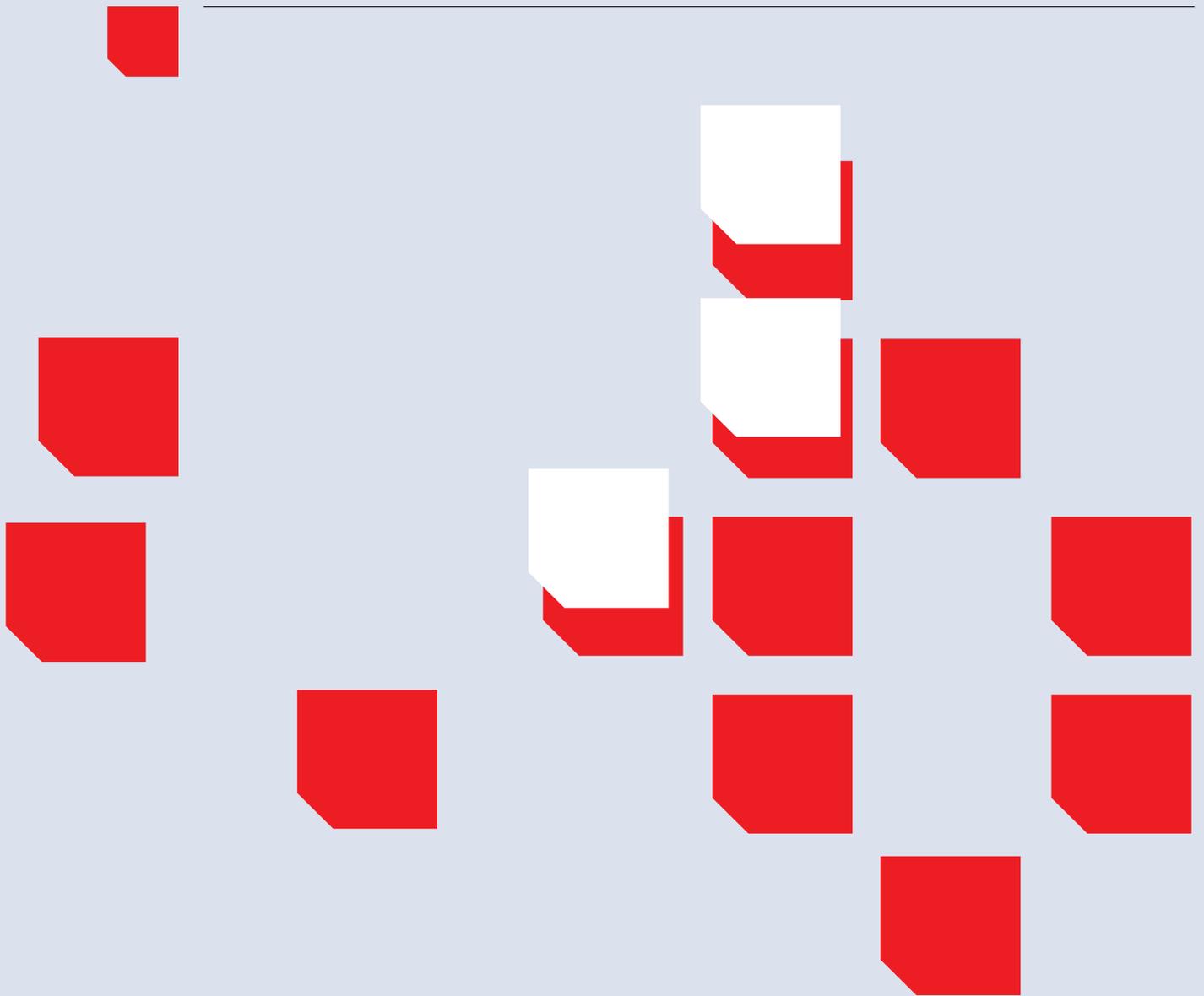

Global Facebook Advertising Report

Q2 2011



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Introduction

TBG Digital examined 200 billion impressions across 167 clients advertising on Facebook in 21 countries to produce its Q2 2011 Global Facebook Advertising Report.

