



Benchmarking Performance Marketing Adoption in Digital Retail Strategies



Executive Summary

It's no surprise that cutthroat competition has increased pressure for retailers to drive both customer acquisition and retention. At the same time, complex customer journeys challenge brands to integrate their marketing activities across more touchpoints, channels, devices, and marketing partners as well as measure the return on investment of those efforts. As retail marketers scale their efforts, digital marketing must evolve to better serve their needs and accommodate both online and offline ecosystems.

This report benchmarks the digital retail industry including the adoption and management of performance marketing programs such as partner marketing alongside other marketing tactics. Areas covered in the report include the marketing mix, ROI & measurement, marketing spend, data, and business impact. The results analyzed in this report were gathered from survey responses over the summer of 2016 from a large range of executives representing leading retail brands.

The fundamental principle of performance marketing is that all activities should be tracked, measured, recorded and rewarded based on their performance—such as a click-through or conversion. Partner marketing is a performance-based marketing channel that has origins in affiliate marketing, but has evolved beyond to include a wider array of nontraditional partners such as aggregators, content partners, comparison shopping engines, mobile apps, and social media in addition to traditional affiliates.

Key findings include an increase in performance-based partner marketing to drive both customer acquisition and retention, a trend towards the application of these methodologies to other increasingly popular channels such as mobile, and a growing need for data and insights around transparency, fraud, contribution, and attribution to support business decision-making. Increasingly, partner marketing has risen in popularity due to its substantial return on investment, which essentially provides brands an opportunity to further focus budgets on revenue-generating activities they can easily measure.

