing strategic structures in their Facebook Ad campaigns. The VASA case study demonstrates that by segmenting customer journeys and engagements, marketers can create a multi-touch funnel approach that is better at serving the right message to the right people at the right time.

The TAB Bank case study highlights the effectiveness of leveraging a multi-conversion approach, where multiple purchase events are combined into a singular conversion. This approach empowers the machine learning to better optimise towards business objectives that are more complex and where conversion events occur less frequently. This method is just one example of how marketers can navigate around some of the limitations of the Facebook platform.

Strategies, structures and frameworks have been demonstrated to show how marketers can better tap into the machine learning and AI capabilities that Facebook has to offer. By better aligning the campaign structure with the full customer journey, utilising video marketing best practices and setting up combined purchase events, marketers can harness the power of Facebook Ads to achieve better results and higher ROAS for their businesses.

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