TBG Digital is one of the largest global companies specialising in Facebook marketing. With its substantial catalogue of historical data TBG Digital is uniquely positioned to analyse the state of the Facebook advertising market. This is the first of our quarterly reports that will examine the trends and changes in Facebook advertising.



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The Psychometrics Centre

The Psychometrics Centre of the University of Cambridge has verified the results, graphical illustrations and methodology used in this report based on the data provided by TBG Digital.

Headlines

Growth of Brand Advertising

Brand campaigns on Facebook grew by 104% between Q1 2011 and Q2 2011.

Benefits of Advertising to Facebook Fans

435% improvement in campaign conversion rates when targeting existing fans

Hot Sectors

Retail gets best CTR (Click Through Rates) and grows to 36% of total impressions in Q2 2011

Price Trends

CPM (Cost per Thousand Impressions) rises by 45% across 4 markets between Q2 2010 and Q2 2011

CPC (Cost per Click) rises by 74% across 4 markets between Q2 2010 and Q2 2011

Sponsored Stories

Using Sponsored Stories ads in Facebook campaigns decreases CPA (Cost per Acquisition) by 32%

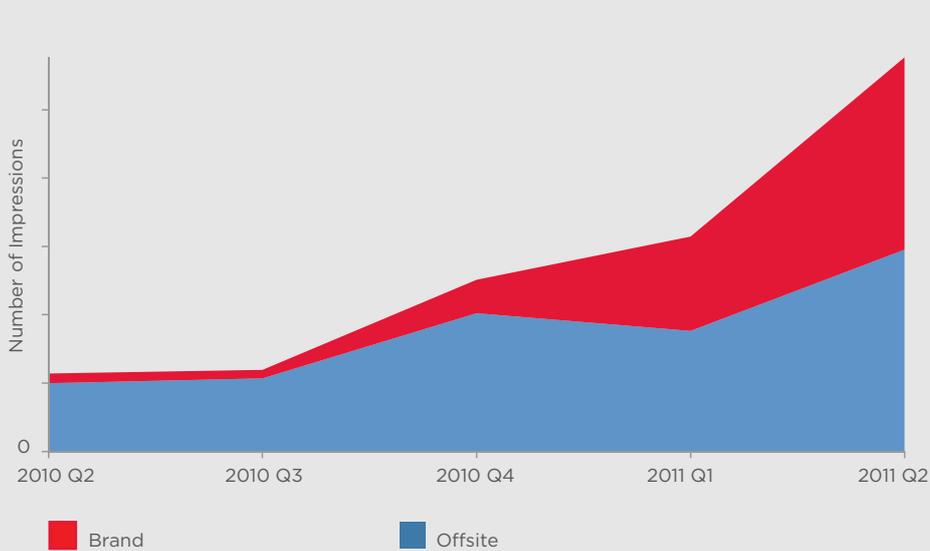
Growth of Brand Advertising

Brand campaigns on Facebook grew by 104% between Q1 2011 and Q2 2011

In Q2 2011 TBG Digital served 60 billion impressions in a strongly growing market. The most prominent trend within the overall picture was the increasing focus on campaigns to build brands' fan bases (brand campaigns). These accounted for nearly half of the impressions worldwide, a 104% quarterly increase.

The share of impressions related to the offsite campaigns (campaigns driving traffic off Facebook) remained relatively stable and fluctuated around 50% (Figure 1). Interestingly, the UK market seemed to be slow in adopting brand campaigns, possibly due to the high emphasis on Return on Investment/Offsite Campaigns (ROI), with only 3% of impressions aimed at fan acquisition in Q2 2011.