CONTENTS

Executive Summary..... 2

RESEARCH ANALYSIS

Marketing Mix 3

ROI & Measurement..... 4

Marketing Spend 6

Data & Business Impact...7

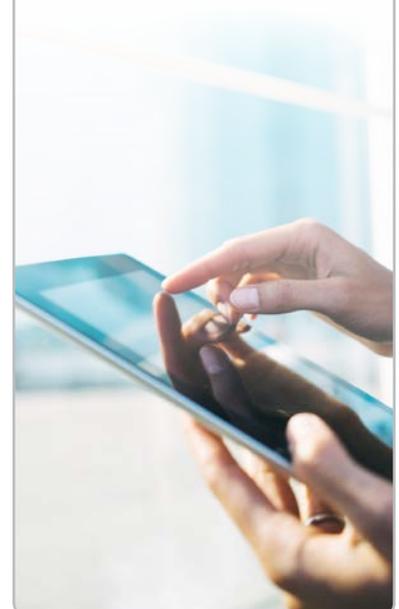
Key Takeaways 9

APPENDICES

Appendix A:
Methodology10

Appendix B:
Demographics10

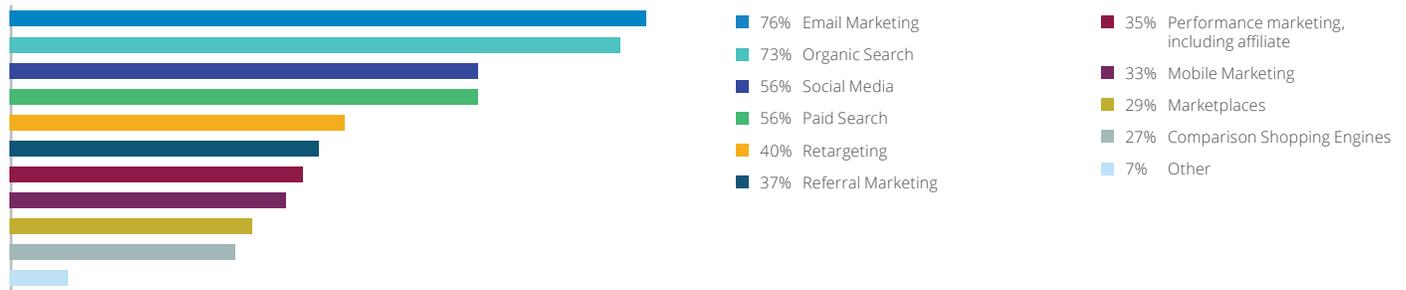
Authors11



Marketing Mix

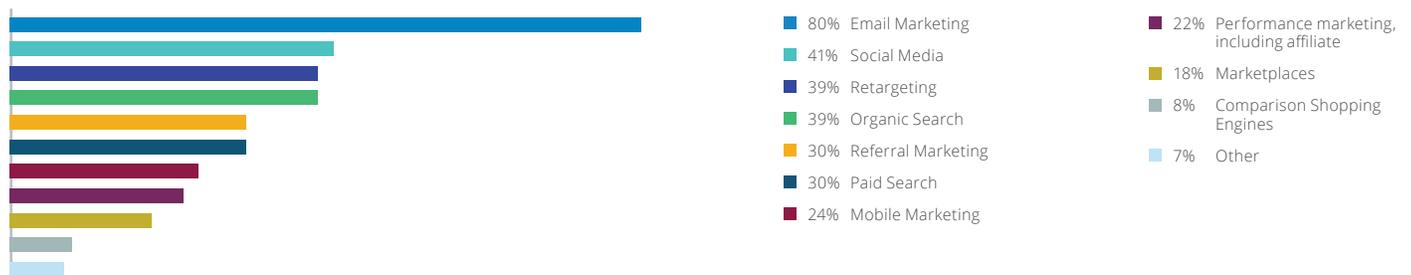
Acquisition and Retention Strategy Across Channels

Which online activities primarily drive customer acquisition for your organization? (Select all that apply)



The results show a typical mix of marketing activity driving customer acquisition, with email and organic search leading the way followed by social media, paid search, retargeting, and referral marketing. The popularity of social media and referral marketing is relatively unsurprising given the significance of brand perception in the highly competitive retail space. Historically, the digital partner and affiliate marketing channel has also primarily been considered valuable for its ability to drive customer acquisition. In fact, 35% of customers today have an affiliate program to drive new customer acquisition. It will be interesting to watch the evolution of this channel as brands increasingly apply performance-based partner marketing methodologies to their existing partners, such as social media influencers.

Which online activities primarily drive customer retention for your organization? (Select all that apply)



Email plays a key role in driving customer retention, although it is only one aspect of a well-rounded marketing strategy. In addition to social media, retargeting, organic search, and referral marketing, brands use performance-based measurement and reward programs across their marketing partners to retain customers. A surprising 22% of survey respondents use their performance marketing channel—including affiliate and online marketing partners—for customer retention, which is a nontraditional use of affiliate programs. Because partner marketing methodologies extend beyond traditional affiliate programs, brands increasingly use performance-based measurement models and reward programs across a wider range of nontraditional marketing partners to retain customers.

Flash Finding:

Retailers now employ partner marketing in their marketing strategies for both customer acquisition and retention of customers.

ROI & Measurement

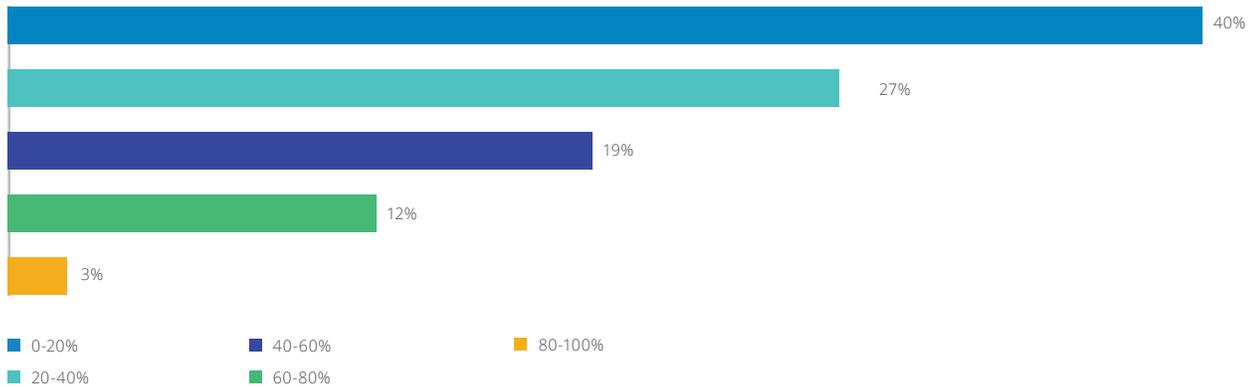
Importance of Measurement

Has the pressure/desire to measure the business impact of each marketing activity increased?



