Internet Advertising. Google AdWords versus Facebook Ads

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Abstract–This article describes how to use the applications for Internet advertising, Google AdWords and Facebook Ads. Our attempt is to present the advantages and disadvantages of each of them, the costs and benefits, a useful aspect for companies that plan to start advertising campaigns on the Internet.

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I. HOW DOES ADVERTISING ON GOOGLE ADWORDS WORK?

Google AdWords is an online advertising program offered by Google which allows companies to attract new customers and develop their businesses. Users are attracted to the website when looking for a particular word or phrase (which we call keyword), or when browsing websites with content related to a particular business. The advertisement may appear both on Google and on partner websites. As far as the cost-per-click (CPC) bidding is concerned, companies which promote their businesses are charged only when a user clicks on the advertisement.

The advantages of advertising with Google AdWords

There are several important elements which differentiate the AdWords programme from other types of advertising. With the help of the AdWords programme:
- the users are reached exactly in the moment they are searching for what the company wants to offer;
- the company advertisement is displayed to users who are already looking for the products and services the company offers;
- the destinations where the advertisement will appear can be chosen - on which websites and in which geographical areas (countries, geographic regions or cities);
- the budget can be easily controlled;
- there are no minimum spending requirements. [1]

As far as the cost-per-click (CPC) bidding is concerned, companies will be charged only when a user clicks on the advertisement and not when it appears. AdWords offers several bidding options of which the company can choose the one which suits them the most. The company decides what amount of money it can spend monthly and, in this respect, an upper threshold can be set which cannot be exceeded.

Moreover, the company can consult a report detailing the performance of the advertisement - the number of new customers who have contacted the company through the advertisement, their locations and much more.

The company can resort to a number of Google AdWords tools to change and improve the advertisement and to increase the number of potential customers who contact the company.

For example, for a company which sells sporting goods in the vicinity of Suceava, the advertisement can be configured so that it appears only to customers from that location or from the surrounding areas. Thus, when a user living or visiting the mentioned city searches on Google “sale of sports goods”, it is possible that he will see the advertisement of the company mentioned in the example and click on it to contact the store.

Fig. 1 Google AdWords mechanism
II. HOW DOES ADVERTISING ON FACEBOOK WORK?

Facebook has become a daily destination for hundreds of millions of users and the manner in which companies promote themselves on it has become increasingly sophisticated. In this context, targeting is more complex, taking into account the specific demographic data, social connections, interests or habits. Because the data about users are very detailed, the manner in which the companies promote themselves becomes more advanced. Thus, Facebook has launched, in the past years, new ways of advertising, offering at least 10 major ways of advertising. In a new report conducted by the BI Intelligence, the promotion opportunities offered by Facebook are analysed.[2] Therefore, among the ways in which companies can promote themselves on the social network we find brand pages, display ads, sponsored stories, promotion of posts, promotion of pages, promotion applications for mobiles or ads on the Facebook homepage after disconnection or before connection.

Custom audience, cost per action or FBX

Each of the methods mentioned above has its own advantages, but to understand the Facebook ecosystem we must take into account the key concepts such as personalised advertising, cost per action or FBX (Facebook Exchange). Marketers can use the network’s data on the users of the social network so that their advertising messages directly reach the target audience. In addition, they can use another less-known tool named Lookalike Audiences. With this tool, companies can make predictions regarding the interested customers, based on data held by Facebook. Data from companies with the same profile. Another tool, Partner Categories, helps companies access the network’s offline data. For example, if a small shop has accurate data about its customers, Facebook provides the information to third parties which have a company with the same profile as ours. Cost per action (or CPA) is a new cost calculation method for those who promote themselves on the social network, somewhat similar to the Google AdWords system. Thus, instead of the standard payment method (per click), companies can now pay only for a certain number of likes, clicks on the link, or clicks on the offers. Furthermore, Facebook, through its FBX tool, makes a clear move towards better guided actions - this tool allows companies to reach the target audience based on the customers’ online actions, such as buying a ticket to a concert or sporting event.

III. INTERNET ADVERTISING IN ROMANIA

The number of Internet users in Romania has increased from 1.7 million, in 2002, to nearly 7.5 million in 2014. According to the figure below, Romanians spend, on average, about 4 hours online (230 minutes). However, we notice that people spend more time on the Internet than in front of the TV, which they watch, on average, for 202 minutes per day. At the same time, Romanians listen to the radio even less, namely about 112 minutes per day. We notice that 45% of the Internet users are between 25 and 44 years old and 19% are between 14 and 24 years old. Also, another 19% of the Romanians who use the Internet are between 45 and 54 years old, while the remaining 17 per cent are between 55 and 64 years old. Approximately 4.7 million Romanians who use the Internet were, in 2013, from the urban areas, while in 2002, only half a million townspeople used the Internet. The gender weighted average reveals, as well, that 49% of the Romanian Internet users are men while the remaining 51% are women.

