

# International Facebook Advertising

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A Greenfield Opportunity to  
Engage a Massive Global Audience



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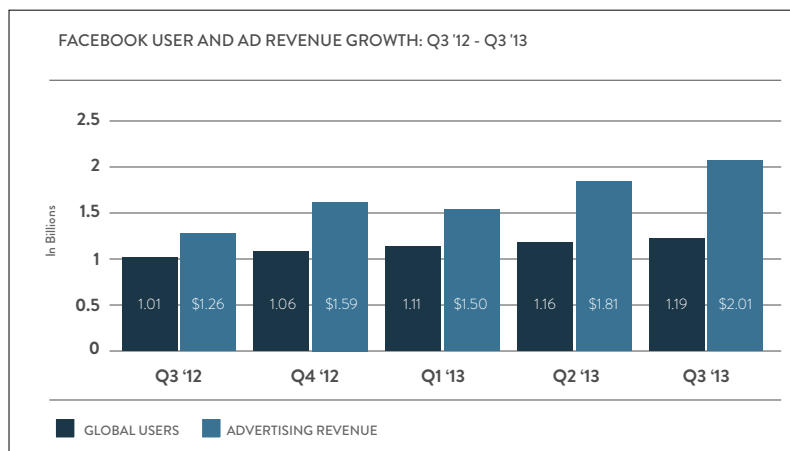


## INTRODUCTION

2013 proved to be phenomenal year for Facebook and Facebook advertisers alike. Through numerous changes and enhancements to their advertising products and massive worldwide growth in user base, Facebook has become a critical focus for enterprise marketers and has evolved into the fastest growing channel in the digital marketing industry.

Facebook's strategy for revenue growth has been intrinsically tied to the quantity and quality of its users. By improving the platform experience and converting a larger share of the global internet population into daily users (measured as "Daily Active Users"), Facebook has been able to develop compelling and sophisticated advertising solutions, leading to significant revenue growth.

By Q3 2013, the social network had grown its user base by 18% year over year, while the number of Daily Active Users increased by 25% over the same time period. As Facebook's user base grew, advertisers took notice and consequently increased their level of spend on the channel. As shown through the chart below, Facebook advertising revenue growth has demonstrated a strong correlation to user growth.



Source: Publicly available Facebook financial information <http://investor.fb.com/results.cfm>

The tight correlation between user growth and advertising spend makes sense; performance advertisers invest in the channels with the highest engagement for the best ROI. In 2013, Facebook proved it could meet both of these key advertising requirements. From a user engagement perspective, more time is spent on mobile on Facebook than the time spent on Google, YouTube, Yahoo!, MSN AOL, Twitter and Pinterest combined<sup>1</sup>. And according to a September 2013 AdAge study, 43% of marketers believe their Facebook advertising ROI improved in 2013<sup>2</sup>. It's clear that Facebook's highly engaged, fast-growing audiences and ability to deliver ROI will compel new advertisers invest in Facebook, and existing advertisers to increase their investments in 2014.

1. "Leaked Facebook Video Ad Pitch Deck Reveals Plans To Steal TV And YouTube Dollars", December 2013, Techcrunch.com. <http://techcrunch.com/2013/12/13/facebook-vs-tv-and-youtube/>

2. "What Advertisers Really Think About Facebook", September 2013, AdAge. <http://adage.com/article/digital/ad-age-survey-facebook-marketers-buying-ads/244158/>