Figure 1. Total impressions by campaign type

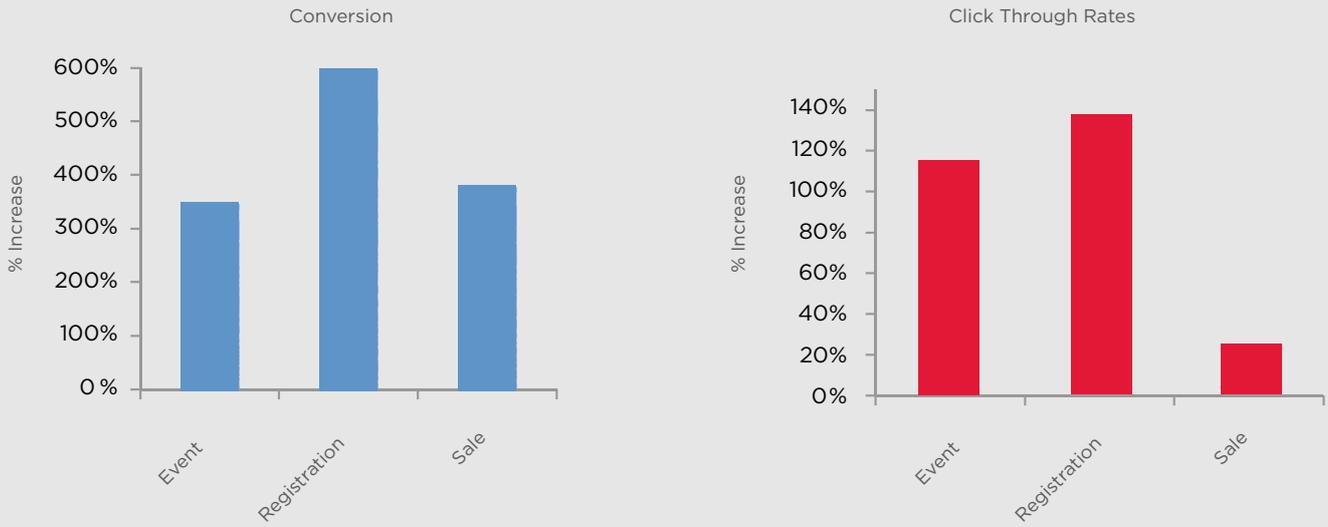


Benefits of Advertising to Facebook Fans

435% improvement in campaign conversion rates when targeting existing fans

TBG case studies provide evidence for the benefits of advertising to Facebook fans. Comparison between identical campaigns aimed at fans and non-fans showed a three to six fold increase in Conversion Rates and a significant increase in Click Through Rates (CTR) while targeting fans. Results are presented in Figure 2.

Figure 2. Increase in CTR and Conversions when targeting fans



Note: Figure based on 170 billion impressions, 146 clients, and 21 countries. Impression counts are confidential and were removed.

Event	Campaign aimed at acquiring RSVP's to a concert organized by a major US soft drink brand - 50 million impressions
Registration	Campaign aimed at generating registrations for a loyalty card/programme - 100 million+ impressions
Sales	Campaign aimed at driving sales for two large US retailers - 150 million+ impressions

Hot Sectors

Retail gets best CTR and grows to 36% of total impressions in Q2 2011

Retail was by far the hottest sector in the last 12 months (Figure 3). From being nearly non-existent in Q3 2010, it has shown steady growth and accounts for 36% of all our impressions in Q2 2011. The growth of *Retail* was fuelled by positive feedback from consumers as expressed by the highest Click Through Rates (CTR) among all sectors (Figure 4). The second fastest growing sector was *Finance*, driven by credit card campaigns. The numbers of impressions in the *Jobs & Education* sector also grew rapidly, however this growth was seen mostly in the US.

The dominance of B2C advertising on Facebook is clear. Figure 4 demonstrates this by comparing global CTRs across industries in Q2 2011. It is important to note that *Business & Industrial* is among the top five sectors with highest CTRs, suggesting that Facebook is also a valid B2B marketing channel.