Among the top online shops with the most Facebook fans, we find one of the trendy fashion houses with a total of over 350.000 fans, followed by an online clothing shop for women with a total of 200,000 fans, both working in the fashion industry. Among the top 10 online stores with the most Facebook fans, a number of 7 stores sell clothing items.[3] But, as one would expect, not all those who are fans of those stores are buyers. Yet, it is certain that a percentage, however small it may be, of the total number of fans of an online shop’s Facebook page, become buyers or can attract other buyers from their circle of friends. Therefore, we can say with certainty that the Facebook social environment should not be overlooked by those who own an online store. Those who want to develop their businesses and to attract new customers must pay it particular attention.

There are a number of innovative applications on Facebook for increasing online sales and it seems that Facebook is focusing its attention on developing technologies to improve the services offered to companies. For the moment, most companies focused on gathering votes (LIKES) for their business page. At the same time, a number of questions arise. What is the value of a LIKE? How will these companies convert these LIKES into money and fans into buyers?

Many multinational brands in the clothing industry, such as H&M, C&A and Zara, which own several outlets in Romania, have already developed their Facebook applications.

For the Romanian fashion companies, investment in Facebook advertising should be a priority and this, coupled with the investments in made towards innovation could mean the road to success. We can say without a shadow of a doubt that E-commerce is the future. Currently, there are 901 million Facebook users in the world and in Romania there are approximately 4.7 million users, representing 21.99% of the population and 64.47% of the internet surfers.[2] Many small and medium Romanian companies have started promoting themselves through the Facebook social network. The ads are targeted and appear according to the user’s Facebook activity: which brands he likes, what topics is he interested in, who does he interact with, what friends does he have etc. Facebook gives anyone the possibility to purchase their own advertisement on the network, according to the planned budget and the advertising preferences, such as city/ country, age, a certain interest (for example the preference for running can be associated with a store selling sporting goods), type of user (anyone, only those
connected to the company’s page, only those who are not connected to the company’s page), the available budget etc. Facebook targeting is quite is quite accurate; for example, a manufacturer of sporting equipment for running may publish an advertisement only visible to the amateur runners of Suceava and will have an audience of 10,000 people. Google AdWords, the online advertising service provided by Google also allows a complex audience targeting.

IV. ADVERTISING ON GOOGLE ADWORDS OR FACEBOOK?

A small company that wants to promote itself on the Internet may ask itself which advertising system is more efficient? Which advertising system will bring more visitors and will generate more sales?

According to the figure 2, the Facebook social network generates more "noise" but Google AdWords makes users buy. According to the figure 3, the conversion generated by Google AdWord is much better, the number of users who end up buying a product or a service after viewing the advertisement is much higher.

For example, for a well-defined advertising campaign and for an investment of 500 - 600 euros per month to promote its services through Google AdWords, a company can obtain a conversion rate of approximately 1.5% for every 1000 visitors attracted to its website. According to the figure below, in Romania, the average conversion rate through Google AdWords is about 1%.

Most companies use Facebook for information campaigns and to test the market, to see what impact their products have on the potential customers and to better understand their expectations.

For the sales to increase and the products to be appreciated, the message must reach the public. The public is increasingly present on the social network named Facebook, which has become a permanent part of the lives of many users. Facebook has the advantage of putting forward a tool which has the ability to connect people with brands or companies, therefore one can take advantage of the free advertisement of products.

CONCLUSIONS

Of course, each of the two advertising components analysed has its specific advantages and disadvantages. However, to be really successful in the development of an Internet business, we need to use the advantages of both tools available to us now. If we want to make an information campaign, we must make our presence felt and heard, make people find out about us, make ourselves known among our friends and among the friends of our friends; we must use the facilities provided by Facebook. If we are already known, if we want to sell immediately, if we are looking only for a given geographical area or a specific target group, if we want to be closer to the one who wants to buy from us in the near future, we will choose Google AdWords.

REFERENCES

[1] www.google.ro/AdWords

Paul Pascu graduated from “Gheorghe Asachi” University of Iasi, Faculty of Computer Science, 1999. He is PhD in economy, field of research – Cybernetics models in economy, ASE Bucharest, since 2011. He is with the Informatics Department, University “Ștefan cel Mare” of Suceava, Economic Sciences and Public Administration.