

# Social Advertising Trends in Retail: A 2020 Perspective

A 2020 eTail Report



# Executive Summary

Retail spending on social advertising has only continued to grow over the past several years, just as the targeting algorithms inherent in social advertising platforms have only become more refined and effective — almost legendary. But it isn't just the social media giants who are driving a continuous increase in digital advertising budgets.

Retailers themselves have harnessed powerful new tools to make the creation, deployment, and measurement of social media ads more streamlined and effective. They've also discovered new and innovative ways to encourage their creative and advertising teams to collaborate.

Nonetheless, many retailers still face barriers to building successful social advertising campaigns. Content creation and curation, aligning teams toward common goals, and time-consuming manual processes are all challenges that will require new solutions in 2020.

In this report, you will learn why retailers from various sectors are succeeding with their social advertising campaigns and how they intend to spend their ad dollars in 2020. You will also learn what their bottlenecks are and how they plan to tackle them with new tools and processes to employ to improve their return on ad spend.

# Key Findings

- 1** A significant portion of marketers' budget is dedicated to social: 50% of marketing teams spend at least half of their marketing budget on social advertising.
- 2** Nearly every company surveyed buys Facebook ads (96%), and 36% of these companies spend more on Facebook advertising than on any other social media channel. Facebook produces the best 'return on ad spend' (ROAS) for more of these companies (41%) than any other social media channel.
- 3** Most companies plan to increase their advertising spend on Facebook (96%), LinkedIn (61%), and Twitter (56%) in 2020. Nearly one-quarter of these retailers (22%) will increase spending on Instagram as well.
- 4** 61% of companies claim social advertising creation and delivery involve time-consuming manual processes. Almost half of the companies surveyed (48%) feel their social advertising and creative teams don't collaborate effectively.
- 5** Most retailers will spend more on social advertising in 2020 compared to 2019 (52%) and most will ensure their social advertising and creative teams will work more closely in the coming year (51%).

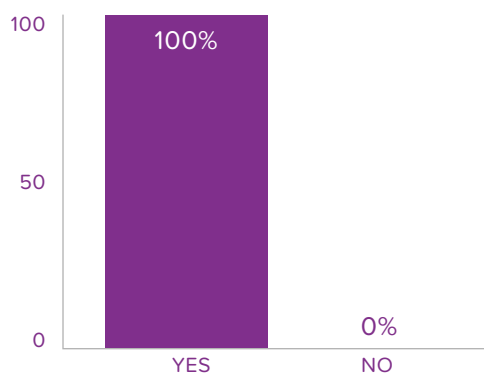


The background features a dark purple and blue gradient with various social media icons in white circles, including Facebook (f), Instagram (camera), Twitter (bird), and Pinterest (P). There are also icons for a thumbs up, a heart, and a bar chart. The year '2020' is prominently displayed in large, bold, yellow numbers. A hand is shown interacting with the '20' part of the year, with a finger touching the '2' and a circular ripple effect around it. The overall design is modern and tech-oriented.