Figure 3. Top 6 growing sectors in Q2 2011

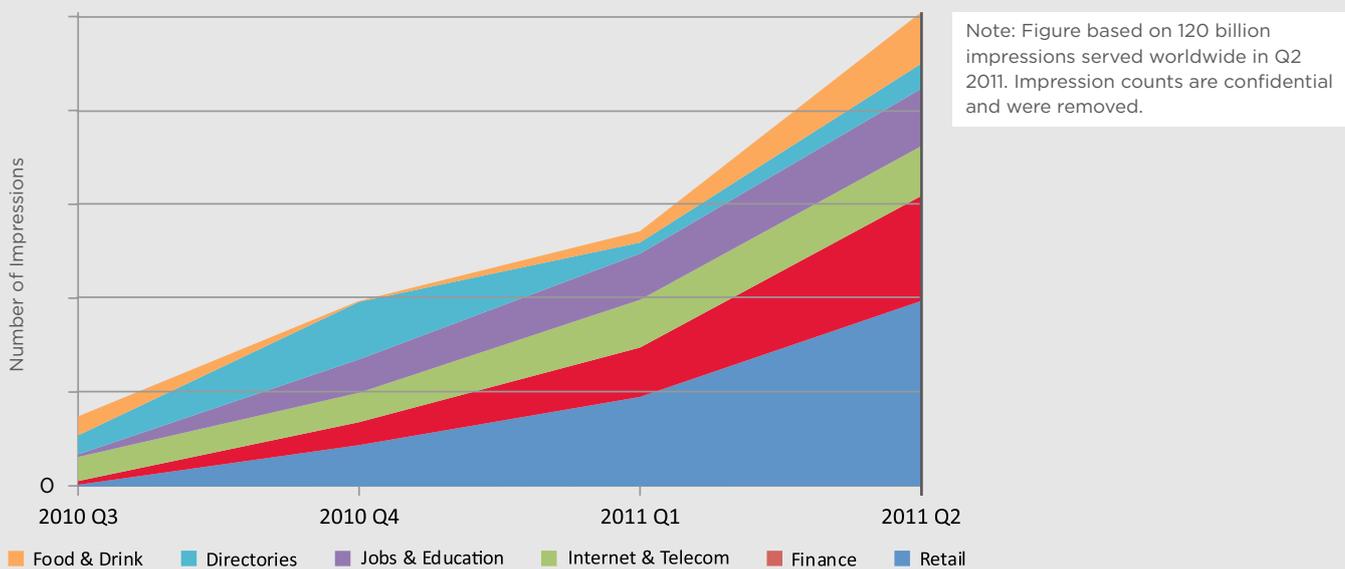
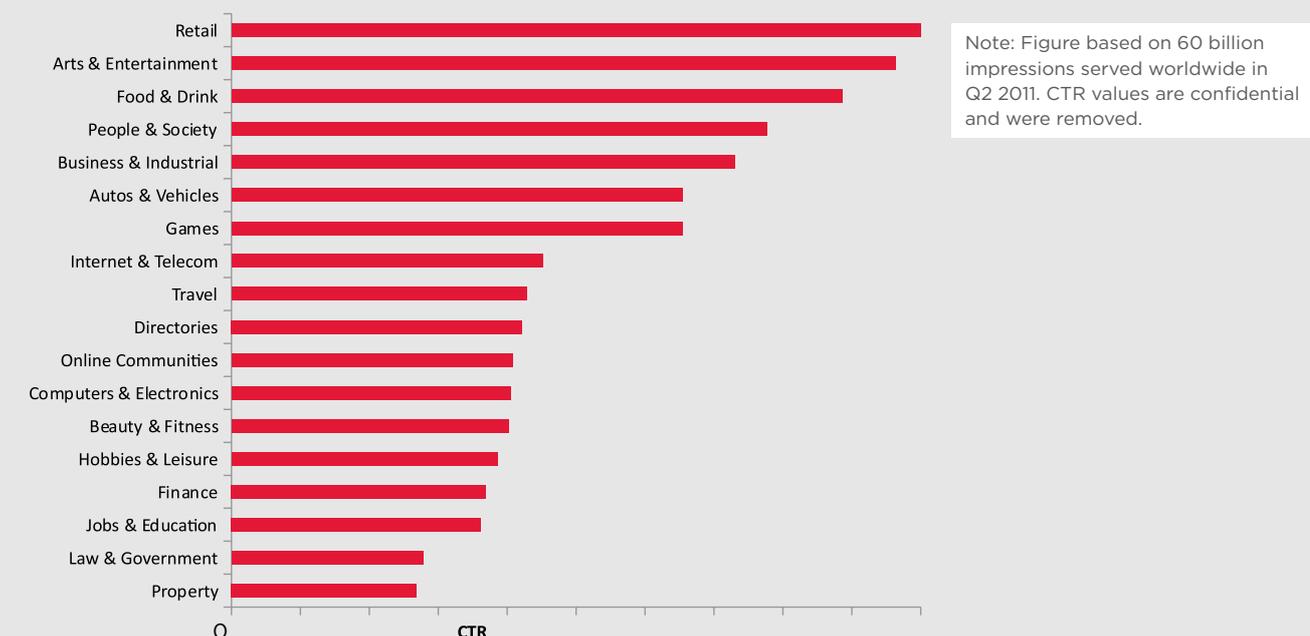