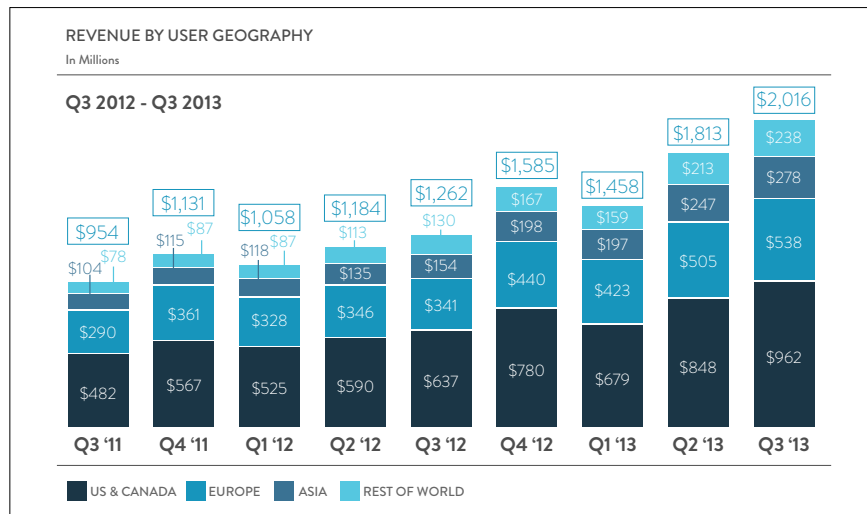


However, as advertising spend in the channel increases, it is likely that global competition for high value audiences will also increase, affecting advertiser CPC's. If advertising spend continues to grow at a greater proportion than the user base (as shown in the graph above), advertisers will need to focus on the markets that provide the best value for their advertising dollar.

If 2013 was about establishing Facebook ROI, then 2014 will be about growing ROI in the markets where Facebook usage is still increasing at a rapid pace. Successful marketers will need to ask themselves: Where is user growth most likely to occur, and how will this growth translate into advertising opportunities?

### INTERNATIONAL MARKETS WITH GREATEST FACEBOOK ADVERTISING POTENTIAL

Marketers in search of growth opportunities should look to target Facebook users outside of North America in 2014. This prediction may come as a surprise for many advertisers. After all, Facebook is based in North America and the region has the most established and long-standing user base of any other market. Additionally, North America leads other international regions in Facebook advertising spend volume, clicks, and impressions<sup>3</sup>.



Source: Publicly available Facebook financial information <http://investor.fb.com/results.cfm>

However, when we examine each international region through the lens of *current and expected Facebook users* instead of by *advertising spend*, the international opportunities for marketers in 2014 become much clearer.

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*“As Facebook advertising continues to become increasingly competitive, marketers should closely evaluate new market opportunities on a global scale. We have found that the international markets that are experiencing rapid growth in Facebook usage to be sources of low cost acquisition.”*

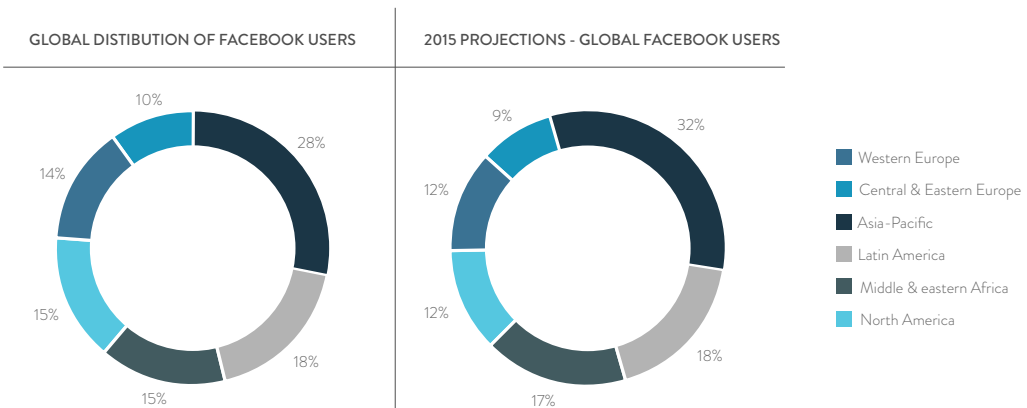
– Paul Spokes,  
Director at AMS  
Media Group

	Current Facebook Users	Facebook Users -2015 Projections	Growth Margin
Asia-Pacific	305	459	50%
Latin America	197	261	32%
Middle East & Africa	168	244	45%
North America	163	173	6%
Western Europe	153	170	11%
Central & Eastern Europe	105	137	30%

