

The background of the entire page is a blue-tinted photograph of several people's hands holding a smartphone together. The hands are positioned around the phone, with some fingers resting on the screen and others supporting it from the sides and bottom. The overall tone is collaborative and community-oriented.

nosto 

ECOMMERCE GUIDE TO FACEBOOK AND INSTAGRAM AUDIENCES

*How to best reach your customers,
old and new*



Marketing Partner

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Hi,

Welcome to your Guide to Facebook and Instagram Audiences for ecommerce. I'm excited to take you through the enormous targeting possibilities that the Facebook ad platform offers you as an online retailer, since marketing automation, smart utilization of data and customer segmentation is very much my own area of expertise at Nosto.

The idea for this ebook came to me when I was advising a friend on her fashion ecommerce business. It struck me that despite having a successful bricks and mortar business and spending a lot of time personally online, she wasn't aware of the power to target both existing and potential new customers using Facebook and Instagram as an ad platform.

And that's why we're here. While it's the ad creative and formats that are often credited with exemplary campaign performance, I'd argue that it's the group of people you show it to that really matters. If you've made a start with social ads, and want to optimize your audience strategy, this guide is for you. It'll give you tangible first steps and support in selecting and optimizing your audiences for your Facebook and Instagram ad campaigns.

Join me, as I take you through how to create audience groups that convert into lucrative long-term customers.

Cheers,



Lari

Ecommerce Specialist and
Product Manager at Nosto

AUDIENCE TYPES

CORE AUDIENCES - Based on Facebook's data about its users.

LOOKALIKE AUDIENCES - A group of Facebook users who share similarities with another group, such as your existing customers.

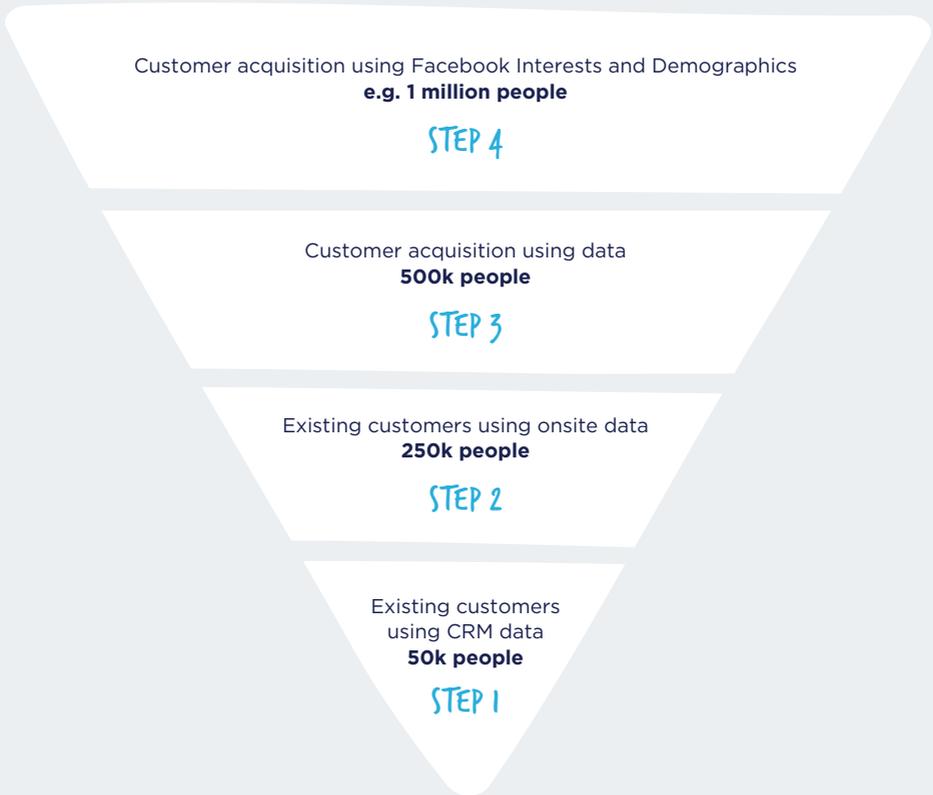
CUSTOM AUDIENCES - A group of users defined by you, such as those signed up to your mailing list, which you can either target separately or use as a seed for your lookalike audience.

WEBSITE CUSTOM AUDIENCES - A custom audience of users who visited or took specific actions on your website using Facebook Pixel. This pixel is installed on each page of your website, and is used to understand the actions people take there, as well as how effective your campaigns are.

