

MAKING RETAIL PAID SEARCH PREDICTIVE

New Ways Retailers Are
Using Paid Search To
Drive Profitable Revenue

SEARCH REVENUE REPORT

adlucent

Since its arrival twelve years ago, paid search has evolved from a channel to a strategic asset that can be used to help influence and drive business functions outside of ecommerce.

Over time, we've seen three waves of paid search. The first wave started in the early 2000's when PPC was just a tactic. Competition in this space was low and retailers used paid search to test marketing strategies, drive efficiencies, and collect customer data.

As competition emerged and technology was needed to scale search programs, the second wave emerged. Retailers began to treat PPC as an independent marketing channel that needed attention and optimization. The value of paid search moved beyond the marketing organization as insights derived from PPC data were used for inventory planning, product investments, and more.

We've now entered the third wave of PPC which centers around predictive paid search. Smart retailers are capitalizing on demand data, using it to influence pricing, inventory, and merchandising decisions. Retailers are also using shopping analytics to become more predictive about search revenue and spend. Keywords have become linked with product and customer performance to uncover patterns and signals to help influence key business strategies.

Paid search will continue to evolve and its future is bright. When retailers become predictive with their search strategies and dig into shopping analytics data to influence key business decisions, they will be able to achieve amazing results.

This paper is a summary of a presentation originally given by Garrick Baxter, Ecommerce Marketing Manager at Oriental Trading Company, Ashwani Dhar, Chief Client Officer at Adlucent and Meaghan Danielson, Client Manager at Adlucent. Garrick and Meaghan share key ways retailers can utilize paid search to drive performance.

FEATURING:

Garrick Baxter

Ecommerce Marketing Manager,
Oriental Trading Company

Garrick Baxter has twelve years of online marketing management experience. As the Ecommerce Marketing Manager for Oriental Trading Company, Garrick manages paid search advertising, promotions, creative, and email marketing strategies to drive online customer acquisition for three separate business units.

Ashwani Dhar

Chief Client Officer, Adlucent

Ashwani Dhar brings over 20 years of sales, marketing, and business development experience to his role as Chief Client Officer at Adlucent. Ashwani oversees a team of Retail marketing and search experts who work to drive profitable revenue growth for the industry's top brands.

Meaghan Danielson

Client Manager, Adlucent

Meaghan Danielson has spent the last four years helping top retailers build superior paid search and online marketing programs. She now manages a team of search marketing professionals who run advertising programs for leading brands.

"Paid search has the opportunity to deliver exactly what the customer is looking for. Natural search can do it to some degree, but it is limited. Email can certainly do it, but it is mainly to your existing customers. It doesn't have a new customer audience like paid search does. Affiliates and comparison shopping engines have completely different value propositions, so paid search is absolutely the channel where you can deliver your true message to existing customers and to prospects." —Garrick Baxter

WHY RETAIL PPC IS UNPARALLELED

Retail is unique from all other industries and search strategies should be designed specifically for these distinctions. Such differentiators include low barrier to entry, quick sales, and high volatility. Retailers must focus on customer acquisition and the frequency of conversion. Sales cycles are often shorter as consumers are more likely to make impulse decisions due to a low barrier to entry. Finally, seasonal shifts are largely driven by changes in consumer behavior.

Paid search accounted for 47% of online advertising spend in 2011

—IAB Internet Advertising

Just as the retail industry is unique, so is each retailer. Oriental Trading Company, number 73 on the IR 500, is a party supplies retailer that drives revenue through catalog and online sales. For OTC, developing a deep relationship with each customer so that they become a customer for life is at the core of their success. Because so much of their product line is tailored to the many life experiences a customer has throughout the years—birthdays, holidays, weddings—they strive for repeat business through customer satisfaction. OTC does this by establishing a close relationship with each customer and providing the most valuable products and services based on customer needs. Responding to consumer behavior through paid search in real-time has become a key differentiator for the party supplies giant.

90% of retailers surveyed said that search engine marketing is one of their top three most effective customer acquisition tools

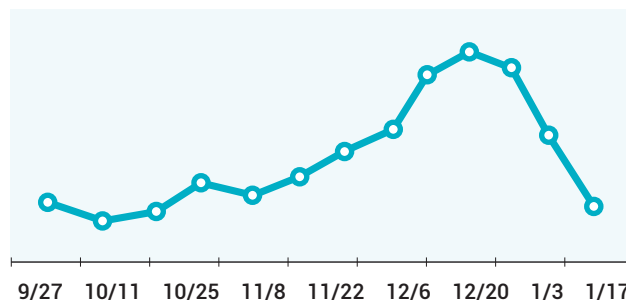
—State of Online Retailing Report 2011

THRIVING IN SEASONAL FLUCTUATIONS

Oriental Trading Company has sold through catalogs for over 80 years. Although part of their business has gone online, there is still a tight

synergy between online and offline channels.