# 2020

## About the Study

### Does your company spend money on social advertising?



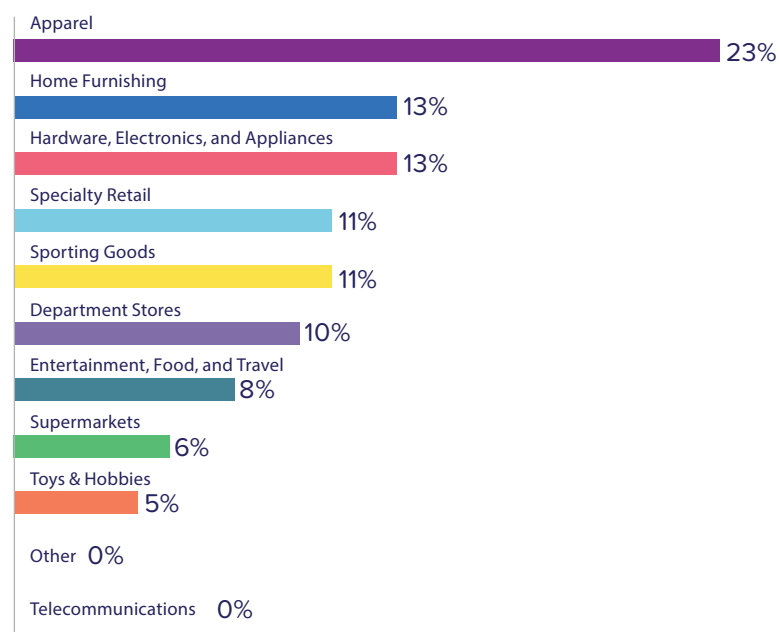
*Every respondent surveyed in the study represents a company that is currently spending money on social advertising.*

The retail companies involved in the study come from a variety of retail sectors. A plurality represents the apparel industry, at 23%.

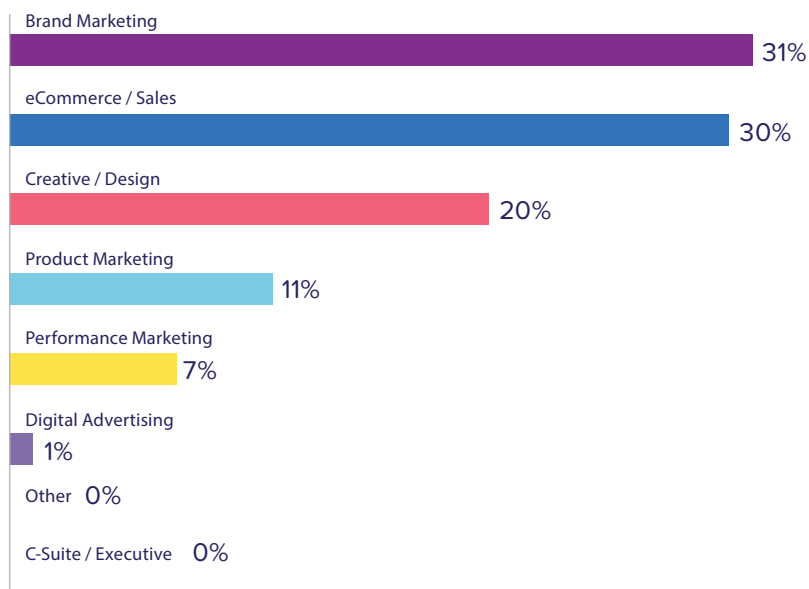
Other sectors represented in the study include home furnishing (13%); hardware, electronics, and appliances (13%); specialty

retail (11%); sporting goods (11%); department stores (10%); entertainment, food, and travel (8%); supermarkets (6%); and toys & hobbies (5%). None of the respondents represent any sectors that weren't listed and there are no respondents representing the telecommunications sector.

### Which retail sector are you in?



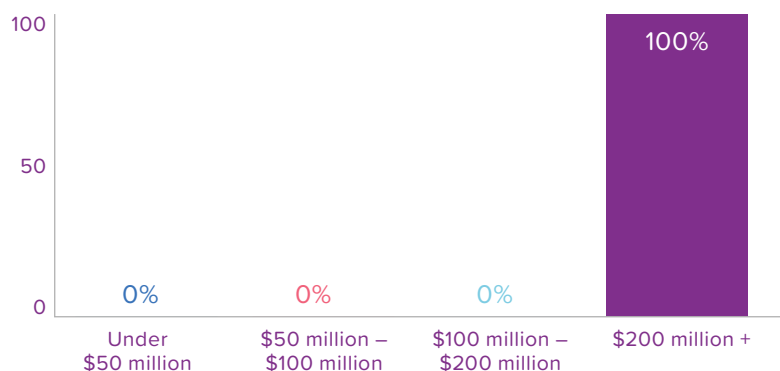
### What is your role?