Source: “Emerging Markets Drive Facebook User Growth”, May 2013, eMarketer.  
<http://www.emarketer.com/Article/Emerging-Markets-Drive-Facebook-User-Growth/1009875>

While North America (NAM) leads all other international regions in advertising spend, according to eMarketer<sup>4</sup>, the region ranks fourth behind Asia-Pacific (APAC), Latin America (LATAM), and the Middle East and African (MEAF) market in terms of overall Facebook users. Perhaps even more intriguing are the user growth rate comparisons. NAM Facebook user volume is projected to grow by the least amount between now and 2015, relative to the other five key international regions. According to the same eMarketer study, the NAM Facebook user base is projected to grow by only 6% between now and 2015, while the user base in other international markets is expected to grow between 11% and 50%. In other words, the pool of potential Facebook users to target and the projected growth rates in NAM are relatively small compared to other key international markets.

The charts below depict the current and projected shares of Facebook users by key international markets. NAM’s global share of Facebook users is projected to drop from 15% to 12% between now and 2015. The data suggests that, while user growth in NAM has not yet plateaued, this region will likely be the first to fully mature several years from now. Conversely, APAC is already the leader in Facebook user volume, and its global user base share is projected to grow from 28% to 32% by 2015 at the expense of other markets.



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This data clearly shows the excellent opportunity advertisers have to reach Facebook users in markets outside of NAM. For companies that sell products in high-growth markets like APAC and LATAM, a growing number of Facebook users creates opportunities for more impressions to well-targeted audiences. And with the right strategy and platform, advertisers have the chance to turn these international impressions into website visitors and customers.

Despite these clear opportunities for advertisers, Marin Software's analysis of over 200 online marketers suggests that advertisers are underinvesting in Facebook in regions outside of NAM. For example, while the APAC market has more Facebook users by volume than any other global market, advertisers are spending five times less in this region compared to NAM, and three times less compared to Western Europe (WEUR). Spend share (relative to Facebook user volume) is also relatively low for LATAM, MEAF, and Eastern Europe (EEUR).

This data is extremely telling for advertisers in search of efficient ways to reach new customers in 2014. Competition for Facebook users (as shown through advertising spend volume) is relatively high in NAM and WEUR. By comparison, the barrier to entry into other key Facebook markets is relatively low, creating a window of opportunity for advertisers to reach users with a comparatively low degree of competition.

## Global Facebook Markets Used in This Study:

NAM - North America

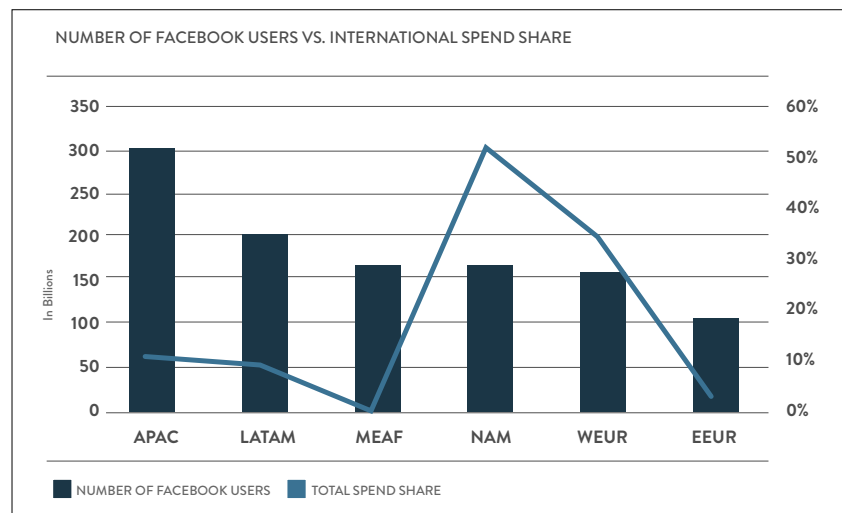
APAC - Asia-Pacific

LATAM - Latin America

MEAF - Middle East & Africa

WEUR - Western Europe

EEUR - Eastern Europe



Sources: Marin Software global Facebook advertiser data and eMarketer.com

Based on its high user volume and low advertising competition levels, APAC appears to be the most promising region for Facebook advertisers in 2014. Yet according to eMarketer, social advertising spend – of which Facebook comprises the vast majority – in APAC is expected to grow by the lowest percentage relative to the other regions studied. This growth estimate suggests that companies doing business in APAC have yet to realize the full potential of Facebook as an acquisition channel. It is likely that, as additional user growth data becomes available, more Facebook advertisers will look to the region as a source of opportunity in 2014.