Many of their customers who receive a catalog in the mail take the time to earmark pages and circle their desired items before going online to make a purchase. The internal catalog team has each edition planned 12–15 months in advance. In order to integrate marketing messaging and promotions, the paid search team must follow the same planning timeline; however, they must also remain responsive to real-time changes.



It's important for retailers to remain flexible and build campaigns around value propositions that are important to customers. OTC monitors multiple data sources to identify customer needs and predict seasonality. Some of these sources include historical paid search data, real-time search queries, customer ratings and reviews, and call centers. In addition to historical data from PPC, retailers should review product data, promotional changes, and macro-level market trends in preparation of a seasonal spike.

Last Halloween season, Oriental Trading Company decided to extend their target demographic beyond their typical party planner market. OTC and Adlucent used a variety of data sources to determine if the product offering was successful. They started by investing heavily in the top of the search funnel, an area where clicks can cost upwards of \$4–\$5 each, simply to drive volume and acquire enough data to determine if their strategy was effective. What they found is that adult costumes were not resonating. Although they were in the middle of the seasonal spike, OTC was able to quickly react and change their strategy to focus promotional dollars on children's costumes. They didn't stop there. After the Halloween season was over, the OTC team began collecting insights from the promotion to use in planning for the 2012 season.

INVENTORY AND CUSTOMIZED BIDDING

While paid search is used to sell products, some search strategies work too well, resulting in inventory depletion, fill rates, and backorders. Adlucent's Deep Search™ software integrates a retailer's inventory data into customized algorithms in order to optimize ad spend.

The holiday season can represent anywhere between 25–40% of annual sales for retailers

-National Retailing Foundation

According to Meaghan Danielson, "we try to be cautious and not overbid on low inventory items so that retailers won't overpay for an inevitable sale—one that you would get whether you were advertising in position one or position five." Adlucent makes recommendations for items that could benefit from more inventory investment.

Garrick shared a story about a product that OTC carries called the Peppermint Pig™, an item that's part of a holiday tradition for many families living in the Northeast. Two years ago, Oriental Trading Company partnered with Adlucent to promote the product online. An aggressive paid search strategy was put in place and by Cyber Monday, the product had sold out, leaving many potential customers disappointed. After analyzing the results, OTC determined that the Peppermint Pig would be a great order starter so when the next holiday season rolled round, they partnered with Adlucent to promote the product over a longer period of time. With the new strategy in place, OTC spent less in advertising costs and increased customer satisfaction.



Retailers should always look beyond keyword level data to avoid pushing a product into the highest position and driving inventory to zero. By factoring in product and inventory data in conjunction with keyword level data, retailers will have a much more efficient search program.

EVOLVING PERFORMANCE MEASUREMENT

Five years ago, paid search success was measured by metrics like impressions and volume. Over time, revenue, profit, and order count became the standard. Today we're seeing metrics like new customer acquisition, attribution, and lifetime value becoming critical measures of success for executives.

Garrick Baxter suggests retailers focus on brand exposure and customer acquisition. PPC Managers should track where seasonal keywords lead to a conversion in brand terms; as well as customer acquisition insights like net new customers, total acquisition cost, and lifetime value. Adlucent recently released a new piece of technology that gives retailers the ability to track their new customer acquisition efforts through paid search. As Meaghan explained, "we are doing this by tracking the unique customer ID information and also the order ID information in order to measure the trends for new, existing, and reactivated customers across keywords, categories, products, cart size, any other segmentation strategy that a retailer might need."

It's important to note that each retailer is unique and performance metrics vary. Metrics are constantly evolving based on retailer goals, strategies, and consumer behavior. PPC Managers must act as educators, translating the metrics that are being delivered by the ecommerce team and distributing them throughout the organization.

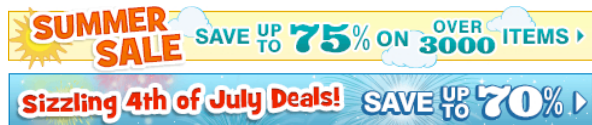
PROMOTIONAL STRATEGY AND TESTING

Paid search is a great way to test promotions. Garrick Baxter explains, "I think paid search has the unique opportunity to be a testing ground for the entire organization. It will definitely help you zero in on the value of the new customers that you do acquire. It helps you determine loss leaders and certainly what is contribution neutral."

Only 32% of retailers have consolidated the cross-channel shopping experience

-National Retailing Foundation

To determine the effectiveness of a promotion, retailers should measure the lifetime value of each converting customer. They should also monitor other channels such as the call center, social media, and customer reviews to gauge customer satisfaction.