The majority of respondents are in brand marketing roles (31%) or eCommerce and sales roles (30%). Exactly one-fifth of respondents (20%) are part of the creative and design department at their companies. Fewer respondents occupy roles in product marketing

(11%), performance marketing (7%), and digital advertising (1%). This study did not survey any professionals in a C-suite or executive roles, although every respondent is part of a company that generates over \$200 million annually from online sales.

### How much annual revenue does your company generate from online sales?



## U.S. retailers continue to allocate large portions of their marketing budgets to social advertising ads — Facebook, Inc. is a clear winner.

Social advertising has been an essential marketing investment for retail companies of all sizes over the past decade.

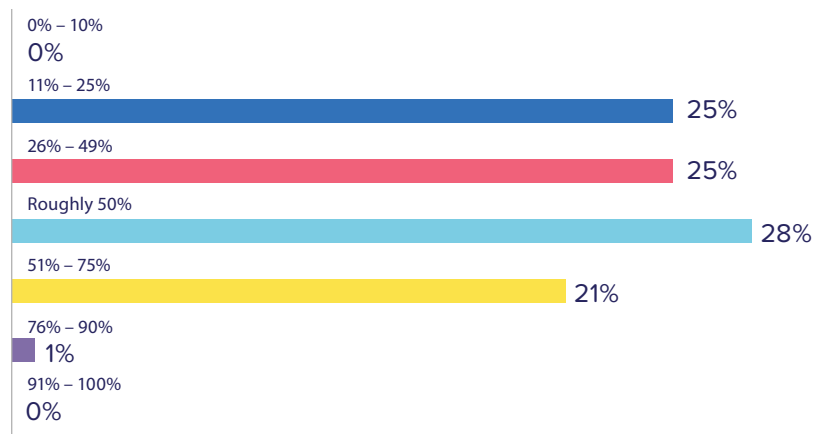
According to a 2019 study commissioned by the Interactive Advertising Bureau (IAB) and conducted by PricewaterhouseCoopers, digital ad revenue in the U.S. surpassed \$100 billion for the first time in 2018, a 21.8% jump from full-year digital ad revenue in 2017 [1]. Much of this ad spend is being spent on platforms like Google Ads, but social media platforms like Facebook, LinkedIn, and Instagram are also receiving significant portions of corporate advertising budgets. This is primarily because of the powerful algorithms at play

on the platforms, which can grant marketers unparalleled access to highly targeted user segments.

After years of experimentation and improvement, many companies have managed to refine their advertising processes to reach a certain level of maturity when it comes to allocating ad spend, building creative assets, and optimizing their ad campaigns. Many more companies are discovering the benefits of digital advertising for the first time.

Nonetheless, even established enterprise companies are facing challenges in optimizing their social advertising, as the results of this study will reveal.

