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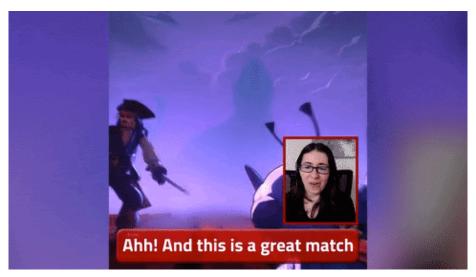
Section 1

Advertising in the Creator Ecosystem

UGC on TikTok, Snapchat, and Instagram is driving profitable UA across all app categories and presents a massive opportunity for marketers. Based on managing \$3.5 billion in creative and paid social spend for the world's largest mobile apps and performance advertisers — including \$102 million on TikTok — we are sharing expert recommendations on advertising with user-generated content. From micro-influencers and reaction videos to captions and meta commentary, UGC ads across social networks — and on TikTok in particular — are a critical part of any successful growth marketing strategy.

SEE OUR UGC REEL HERE

Through social media, brands and consumers are enjoying an ever-growing symbiotic relationship. Consumers want to interact with and shape brands according to their own creative impulses. Conversely, brands inspire new content from consumers driven by genuine interest and trust, making content more transparent and credible. As consumers consider different brands, content created by people not "officially" part of the brand is deemed as trustworthy or authentic. The high value of authentic content is precisely what marketers are leveraging by sponsoring influencers or creating ads with regular people to mimic typical UGC.



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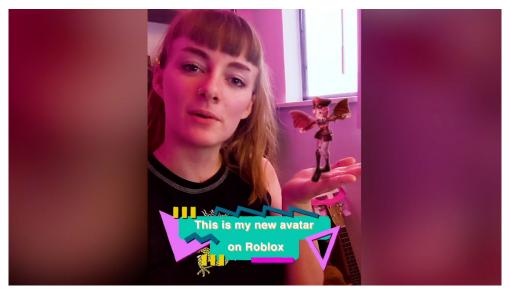


Creators and Influencers, Micro and Mega

Influencers reach their status through their UGC and at least 50 million people worldwide consider themselves "content creators." Looking at 2022 trends, Instagram reports, "creators have risen to the level of A-list celebrities. 1 in 4 13-24 year-olds agree micro-influencers with loyal and highly engaged audiences are most important when creating new trends." However, for effective advertising, Instagram recommends focusing on smaller creators: "people are influenced by shared interests, not necessarily popularity... consider expanding your creator partnership scope to include micro-influencers with highly engaged audiences." Research firm RealEyes, analyzing TikTok content through attention metrics, confirmed "the creators with the biggest followings didn't necessarily deliver the best attention and engagement for brands."

TikTok is the third most popular worldwide social platform following Facebook and Instagram, projected to reach 25% market share by 2024. According to a <u>TikTok-commissioned study by Kantar</u> of 25,000 participants, ads on TikTok were perceived as "more favorable" than ads on other tested platforms, with 10% better ad receptivity.

TikTok's 2022 recommendations for successful ads encourages advertisers to "align with the native TikTok experience." This means "lo-fi" video, "human, unpolished content," direct address to the camera, voiceovers and text overlays — all characteristics of the content TikTok users are already making and consuming.



© Roblox



UGC Ad Effectiveness

UGC ads — with mega influencers, micro influencers, or just regular people — leverage shared interests and relatable human experiences so effectively they consistently outperform other ad styles. A report from analytics company Comscore showed that combining UGC and paid content increased conversion by 28%. Research from RealEyes found that UGC ads outperformed other ad formats in holding attention, scoring 20-50% higher than conventional ads on the same topic. Grand View Research reported that user-generated video gets 12 times more engagement than any other type of UGC.

