



# Paid Social Trends

iPROSPECT QUARTERLY REPORT | 2018 Q2

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By Drew Stoga, Associate Director, Paid Social; Maddie Davis, Director, Social Media; Elise Ryan, Associate Director, Social Media; and Edited by Brittany Richter, VP, Head of Social Media



## Reviewing Overarching Q2 2018 Trends

In Q2 2018, social platforms made 72 noteworthy updates encompassing both ad product advancements and new capabilities. Most importantly, due to recent data breaches and the EU's implementation of new and stricter data protection regulations ([GDPR](#)), platforms have made and continue to make changes to their privacy regulations to better protect their users. While these changes to user privacy require tactical adjustments to our campaign strategy, iProspect believes that positive performance results will prevail. These more stringent privacy protocols are a step toward renewing user trust in each social platforms use of data.

As social investment continues to show significant year-over-year (YoY) growth within the overall marketing mix, iProspect works closely with all platforms to ensure that return on ad spend (ROAS) and other efficiency metrics are increasing at a comparable or higher rate than the spend level. Because social is an ever-changing channel, our clients' success is largely dependent upon our ability to effectively drive and manage the constant evolution of a strategic framework and measurement approach that is inclusive of all channels and aspects of the consumer journey.

The following trends and insights are based on analysis of the data from more than 210 brands managed by iProspect U.S. (though the spend is not confined to U.S. markets). The spend data is representative of Facebook, Instagram, Pinterest, Snap, Twitter, and LinkedIn, while performance data is specific to Facebook and Instagram only.

### **SPEND**

Overall, iProspect's paid social clients' total Q2 2018 social spend was up 40% YoY and up 21% quarter over quarter (QoQ). The uptick was expected, given the common decrease in spend after Q4, but is also a promising indicator that we'll see an even larger increase in investment going into the second half of 2018. Spend allocation on



social channels has and, we expect, will continue to trend upward as clients are able to validate social as a full-funnel solution while platforms simultaneously advance their products, offering, and measurement capabilities to better drive performance.

**Pinterest** spend is up 17% YoY and down 11% QoQ. The QoQ decrease is relatively typical given the fact that retail and travel clients focus their Pinterest spend during the latter half of the year to reach users who are in the discovery phase during this critical period. iProspect has consistently seen YoY growth for the past six quarters due to increased spend from both existing and new clients (new clients account for 60% of total YoY growth) based on the adoption of Pinterest's latest measurement and advertising developments. The product update that has made the largest impact on both spend and performance this quarter is Promoted Video at max width, which allows a brand's content to stand out, further driving user impact and awareness. Similar to Q1, Pinterest is continuing to strengthen its relationships with measurement partners in 2018. iProspect foresees that this commitment will encourage more clients to test the platform since integrating Pinterest data into existing measurement frameworks makes it easier to validate ROAS and other performance metrics.

**Facebook, Inc.** as a holding company has seen tremendous growth with spend up 54% YoY, and up 17% QoQ. While investment increased across all platforms (Facebook, Instagram, Audience Network), Facebook was the largest contributor to the percentage increases accounting for 71% of overall iProspect client spend. The QoQ progress was due to several factors: 1) expected spend increases as retail clients ramp up for the spring season, 2) organic growth with existing clients, and 3) the addition of two new, large clients added to iProspect's social portfolio. We're also seeing existing, long-standing clients increase spend. For example, a retail and ecommerce client increased spend 7x from Q1, and a large CPG pharmaceutical company increased spend 1.5x QoQ. We continue to see YoY spend growth primarily due to wider

adoption of prospecting tactics and the use of interactive ad types, including Dynamic Ads for Broad Audiences (DABA), Canvas Collections, and video. We anticipate spend volume to further increase in the upcoming quarter as retailers ramp up in time for back-to-school.

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**Twitter** investment remains down 66% YoY, but is on the rise in 2018 with a 32% increase compared to Q1 2018. Video continues to be king, accounting for the largest portion of spend by objective—36%—in Q2 2018, as brands continue to see strong results with Promoted and In-Stream Video. We anticipate overall spend on the platform to increase as clients discover Twitter's viability as a premium video platform. In fact, when looked at as a separate group, clients who have been with iProspect for a year or longer show a 355% YoY spend increase. We have also noticed that brands are starting to explore Twitter for campaign objectives other than video views. The site traffic objective has seen the most drastic QoQ increase, now making up 28.48% of Q2 2018 spend. This is not surprising given Twitter's recent advancements in its ad products and the availability of third-party audiences within the native platform. Based on the above—and assuming a client's social strategy aligns with broader business goals such as overall awareness and new customer acquisition—we are encouraging clients to both test and reassess this platform to identify new opportunities to drive growth and performance.