<b>Social Network Ad Spending Worldwide, by Region, 2012-2015</b>				
<i>millions</i>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
North America	\$3,313.7	\$4,720.1	\$6,166.9	\$7,731.9
Asia-Pacific	\$1,804.0	\$2,403.0	\$2,946.3	\$3,736.5
Western Europe	\$1,648.9	\$2,096.7	\$2,543.6	\$3,136.7
Latin America	\$237.0	\$349.6	\$481.0	\$593.6
Central & Eastern Europe	\$207.3	\$318.7	\$411.0	\$502.1
Middle East & Africa	\$39.2	\$65.9	\$108.0	\$164.7
<b>Worldwide</b>	<b>\$7,250.1</b>	<b>\$9,954.0</b>	<b>\$12,656.8</b>	<b>\$15,865.5</b>

*Note: includes display, search, video and other forms of paid advertising appearing within social networks, social games and social applications; excludes spending by marketers that goes toward developing or maintaining social network profile pages or branded applications; numbers may not add up to total due to rounding*  
Source: eMarketer, Jan 2014

167613 www.eMarketer.com

Source: eMarketer.com

## INTERNATIONAL MARKETS WITH GREATEST FACEBOOK USER ENGAGEMENT

When evaluating international opportunities, marketers assess both the quality of users and the quantity of users in each international market. In essence, Facebook advertising is a form of native advertising, where marketing messages appear in the natural flow of how the platform is used. Performance marketers who are investing in native advertising channels should consider the levels of user engagement and interactivity the platform's users have with its paid and organic content. Even as social media users branch out to other social networks, according to Pew's Social Media Update 2013<sup>5</sup>, Facebook remains the dominant player. So if level of user engagement is a useful guide for marketing opportunity on native advertising channels, which international markets should advertisers consider in 2014?

Based on Marin Software's analysis of online advertisers, LATAM leads all other international markets in Facebook user engagement. According to eMarketer, 66% of all internet users in this region are Facebook users. Market penetration is a useful proxy for popularity and interest in a channel, and therefore a helpful tool for guiding advertisers to new sources of potential customers. Not only does LATAM have the highest concentration of internet users on Facebook, it also offers Facebook advertisers the highest advertising click-through-rates of any other international market. Based on the global performance of Marin advertisers, Facebook CTR in LATAM is 33% and 54% higher than the NAM and WEUR markets, respectively.

As a whole, this data highlights a significant opportunity for Facebook advertisers to efficiently drive traffic and conversions in LATAM. However, despite high levels of user engagement on Facebook, advertiser spend share in this region is minimal compared to the NAM and WEUR markets.

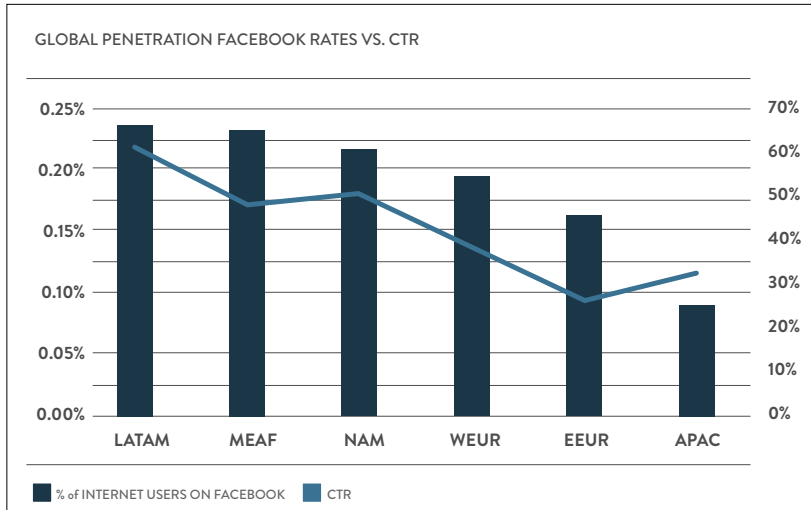
5. Publicly available Facebook financial information <http://investor.fb.com/results.cfm>  
<http://www.clickz.com/clickz/news/2320802/facebook-still-dominates-in-social-media-user-engagement-study>