### What percentage of your overall marketing budget is currently dedicated to social advertising?



**DID YOU KNOW?**

**50%**  
of marketing teams  
spend at least half  
of their marketing  
budget on social  
advertising.

**IN 2020**

**96%**  
of marketing teams  
plan to increase  
their budgets on  
Facebook.

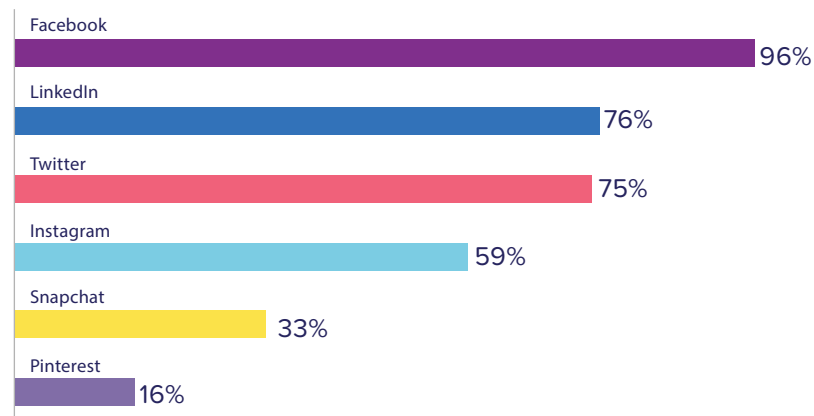
**IN 2020**

**52%**  
of marketing teams  
will spend more on  
social advertising  
than they did in 2019.

Half of the companies represented in the study currently spend more than roughly 50% of their overall marketing budgets on social advertising, with 1% of respondents allocating 76% – 90% of their marketing budgets to social advertising. The other half of the

companies surveyed spend either 11% – 25% (25%) or 26% – 49% (25%) of their budgets on social advertising. None of the companies surveyed spend less than 11% of their marketing budgets on social advertising.

**On which platforms are you currently buying social media ads?**



Facebook is by far the leading social advertising platform based on allocation of ad spend. At 96%, almost all the companies surveyed in this study are currently buying social media ads on Facebook. LinkedIn and Twitter are about equal in their popularity, with 76% of companies advertising on LinkedIn and 75% advertising on Twitter.

A majority of respondents (59%) say they are buying ads on Instagram, which is owned by Facebook, Inc. and uses the same targeting technologies. Meanwhile, one-third of respondents are buying ads on Snapchat and 16% are buying ads on Pinterest.

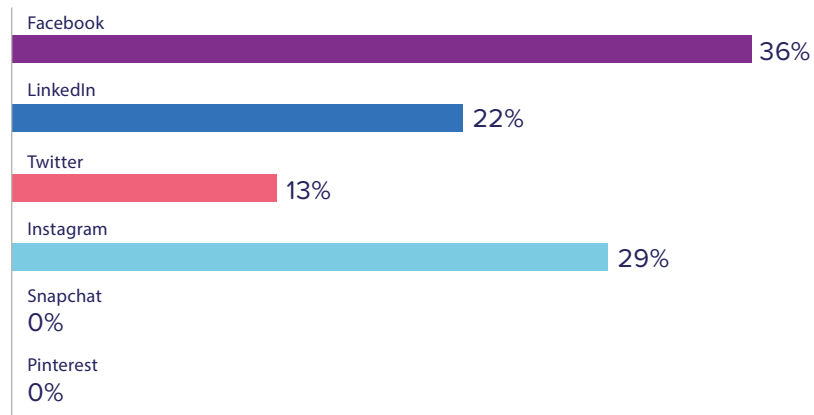
As we will see, retailers intend to increase their ad spending with platforms that have provided them with the best returns historically.

They also appear to favor those platforms that have the most users and the widest reach.

Based on a 2019 study by Pew Research, Facebook, YouTube, and Instagram are the most widely used social networks in the United States. Most of the U.S. adult population uses Facebook, at 69% of U.S. adults. But different demographics favor different platforms. For example, Pew Research's study also found that 73% of consumers aged 18 to 29 use Snapchat and 75% of the same demographic use Instagram.[2] Meanwhile, Instagram reports that over 500 million people use its Stories feature every day.[3]

Retailers must, therefore, pay close attention to demographic targeting in addition to reach, algorithmic maturity, and cost factors when choosing social advertising platforms in 2020.

### On which single platform are you spending the most on social ads?



When asked about which platforms receive the most of their ad spend, not surprisingly, a plurality of respondents (36%) say they are spending the most social advertising dollars on Facebook. Facebook-owned Instagram is the second most popular, with 29% of respondents claiming they allocate the most social advertising dollars to the platform.

This means the Facebook, Inc. social media ecosystem receives the most social media ad spend from 65% of the companies surveyed in this study. This trend mirrors overall trends in the digital advertising industry, especially in terms of which platforms are considered the most popular and the most effective.