**Snapchat** spend is up 142% YoY and 9% QoQ. Both YoY and QoQ increases are due to the introduction of new ad types, including non-geo Filters and Snap Lenses, and wider adoption of advertising on the platform. There was a 168% increase in YoY spend with Snap Ads, which is indicative of the enhancements with this ad type as well as the recent launch of Snapchat's advertising UI. The QoQ spike we saw in Q2 2018 is due to the increased use of Filters. Overall, Snap Ads make up 65% of iProspect client Snapchat spend this quarter, and Lenses account for 6%. As back-to-school season ramps up and Snapchat's measurement capabilities continue to advance, we expect additional spend growth on the platform in Q3 2018.

**LinkedIn** is the social platform with the most significant spend increases, up 167% QoQ and 245% YoY.

**LinkedIn** is the social platform with the most significant spend increases, up 167% QoQ and 245% YoY. The QoQ uptick was somewhat expected given the seasonal spend decline from Q4 to Q1, but not to this degree. The volume of growth in such a short period of time is indicative not only of the type of audience that is active and available within the platform, but also of the platform's strong user engagement. Brands are recognizing the value of a highly engaged audience, especially those with B2B or B2C offerings that are particularly relevant to either a business or luxury audience. We are confident that investment on LinkedIn will advance as the platform continues to roll out new functionality (such as Lead Generation and Carousel Ads) to further drive performance results.

## FACEBOOK, INC. PERFORMANCE

While CPM (cost per thousand impressions) continues to rise—up 47% YoY—investment across traffic-driving and direct-response objectives is also on the rise in response to continued strong performance from Facebook and Instagram. As iProspect monitors the cost of inventory over time, we also continue to find value in monitoring the cost of all metrics that help us show how our clients are achieving their business objectives. Each quarter we see improved efficiencies as Facebook Inc. continues to drive innovation and bring value to advertisers by modifying and creating better ad units for each stage of the funnel.

## UPDATES

Collectively the social platforms continued to release updates at a rapid clip with 72 updates throughout Q2. Notable updates include:

- **IGTV is Instagram's new long-form video platform that can host videos of up to an hour in length. Advertising is not yet available on IGTV but is a highly anticipated component of the platform.**
- **Facebook's 'Creator Match Tool' is a new beta product that allows brands to discover influencers on the platform and see their past partnerships as well as what percentage of their followers match the brand's target audience.**
- **Snapchat's Conversion Optimization features real-time optimization for conversions. This update could reduce the time spent on manual optimizations and improve performance via machine-learning.**
- **LinkedIn's Carousel ad format allows advertisers to display multiple images in succession within a single unit. In addition to driving website traffic, the format can also drive leads by leveraging Lead Gen Forms within the Carousel.**

Additional Q2 updates from Facebook continued the Q1 theme of focusing on policy and product changes related to transparency and data security. Not the least of these was Facebook's announcement that their global privacy settings are now compliant with the General Data Protection Regulation (GDPR), a significant step toward increasing consumer confidence about the way they're sharing data.