Figure 4. CTR values across the sectors



Price Trends

Facebook uses two different pricing models for its ad inventory: CPC and CPM. As an advertiser paying via the CPM model (Cost Per Thousand Impressions) on Facebook, you pay a flat fee (pre-determined by Facebook) for 1,000 impressions. There is no guarantee that any of those impressions will generate a 'click'. If you use CPC (Cost per Click) pricing then you only pay your desired bid amount when a user actually clicks on the advertisement.

CPM Rates

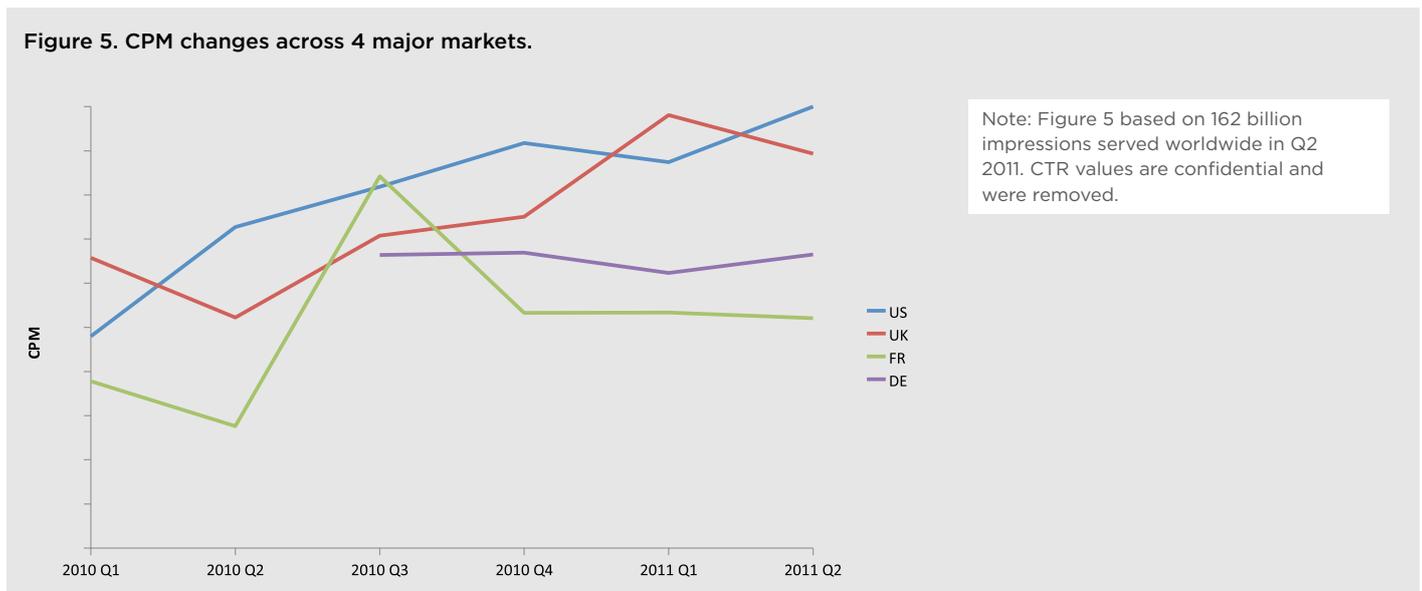
CPM increases by 45% across 4 markets between Q2 2010 and Q2 2011

TBG Digital's data has identified that CPM (Cost Per Thousand Impressions) rates seem to be rising. Figure 5 indicates that the CPM rate increased by 60% between Q2 2010 and Q2 2011 in the UK and by 40% in the US.

