

Lift Without Loss

A Monetate White Paper

Summary

When offered in real-time, promotions and discounts can be very effective but they can also cut into margins. Real-time marketing campaigns based on messaging alone can increase conversions and boost revenue without the need to discount product prices or shipping charges. In this white paper we share our experiences and lessons learned while creating and managing "zero cost" marketing campaigns on a wide range of commercial web sites.

Part 1. Discounts Versus Messages

What is the oldest trick in the ancient art of retailing? Some people would say it's offering a discount on the price of whatever you're selling. However, while the right promotional offers can increase sales, they also tend to erode margin (leading to the old marketing joke: "Sell at a loss and make it up on volume").

Unfortunately, many online retailers are haunted by the fear that they will give too many shoppers too much discount. In the bazaars of old, controlling the amount and number of discounts you offered was something that merchants could easily do for themselves.

To this day, in the world of face-to-face retail you can mentally assess each customer and decide, on a case-by-case basis, who is offered what inducement to complete the purchase. Ironically, opening a store online can make discounting harder



No Discounting Required?

Can you produce 100% lift in conversion rate and revenue, from a significant slice of site traffic, just by changing the messaging? Yes!



Making Real-time Marketing Possible

to control because, unless you are careful, you can find you have extended the offer to some people who would have bought without a discount (and as the traders in the ancient bazaar would tell you, that's like giving money away).

Strategies for controlling the uptake of online offers do exist, like segmenting your traffic, but consider the following approach to boosting sales without risking margins: Better communication with the prospective buyer. We frequently see messaging campaigns increase conversions and boost revenue, without any discounting of product prices or shipping charges.

In this white paper we want to share our accumulated experience in the creation and management of message-based "zero cost" marketing campaigns on a range of commercial web sites.

Google the term "Zero Cost Marketing" and you find people use it in numerous ways. We use "zero cost" marketing to refer to a strategy for increasing your web site's conversion rate, and, if your site sells things, for increasing average order value, without extending offers or promotions that cost you money.

An Uplifting Example

Increasing conversion rate and average order value at no cost might sound too good to be true, but our experience suggests it can be done. Consider the case of "ModCloth and the foreign fashionistas." Although ModCloth was founded just a few years ago, the clever use of technology, combined with infectious enthusiasm, has transformed a teenager's hobby into a web-based company with an impressive reputation for cool clothing. If you Google "indie clothing" there's a good chance ModCloth will top the organic search results, no small accomplishment given the highly competitive nature of the online clothing market.

When we started working with Modcloth we noticed that 20 percent of the visitors to modcloth.com were from outside North America, even though the company had not targeted international markets. Unfortunately, very few of these "foreign" visitors were converting. Why were foreign visitors spending time on the site but not buying?

We suspected that overseas visitors were nervous about buying from the site, unsure about how ModCloth would treat orders from non-U.S. customers. The fact that the company offered international shipping, and was happy to take





Making Real-time Marketing Possible

overseas orders, was not obvious from the site. Because ModCloth was not focused on foreign sales it was hard to justify dedicating precious web site real estate to highlight international shipping options.

The solution was to create a set of campaigns that displayed messaging about international shipping in the form of banners and overlays, but only to people visiting the site from locations outside North America (thus getting the point across without requiring dedicated web site real estate). For added effect, the campaigns targeted visitors by country, informing them that Modcloth was very happy to ship to their specific country. The results? Measured against a control group, this campaign produced, from the targeted segment:

- 100% lift in conversion rate
- 100% lift in revenue
- 167% lift in new customer acquisition

Bear in mind that this segment was one fifth of the entire site traffic and these campaigns were not “offers” of free or reduced shipping. The campaigns simply served a relevant message to the appropriate traffic segment. That segment’s revenue doubled, and more than two and a half times as many visitors were converted into new customers, without the retailer having to cut prices or give anything away.

Areas of Interest

Hopefully you are now excited about the prospect of increasing revenue by tweaking the messaging on your site. In this section we briefly review four areas where targeted messaging can be applied to good effect, including advertising and search continuity, localized content, and the removal of obstacles to purchasing. In the next section we will take a more detailed look at the behavior-based targeting of messaging campaigns.

1. Off-site Ad Continuity

Think about what happens when you click an online ad. If that click takes you to a page that has no visual or textual continuity with the ad

Here are the results of an ad continuity messaging campaign on a retail site, as measured against a control group:

- 267% lift in conversion rate
- 190% lift in new customer acquisition rate
- 352% lift in revenue
- 83% reduction in customer acquisition cost for display ads



Making Real-time Marketing Possible

that prompted the click, you will probably bounce out of that site very quickly. Such lack of continuity shows up quite often in our surveys of both retail and non-retail e-commerce sites. But if you create off-site ad continuity by carrying messaging through to landing pages and then across the entire site experience, you stand a much better chance of converting the traffic that your ads are bringing to your site.