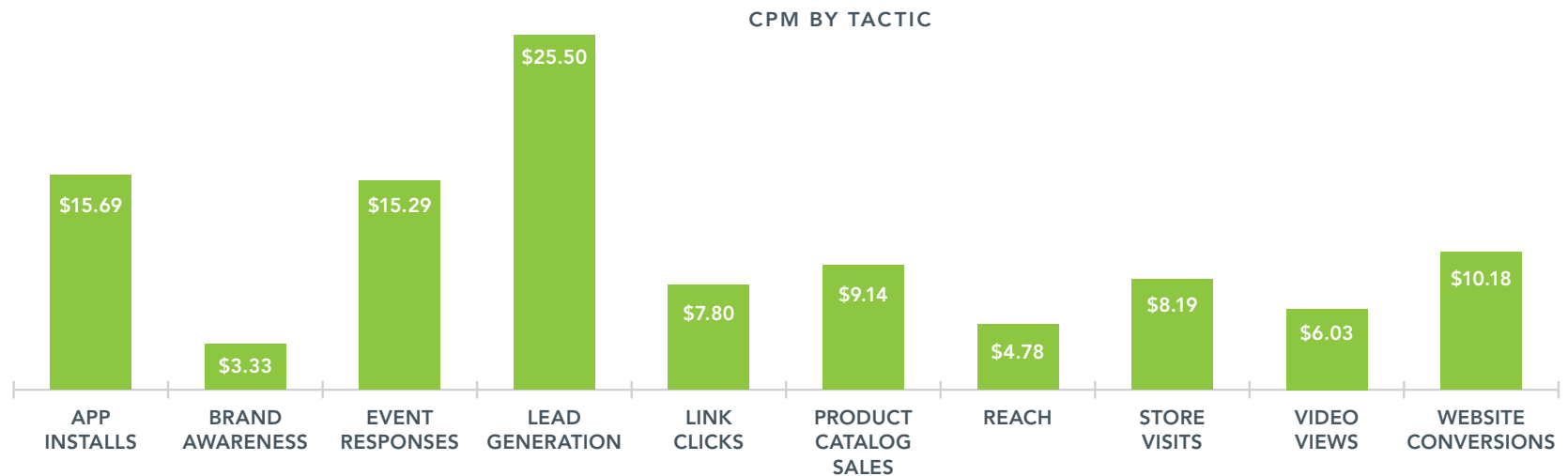


## Key Performance Insights for Facebook, Inc.

FACEBOOK, INSTAGRAM, FACEBOOK AUDIENCE NETWORK (FAN)

### Reach

In Q2 2018, CPM increased 47% YoY and 19% QoQ. This increase in CPM was expected, as noted in last quarter's trends the investment in mid- and lower-funnel objectives continues to grow. Specifically, we continue to see an increased investment on objectives such as lead generation, store visits, and link clicks campaigns, which are not optimizing toward goals like reach and impressions.



SOURCE: IPROSPECT

Campaigns with reach objectives averaged a \$4.79 CPM, which reflects strong performance when compared to the costs of reach-driving tactics on other platforms and publishers. The CPM of ROAS-driving campaigns with link clicks or website conversion objectives held an average CPM of \$8.63, down from \$8.79 in Q1 2018.

The highest CPM figures were associated with lead generation campaigns (\$25.50) and app install campaigns (\$15.69). These increases came as no surprise since more advertisers have begun leveraging the platform to drive efficient lead acquisition, and the platform is continuing to build out its lead-form ad capabilities with video and carousel offerings.

Interest in the Store Visits objective continues to grow,  
especially as retailers ask for more visibility into how  
their digital spend translates to in-store sales.

Interestingly, we saw a 97% YoY increase in CPM for the Store Visits objective, with retail advertisers beginning to focus on ads and campaigns that optimize toward store visits and purchases. In Q1, Facebook, Inc. rolled out store sales optimization, an algorithm that allows retailers to reach people who are more likely to make in-store purchases. As we predicted, interest in the Store Visits objective continues to grow, especially as retailers ask for more visibility into how their digital spend translates to in-store sales.

As always, we will continue to monitor CPM to understand the changes in the overall cost of inventory. While competition for inventory will likely continue to be high, we anticipate that advancements in targeting and ad capabilities should moderate the overall upward trend on inventory cost as long as performance continues or even improves against more specific objectives that are more closely tied to business results.

### Video

In Q2, video investment made up 53% of total spend across Facebook, Inc., remaining static QoQ. However, with the increase in overall Facebook spend in Q2, video investment figures were up 4% YoY and 5% QoQ. The increase in video investment can be attributed to the continued adoption of newer Facebook, Inc. placements such as Instagram Stories and In-Stream (mid-roll) Video as well as the greater adoption of video and animation capabilities to traffic- and direct response-focused ad units.

View rate is relatively static YoY (dropping from 9.7% in Q2 of 2017) and down only slightly QoQ (decreasing to 9.6% from 10%). The static YoY view rate performance comes as we see increases in cost per views (CPV) (\$.06 Q2 2018 versus \$.04 in Q2 2017). When taking the decrease in view rate and increase in CPV into consideration, we can see that the addition of video content into shoppable ad units is likely the cause of these changes. More specifically, Canvas and Collection ad units are highly successful at driving click-throughs to site, even when featuring video content.