With the <u>loss of Apple's IDFA</u> and the development of <u>Google's Privacy Sandbox</u>, one-size-fits-all, middle-of-the pack ad creative won't be optimized by deterministic tracking. To compete for relevant audiences, mobile app advertisers have no choice but to use contextual, motivation-led ad creative to target high-quality top-of-funnel users. Krystel Bitar, Global Gaming Product Manager at Facebook emphasized <u>in an interview</u> how critical creative diversification based on motivation is: "it's time to make different creatives inspired by these motivators. The more unique these are, the easier it will be to ultimately determine what has attracted its audience."

Just as TikTok and Instagram highlight, UGC-style ads are uniquely impactful because they highlight "shared interests" and "a genuine sense of engagement and conversation." That authenticity comes from understanding a user's interests, motivations, and desires and effectively attracts target audiences.



Source: Consumer Acquisition by Brainlabs



The Growing UGC Market

As creator ecosystems have evolved, marketers are setting aside budgets for influencer marketing campaigns that appear authentic, created in the same style as unpaid, organic content. By 2021, the UGC market reached \$3.58 billion globally, with an expected CAGR of 26.6% from 2021 to 2028, amounting to a staggering \$18.65 billion by the end of the period. Enterprise claims 64% of this market, while individuals account for the remaining 36%. Audio and video content generated the most revenue at 32% of the total share. In particular, video ads offer a very high potential for shareability, as a whopping 92% of users are likely to share this kind of content on their social media accounts.

Research from CreatorIQ has shown that two out of every three brands have increased their budgets for creator campaigns, with 96% of brands and 88% of influencers regularly using Instagram Stories. Influencer marketing as a sector is expected to increase by 19% over 2022, reaching \$16.4 billion. According to a survey conducted by Influencer Marketing Hub, 77% of marketers replied they would set aside an influencer marketing budget in 2022 to capitalize on this rising trend. Of those planning to do so, 68% also claimed they would further increase the budget over the next year, with a majority of them committing to 10-30% of their overall marketing budget.



Section 2

Investments in UGC from TikTok, Meta, and Snap

TikTok Expands Video Length

Following last year's bump up to a 3-minute limit, <u>TikTok now embraces longer form content with a 10-minute limit</u>. Now in direct competition with other popular video content platforms, TikTok is poised to capture more traditional markets. This extension was eagerly awaited by creators interested in making in-depth tutorials, lessons, or those looking for more room to expand their creative approach without having to split their content throughout multiple videos. Efficient monetization of short-form videos can be challenging and advertisers benefit from the 10-minute format, as it allows for more convenient ad insertion and performance. This change also translates to more variety in supported ad formats. The update comes after extensive testing in which TikTok proved it could successfully extend user engagement in the app.

Meta Focuses on Video Content

With unprecedented competition from TikTok, Mark Zuckerberg has prioritized short-form video, according to a Bloomberg report. Facebook's global release of Reels to 150 countries signals Meta's change in directive, intended to get Facebook back in shape to stand a chance in the increasingly competitive social media market. The allure of Zuckerberg's long-term vision through the Metaverse needs concrete drivers in the current environment, and he's betting on marketable video content.



Just as TikTok adjusts to the market, Meta is evolving to keep up with social trends and expectations. Previously, only invited creators were paid by number of views through Facebook's Reels Play Bonus program. With this update, Reels is a renewed source of revenue for creators through new features:

- **Overlay Ads:** Ad-revenue for this format will be directly shared with creators, offering them a 55% cut of the total revenue.
- Length is irrelevant: All Reels will be monetized the same way, regardless of their length.
- **IG monetization through cross-posting:** Creators can monetize their IG Reels by posting them on Facebook.
- Stars for Reels: Creators can now be paid directly by fans through Stars.

Advertisers can maintain control over their ad placement on Reels through Publisher Lists, Blocklists, Inventory Filters and Delivery Reports. Meta also intends to optimize Reels accessibility across the platform through Stories and Feeds, while planning to enable Instagram crossposting in the future.