According to CNBC, just three companies — Amazon, Facebook, and Google — are expected to take in nearly 70% of digital advertising spending in the U.S. by 2021. Facebook alone is expected to hold 22.1% of digital ad spending once results are tallied for 2019 [3], making it the most popular social advertising platform in the world.

Meanwhile, less than a quarter of the companies (22%) surveyed are spending the most social advertising money on LinkedIn ads and 13% are spending the most money on Twitter.

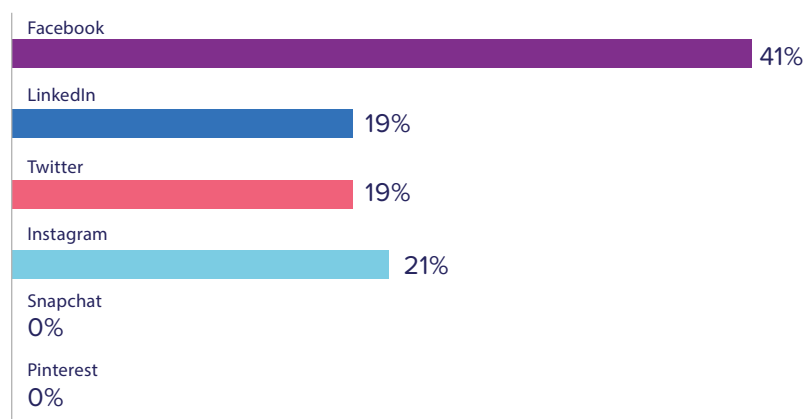


## Retailers will increase their ad budgets on platforms that have a history of high performance.

### FACEBOOK

**96%**  
of respondents  
expect to increase  
their advertising  
spend on Facebook  
in 2020.

From which single platform are you seeing the best 'return on ad spend' (ROAS) from your social advertising?



Nearly half of respondents (41%) see the best return on ad spend (ROAS) through Facebook, and respondents claim it as the best platform for ROAS. Another 21% see the best ROAS from Instagram. Therefore, 62% of respondents see their best return through Facebook, Inc.'s platforms.

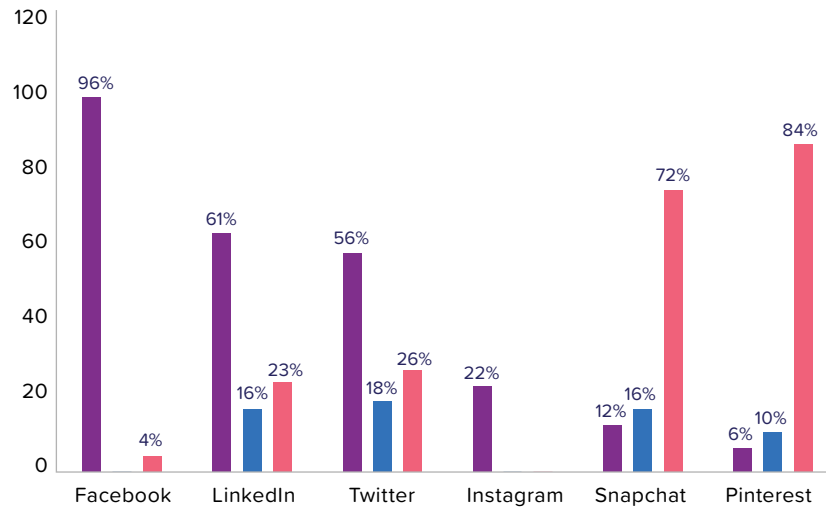
Meanwhile, an equal number of respondents are seeing the greatest ROAS from both Twitter and LinkedIn, at 19% for each.

Researchers sought to determine how companies expect to adjust their social advertising budgets in 2020. Given what respondents revealed about their preferred platforms, the results of this query mirror their previous responses.