In Q2 2011 CPM in the UK decreased by 11%, which we can deduce was probably a re-adjustment after a 30% increase between Q2 2010 and Q1 2011.

It is important to note that during 2011 the costs of impressions remained relatively flat in Germany and France which means Facebook continues to offer advertisers a relatively competitively priced marketplace in these growing markets.

Figure 5. CPM changes across 4 major markets.



Price Trends (continued)

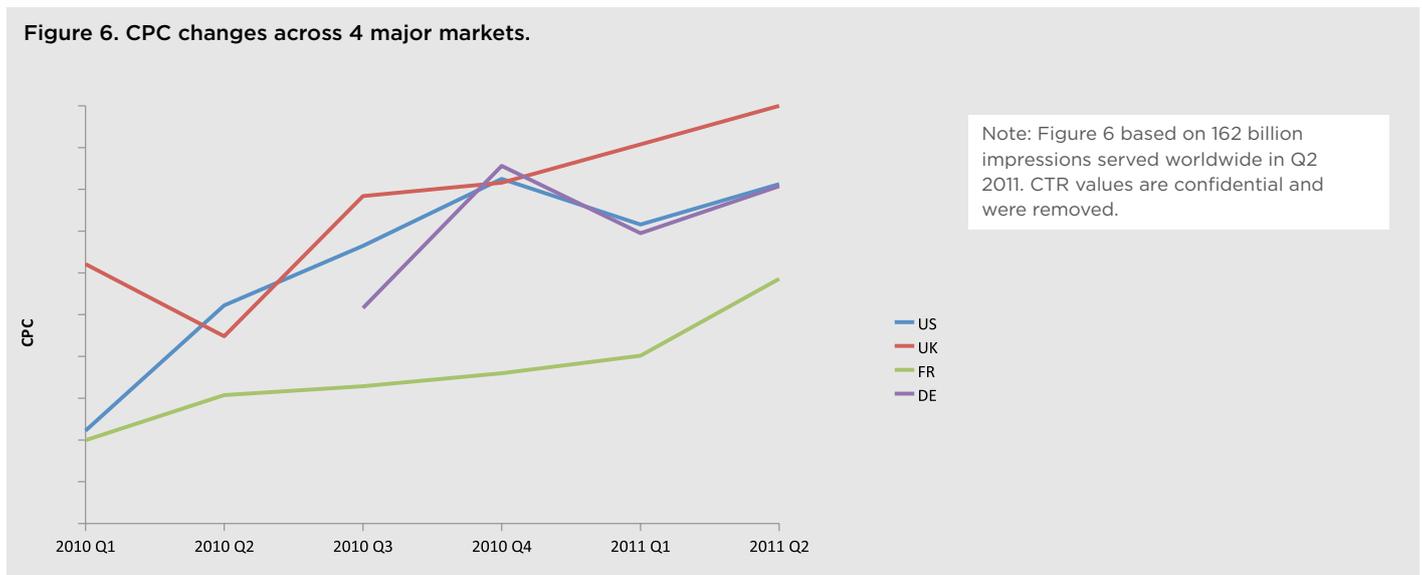
CPC Rates

CPC rates increase 74% across 4 markets between Q2 2010 and Q2 2011

Looking more specifically at CPC rates (Cost per Click); Figure 6 presents CPC growth trends in 4 major markets. The growths were substantial, with over 100% increase in UK, 55% in US and 70% in France. There is still potential for advertisers to take advantage of lower CPC rates in France as its CPC is still 30% lower than in Germany. High CPC prices in the UK reflect the dominance of ROI campaigns (offsite campaigns) in this market.

Although the general picture shows the rising price of adverts on Facebook, there are territories and approaches that can offer significantly lower costs. One of these approaches – focusing on using Sponsored Story ad formats – is discussed in the next section.

Figure 6. CPC changes across 4 major markets.



