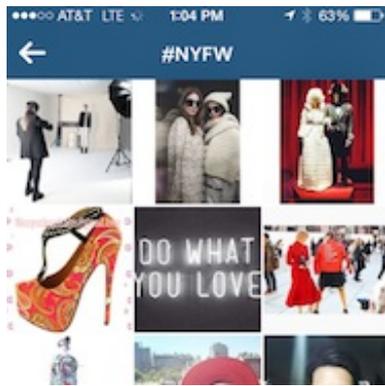


RESEARCH

Instagram advertising shows strong potential for luxury brands: L2

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#NYFW has more than 1 million mentions on Instagram

By KAYSORIN

Since advertising was first introduced on Instagram in November 2013, the social platform has shown an immense amount of growth and effectiveness that can easily be harvested by brands for their own advantage, according to a report by L2.

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Luxury Daily

While Instagram itself originally expressed hesitation about embracing advertising, over the past two years the platform has introduced a variety of advertising methods such as carousel ads and videos. In June, Instagram announced it will take its advertising to the next level by including calls to action and more seamless links to ecommerce that will likely have a major impact on brands using Instagram to connect with consumers.

"Instagram is home to one of the youngest social audiences and has been identified as the most important social network among U.S. teens," said Eleanor Powers, director of Insight Reports at L2, New York. "The platform has surpassed Twitter in monthly active users and is projected to have a 33.6 percent market penetration among U.S. Internet users by 2019.

"Beyond the attractive user base, ads have proven to be more effective in regards to recall

compared to average online advertising, extending the usefulness of the platform for top-of-funnel awareness building."

For the [Insight Report: Instagram Advertising](#) L2 monitored Instagram between November 2013 and June 2015.

Mad for ads

After Facebook purchased Instagram in 2012, the two media giants have had unprecedented access to consumers' data and attention. In 2014, Instagram merged its data with Facebook so that it can better target advertising to consumers.

L2's research shows that 94 percent of Instagram users also have Facebook, making the cross-platform strategy poised for success. In fact, Mercedes-Benz quickly reported a 54 percent increase in Web site visits when it was advertising on both Facebook and Instagram.

Advertising on Instagram has shown to be very affective, leading the media platform to generate \$700 million in revenue during 2014. Ad content placed on Instagram has a recall rate 2.8 times higher than average online advertisements.

In February 2015, Instagram made updates to its videos that allow viewers to absorb content more easily. These changes are expected to appeal to advertisers, who will likely take advantage and post more video content on the platform.

In the next year, Instagram plans to expand its video program and increase ecommerce on the platform. This will further contribute to the growth of the platform as it appeals to advertisers and users alike.

Instant gratification

Advertising on Instagram is one of the hottest new frontiers in mobile commerce. Instagram's steps to boost its advertising business with new ad formats, enhanced targeting and broader availability increases the pressure on marketers to find their voice for photo-driven mobile experiences.

Instagram said it will begin testing a variety of formats enabling marketers to drive results across a variety of objectives, with users able to sign up on a Web site, buy a product or service as well as download an app directly from an ad. The moves are likely to be welcomed by brands, many of which have already been flocking to Instagram in recent months because it offers an attractive combination of wide reach and an image-driven environment ([see story](#)).

It is likely that advertising on Instagram will have a significant impact, considering the increasing number of users that are flocking to the platform. Between 2011 and 2014, nearly 3 million teens in the United States abandoned Facebook in favor of Instagram, further cementing the image-sharing platform as "the most important" social network, according to a recent report for L2.

Findings in L2's "Intelligence Report: Instagram 2015" show Instagram to be the "moisturizer" of parent company Facebook that has allowed the latter social network to maintain relevance despite its dwindling "cool factor" and aging user base. With the introduction of sponsored content on Instagram, Facebook has leveraged data-sharing practices to connect consumers with brands and products, resulting in what L2 calls "the marketing world's nuclear fusion" ([see story](#)).

Because of Instagram's popularity at the moment it is the ideal platform for brands looking to connect with consumers.

"Opening advertising to all brands is a huge step for the platform," Ms. Powers said. "Expect to see Instagram continuing to offer brands new advertising options, such as ways to expand brands' ability to convey a richer and more detailed story or integrate bottom-of-funnel communications.

"It seems likely that there will also be an expanded promotion and use of targeting on the platform to avoid users being overwhelmed with ads."

Final Take

Kay Sorin, editorial assistant on Luxury Daily, New York

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