UNLIKE MOST ECOMMERCE GUIDES,

we're going to start the journey at the bottom of the conversion funnel.

Why? Well, while pouring money into traffic acquisition tends to work, because results can be achieved relatively quickly with minimal effort, Facebook allows you to be smarter than that. By re-engaging existing customers you are targeting those statistically most likely to convert, making the very best use of your marketing budget.



STEP ONE:

Remarketing via existing data

Remember the golden rule of marketing: It's more expensive to acquire a new customer than to sell to an existing one. In fact, numerous studies have found that it costs anything from five to ten times more to attract a new customer than retain an existing one.

Existing customers already trust you, and Facebook makes it easy to use your CRM data to find those people to show your ads to. By uploading, say, your customer emails and phone numbers to Facebook, they can check them against their user database so you can target that very group with your ads. Go one better, and segment these people based on affinities to certain categories, brands, lifetime value or similar subsets of data, and you can then even personalize your ads to them.

Existing customers

ALREADY TRUST YOU

And the reason to focus on EXISTING CUSTOMERS?

Adobe has some impressive facts to explain this.



40% of revenue comes from customers making repeat purchases, who represent only 8% of the traffic.



You need, on average, 5-7 new customers to equal the revenue of 1 repeat purchaser.

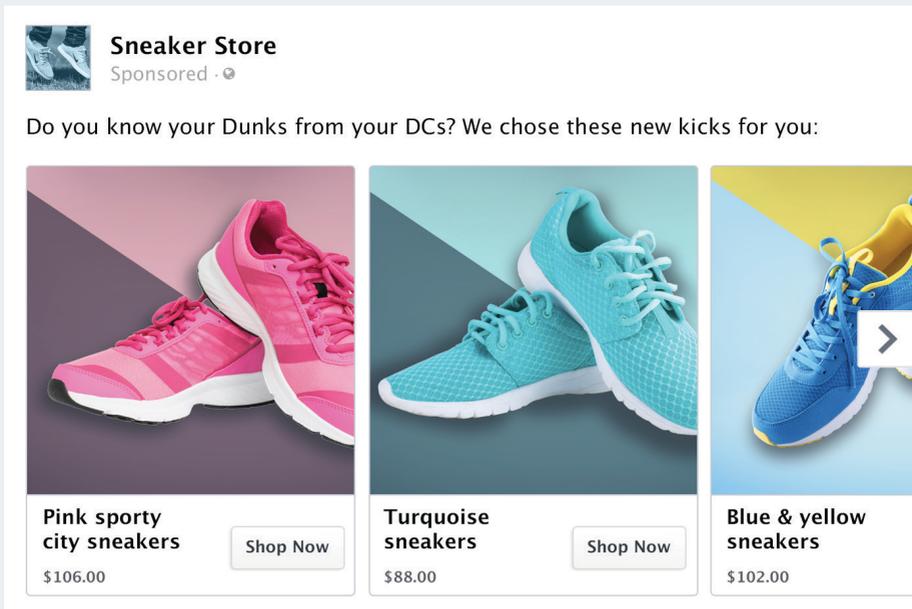


Conversion rates are up to 9x higher than new that of customers (and that's even higher during the holiday season).

As you can see, remarketing to existing clients is not just advisable, it's crucial. If you don't do it, you're doing your business, your employees and yourself a massive disservice!

EXAMPLE

Imagine you're selling the hottest new sneakers. How do you reach sneakerheads? By segmenting existing customers who bought a pair of that specific brand from you last year, you have a perfect re-marketing segment at your disposal! And then you can use this same group to create a lookalike audience – find those Facebook and Instagram users who haven't yet bought from you but display all the same characteristics as your existing sneaker-loving customers.



Sneaker Store
Sponsored · 🌐

Do you know your Dunks from your DCs? We chose these new kicks for you:

 <p>Pink sporty city sneakers \$106.00</p> <p>Shop Now</p>	 <p>Turquoise sneakers \$88.00</p> <p>Shop Now</p>	 <p>Blue & yellow sneakers \$102.00</p>
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▶ Showing this ad to people who haven't yet bought from you informs them that you know your stuff

Segmentation based on previous purchases provides almost limitless opportunities – remarketing to those who bought from you last Valentines Day, Mother's Day, Christmas etc – if you've got the data, you can use it.