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iProspect expects and recommends continued use of video in traffic-driving ad units as video and motion content continue to drive value and increase all performance metrics when optimized for the feed.

### Traffic

Average CPC increased to \$.58 (up from \$.43 in Q1 2018 and down from \$.74 in Q2 2017). We saw a 22% YoY decrease in CPC, and an 80% increase in CTR. Investment in traffic-driving campaigns increased 4% YoY and 9% QoQ, showing that while CPCs are on the rise QoQ, advertisers are continuing to find value and performance improvements in the qualified traffic driven by Facebook, Inc. campaigns.

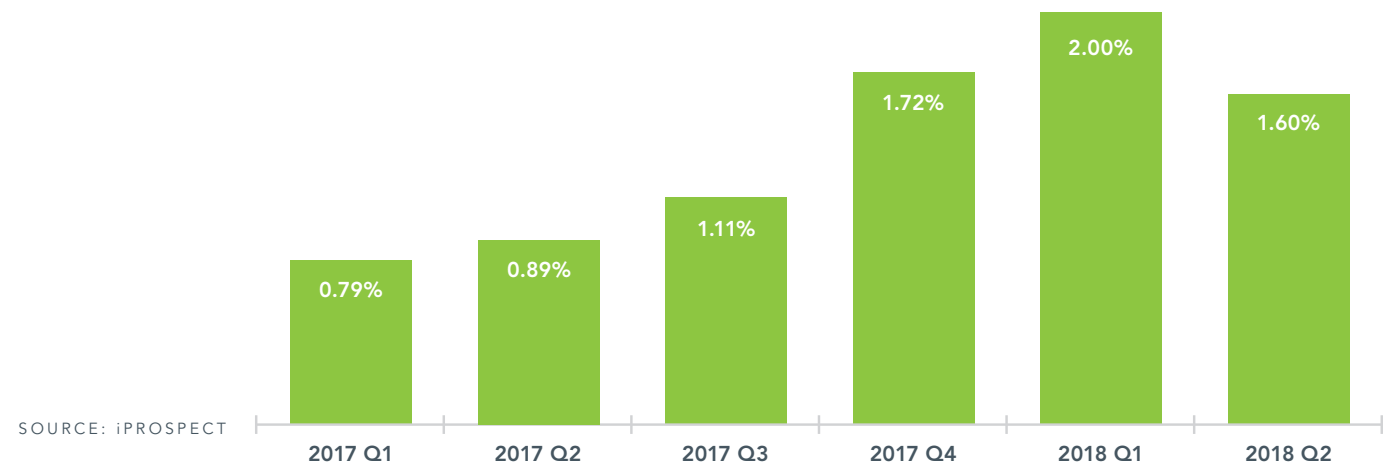
COST-PER-CLICK OVER TIME



News Feed desktop CPC continues to rise, up 43% QoQ to \$1.63 from \$1.14. News Feed Mobile CPC increased 34% QoQ to \$.51. We saw almost no QoQ change in Instagram CPC, which remained static around \$.65. The biggest shifts in CPC were the increases seen on News Feed noted above, as well as an 81% increase in Right-Hand Side (RHS), which is not surprising as we are seeing more impressions on mobile devices—where RHS is not available—than ever before.

Q2 2018 CTR is 1.6% compared to 2% in Q1 2018 and .89% in Q2 of 2017. This strong YoY increase follows a trend we saw last quarter of brands shifting focus to driving qualified traffic to site, specifically optimizing toward landing page views (instead of simply optimizing for clicks) by utilizing the Facebook pixel. As advertisers continue to take advantage of Facebook, Inc.'s ever-evolving and increasingly sophisticated ad units for traffic-driving objectives, we expect we'll continue to see stronger mid-funnel performance metrics over time.

CLICK-THROUGH-RATE OVER TIME



SOURCE: IPROSPECT

## Conversion

Paid social advertising is becoming more sophisticated, and Facebook Inc. in particular shows no signs of slowing down their direct-response innovations. iProspect continues to work closely with Facebook, Inc. to identify new and better ways to develop best practices that drive stronger conversion rates and overall performance for our clients. As a result, iProspect clients continue to have the opportunity to test updated and emerging ad formats to drive online and offline conversions through their direct-response campaigns.

