Enterprise FinTech Case Study

Audience Segmentation by LTV for 20% Increase in ROI
CHALLENGE

We were tasked by our client, an enterprise financial technology company, to shift budget previously used for TV ads to digital campaigns to find incremental conversions and lower CPA. After achieving this on Facebook, using a blend of oCPM/CPC bidding, Carousel Ad creatives, and nested Lookalike Audiences, we focused on increasing the client’s ROI.

SOLUTION

To pursue increased ROI, we utilized audience segmentation by LTV (lifetime value) to make smarter decisions for targeting, bidding, and budgeting. We began to segment our audiences and evaluate performance based on ROI instead of CPA. For example, if Audience A has a CPA of $20 and LTV of $30, and Audience B has a CPA of $50 but an LTV of $100, which one would you choose? Historically we chose the lower CPA in Audience A, but after incorporating LTV into our analysis, we realized that Audience B drove the higher ROI.

It took roughly two months for the client to process LTV by audience. As expected, we found that the majority of audiences with higher LTVs had better ROI. What was more interesting was the following:

- Facebook-only users tend to have lower LTVs than users coming from other paid channels
- Desktop LTVs were 60% higher than Mobile, but ROI varied
- Moving to higher-percentage lookalikes resulted in lower LTVs
- Behavioral-only targets surprisingly had strong LTVs
- 1% lookalikes had the worst CPAs but the highest LTVs for prospecting
Based on those initial findings, we incorporated the following strategies:

- Lookalikes based off Facebook pixels (Facebook-only users) had lower LTVs than all other audiences. This is likely because the channel itself brings in a slightly lower LTV than the average site visitor, so without including any other attributes, we end up creating a lookalike audience off an already low-LTV seed audience. Despite reasonable CPAs, we moved away from Facebook-only users and focused more on lookalike audiences that leveraged the client’s 1st-party data via their CRM.

- We tested over 15 different seed audiences and continued to both refresh our top-performing seed audiences and test new audiences. In order to identify the right audience to test, we chose to use the client’s 1st-party data. The majority of our top-performing audiences (8 out of the top 10) are all made up of some cut of the client’s top-performing users based on device, product, vertical, and/or channel. We always recommend starting with high-LTV seed audiences.

1. Note that you will typically see overlap between your lookalike audiences. It’s not uncommon to find that there is 50% overlap between your different audiences. Make sure to exclude these lookalikes from each other to accurately measure performance of the audience. If overlap continues to be a problem, launch with a slightly higher lookalike (such as 3%) in order to increase the diversity between the audiences.
• Optimize the size of the seed audiences by prioritizing quality over quantity. Historically, we recommended using larger seed audiences (15k-20k), but we have since learned that the size of the seed does not matter as much as the quality of the users within the seed audience (our best practice at 3Q is 1k-5k seed audience post-match). With that in mind, we asked the client to pull their highest-LTV users, which equated to a 5k seed audience post-match.

• We’ve always segmented by device within Facebook, but we rarely looked at LTV by device. We focused on performance as a whole (combining Mobile and Desktop in our LTV reporting). We quickly learned that Desktop had 60% higher LTVs than Mobile. Even though this was a very interesting insight, there’s no way we could rule out Mobile because of the following reasons:

  1. Mobile accounts for 80% of the traffic on Facebook. In order to scale any program, you have to better understand Mobile’s role in the customer journey.

  2. These LTVs are based on last click so if someone was introduced to the product via mobile and later converted on Desktop, the conversion and subsequent LTV will get associated to Desktop. What we need to look at next is measure the LTV of users who start on Mobile and later convert on Desktop. Our assumption is that those users will have higher LTVs than Desktop alone.

  3. Lastly you will still find audiences that actually have higher ROI on Mobile despite the lower LTVs. Desktop CPCs are typically 2-3x higher than Mobile, resulting in the higher CPA and lower ROI on Desktop. Make sure to analyze ROI at the audience and device level before making any decisions.
• Higher-percentage lookalikes can help increase conversion volume, but they tend to have lower LTVs. (The higher the percentage, the less similar the audience is to the original seed audience.) We did find that taking a higher lookalike audience and layering in behavioral targeting brought in better LTVs, but they can be difficult to scale because the audience becomes much smaller.

1. Always start with a 1% lookalike to understand the potential of the audience. In doing so, you can back into CPA targets as you move up in lookalike percentages.

• Historically we have seen minimal success using behavioral targets, but recent data shows that these audiences can drive high-quality users at sustainable CPAs. Behavioral audiences are created based on thousands of signals that users do on and off Facebook. Facebook will also enrich these audiences by incorporating 3rd-party data from providers like Acxiom, Datalogix, and Epsilon. These off-the-shelf behavioral audiences have now become some of our strongest targets for certain verticals.
Based on those initial findings, we incorporated the following strategies:

- We started testing more up-market creative and messaging (white glove service, custom pricing, partner integrations, elite security, etc.) to appeal to higher-LTV users.
  
  1. Since up-market prospects will have longer sales cycles, we are now promoting gated case studies/whitepapers to increase the ad’s engagement, lower CPCs, and feed the lead nurturing program.
  
  2. We also recommend testing Facebook’s lead gen ad unit. You will drive more leads at a much lower CPL. However, expect less qualified leads since Facebook pre-populates your information within the ad unit, making it very easy for anyone to take action.

- Continue to re-evaluate LTVs by audience. Lookalikes refresh themselves every few weeks, meaning someone who was not in your audience last month may now be a part of it. This also means that LTVs are also going to fluctuate. It is important to regularly pull updated LTVs by audience (start with monthly). As the audiences shift, the LTVs will also shift, so you will need to optimize accordingly.

**RESULTS**

We increased ROI for the client by 20% in 2015.
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