Oriental Trading Company measures the lifetime value of a customer that comes in through each promotional channel.

DRIVING SUCCESSFUL PRODUCT LAUNCHES

Paid search is an important testing ground for product research, development, and launches. Two years ago, Oriental Trading Company discovered a new product opportunity. OTC noticed a high volume of searches for Silly Bandz—silicone bracelets popular among children. The decision was made to invest in this fashion trend, but they had to move quickly to get the most out of their investment.

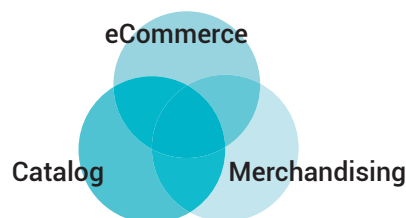
After launching promotions for Silly Bandz, Oriental Trading Company used paid search data to monitor customer engagement, conversion, and consumer behavior. Adlucent delivered daily reports showcasing rising trends, additional value propositions, and keywords that OTC should be using. The result was a successful product launch across multiple channels.

USING PAID SEARCH AS A RESEARCH TOOL

- 01 Mine queries for potential new products**
Review search queries regularly to identify new product and category opportunities
- 02 Look for conversion changes in older products**
Customers will tell retailers when their products are stale or irrelevant. Use this data as an indicator that it's time to replace or create new products
- 03 Monitor bounce rates**
A high bounce rate can mean messaging is not matching customer expectation. Look for opportunities to change marketing copy, landing page design, or location

IMPROVING CROSS-CHANNEL PLANNING

Insights derived through paid search should be used throughout a retail organization.



Integrate paid search data throughout the organization to help influence critical business decisions.

Adlucent partners with Oriental Trading Company's merchandising team to deliver a dashboard of real-time paid search results with information on ROI, clicks, impressions, and more. With this information, OTC's merchandising team can work with the IR marketing team to determine which products and subsets of those products should be shown and promoted on the site, find more relevant landing pages for new queries, and optimize landing page copy based on search terms. A retail search partner can also help predict which merchandise will have the highest sales before a product launch, giving the marketing and merchandising teams time to develop a promotion to maximize sales.

Adlucent also partners with OTC's catalog team to prepare for spikes in web traffic. Information such as catalog drop dates and recipient lists are collected in order to build targeted value propositions and bidding strategies. OTC's catalog team can also use search data to analyze the behavior of consumers who don't convert immediately. Through this data, they can measure sales per page to determine if the correct products are being promoted, measure the success of promotions on various customer segments, and compare the sales of products that come from paid search against other marketing channels.

Paid search is a great way for the marketing, merchandising, and catalog teams to test promotions and new products thanks to the ease of implementation and its affordability.

PARTNERING WITH AN AGENCY

When evaluating potential paid search partners, Garrick suggests four key factors to look for:

01

Aligned Goals

There are a lot of talented search providers, but they are often too focused on their formula for managing paid search. According to Garrick, "Adlucent is absolutely flexible to measuring success to your organization. This was absolutely hands-down something that I wanted from a partner, and we have gotten a great deal of success from that."

02

Performance Model

Determine whether an agency or performance model is more aligned to your organization. "Adlucent manages their performance and compensation models according to what makes sense and what makes success translate to your organization," Garrick shared.

03

Retail Expertise

Garrick explains, "Adlucent has awesome industry experience. Every algorithm for every Adlucent client is unique to that client. All of us are looking for a game-changing partner. It's your company, and this algorithm is going to perform exactly to your business performance, and more importantly to your customers."

04

Makes Recommendations Beyond Paid Search

Ensure that your paid search partner is talking with other departments within your organization. Collaboration and engagement are critical.

KEY TAKEAWAYS

Look for a paid search partner that:

- » Looks at all data sources when anticipating seasonal spikes
- » Doesn't stop at keyword-level data, but monitors product and inventory data as well
- » Plans, executes, and measures cross-channel promotions within your brand values
- » Uses paid search to test promotions before they are launched in other marketing channels
- » Uses paid search data to identify new products and reacts to insights derived from your data in real-time
- » Engages in larger business discussions and translates that data into an actionable paid search strategy

Adlucent is a marketing technology and analytics agency based in Austin, Texas, focusing solely on retail and eCommerce companies. Leveraging its Deep Search® search marketing and retail analytics platform, Adlucent's experts help the smartest retailers acquire new customers and grow revenue profitably through digital marketing. Expanding from a decade-long relationship with Amazon.com, Adlucent's current client base includes eTail and multi-channel brands such as Anthropologie, Buy.com, Free People, Jewelry Television, and Oriental Trading Company.

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