As retailers compete in the multichannel digital world, they are almost universally facing pressures to quantify the impact of their business decisions. In fact, 72% are under increased pressure to measure the business impact of each of their marketing activities. Over a quarter (28%) felt that this pressure would remain the same, but no respondents said they felt it would decrease. Clearly, understanding exactly how a program performs and why are key concerns. Performance-based partner marketing may be particularly well suited to address these concerns as its underlying methodology is based on measuring, optimizing, and rewarding the marketing activities of partners.

What percentage of your overall media budget is spent on performance-oriented programs?



Performance-based marketing programs represent an opportunity for brands to focus their budgets on revenue-generating activities they can easily measure. Already, 15% of respondents are spending more than 60% of their media budget on performance-oriented programs, while collectively 61% of respondents are reporting that these programs represent at least 40% of their available media budgets.

Flash Finding:

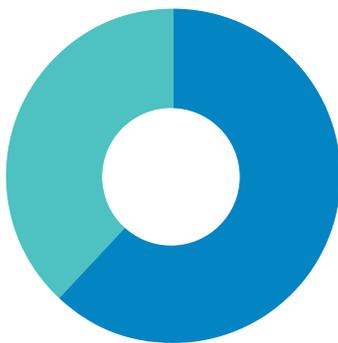
72% of respondents felt that pressure to measure the business impact of their marketing activity has increased over the past year, while none reported a decrease. Accountability is clearly a major priority.

Which of the following statements do you agree with?



In line with measuring the business impact of each individual partner’s marketing activity and appropriately compensating partners based on performance is a desire to pay partners across more channels based on their performance. 75% of respondents prefer to pay based on performance across an increasingly broad range of channels, and 80% stated that they prefer to compensate new partners based on performance, indicating a continued growth in popularity. This also extends to increasing investment in these programs and even transferring existing partners to a performance-based payment model, as 67% of respondents indicate that they plan to invest more with their current performance marketing programs while 56% would like to extend those arrangements to other existing marketing partners. The ability to directly reward the creation of a desired result simplifies marketing investment, which can be highly convenient. Based on these figures, the increased adoption of performance marketing within the digital retail industry is a trend that is set to continue.

Do you use neutral 3rd party organizations/technology to evaluate the performance of your marketing programs?



■ 62% Yes ■ 38% No

Evaluating marketing performance with the help of a third-party organization or technology is a popular strategy used by 62% of respondents, while 38% currently only benchmark their performance internally. Adopting an independent third-party methodology has the benefit of providing feedback that is free from bias and reliably impartial on which digital marketing strategies and channels are effective.

