Custom Audience & Lookalike Audience Setup Guide

Introduction

In today's competitive digital landscape, creating targeted ads is key to reaching the right people and maximizing your ad spend. Facebook and Instagram offer powerful targeting options through Custom Audiences and Lookalike Audiences, enabling businesses to tailor their ads for maximum effectiveness. This guide will walk you through setting up and optimizing these audiences, providing screenshots and practical examples for a seamless process.

What Are Custom and Lookalike Audiences?

Custom Audiences

A Custom Audience lets you target users who have previously engaged with your brand. This could be through your website, app, Facebook page, or even a customer list. It's a great way to retarget those who have shown interest in your products or services.

Lookalike Audiences

A Lookalike Audience helps you reach new users who resemble your best existing customers. Facebook's algorithm identifies people who share similar behaviors, interests, and demographics with your Custom Audience, allowing you to expand your reach effectively.

Step 1: Setting Up Custom Audiences

1. Navigate to Ads Manager

- Go to your Facebook Ads Manager. In the main menu, click on **"Audiences"** under the **Assets** tab.

2. Create a Custom Audience

- Click on the **"Create Audience"** button and select **"Custom Audience"** from the dropdown menu.

3. Choose Your Source

Facebook will present you with several options for creating a Custom Audience. Here are the most common sources:

- **Website Traffic**: Target people who visited your website. You need a Facebook Pixel installed on your website for this.
- **Customer List**: Upload a CSV file containing your customer data (emails, phone numbers, etc.). Facebook matches this data with its users to build your audience.
- **App Activity**: Engage users who have interacted with your app.
- **Engagement**: Retarget people who have interacted with your Facebook or Instagram page, videos, or lead forms.

Example: For e-commerce, choosing **"Website Traffic"** allows you to retarget users who added items to their cart but didn't complete the purchase.

4. Define Your Audience

Set the criteria for your Custom Audience. For example, if you're using **Website Traffic**, you can choose to include visitors from the last 30 days. Give your audience a descriptive name, like **"30-Day Website Visitors"**.

5. Save Your Audience

Click **"Create Audience"** and wait for Facebook to populate it. It may take a few hours or even a day, depending on the size of your data set.

Step 2: Setting Up Lookalike Audiences

1. Create a Lookalike Audience

- In the **Audiences** tab, click on **"Create Audience"** and select **"Lookalike Audience"**.

2. Select Your Source

- Choose the Custom Audience that you want Facebook to base your Lookalike Audience on. This could be a list of your best customers or highly engaged website visitors.

3. Choose Your Target Location

- Specify the country or region where you want to find your Lookalike Audience. For example, if you want to target users in the US, select **United States**.

4. Adjust Audience Size

- Use the slider to set the size of your Lookalike Audience. Sizes range from **1%** (closest match to your source audience) to **10%** (broader match). A **1% Lookalike Audience** represents people who are most similar to your source, while a **10% Lookalike Audience** will be larger but less precisely matched.

Example: A **1% Lookalike Audience** of recent purchasers might be ideal for a new product launch, while a **5% Lookalike Audience** could work well for a broad awareness campaign.

5. Create the Audience
Click **"Create Audience"** and allow Facebook time to build your Lookalike Audience. Once ready, you can use it in your ad campaigns.

Step 3: Optimizing Your Custom and Lookalike Audiences

1. Layering Custom Audiences

- Use multiple Custom Audiences to refine your targeting. For example, you can include website visitors and exclude those who have already made a purchase, ensuring that you're only targeting potential new buyers.

2. Exclude Overlapping Audiences

- Avoid audience overlap to prevent targeting the same people with different campaigns. Use Facebook's **Audience Overlap** tool in the **Audiences** section to compare your Custom and Lookalike Audiences. If you see significant overlap, consider excluding one audience when targeting another.

3. Refresh Your Custom Audiences Regularly

- Update your Custom Audiences to ensure they remain effective. For instance, refreshing a **Customer List** every 30 days ensures that you're targeting active and engaged users.

4. Test Different Lookalike Percentages

- Experiment with different Lookalike Audience sizes (1%, 2%, 5%) to see which delivers the best results. A smaller percentage might deliver higher-quality leads, while a larger percentage can help you reach a broader audience.

Example: A **2% Lookalike Audience** might provide a good balance between reach and similarity for mid-funnel campaigns.

Step 4: Using Custom and Lookalike Audiences in Ad Campaigns

1. Set Up a Campaign in Ads Manager

- Create a new ad campaign and select your marketing objective (e.g., **Conversions**, **Traffic**, **Brand Awareness**).

2. Choose Your Custom or Lookalike Audience

- In the **Ad Set** section, select the **Custom Audience** or **Lookalike Audience** you've created from the **Audience** dropdown.

3. Fine-Tune Your Targeting

- Combine your Custom or Lookalike Audience with additional targeting options like **Age**, **Gender**, **Interests**, and **Behaviors** to further narrow your reach.

Example: If you're using a Lookalike Audience based on website visitors, add interest targeting for a specific product category to enhance relevancy.

4. Set Your Budget and Schedule

- Choose a daily or lifetime budget and set your campaign duration. This ensures you have enough spend to gather meaningful data for optimization.

5. Monitor and Optimize

- Track the performance of your ads through Facebook's **Ads Manager**. Pay attention to metrics like **CTR (Click-Through Rate)**, **CPC (Cost Per Click)**, and **ROAS (Return on Ad Spend)**. Use these insights to adjust your targeting or ad creative for better results.

Conclusion

Custom and Lookalike Audiences are essential tools for any marketer looking to maximize the effectiveness of their Facebook and Instagram ad campaigns. By leveraging existing customer data and finding new, similar audiences, you can drive better engagement, lower your cost per acquisition, and achieve your campaign objectives. With this guide, you're well-equipped to create, optimize, and use these audiences to power your next successful ad campaign. Happy targeting!