TL;DR

Allocate your finite marketing budget where it will have the most impact - in re-engaging existing or recently lost customers you are not only increasing your customer lifetime value metric, you're very likely able to sell more to each individual per purchase, boosting your average order value. In fact, at Nosto we've seen a revenue per returning visitor over \$8 higher than the average revenue per visitor (about a 500-600% increase!), while the conversion rate when existing clients re-visit a site is as high as 10%-12%.



STEP TWO:

Remarket via onsite interactions

Facebook and Instagram should ideally not be the only traffic acquisition channels, but they are the apps that users spend more than a fifth of their time, immediately after they unlock their smartphone screen. So if you want to trigger users to visit your site again, these two are the channels to include.

If someone was on your site but didn't make a purchase, there's still a lot of information you can glean from that visit if you install the Facebook Pixel on your site. This type of custom audience is called Website Custom Audience and can be based on things like visitors who viewed a product, searched something or added something to their shopping cart but left without a purchase: classic yet extremely effective ecommerce re-targeting segments.

*If someone was on your site
but didn't make a purchase,*

**THERE'S STILL A LOT OF INFORMATION
YOU CAN GLEAN FROM THAT VISIT**

These custom audiences ARE GREAT BECAUSE...

... you don't need to identify these users by email - the Facebook Pixel will do the job for you.

... If you use Facebook Dynamic Product Ads, you can target users with personalized product ads, since you know both how they interacted with the site e.g. what items were left in the shopping cart, and all about their specific interests.

... They work on any store regardless of the industry or area - the problems of viewing but not buying and cart abandonment are pretty universal!

... **AUTOMATION!**

Let's look closer at that last point. Much like cart abandonment emails, re-targeting campaigns can fly on auto-pilot as long as you configure the parameters when users are removed from the target audience, as you don't want to target cart abandoners indefinitely.

Occasionally you should adjust your ad creative and possibly the bid, but the amount of manual effort is still minimal. Unlike “regular” custom audiences based on your CRM data, those based on interactions (the previously mentioned Custom Audiences) are continuously updated, as long as you have visitors who leave without buying on your site – which, let’s face it, you’ll always have!

At Nosto we’ve seen conversion rates as high as 10-20% when targeting cart abandoners, yielding ROAS of around 10-30X across all verticals, *thanks to personalized ad content.*

TL;DR

Customers that went to your site but didn’t make a purchase are already aware of your business, so try to re-engage them before going after totally new customers. With the average person visiting a site three times before making a purchase, according to the Nosto 2016 Magento Report, you can be certain that they’re closer to making a purchase than someone who has never visited before.



STEP THREE:

Customer acquisition via data analysis

If you've done everything you can to re-engage previous customers, you can now safely move on to brand new customer acquisition (or perhaps you just don't have the data available to you to allow you to re-target. If that's the case, don't worry - there are still a lot of great opportunities to take advantage of).

One of the most attractive parts of Facebook is the nearly infinite amount of data it has about its users. And it's not just regarding basic demographics - the platform can use similar traits between users outside and inside Facebook and Instagram to help advertisers to find the right audience for their products.

Two other great seed audiences for lookalike audiences are *Recent buyers*, *High spenders* and *Fans* of your page. Creating lookalikes based on these will typically yield a smaller audience compared to creating the groups based on more generic interests, but this approach can reap dividends..

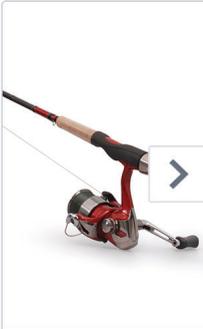
Narrowing down a lookalike audience is a balanced play. It can deliver results faster and also increase the ROAS, but it also rules out some valuable customers from the original audience. To make sure it works for you, you need to update and recreate a campaign much faster than a regular, bigger lookalike campaign due to ad fatigue (explored in detail a little later). If you are able to create lookalikes fast, this is a tactic to try out, but if creating an audience with just an odd thousand users takes a lot of time, you might want to keep the audience as big as possible to remove the manual effort required.

EXAMPLE

A retailer selling a particular type of fishing rod created a lookalike audience based on their recent buyers, then narrowed down the audience based on assumed interests, reflecting the hobby. The audience shrank from hundreds of thousands to tens of thousands, but as a result, by running multiple campaigns targeting different segments, the resulting ROAS was between 7 and 10X, with a good amount of purchases.