In Q2 we reported a 7.91% conversion rate, up 6% QoQ and 37% YoY. This YoY increase can largely be attributed to a 60% YoY increase in spend on conversion-objective campaigns as advertisers continue to see the value of direct response-focused campaigns on Facebook, Inc. Retail-specific conversion rates continued to be particularly strong, averaging 13% for Q2. We continue to find that most brands are nowhere near the point of diminishing marginal returns and are increasingly optimizing toward higher-value consumers rather than conversion rates.

Overall cost per conversion has remained static QoQ at \$.10 and decreased slightly YoY from \$.11 in Q2 2017. While overall costs remain static, we have seen an 120% QoQ increase in cost per conversion on Audience Network, and a 33% QoQ increase in cost per conversion on Messenger placements. This is to be expected, as we predicted last quarter that more advertisers would opt into these placements due to Facebook's continued evolution of its ad offerings. Instagram, on the other hand, saw a 36% QoQ decrease in CPC, which could be attributed to its expanded traffic-driving optimized ad units such as Instagram Collections, and Stories ads.



## Earnings Reports

### FACEBOOK, INC.

On Facebook Inc.'s Q2 earnings call, CEO Mark Zuckerberg and his executives made clear that the platform would continue to focus on transparency, user safety, and data security, even if revenue suffered as a result. By the end of the call, the company's stock was down 20%.

While revenue for the quarter was \$13.2 billion, up 42% over the same period last year, it did not meet Wall Street's lofty expectations.

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The platform explained that this trend would likely continue as they maintain their focus on new products, like Stories, which they think have the potential for explosive growth, and continue to offer additional choices for the use of personal data.

Up until now, Facebook's business has been mostly immune to negative press, but the tide may be turning. While the platform added 22 million daily active users (DAU) globally over the quarter, that was down substantially from the 41 million added in Q2 2017. Interestingly, user growth was flat in the U.S. and Canada and actually down in Europe, perhaps as a result of the GDPR legislation.

While Facebook continues to offer value and positive ROI for advertisers, the Q2 earnings report showed that even the industry leader can't fully dodge the bullet of negative headlines. Mark Zuckerberg had previously warned that profits would likely slow down while Facebook shifted focus to long-term health. Only time will tell how patient the investment community will be while the platform works through the complex issues of privacy, security and transparency.

## **TWITTER**

Similar to Facebook, Twitter's Q2 earnings report was impacted by their focus on the long-term health of their platform as well as GDPR compliance.

Despite turning its third straight quarter of profitability, Twitter's stock dropped 20% on July 27th, the day of their Q2 earnings call. Investors were spooked by Twitter's declining monthly active users (MAU) being down by over 1 million versus the previous quarter. The platform reported 335 million MAUs, missing analysts' target of 338 million.

While Twitter intentionally removed roughly 70 million accounts that they believed to be fake, the platform clarified that the majority of those were not included in their reported metrics because they were inactive on the platform for 30 days or more, meaning the decline in MAUs was largely organic.

The good news is that ad revenue improved 24% in Q2, partly as a result of Twitter's housekeeping efforts as well as the strength of Twitter's video ads. Interestingly international ad revenue grew 40%, the first time their non-U.S. business drove the majority of total ad revenue.

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Despite the increased revenue from ads, the platform only narrowly beat analysts' expectations of 16 cents earnings per share for the quarter—coming in at 17 cents. After all the attention paid to CEO Jack Dorsey's effort to clean up the platform, analysts were hoping to be proven wrong and see better results.

### **SNAP, INC.**

Snapchat's parent company's August 7th earnings call gave investors plenty to think about with both positive and negative news about the platform's Q2 performance.

On the bright side, the company reported revenue of \$262 million for the quarter, beating the expectation of \$250.4 million.

However, Snap also saw a decline in DAUs, reporting an average of 188 million for Q2, a 2% decline from Q1's average of 191 million. This marks the first time the platform had seen a QoQ decline in users.

CEO Evan Spiegel attributed the drop to “the disruption caused by our redesign.” The redesign certainly received its fair share of user criticism when it first launched, though Spiegel went on to say that the platform has continued to make updates based on user feedback and was focused on a commitment to “show more of the right content to the right people.”

Progress was evidenced by the fact that 11 of Snapchat’s shows reached an audience of over 10 million during the quarter. Spiegel also reported that users spent 30 minutes per day on average, generating 3 billion snaps per day.