Sponsored Stories

Sponsored Stories ads in Facebook campaigns decreases CPA (Cost per Acquisition) by 32%

One of the most important Facebook developments in Q2 has been the release of Sponsored Stories. They are new social ad formats through which advertisers can amplify news feeds related to their brands. Sponsored Stories support Facebook's 'social by design' approach to advertising i.e. using the influence of friends to generate actions. There are seven types of Sponsored Stories currently available: Brand Campaigns (Page like, Page Post and Page Post like stories), Application Campaigns (App used and App Shared Story), Offsite Campaigns (domain story), and Offline Campaigns (check in story).

The results of two TBG case studies show that using Sponsored Story ads considerably improved campaign performance (Figure 7). Comparison between similar campaigns using Sponsored Stories and standard ASU fan ads, showed a positive change in all of the campaign metrics produced by Sponsored Stories conditions and a major decrease (32%) in acquisition costs.

Example of a 'Page Like' Sponsored Story

What happens: Someone liked your Page directly from Facebook or from the Like box on your website at any point.

What you can do: You can use the Page Like Story to make sure his friends know about this section.

Friend's Photo & Name

The photo and link take you to this friend's profile



Mike Fretto and Mary-Jane Faul like Southwest Airlines



Page Name

Full Name of Page is preserved (up to 70 characters)

Page Thumbnail Image

50px wide, 50px high (same as thumbnail managed by Page; aspect ratio is preserved), takes you to Page.



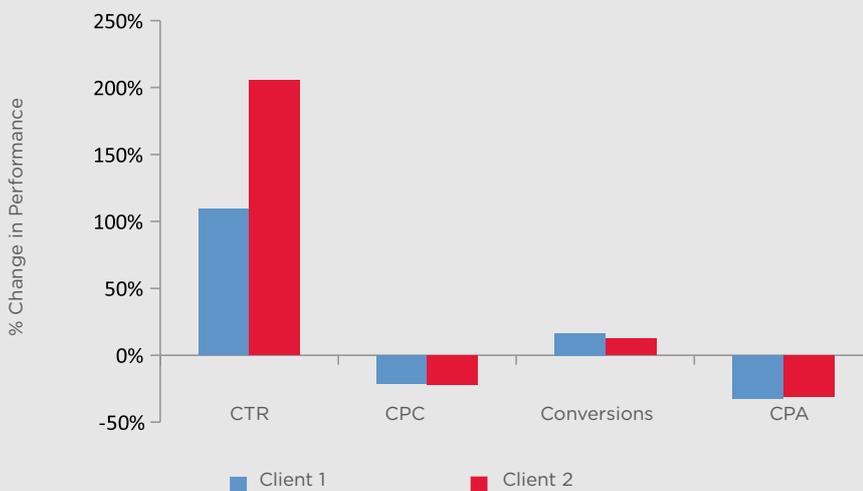
Southwest Airlines



Like

Clicking on it makes you a fan of the Page, inline.

Figure 7. Change in campaign metrics for 'Page Like' Sponsored Story versus standard ASU formats on Fan campaigns for two clients



Note: Figure based on 208 million US impressions served in Q2 2011.

Methodology

TBG Digital used a subset of total data across 167 clients, running in 21 countries worldwide generating a total of 200 billion impressions to provide this analysis. Methodology has been provided in each section.



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Report Authors

This report was written by Simon Wardropper, Social Media Director TBG Digital with additional commentary and validation from Cambridge University Institute of Psychometrics provided by Michal Kosinski and Stephen Haggard.

About TBG Digital

TBG Digital is a global marketing and technology company, specializing in Facebook advertising and social media marketing. Combining technology with unparalleled experience, the company collaborates with clients to meet their marketing objectives. Founded in 2001, TBG Digital has offices in London, San Francisco, New York, Chicago, Paris and Hamburg and manages campaigns for more than 90 advertisers targeting in 60+ countries. For more information, please visit our website at www.tbgdigital.com.

Report Glossary

CTR	Click Through Rate
CPM	Cost per Thousand Impressions
CPC	Cost per Click
ASU	Ad Space Unit
Brand Campaign	Fan Acquisition or Fan engagement activity on Facebook
Offsite Campaign	Any Facebook Advertising that leads the consumer off Facebook
Sales	'Sale' is an online purchase
Registrations	'Registration' is a consumer registering their details for submission to a client
Events	'Events' is an RSVP campaign driving people to sign up to events on Facebook.