**Fisherman's Favorites**
Sponsored · 

Back to the rivers! Celebrate the beginning of trout season with this new double handed fly fishing rod

 <p>Two-handed rod glass fiber</p> <p>\$256.00</p> Shop Now	 <p>Two-handed rod 10/11wt</p> <p>\$312.00</p> Shop Now	 <p>Two handed rod 2 tips</p> <p>\$142.00</p> Shop Now
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▶ When targeting a particular interest, you can be specific with terminology and insider knowledge

TL:DR

Although bigger is normally better when it comes to customer acquisition on Facebook, narrowing down lookalike audience by a specific interest can often deliver results faster, and works well if your store and clientele share some common characteristic. By using software such as Nosto, which automates the creation of lookalike audiences, you can take advantage of this and create these types of campaigns in less than a minute.



FYI

We've seen lookalike audiences perform particularly well in Baby, Sports & Health and Pet&Animal verticals, because these users share a lot of common characteristics with each other.

STEP FOUR:

Acquisition via Interests and Demographics

The top of the conversion funnel involves building campaigns based on *Interests* or *Demographics*, or a combination of these two. This is the step when you want to maximise your reach and cast your nets wide. If there's a group of users in a particular area that you want to reach out, this is the tool to use. Theoretically, you can reach out up to all 2bn users on Facebook and Instagram, but you should absolutely narrow down that list based on age, gender, language and geographic area, then tailor it further with some interests.

What makes this option particularly interesting is when you use Interests in parallel with product inventory filters and promote the most interesting product range for each group. For example, if you're launching a new line of a globally recognized brand, there's probably a group of users who have indicated their interest towards the brand on Facebook and Instagram that you can target.

Prospecting always involves a bit of luck of the draw, although with good targeting you can increase your odds of success. New customer acquisition is somewhat like getting interviewed to a new job. Sometimes (but rarely) you might be hired by the end of the first interview, but typically the first interview is about giving a good impression, in the hope of getting to the next interview round and to the final one - when the magic hopefully happens! In short, don't expect to get a huge amount of purchase conversions out of campaigns targeting first time visitors. When you started building your audience strategy from the bottom, these are the users you can and should re-engage with retargeting, depending on the actions they took on your site.

TL:DR

While Demographics covers age, gender and language, Interests offers a much more varied selection. Facebook looks at a huge amount of different data sources, including Pages they've liked, apps they've used and areas they've shown an interest in to name a few, to build a list of Interests linked to each person.



FYI

We've seen Demographic & Interest-based targeting perform particularly well in Fashion and Automotive verticals, because it's easy to find people that show interest in the different styles, brands and manufacturers, and therefore build an Interest audience around them.

FIVE FACTORS TO CONSIDER

Audience size

Don't artificially narrow down the audience size by splitting it to different groups unless you have good grounds to do so.

(For example, expected lifetime value of a customer is a good reason to target an audience separately and obviously the step where they're located in your conversion funnel.)

If your marketing budget is huge, and your brand can justify it, a massive audience can be set. But if it's smaller (perhaps because you're only just beginning to experiment with Facebook ads), don't even try to target, for example, all female Facebook users in the UK. While it might sound attractive, you'll have barely scratched the surface of showing ads to this group before your budget runs out.

On the other hand, a very small audience will naturally limit the number of people that see your ad. It's reasonable to estimate that if 1000 people see your ad, 30-50 people might click on it and visit your site. From those, just one or two might buy something, so depending on your AOV you might decide that given the time it takes to build the campaign or multiple campaigns, you can't justify this campaign.. .

The exception to this is, again, if you create a campaign based on certain interactions, e.g. cart abandonment, which both updates itself automatically and typically yields very good results in terms of conversion rates with a smaller audience.



Ad fatigue



And in relation to audience sizes, eventually all campaigns based on custom audiences will suffer from ‘ad fatigue’ - a tipping point where campaign performance starts to tank (stay tuned for the exception to rule at the end of this chapter).

Ad fatigue is perfectly normal, but it's important to notice and act when it occurs.

After launch, typically during the first hours or days the campaign has relatively low performance, but at some point it starts to increase sharply, reaching a high point where it will remain for one, two and perhaps even three weeks depending on your audience size. Eventually the performance will start to decline, which is a signal that ad fatigue has kicked in, meaning that you should stop the campaign, refresh the creative, and then re-launch it, assuming the initial results were encouraging.