The vast majority of respondents (96%) expect to increase their advertising spend on Facebook in 2020. None of the companies surveyed expect to decrease their spending on Facebook Ads, and only 4% said Facebook advertising doesn't apply to them.

## On which of the following platforms do you plan to increase or decrease your advertising spend in 2020?

■ We will increase spending. ■ We will decrease spending. ■ We will do neither / this doesn't apply.



The results regarding Instagram are noteworthy in this question. Previously, we learned that 29% of respondents are currently spending the most advertising money on Instagram and 21% claim they receive the best ROAS through the platform. Although fewer respondents intend to increase their spend on Instagram in the coming year (22%) than on other platforms, not a single respondent said they would decrease their spending on either Instagram or

Facebook. This suggests retailers are confident in Facebook Inc. as an advertising platform as a whole, but they are using Instagram and Facebook itself to reach different customer segments.

Finally, ad spending on Snapchat and Pinterest is not expected to see much movement in 2020, as 72% of respondents say they won't adjust their spending on Snapchat and 84% say the same of Pinterest.

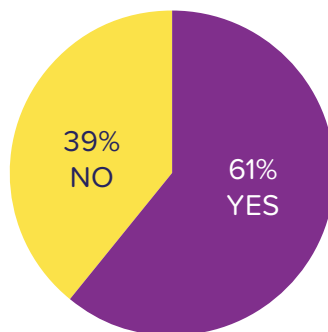
## Manual processes and a lack of collaboration between advertising and creative teams are retailers' biggest pain points.

Researchers sought to determine how respondents are creating and delivering their social media ads. Specifically, they wanted to determine if companies are still being encumbered by time-consuming manual processes and collaboration difficulties.

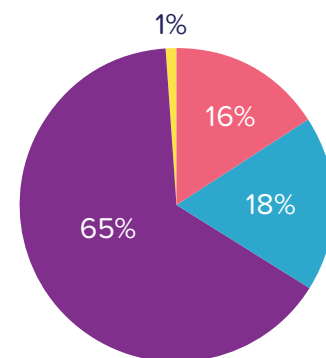
Despite the emergence of new advertising tools, automated processes, and UX updates to various ad platforms, a majority of companies (61%) say their social advertising creation and delivery involves manual processes that are often time-consuming. Only 39% of respondents have overcome such manual processes or are otherwise not experiencing them.

### Do you agree with the following statement?

*"Our social advertising creation and delivery involves manual processes that are often time consuming."*



*Does your team currently use automation technology for its social advertising creation and delivery?*



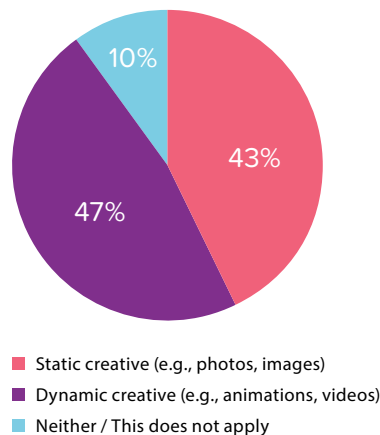
- No—but we are interested in automating at least part of this process.
- Yes—we automate at least part of this process, but it needs improvement.
- Yes—we automate this process sufficiently and successfully.
- No—and we are not interested in automating any part of this process.

To delve deeper into this trend, researchers asked companies if they are currently using automation technology to create and deliver social media ads. When compared to respondents who say they are struggling with manual processes (61%), the results are very similar. Most respondents (65%) say they do not currently use automation technology but are interested in automating at least part of their process. Only 1% of respondents are not using automation and are not interested in it.

Meanwhile, 16% of respondents say they automate social advertising creation delivery successfully and 18% say they are using the technology, but their process needs improvement.

In total, 83% of companies are either interested in automating at least part of their social advertising process or they'd like to improve their existing process.