2. Search Continuity

Continuity is also important in the conversion of search traffic, both paid and organic. Continuity in search requires relevance. In recent years, we have become accustomed to getting results from search engines that are relevant to the search terms we entered. Whether this is the "Google effect" or simply a growing sophistication among web users over time, most people expect that, when they click on a search result, they will see a page that reflects their search terms.



So, when a page on your site shows up in a shopper's search results, you want to be sure that, if the shopper clicks through to that page, its content reflects the shopper's search terms. Otherwise, that shopper is likely to bounce right back from the page to the search results and try a different result, possibly on a competitor's site.

If you put significant resources into paid search or organic search optimization, you risk wasting some of those resources if traffic from search simply bounces out because of a lack of continuity. Why not devote some resources to making sure that, when people arrive at your site from a search, they are greeted with messaging that resonates with the search terms or paid search campaign that brought them to the site? If you do this, your search traffic is far more likely to convert, increasing revenue and reducing the cost of customer acquisition.

3. Localized Content

What happens when you make visitors to your site feel welcome by displaying localized content? Those visitors tend to convert better and buy more. We have repeatedly observed this effect even when using messaging as simple as mentioning the visitor's location, as in the example on the right.



Making Real-time Marketing Possible

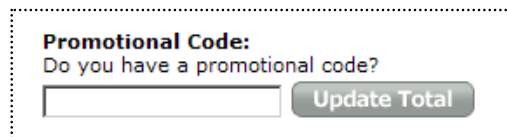
There are many theories as to why this might be, but exploring them is beyond the scope of this white paper. Besides, the facts tend to speak for themselves: Messaging that provides local context encourages people to buy. Adding basic elements of geo-specific content, automatically generated and displayed, would seem to be one of the easiest ways to improve commercial web site performance. Such elements can include country, state, and city or metro area. You can even reference local weather and Red/Blue political leanings.



4. Removing Obstacles

Obstacles to continuity in the purchasing process can be very costly. You may recall the "case of the \$300 million button" in which a large online store was estimated to be losing \$300 million in revenue per year because it required shoppers to register with the site before completing their purchases. Removing some obstacles may require a resource-intensive site overhaul, but others can be dealt with quickly and easily by means of "subtractive messaging."

What do we mean by "subtractive messaging"? Techniques like covering up offending items. For example, if there is a coupon box hard-coded into your shopping cart software and you would like to hide it to avoid distracting a certain segment of shoppers, that is subtractive messaging.



27 percent of respondents in a recent survey by PayPal and comScore said they had abandoned shopping carts to go find a coupon or promotional code. Two thirds of them did not return.

Part Two: Getting Personal

In this section we dig deeper into how messaging and content can improve conversion and order value without promotions or discounting. We will then review a practical methodology for identifying specific areas to target for improved messaging on your site.



Making Real-time Marketing Possible

Shopping With Intent

Understanding the intent of individual shoppers is one of the first areas of focus when you want to personalize content and messaging that drives conversion for a site. For example, most online stores carry a number of distinct product lines but while some shoppers visit the site to browse all of the lines, many have a specific intent when they visit the store. Shopping intent can be derived from a number of different behavioral clues:

- a. search terms used off the site:** for example, using "gift" or "swim" in a search term that led to visiting the site would give us very different clues about what that shopper was looking for on that visit.
- b. email links, ads or other offsite channels:** for example, clicking on a "new arrivals" section versus an "accessories" section in an email campaign, provides useful information about the connection to the retailer that prompted the visit.
- c. site navigation:** for example, a shopper who visits the homepage and then navigates to a particular section is communicating something about who they are and what they are looking for.
- d. previous browsing, shopping and purchase behavior:** for example, someone who has purchased women's items in the past is likely to be looking for them again, but might also be receptive to cross-selling of other relevant categories.

By paying attention to visitor behavior you can discern intent and be in a position to serve up appropriate messaging and content. Such messaging not only helps each shopper to find those things which they have intent to buy, but also educates them about the most relevant additional products lines they would likely buy.

Local Context

Local context is surprisingly important to many online shopping decisions. Consider the simple mention of the shopper's location, as seen in the example from Atlanta on the right and the earlier example from Chicago. These appear on the front page of PetFoodDirect.com, a leading pure play e-retailer in the highly competitive pet food market. The message is served up by our product, Monetate Real-time Marketer, which recognizes





Making Real-time Marketing Possible

the location of the visiting computer and serves page content dynamically, matched to that data. The revenue effect of this messaging is strongly positive.

While it is hard to determine exactly how a connection to one's community influences shopping behavior, it is easy to understand the impact of drawing the visitor's attention to the more visible components of location such as delivery time, shipping policies, and the availability of convenient in-store exchanges and returns.