Interestingly the platform also saw a YoY uptick in ad revenue per user—up to \$1.40 versus \$1.05 a year ago. This indicates that, despite any initial negative feedback regarding the redesign, both users and advertisers are still finding significant value on the young platform. It remains to be seen if this trend will continue and if Snap can retain its users.

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## LINKEDIN

Microsoft, which acquired LinkedIn two years ago, reported 12% revenue growth for the quarter. For LinkedIn specifically, revenue was up 37% QoQ. According to Amy Hood, Microsoft Chief Financial Officer, the increase is due to a surge in usage and

record-level job postings. This was evident in iProspect client investment in LinkedIn, which saw the most significant increase of all platforms last quarter.

LinkedIn's strong performance can be attributed to the platform's ability to capitalize on a soaring job market, new and improved ad formats, as well as integrations with some of Microsoft's other holdings such as adding LinkedIn data to Outlook.

Along with the commercial cloud and gaming, LinkedIn was one of the primary drivers of revenue growth for the software giant, proving that LinkedIn's niche offering among the social platform offers true value to advertisers and investors alike.

#### **ADDITIONAL READING**

>> **3 Things to Keep in Mind While Building Out a Social Strategy**

>> **Press Play: Streamlining Video Insights with Facebook's New Update**

>> **2018 Q1 Paid Social Trends Report**

>> **Facebook Ends 3rd Party Data Access for Ad Targeting**

>> **Facebook Migrates to new View Tag Policies**



## About the Authors

### **DREW STOGA | ASSOCIATE DIRECTOR, PAID SOCIAL**

Drew joined the New York office in September 2017 to oversee paid social strategy and activation for one of iProspect's largest social accounts. With more than ten years of digital marketing experience, working on not only paid and organic social but also websites, CRM, SEO and more, Drew takes a holistic approach to social's role in the media mix.



### **ELISE RYAN | ASSOCIATE DIRECTOR, SOCIAL MEDIA**

Elise leads strategic activation of paid social media for accounts in our Boston and New York offices with a particular focus on B2B solutions. She has extensive experience in digital advertising and marketing and has spent the last five years focusing on paid social strategy, analysis, and training. Constantly curious, Elise has proven to be adept at adapting and providing effective leadership in the ever-changing paid social landscape. She consistently delivers transformative recommendations that lead to strategic performance for her clients.





## About the Authors

### **MADDIE DAVIS | DIRECTOR, SOCIAL MEDIA**

Maddie oversees strategic leadership of paid and organic social media and influencer marketing across iProspect's Fort Worth office. A member of the iProspect team since 2014, she has more than 7 years of experience in content strategy, writing, and paid and organic social expertise. Maddie currently works primarily with retail and travel clients, partnering with them to ensure that all social media—from branding to e-commerce—is measured through a performance lens. Maddie has a passion for the ever-evolving world of social and believes it is critical for brands to embrace the growing role of the channel within the digital marketing mix.



### **BRITTANY RICHTER | VP, HEAD OF SOCIAL MEDIA**

Brittany oversees the vision and strategic activation of paid and organic social media across iProspect's U.S. offices. A passionate digital native, Brittany began her journey as a food blogger, immersing herself in social media and SEO, and then parlayed that experience into a career as an account manager on integrated accounts covering social media, SEO, and paid search. In 2013, she joined iProspect as a social account lead and helped launch the company's U.S. paid social product offering, serving a variety of verticals including automotive, hospitality, B2B, retail, and CPG. She now leads social media across the U.S., the fastest-growing offering and team at iProspect for the past three years due to its ability to help clients reach their performance goals and achieve business objectives through advanced targeting and unique customer experiences.





## About iProspect

iProspect is the first truly global digital marketing agency, with 4,300+ employees in 93 offices across 55 countries. A trusted partner with an in-depth understanding of consumer behavior, iProspect reshapes brand strategies to meet the fast-paced demands of the convergent world with a focus on exceeding the client's business objectives.

Our global reach, in-depth knowledge of diverse local markets, and expertise produce award-winning, performance-based marketing strategies for leading brands such as General Motors, Hilton, Procter and Gamble, Microsoft, and many others. In 2017, iProspect was named a leader in Forrester Research Inc.'s "The Forrester Wave" Report for search marketing agencies. iProspect has also been listed as the "Best Agency for Performance Marketing" by iMedia three years in a row, MediaPost's 2015 Search Agency of the Year and iMedia's Best Agency for Search.