<u> Source: Meta Blog</u>



Snap Expands Creator Opportunities

Snap Inc. reported 319M daily active Snapchat users for Q4 2021, and a record-breaking revenue high of \$1.3 billion, showing their investments in creator features are paying off. Since Spotlight's debut early 2021, Snap has paid out over \$250M to over 12K Spotlight creators throughout the year, marking a strong entrance into the UGC market. The company continues to highlight and expand UGC capabilities and opportunities. Discover syndicates video content from Spotlight creators with viewers subscribing to individual creators at double previous rates. Partnerships with Sony Music Entertainment and NBC Universal give Snapchatters access to an extensive library of songs and sounds. Snap's Original "The Me and You Show," which stars Snapchatters and their friends using the Cameos feature, reached over 50 million viewers. Snap's Spotlight Challenge with Kim Kardashian West and Kris Jenner generated the most submissions ever for a challenge. And a Spotlight Challenge with Mariah Carey inspired the creation of over 3.5 million videos featuring "All I Want For Christmas Is You."

Several new features and opportunities for creators were also introduced in Q1 2022. Snap Stars can now place <u>mid-roll Ads in their Stories</u>. This feature lets creators earn a share of the revenue generated by these ads while advertisers enjoy a new opportunity for high-value placement of their content. Snap <u>has renewed and expanded its content deals with Disney, NBCU and ViacomCBS</u>, including numerous high-profile shows that can now be shared freely on the platform and used for creator content. Snap also launched <u>523</u>, a program dedicated to support small, minority-owned content companies. The first cohort of 20 winning startups receive \$60K in funding to help them create content for Discover.

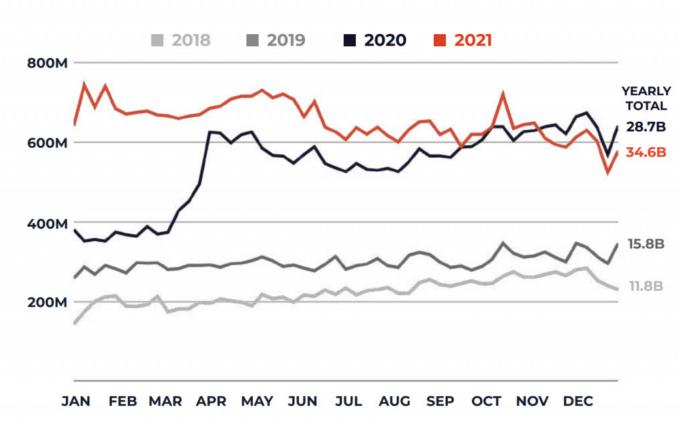


Social Platforms and Streaming UGC

People love to watch other people playing games. As social platforms increase streaming and interactive video capabilities, audience engagement with UGC only increases. Meta has captured a sizable portion of the game streaming market through Facebook Gaming, launched in 2018. More recently, TikTok announced its own Live Studio platform, hoping to use the platform's explosive growth to compete with streaming giants like Twitch and YouTube. Each social platform incorporates game streaming in its own way, unique to their brand and user interface. This is equally true for marketers; ads should be specifically tailored to the environment according to the platform's expected behaviors. For UGC, it's all about matching the authenticity of creators with ad concepts that resonate with their content and personality.

LIVE GAME STREAMING WATCH TIME INCREASES 21% YOY





Source: Mobile Marketing Reads



Section 3

UGC Advertising Creative Trends and Motivational Triggers

Creative trends are like fashion – they keep changing and going in and out of style. Analyzing these trends gives advertisers a broad view of what creative is working and what isn't across a category. Advertisers can reduce their failure rate by building on what is working using an endless supply of tested concepts and trends.

<u>Facebook Ad Library</u> lets marketers see every ad currently running on Meta's ad network. <u>TikTok For Business</u> surfaces trends and Top Ads by genre, based on reach, engagement, and viewing duration. For implied success metrics, advertisers can also use <u>Mobile Action</u>, <u>SensorTower</u>, or <u>AppAnnie</u> competitor libraries. AdRules, our SaaS platform, analyzes 3.5 million videos and is updated daily.