For products in the clothing and fashion space, regional variations in both seasons and styles can make a big difference to shoppers and affect what is relevant for each of them on a given visit. The following are just some of the ways in which messaging campaigns that target based on the geography of each visitor can leverage the importance of local context:

- a.** Leverage the retailer's merchandising experience to feature the most regionally and seasonally relevant products and lines for each shopper. This drives conversion rate and order size by helping each shopper find the products he or she will connect with.
- b.** Messaging to each shopper in the context of his or her region and locale creates a reassuring environment conducive to purchasing. Elements such as weather in the location of each visitor add even more context.
- c.** Driving customer acquisition and conversion rate by messaging to shoppers about the convenience of in-store exchanges and returns if they are near a retailer's bricks and mortar location.
- d.** Driving conversion rate by messaging to each shopper about delivery times and shipping upgrades in the context of their UPS shipping zone or ZIP code relative to the retailer's warehouse or shipping locations.
- e.** Driving cross-pollination between in-store and online purchases by displaying messaging to online shoppers about their local retail locations, including special events and other continuity of messaging between channels, such as direct mail and print campaigns.

Brand Relationship

The context and messaging that drives completion of a first purchase by a shopper who is new to an online store is different from what works with returning shoppers. Key data



Making Real-time Marketing Possible

for the new shopper includes information about the branding of your store and a clear sense of its mission. New shoppers also need basic logistical information like how you handle shipping and returns, reinforced with content that helps the new shopper understand how well the online store has served other customers. Conversely, this could be a waste of precious web site real estate for the loyal returning customer.

Mining your site metrics to understand each customer's relationship with your brand over time pays off when you deliver the most effective messaging and content to each customer on each visit. New shoppers need some extra context and information to help them make a first purchase from you. Furthermore, you want their experience to a satisfying one so that they come straight to your site next time they want to buy a similar item.

As for returning shoppers, they will return more often and make larger purchases if they are provided with the right context, one that helps them see all of the ways that your products can meet their needs.



Positive Lift From Subtraction

While it's natural to think of targeted messaging as an addition to your site's content, sometimes you can improve a site's performance by removing elements that might be distracting. For example, some payment and discount options might not be appropriate for all visitor segments. We have seen positive results from selective hiding of coupon boxes and payment options. The study of cart abandonment by PayPal and comScore that was mentioned earlier helps explain why hiding the coupon box can produce lift. The study found that 45 percent of online shoppers had abandoned shopping carts

Conversely, you might be able to reduce the distraction of coupon codes by using messaging for positive reinforcement. We have seen good results with messaging campaigns that make it clear to the shopper that the discount offer which brought them to the site has been factored into the final price.



Making Real-time Marketing Possible

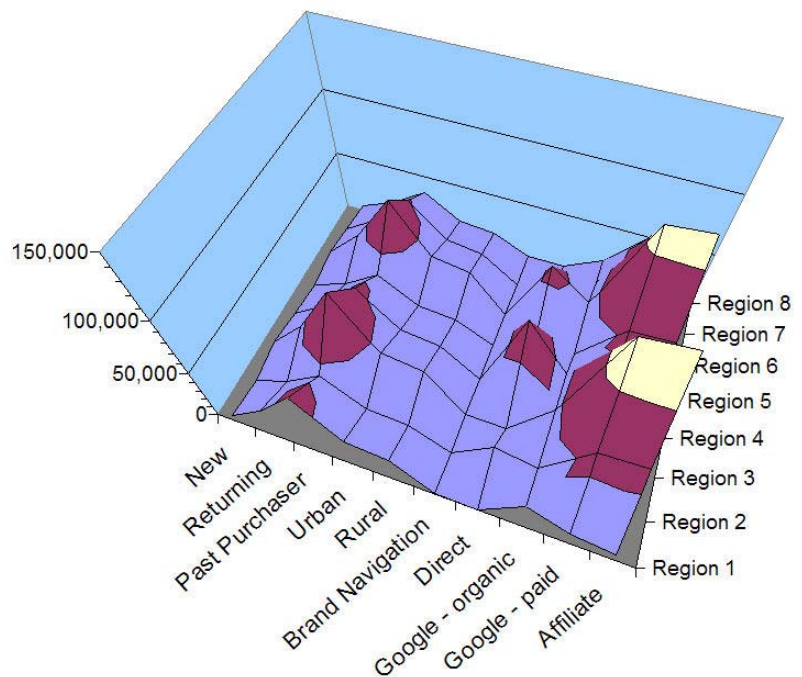
multiple times in the preceding three weeks. When asked the reason for abandoning their carts, 27 percent of respondents cited "Went to look for a coupon." Given that the average cost of abandoned goods in those shopping carts was \$109, that is no small deal.