For more information, visit [www.iProspect.com](http://www.iProspect.com) or follow us on Twitter [@iProspect](https://twitter.com/iProspect).





## Appendix: Major Platform Updates

### SNAPCHAT CONVERSION OPTIMIZATION

As part of Snap's ongoing product development around direct-response (DR) performance solutions, the company released a beta product opportunity featuring real-time optimization for conversions.

#### What This Means for Marketers

Similar to other goal-based bidding types (e.g., Installs, Video Views, and Swipes), you will now be able to set a bid for a conversion event such as a purchase or sign up. There are a number of benefits this will bring to a brand's campaigns, including:

- **Reducing time spent on manual optimization**
- **Leveraging prediction based on machine-learning, so media spend is more efficient**
- **Minimizing risk by allowing brand's to define their cost per outcome**

#### Availability

Currently in a closed beta with select DR brands.



## IGTV

Instagram announced the launch of IGTV. The product aims to bring long-form video content to the forefront of platform user behavior by hosting videos up to an hour in length. While smaller accounts can post between 15 seconds and 10 minutes of content, larger accounts may upload videos up to an hour-long. The rollout is currently available as a tab in the Instagram app, as well as in a standalone app for uninterrupted viewing.

### What This Means for Marketers

Giving users the option to absorb video content in a standalone platform means reaching a more immersed audience that is already committed to an extended view time. Initial roadblocks for brands specifically would be content creation and user adoption. Producing high-quality long-form content may be difficult for advertisers who have been conditioned to capture a customer's attention in the shortest time possible, and the audience may be limited in the early days of the product due to current posting limitations for smaller accounts. The lack of ad inventory at launch is an expected, yet highly anticipated component of platform.

### Availability

Currently available on iOS and Android mobile devices.

### Additional Information

>> **iProspect Blog: "Instagram Releases IGTV Product Capitalizing on Mobile Video"**



## LINKEDIN CAROUSEL ADS

LinkedIn has recently incorporated carousel ads into their available ad formats. This format will allow advertisers to display 2-10 images in a single ad unit, each with their own description and link. This ad format is currently available on most other platforms (e.g Facebook, Instagram, Twitter, Instagram Stories).

### What This Means for Marketers

This update will allow advertisers to tell a more complete story and will give users an opportunity to interact with and swipe through ads. In addition, this new format gives advertisers more flexibility to share more content (compared to a single photo ad).

### Availability

Available now.

### Additional Information

>> LinkedIn: “What you can do with carousel ads”



## FACEBOOK CREATOR MATCH TOOL

Facebook is testing out a new beta product for a tool that allows brands to discover influencers on Facebook.

### What This Means for Marketers

Combined with the launch of iProspect's new partnership with Influential, this latest Facebook update makes it abundantly clear that influencer marketing is becoming even more important for brands. The Creator Match tool will help brands find new influencers, see their past partnerships, and share what percentage of their followers match the brand's target audience. The tool is in its early stages and should not be considered a replacement for any brand's current influencer discovery efforts. Instead, this tool should be used as merely a high-level guide on how influencers match up on Facebook.

### Availability

Offered as a free beta tool for brands willing to allow their influencer marketing campaigns to be shared in Facebook marketing materials.

### Additional Information

>> **Business Insider: "Facebook is upping its influencer marketing abilities"**



## GENERAL DATA PROTECTION REGULATION (GDPR)

The GDPR is legislation that aims to give individuals accessing the Internet within the European Economic Area (EEA) more control over their personal data by requiring that businesses gain more explicit consent from consumers to collect and use their data.

### What This Means for Marketers

Marketers have a strong incentive to tighten up their data, since being noncompliant could result in a fine of \$22.1 million or 4% of global revenues. One key step toward compliance is ensuring there are active opt-ins in place as new customers engage with the brand. Facebook recently announced that they have global privacy settings that are GDPR compliant. This means that transparency is built into the social platform, offering consumers more confidence about the way they're sharing data on the platform. Other platforms won't be far behind, but as marketers it's our job to ensure we ourselves are compliant, especially if using third-party data.

### Additional Information

>> The Guardian: "What is GDPR and how will it affect you?"