Based on information from Facebook Ad Library, TikTok For Business, and MobileAction, here are ad creative trends we're seeing for UGC ads:

- Faux testimonials using actors to deliver key message
- Actual testimonials with real users to deliver key message
- Influencer testimonials using paid celebrities to deliver key message
- Third-person video of playing, winning, or using the app
- POV video of playing, winning, or using the app
- Picture-in-picture footage of user and app at the same time
- Social posts that reference the app
- Tips and guizzes from actors using direct address
- Casual real-time commentary and reactions
- Highlighting emotional benefits of user experience with the app
- Highlighting social connection or communication in or about the app

Whether your mobile app is fintech, fashion, or fitness, understanding <u>user motivation</u> is critical for a successful user acquisition campaign. Through "human, unpolished content," UGC ads can effectively address common motivational triggers across genres and categories.



User Motivations for Gaming Apps

- Excitement: I want fast-paced, explosive action
- Social Connection: I want to play with friends or compete against others
- Expertise: I want to strategize for mastery
- Success: I want to complete, level up, and win
- Escape: I want an immersive experience
- Creation: I want to customize, explore, and experiment

User Motivations for Dating Apps

- Love/Friendship: I want an authentic connection
- Casual: I want a variety of casual connections
- Thrill: I want exciting new possibilities
- Ease of Use: I want simple onboarding and customization
- Validation: I want to feel good about myself
- Trendiness: I want a novel or popular experience

User Motivations for Subscription Apps

- Convenience: I want an experience that reduces friction
- Cost: I want an experience that saves me money
- Discovery: I want an experience that introduces me to something new
- Consistency: I want a reliable experience
- Access: I want to expand my experience
- Belonging: I want a shared experience

User Motivations for Fintech Apps

- Security: I want an experience that reduces my fears
- Guidance: I want an experience that helps me learn more
- Control: I want to make all of the decisions in this experience
- Visibility: I want to see everything I need
- Simplification: I want everything handled for me
- Deal Seeking: I want something back



User Motivations for Telehealth Apps

- Convenience: I want a streamlined experience
- Expertise: I want proven methods, expert guidance and reliable answers
- Consistency: I want a reliable experience from a brand I can trust
- Cost: I want to know I'm paying a fair price for access and services
- Emotional Trigger: I want to feel understood and cared about

User Motivations for Productivity Apps

- Organization: I want more clear and organized processes
- Time-Saving: I want to do things more quickly and efficiently
- Aspiration: I want the experience of self-fulfillment, accomplishment, and satisfaction
- Emotional Benefit: I want to relieve stress and feel successful
- Social Proof: I want to overcome doubts or objections through external assessment
- **Design:** I want an experience that meets my aesthetic expectations

UGC Creative Trends and User Motivations in Action



Source: Mobile Action

Top-ranking Casino game Blackout Bingo uses real-time playing and winning, along with side-by-side reactions. This ad appeals to users seeking fast-paced excitement, competitive social connections and success.





Source: Mobile Action

Music game Dream Piano uses first-person, side-by-side POV and highlights the social connection of playing the game. This ad appeals to users seeking social connections, expert mastery, and success.



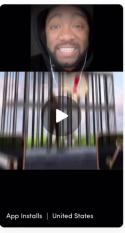
Source: Mobile Action

Action arcade game 1945 Air Force uses picture-in-picture with choreography synched to the on-screen action and music score. This ad appeals to users seeking excitement, expertise, and social connection.



On any given day, the top five mobile game ads on TikTok For Business Creative Center consistently show UGC creative trends in action, with users sharing creative testimonials of success, expertise, or excitement.





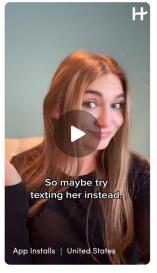




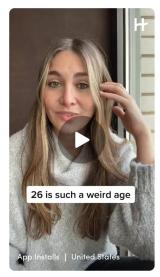


Source: TikTok For Business Creative Center Top Ads

TikTok ads for the <u>dating app</u> Hinge almost universally use faux testimonials and direct address videos with text overlays that look like entirely native content. These ads appeal to users seeking validation, trendiness, and authenticity.