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“With today’s diversified media, device and platform mix, it’s essential for marketers to find traffic sources that enable the greatest reach and frequency. Facebook is on the short list of those traffic sources giving marketers massive reach, including underutilized international audiences that might drive positive ROI for many retailers and service providers.”

*Robert Pettee,  
Co-Founder of Digital  
Mouth Advertising*



Sources: Marin Software global Facebook advertiser data and eMarketer.com

Why are global advertisers under investing in Facebook in the markets with the greatest audience sizes and levels of engagement, as suggested by the data? One theory is that businesses that operate in relatively saturated Facebook markets like NAM have not yet established a presence in international markets. However, as the economy continues to improve, more and more companies will expand their international presence. According to a 2013 High Street Research Partners study of over 160 executives, “two-thirds expect international markets to be among their company’s top priorities over the next three years.”<sup>6</sup>

A second, more likely explanation is that businesses have traditionally underestimated the potential business value in marketing to Facebook users outside of NAM and WEUR. As Facebook continues to expand its advertising sales and support teams into high-potential markets like LATAM and APAC, and as more advertisers continue to adopt leading social management tools like Marin Software, Facebook advertising spend and ROI from these regions should increase accordingly.

6. “U.S. Companies Using International Expansion to Drive Growth and Profitability”, August 2013, High Street Partners. <http://www.hsp.com/about/press-releases/us-companies-using-international-expansion-drive-growth-and-profitability>





## GETTING STARTED ON YOUR 2014 INTERNATIONAL FACEBOOK MARKETING STRATEGY

While expanding your marketing program into new international markets often sounds appealing, planning and executing international marketing programs can also be quite complex. Marketers with international expansion goals in 2014 will need to consider numerous factors including market presence, demand for their products, and local industry competition. Marketers must also consider several factors during the implementation phase of their campaign including translation, custom creative design, and regional management. Below are eight tips for planning and implementing international campaigns on Facebook.

**1. Determine Your International Sales and Fulfillment Capabilities** – First, determine the countries in which your product or service can feasibly be sold, fulfilled, and supported. For example, is the majority of your company's revenue driven by in-store sales? If so, in which countries do your stores exist? Or does your business operate and sell entirely online? If so, your sales potential may be open to broader international markets. Next, study the cost implications of fulfilling international orders and servicing global customers. Finally, look at the local regulations of selling products in each region. In many countries, product development laws regulate the chemical makeup, safety, performance, packaging designs, sizes and materials used in the products sold.

**2. Assess the Regional Demand for Your Product or Service** – Next, determine the revenue potential of the market. How strong is the regional demand for your product or service? For example, a sports apparel retailer would likely have better luck advertising rugby apparel to Australian users, as opposed to basketball apparel. Advertisers should also consider the presence and penetration of their brand in each international market compared to the local competition. For example, a global retailer Macys.com, will likely compete with local established brands with loyal customers such as Myer when they developed their Facebook strategy in Australia.

**3. Understand International Laws and Regulations** – The next step is to make sure you fully understand each regional market's rules and regulations for producing, advertising, and selling products. In some regions of the world, advertising related to certain types of products is subject to approval by governing bodies. For example, oftentimes advertisements for pharmaceuticals must be approved by local health ministries. Also, various sales promotion tactics such as contests, sweepstakes, deals and premium offers may be subject to regulations. Make sure your desired advertising tactics don't conflict with local laws before proceeding.