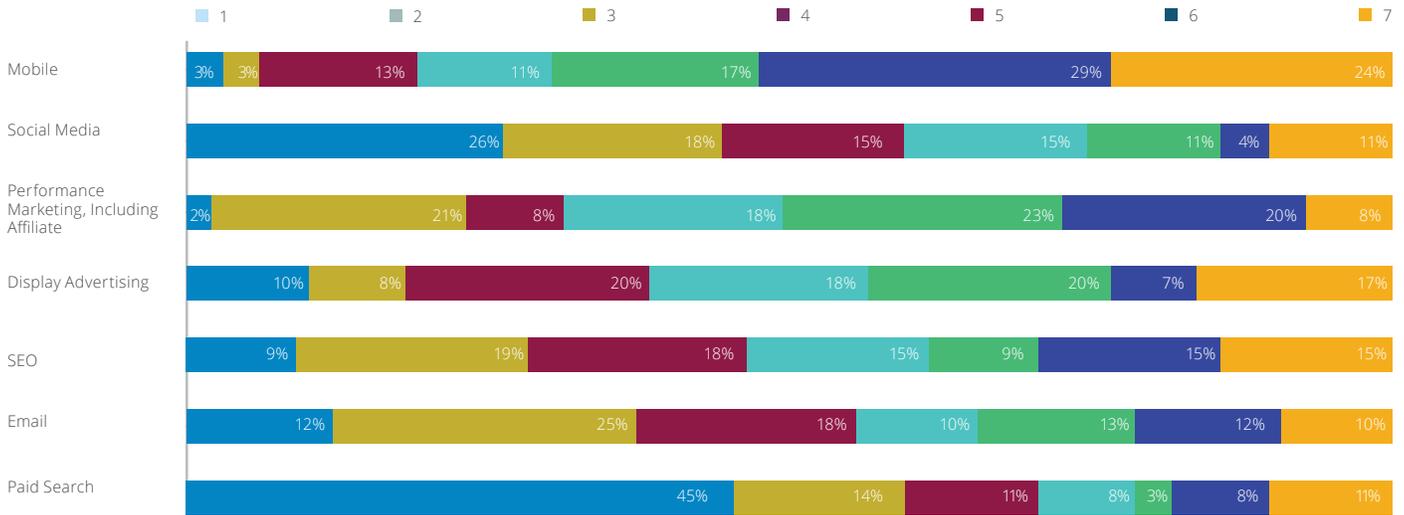
Flash Finding:

For performance-based partner marketing, expecting independent verification is a trend that is set to continue in the retail industry.

Marketing Spend

Spend Across Marketing Channels

Please rank the following channels by percentage of your marketing spend, with 1 being the greatest:



Unsurprisingly, email, paid search, and SEO command the largest percentage of marketing budgets when considering the spending priorities of retailers. Interestingly, 26% of respondents are investing more of their marketing spend into performance marketing than into mobile when looking at the top 4 channels by percentage of marketing spend.

Importance of Mobile

Are sales through the following mobile channels expected to increase or decrease in 2016?



Retailers almost universally expect mobile conversions to increase with a distinctive edge of mobile web over mobile apps. The combination of the increasing pressure for measurement of performance and the expected increase in conversions across both mobile web and mobile app suggests that mobile would be a good channel to apply performance-based models and increase investment.

Flash Finding:

Expanding the use of performance-based partner marketing methodologies addresses the pressure to measure results across the quickly expanding mobile channel.

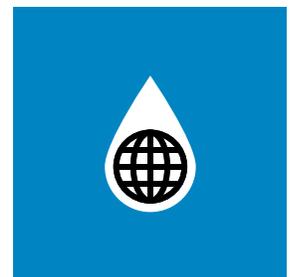
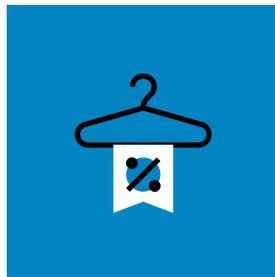
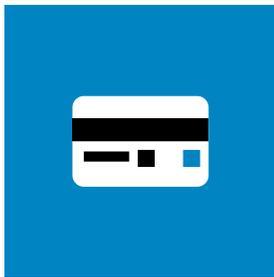
Data & Business Impact

Data & Analytics

Which of the following statements about the data and insights you get from your existing partner marketing program do you agree with?



The availability of data and insights associated with partner marketing programs indicate that partner marketing produces high quality insights across transparency, fraud, contribution, attribution, and—most importantly—useful insights that support business decision-making. Respondents felt that the data they gained from their marketing partners empowered them to make better business decisions almost unanimously, with 91% reporting that this data was important for them. For 76% of respondents, the data was useful for making accurate attribution decisions, while 75% used it to reward the right partners and create a stronger performance incentive. Transparency and efficiency are other areas where partner insights can help lead to better outcomes. For example, recent improvements in technology, such as the ability to connect offline sales to their online marketing partners, help retailers gain clarity around their customer journey and consequently make smarter business decisions.