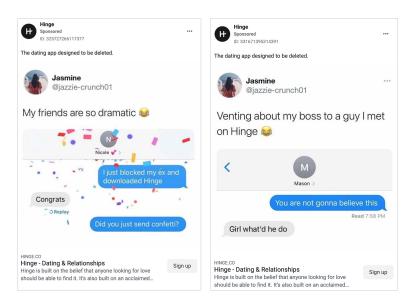




Source: TikTok For Business Creative Center Top Ads

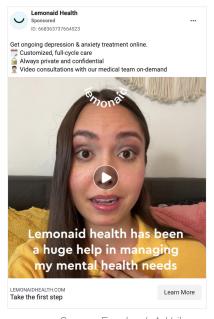


In contrast to TikTok, Hinge Ads on Facebook also use UGC, though in a notably different way: messages are screenshot within a social media post to showcase the meta commentary. These ads appeal to users seeking authentic relationships, validation, and trendiness.



Source: Facebook Ad Library

Lemonaid Health, the <u>telehealth</u> company promising "refreshingly simple" online healthcare and medication delivery, uses casual direct address commentary of emotional benefits in this UGC-style ad on Facebook. This ad appeals to users seeking expertise, consistency, and feeling understood.



Source: Facebook Ad Library



Productive Habit Tracker, a <u>productivity app</u> helping people "build a routine of positive, life changing habits," mimics UGC so well it includes the "actor portrayal" disclaimer. This ad appeals to users seeking a sense of accomplishment, emotional benefits, and social proof.



Source: Facebook Ad Library

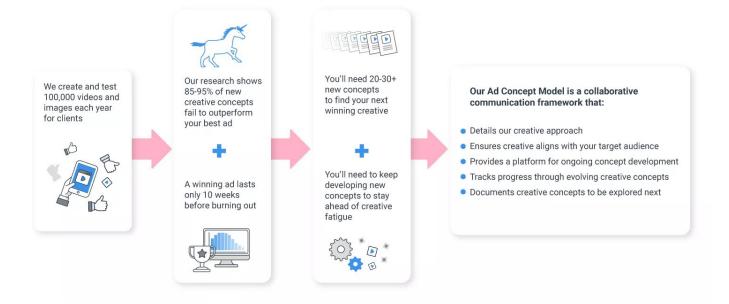


Section 4

Driving performance through UGC ads

Ad Concept Model

As dependence on upper-funnel campaigns increases due to automated buying and IDFA loss, mobile UA teams know they can no longer rely on the crutch of deterministic tracking to provide sustained financial performance. The deterioration of <u>lookalike audiences</u> and the black box of deeper funnel events means a user's declared interests and contextual advertising are critically important for insights into user motivation and intent. Ad creative optimized <u>to appeal to discreet personas</u> is now the most efficient lever for sustained profitable user acquisition.



Based on over 100,000 videos and images we produce and test yearly for our clients, our research has shown that <u>winning ads last only 10 weeks</u> before they burn out. We have performed over 25,000 A/B and multivariate tests on Facebook, Google, TikTok and Snap and have learned that <u>85-95% of new creative concepts fail</u> to outperform the best ad in a portfolio. To survive in this volatile ad ecosystem, 20-50 new concepts are needed to find the next winning creative. And you'll need to keep developing new concepts to stay ahead of creative fatigue.



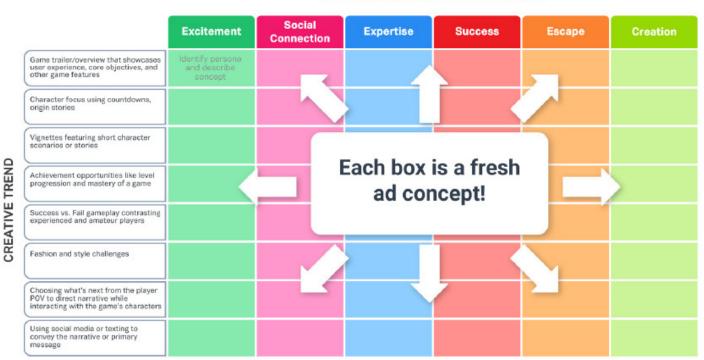
To stay ahead of creative fatigue, we developed the <u>Ad Concept Model</u> as a tool for creative teams to:

- Ensure ad creative aligns with your target audience
- Use creative trends and user motivations to guide creative exploration
- Develop 30-50 new ad creative concepts tied directly to your target personas
- Organize and prioritize creative development
- Track progress through evolving creative concepts
- Overcome creative slumps with a reusable framework that uncovers fresh ideas
- Discover "where to go next" when you think you've tried everything

Every app category or genre can leverage a unique combination of distinct emotional triggers and creative trends to attract users. Create lanes for your creative team to explore while eliminating unfocused ideation that doesn't align with your target personas, motivations, or trends. In the empty model below, each box represents a different ad creative concept. User motivations appear along the horizontal axis and creative trends appear along the vertical axis.

See the model in action in our white paper: <u>200+ Mobile App Ad Concepts for TikTok, Facebook and Google — 2022 Edition.</u>

MOTIVATIONS FOR TARGET PERSONA





TikTok Media Buying Model

Our <u>Media Buying Model</u> uses a matrixed approach to systematize best practices for user acquisition campaign development. Any mobile app can leverage a unique combination of distinct UA strategies and campaign parameters to develop a robust testing harness for ongoing mobile campaigns across social platforms, including TikTok. The entire matrix is tailored to a respective ad network and operating system constraints.

Below is a sample Media Buying Model for TikTok. Geographies, languages, and bid types are all modified based on our client's needs. Each campaign is structured to meet specific goals at the intersection of strategies and parameters. Here are trends we're seeing in testing:

- Creative: UGC creative is critical
- Behavior Audiences, Interest Categories, Interest Keywords: Identify audiences to feed scale campaigns. Bridge volume of a broad and precision of LAL
- Lookalikes, Time Zone Targeting, Broad Top Demo: Increase KPI performance
- Behavior Audiences: Test video and creator interaction
- Interest Keywords: Specific targeting but limited scale
- Time Zone Targeting: Broad targeting with dayparting splits

TIKTOK IOS AND ANDROID MEDIA BUYING MODEL

	Strategy	Campaign	Adgroup	Geo	Adgroup Messaging Targets	Bid Type	Goal
Media Buying Strategy	Scale	1	1	Geo 1	Evergreen	MAI - Auto	Geo breakout to identify best performing country. CA and GB inventory can be limited on Tiktok
		2	1	Geo 2	Evergreen	MAI - Auto	
		3	1	Geo 3	Evergreen	MAI - Auto	, , , , , , , , , , , , , , , , , , , ,
	Behavior Audiences	4	1 2 3 4 5	Geo 1	Viewed Profile Followed Watched to End Commented Shared	MAI - Auto	Targeting split by behavior, using CBO to auto-optimize.
	Interest Categories	5	1 2 3 4 5	Geo 1	A B C D E	MAI - Auto	Targeting split by TikTok Category segments using CBO to auto-optimize.
	Interest Keywords	6	1 2 3 4 5	Geo 1	F G H I J	MAI - Auto	Targeting split by TikTok Interest keywords using CBO to auto-optimize.
	Lookalike Audiences	7	1 2 3	Geo 1	Custom Audience LAL Narrow Custom Audience LAL Balanced Custom Audience LAL Broad	MAI - Auto	LAL audiences of a Primary Metric custom audience based on historical data.
		8	1 2 3	Geo 1	App Activity LAL Narrow App Activity LAL Balanced App Activity LAL Broad	MAI - Auto	LAL audiences of an app activity metric, installs, tutorial, etc.
		9	1 2 3	Geo 1	Ad Engagement LAL Narrow Ad Engagement LAL Balanced Ad Engagement LAL Broad	MAI - Auto	LAL audiences of an ad metric, views, clicks etc.
	Timezone Targeting	10	1 2 3 4 5	Geo 1	Broad: Hours 0-5 Broad: Hours 6-11 Broad: Hours 12-17 Broad: Hours 18-23 Broad: Top Demos ex: F 25-44	MAI - Auto	Broad targeting split by timezone, using CBO to auto-optimize. Additional ROAS boost from top performing demo.