**4. Build an Appropriate Strategy for Each Market** – The degree to which your brand is established in a regional market will impact your objectives for each localized campaign. For example, if your company is new to the market, your Facebook advertising efforts might best be directed toward building awareness, growing your local Fan base, and driving engagement before eventually focusing on acquisition. The level of familiarity and presence in the market will also affect the audience targeting strategy you use. Advertisers with an established customer base can retarget their existing customers on Facebook using Custom Audiences. However, companies without established customers may want to use Custom Audiences to create Facebook look-alike audiences that are local to the target market.



**5. Tailor Your Advertising Messages Based on Cultural Nuances** – When it comes to Facebook creatives, it's important to account for the varying cultural nuances and psychographics of each region. For example, "Buy Now!" messaging is common in the United States, but may be considered abrasive in some Asian countries. In most Western cultures, significant accomplishment in life is taken as a measure of success, and goal-oriented messaging works well. Yet in many Eastern cultures, status in life is considered a result of birthplace, so messages referencing the improvement of social status as a benefit would likely be ineffective. Make sure to take these and other important regional nuances into play when crafting your message.

**6. Customize Your Creative Based on the Local Market** – Creative design should be customized to the regional preferences of the market. For example, certain colors appeal more in some countries than in others. Consider the color red; it is a color of luck in China, but a color of warning in many other Asian countries. Gender in creative is another important factor. For example, if a marketer is looking to sell medical supplies to Russian Facebook users, they should understand that most doctors in Russia are women. Finally, if you are using a celebrity endorsement as part of your advertising campaign, make sure the name carries weight in the local market.

**7. Plan for Language Translation and Localized Campaign Management** – One common reason why international campaigns fail is that ad copy isn't properly translated for local language nuances. When possible, make sure your ad copy is written or reviewed by someone fluent in the language. Many advertisers outsource ad copy creation to translation services, use local agencies, or hire a full-time campaign manager in the region of interest. The latter two options are beneficial in that the agency or manager can also manage bid and budget changes throughout the day in the local time zone. Facebook advertisers can also use a sophisticated Facebook advertising platform like Marin Software to schedule campaigns, creative, and bid changes intraday.

**8. Separate Campaigns by Regional Audience** – If you're targeting several international locations as part of the same initiative, ensure each location is broken out into a separate geo-targeted campaign. As with any other digital marketing initiative, Facebook advertising performance can differ dramatically by country, region or city. Segregate your campaigns by local market to allow for better performance insights, budgeting bidding and analysis. Then use a segmentation solution like Marin Software's Dimensions to roll up and analyze performance across each region as a whole.



## **CONCLUSION**

The global social advertising industry is set to grow by 26% by the end of 2014<sup>7</sup>, and the majority of growth will come from Facebook. Marketers will experience increased competition in Facebook advertising, as more businesses use the channel and as spend grows at a faster rate than user volume. Facebook marketers will explore international advertising opportunities in markets that have low competition relative to their user base size and levels of engagement.

To rise above the competition, Facebook marketers should closely evaluate the buying power of each market as well as demand and competitive factors. They should also ensure their advertising messages are localized, translated, and designed to meet the nuances of each specific regional market. Finally, successful Facebook marketers will utilize leading advertising management platforms like Marin Software with powerful, sophisticated management, analytics, and optimization capabilities to help take their international advertising programs to the next level.

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7. "Facebook Still Dominates in Social Media User Engagement", January 2014, ClickZ. <http://www.clickz.com/clickz/news/2320802/facebook-still-dominates-in-social-media-user-engagement-study>



## ABOUT MARIN SOFTWARE

Marin incorporates the workflow, analytics, and optimization tools necessary to enable marketers to save time, make better decisions, and improve financial results. Marin directly addresses a number of challenges by allowing marketers to: better manage complexity by becoming more efficient in responding to shifting market and technology trends, gain visibility and control across programs to make better decisions about where and how to allocate marketing spend, and optimize for revenue outcomes through predictive bidding tools and intelligent recommendations. Hundreds of global brands rely on Marin Software, making the Marin platform the world's largest third party aggregator of digital ad spend, with more than \$6 billion in annualized spend managed on Marin.

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