Ad fatigue is commonly caused by your ad being shown to the same audience more than a few times. Assuming you're paying per thousand impressions that your ads appear, and you've optimized for conversions, Facebook will first show your ads to those who are more likely to conduct the desired action. After some time, this ad will be shown to other users too and a second time to those who did not convert the first time. Eventually your ad has been shown to everyone in your audience, signaling that it's time to terminate, review the creative and either re-launch the campaign for the same audience with updated creative or move to another targeting group.

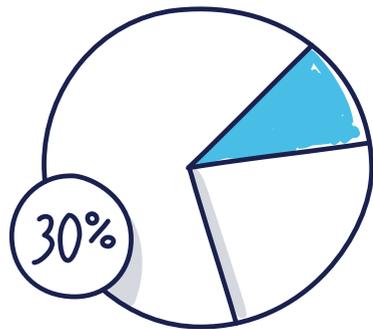
Ad fatigue can't be entirely avoided, unless you continuously update your audience (as in the case of the previous mentioned cart abandonment example). So, to avoid manual work, you either need to target large audiences or use a tool like Nosto, where creating campaigns for smaller audiences doesn't take longer than a minute.

Essentially, for campaigns that aren't based around website custom audiences (thus don't update automatically), your start and end date should be governed by the audience size and budget.

Ad relevance score

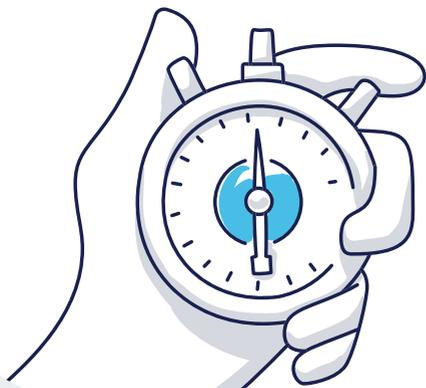
Ad relevance score is another factor that will affect your ad's power, outside of ad fatigue. If you repeatedly target the same audience for a long period of time with the same ad, it is likely that your ad's relevance score will drop, which can cause or speed up the effect, in a similar way to ad fatigue. Pay attention to this handy metric, but don't let it dominate your decisions.

An ad with a low relevance score can still deliver good results, but if relevance and performance drops at the same time, you might want to terminate and rethink the campaign.



Campaign run time

Campaign run time needs to be decided based on your audience size, campaign objective and available budget.



Targeting a million users with a daily budget of \$10 isn't going to perform very well, since reaching all of your target audience is going to take forever. But with a daily budget of \$1000, you can put your ad in front of all the users in the audience much faster.

Metrics

While ROAS has an imperative value for all marketers, don't let it affect all your decisions. Pay attention to tangible sales metrics, orders and revenue. For example, one of our clients in sports nutrition vertical had a massive ROAS of 20-25X, but due to a low bidding strategy they weren't able to reach the entire target audience. Once we optimised the campaign bidding and target parameters a bit, they were able to reach the entire audience by spending a bit more. ROAS dropped to 10-15X, but they also tripled their sales.

Sometimes it make sense to pay more because you get more.

ONE FINAL WORD...

If I've done my job properly, you should now be full of inspiration and keen to jump into the world of Facebook and Instagram advertising. And this is great, but you need to be pragmatic about it and remember that the best performing Facebook strategy is a similar funnel to B2B sales. If you don't have enough leads coming in, inevitably your sales will shrink.

For example, don't expect a ton of purchase conversions when targeting entirely new clientele, but don't drop these campaigns either. Build your conversion funnel by mapping out a series of micro-conversions that work best for your store, which can be specific pixel events based around interactions with the site. But foremost subtly try to acquire an email address from as many new visitors as possible. While I love the power of Facebook (and it's my own bread and butter!), it's still a paid media for advertisers, whereas with something like email marketing, there are minimal costs associated with it.

Re-targeting cart abandoners, visitors and re-engaging existing clientele will always yield better results in terms of ROAS, conversions and CTR compared to customer acquisition campaigns. Entirely new prospects aren't familiar with your offering and don't have the same level of trust as those that have already visited or bought something from you.

For even more inspiration, check out this article on Medium [how Project Repat scaled from zero to \\$4M](#) in just three years by applying a few simple and affordable e-commerce marketing tactics, including Facebook.

Good Luck!



Lari | Ecommerce Specialist and
Product Manager at Nosto



*Get started with Nosto today
with a 14 day free trial or
book a chat with one of our
Ecommerce Specialists about your
personalization needs.*



Marketing Partner

sales@nosto.com

www.nosto.com