TikTok Creative Testing Recommendations

- TikTok's A/B testing capability is rapidly evolving, use Facebook Android if you can.
- Test only two creatives at a time, due to two split audiences
- Broad targeting recommended to keep CPMs low
- Each ad set must spend at least \$20/day
- Split tests to run for 7 days, can be shortened
- Optimization for Clicks, Installs, or In-App Events
- Bidding: Cost Cap Bidding, Lowest Cost Bid (recommended)
- Standard Ads and Spark Ads (Organic) can be tested
- Musical iterations can be easily created and tested using the TikTok Video Editor

TikTok Advertising Tactics

App Retargeting: Re-engage users that already have an app installed on their device based on a postback from MMP and then optimize toward specific events. TikTok App Retargeting supports Traffic (CPC) and Conversion (oCPC/oCPM) objectives. For gaming apps, TikTok retargeting can engage and bring back inactive players and improve retention among existing players. E-commerce apps can feature specific promotions and timely products or discounts. Utility apps can re-engage through new services and features.

TikTok Instant Page: According to TikTok For Business, TikTok Instant Page is a "lightweight native landing page within the app that loads up to 11 times faster than standard mobile pages."

The seamless customer journey



User triggers Instant Page by tapping a call-to-action or card within the ad.

Through TikTok Instant

Page

Instant Page loads in a flash, and the user can learn more about the brand message or offer.

To your website

User clicks a button on the Instant Page and is redirected to the external website or landing page where they can take action.

Source: TikTok For Business

The easy-to-build pages are customizable with videos, images, carousels and buttons to explore a product or service without leaving TikTok. TikTok reports that optimizing towards conversions that occur on your Instant Page can drive up to 40% lower cost per action. Or, use the TikTok Pixel to enhance delivery optimization on an external site.



Diverse Content Drives Results on TikTok: Without <u>deterministic tracking</u> on iOS or <u>effective lookalike audiences</u>, relying on general broad-stroke creative won't be enough to profitably expand your audience. However, <u>persona-led creative</u> developed around player motivations, preferences, and interests is the key to sustainable user acquisition. In <u>TikTok's Creative Solutions: The Ultimate How-to Guide</u> their recommendation is clear: "in order to captivate new audiences, the key is to continuously share fresh and diverse content." With the platform built on a content graph instead of a social graph, "diverse discovery" keeps users "inspired and energized."

Do's

Do scale your ad production to ensure a constant flow of fresh creative

Do bet on uniqueness and creativity. Content with its own flair makes TikTok thrive, and is key to great results.

Don'ts

O Don't expect that every piece of creative will contribute to a result.

On't just replicate the same creative used on other platform

Source: TikTok For Business

Want better results from UGC for Paid Social?

Our industry expertise comes from managing over \$3.5 billion in creative and paid social spend for the world's largest mobile apps and performance advertisers, including Glu, Roblox, Wooga, Zynga, and Skillz. Our proprietary full-stack marketing platform AdRules provides real-time business intelligence and creative research from 3.5 million video ads across social channels.

As the mobile advertising ecosystem has evolved, we have focused on being a reliable source of mobile app industry insights and trends. Our strategic analyses of IDFA loss and media buying automation, along with tactical guidance for user acquisition and creative teams, has helped advertisers remain profitable during an unprecedented era of change. Our industry expertise has earned coverage from CNBC, Forbes, SeekingAlpha, Business Insider, VentureBeat, TechCrunch, Mobile Marketing Magazine, and many more.

Working with a knowledgeable <u>marketing partner</u> that can provide extensive quantitative creative testing ensures you get the best performance from your UGC ads.

Email us at sales@consumeracquisition.com to discuss your user acquisition goals.





Sales@ConsumerAcquisition.com