*Which type of visual asset does your team plan to increase usage on THE MOST in 2020?*

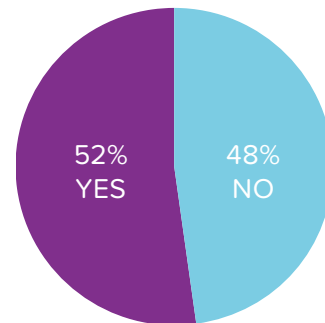


Social advertisements often involve visual creative assets. In the past, most social ads relied on a static image to garner users' attention and convince them to click the ad, but dynamic creative assets like animations, videos, and GIFs are becoming more prominent.

The results of the study are reflective of this trend. Almost half of respondents (47%) say their social media team plans to increase usage of dynamic creative in 2020, while 43% plan to continue using static creative like photos and images. Only 10% of companies say

they don't intend to increase the usage of either, or that the question doesn't apply to them.

*Do you feel your social advertising and creative teams collaborate effectively in all stages of the marketing process?*



Collaboration between social advertising and creative teams appears to be a challenge for many of the companies surveyed in this study. Although a slight majority of companies (52%) say their teams collaborate effectively in every stage of the marketing process, almost half (48%) say they do not. This is a significant portion of companies whose teams are not collaborating successfully.

Collaboration between departments is often a challenge because each team has its own ideas for which strategy will be more successful. They may even have difficulty coming up with goals and executing ad campaigns on a timeline. As one eCommerce sales professional from a specialty retailer puts it, "Developing an effective social media strategy by considering all the suggestions of both the teams creates a collaborative challenge."

# Pain Points: In Their Own Words

Researchers asked retail companies how time-consuming manual processes and a lack of collaboration between their social advertising and creative teams were causing them to struggle with social advertising.

Concerning manual processes, their qualitative responses indicated that forming a strategy, responding to customer inquiries, and choosing digital tools were all time-consuming. However, the most prominent pain point was the time-consuming process of creating and publishing content.

**“Content planning is manual and does take up a lot of time.”**

- Brand marketing professional, apparel

**“Content creation is the most time-consuming part as it’s a long procedure from planning, web to post.”**

- eCommerce and sales professional, home furnishing

**“Although we have multiple tools to work on content, the most time-consuming process is strategy formation.”**

- Creative and design professional, home furnishing

**“Creating content the way the audience likes is one manual process that challenges social advertising and delivery.”**

- Creative and design professional, hardware, electronics, and appliances

**“Choosing creative content and finalizing the publishing of the content is a time-consuming process.”**

- Brand marketing professional, home furnishing

Concerning collaboration, their qualitative responses indicated that time constraints, agreeing to specific goals and strategies, and, again, finalizing content were their biggest pain points:

**“It’s challenging to co-develop strategies for the departments to work together.”**

- Brand marketing professional,  
home furnishing

**“Having both the teams find sufficient time to discover and create interesting content.”**

- eCommerce and sales  
professional, home furnishing

**“Goal setting, as everyone has a different idea of a goal and how to achieve it.”**

- eCommerce and sales  
professional, department store

**“It’s difficult to keep up with the ever-changing content demand of social media for both the teams.”**

- Creative and design professional,  
department store

## Team collaboration and increased ad spend are retailers' key objectives in 2020.

Please indicate which of the following statements are true in terms of your plans for 2020.