Practical Methodology for Effective Messaging

For targeted messaging to work you first need to identify your targets. One way to do this is to map out current activity using site metrics (these could be from Omniture, Coremetrics, Google Analytics, or similar). You will need several sets of coordinates or data, starting with your segments. If you are collecting any kind of analytic data from your site you probably have segment numbers. Perhaps the most basic example being the New Visitors segment in Google Analytics.

The second set of data or "coordinates" is the conversion rate for each segment for a defined period of time, such as the last 30 days. The third set of numbers you need are the segment population numbers, the number of people in each segment. You will also need the order size for each segment. If you compile this information in a table what you have so far is just a big table of numbers. You need to add some intelligence to these numbers, starting with each segment's population as a percentage of the total population. You will also want to calculate the divergence of each segment from the overall conversion rate for the site.

Now you are ready to "map" the segments. You can use fancy graphing tools to do this, or simply flag fields or cells when they fall outside two important thresholds that you need to set.





monetate

Making Real-time Marketing Possible

The first threshold is the size of the segment population (for example 5 percent) and the second threshold is divergence of the segment conversion rate from the norm (for example, 10 percent below the norm). Through formulas and conditional formatting you can flag any segment that falls below these thresholds and know that it has potential for revenue lift if you target it with effective messaging. When displayed as a topographical map, these segments would appear as low spots in the terrain. From here, it doesn't take many more calculations to graph the revenue potential of a given area of "lowland" being raised up through appropriate targeting and effective messaging.

As to the selection of "effective messaging," that is where traditional merchandising skills come into play. For example, if you are segmenting by regions and the site is not performing as well in Western regions as it is in Eastern regions, you will want to craft a campaign that lifts those under-performing regions. While discounts can undoubtedly improve conversion rates, experience tells us that the right messaging campaign may achieve the same results without cutting into your margins.

Conclusions

E-commerce sites will convert better and produce better ROI if they personalize messaging to targeted segments of site traffic. Whether it is providing local context or smoothing out the purchasing process, messaging alone— without discounts— can increase conversion rates and average order value while reducing the cost of customer acquisition. Provided e-commerce sites have in place the tools required to segment traffic, display targeted messages, and personalize content, the potential for improvements in conversion and revenue are almost unlimited.

References:

Shopping cart study: <http://www.emarketingandcommerce.com/blog/abandonment-issues>

The \$300 million button: http://www.uie.com/articles/three_hund_million_button

First illustration: Detail from a nineteenth century photograph of a market in Hamburg, Germany, circa 1899, in the Library of Congress, Prints & Photographs Online Catalog collection.

Second illustration: Detail from 1921 painting by Florine Stettheimer: "Spring Sale at Bendel's" in the Philadelphia Museum of Art.



Making Real-time Marketing Possible

About Monetate, Inc.

Monetate provides tools and expertise that enable online merchandisers and marketers at companies like QVC and Casual Male to implement real-time marketing strategies that improve the site experience for customers and the ROI for site owners, all without involving the I.T. department.

Monetate has given us the power and flexibility to provide relevant and personalized content to our visitors throughout their online shopping experience, resulting in incremental revenue across many campaigns.

*Jay Nigrelli, Director of eCommerce,
Casual Male Retail Group*

Monetate's current product line includes Monetate Real-time Marketer and Monetate Mobile. Monetate Real-time Marketer uses patent-pending technology to display messages and promotions on any page of your web site without the need for containers, dedicated space, or site redesign. Monetate's ShadowCRM™ segments and targets your site's visitors across more than 50 dimensions. Using Monetate's SalesMap™ technology, your Real-time Marketing Adviser will work with you to craft personalized messaging and promotional campaigns that target under-performing segments. These campaigns are executed by Monetate's SaaS platform and tracked through the Monetate dashboard, which also provides automated testing, analytics, and customized reporting. Monetate does all of this, plus catalog and shopping cart integration, with zero I.T. There are no page design changes or back-end coding required. You just add one line of JavaScript to your site.

Monetate was just as easy to set up as they claimed. Within five days we were running successful campaigns. As a marketer you cannot afford not to try Monetate.

*Jay Pusey, Marketing Director
PetFoodDirect.com*

Getting Monetate products implemented on your site is quick and easy with our "one tag" installation. Monetate Mobile can be activated within hours to provide mobile-native navigation for smartphone users visiting your regular web site.

CONTACT DETAILS:

Email: info@monetate.com
Web: www.monetate.com
Blog: www.monetate.com/blog
Twitter: www.twitter.com/monetate
Facebook: www.facebook.com/monetate

Monetate, Inc.
100 Four Falls Corporate Center, #104
West Conshohocken, PA 19428
Phone : +1 (484) 323-6313
Fax: +1 (484) 323-6311