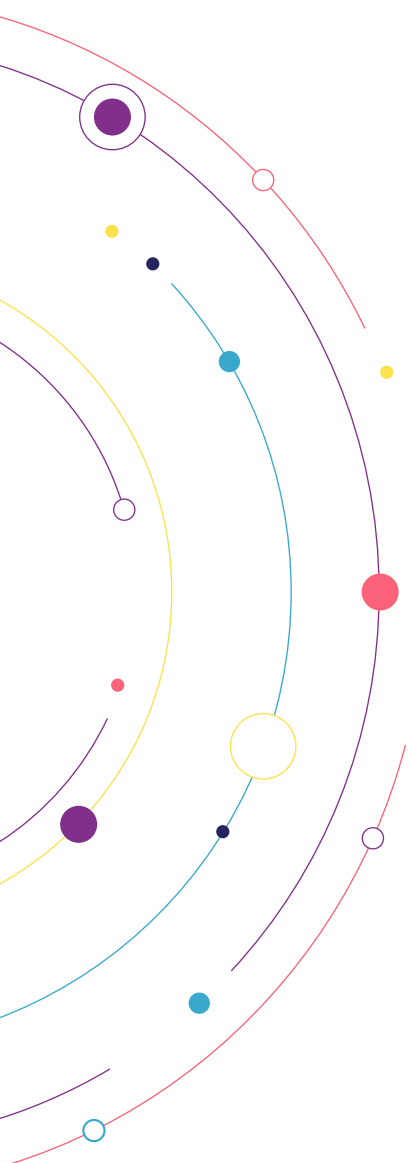


Finally, researchers asked respondents to indicate how they will change their social advertising plans in 2020. Respondents were given a choice of multiple statements and asked to select all that applied. Most companies are planning to spend more on social advertising than they did in the previous year (52%) and will take steps to help their social advertising and creative teams work together more closely (51%).

The answers to previous questions are reflective of these statements, as collaboration is clearly a challenge for almost half of the companies surveyed (48%) and most companies previously indicated they will spend more on social media ads in 2020 — 96% of

companies expect to spend more on Facebook advertising alone. Additionally, very few respondents said they are planning to decrease ad spending on any of the platforms listed in this study.

Almost half of respondents (47%) expect they will expand their marketing team to better manage social advertising and 39% say they will invest in more robust tools. This would suggest many companies are learning that increasing their ad budget itself isn't necessarily the best way to improve ROAS. Investing in new strategic and creative capabilities can lead to faster deployment of ads. It can also improve collaboration between teams and generate more effective ads overall.



For example, when respondents who aren't using automation tools were asked what they would have their teams do if automation allowed them extra time, one product marketing professional at a hardware, electronics, and appliances retailer said they could "create stronger goals and align them effectively to avoid friction between the support teams." Another creative and design professional at a department store claimed such tools could "provide more focus on the analytical results of viewers and drive new content solutions."

Last, 39% of companies say they will switch to an in-house management model for social

advertising and only 35% of respondents said their marketing team's KPIs will change. This would suggest their goals for social advertising are remaining the same, but their processes are apt to change.

Clearly, although retailers are interested in increasing their spending on social media ads, there remains some work to do internally. New automation and collaboration tools, as well as more effective processes for creating and delivering content, will be essential in the coming year if retailers intend to improve the effectiveness of their social advertising campaigns and increase their return.

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## Sources:

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## About the Authors



Our co-founders Tuomo Riekkilä and Kristo Ovaska are serial entrepreneurs who, back in 2013, noticed how advanced marketers were starting to ramp up their Facebook advertising, and started building automation software to help brands launch and optimize campaigns faster and easier. By the time Smartly.io was up and running, e-commerce brands had discovered Facebook – their complex needs and setups were the perfect fit for Smartly.io. Today,

we work with over 600 brands from various industries: e-commerce, retail, travel, agencies, and many more. From coding custom solutions during client meetings to inviting our customers to our strategy offsites, we stay close to our customers to influence the product we are building. We are on the mission to unlock greater performance and creativity.

**For more information, please visit [smartly.io](https://smartly.io).**

### eTail

We launched eTail in 1999, and have been dedicated to supporting the growth of the retail industry ever since. What started off as 100 people in a room discussing where this sector is headed, has led to 2,000 senior-level eCommerce

executives being inspired whilst learning and developing their company as well as their careers.

**For more information, please visit [etailwest.wbresearch.com](https://etailwest.wbresearch.com)**



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