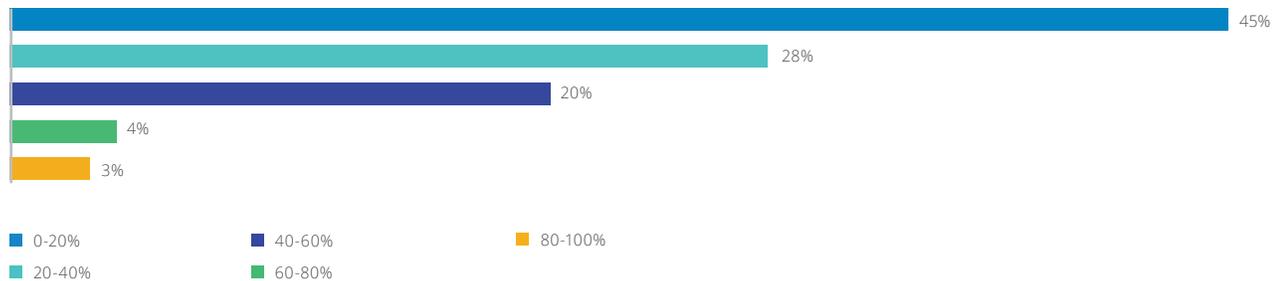


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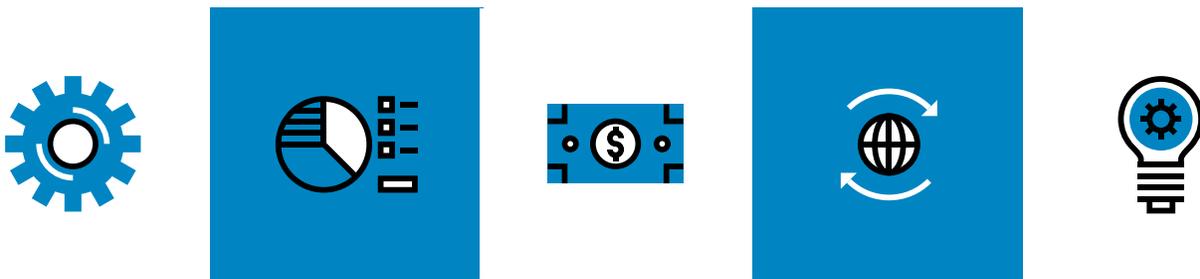
One of the most valuable aspects of marketing partnerships is the wealth of performance data resulting from online and offline sales conversion measurement that can be used immediately to drive better performance.

Performance Marketing as a Revenue Driver

What percentage of your overall revenues is driven through your performance-based marketing partners?



With many respondents attributing significant shares of their revenues to performance-based marketing, the high level of investment reported by many retailers seems to be justified. The shares of overall revenue generated by partner marketing roughly mirrors the levels of investment reported by survey respondents. Somewhat unsurprisingly, this suggests that the revenues created by performance marketing strongly correlates to the amount of investment made in these programs. 55% of respondents drive at least 20% of overall revenues through performance-based marketing partners, with 7% generating above 60% of their overall revenue. The top 3% of retail brands generate 80% of their annual revenues through performance marketing programs, a testament to the scalability of the approach. This number is perhaps surprisingly high given the large volume of retail transactions that still occur offline in brick and mortar locations, as many brands are only just beginning to connect their offline sales to online partners and reward these partners based on performance. However, the extent of confidence that brands place in performance-based partner marketing programs—reflected by their returns on their high levels of investment—suggests that these brands have a degree of expertise and familiarity with performance-marketing models and recognize the value they can drive.



Flash Finding:

Currently, the top 3% of retailers generate 80% of their annual revenues through performance marketing programs.

Key Takeaways

Leading retailers now employ partner marketing in strategies for both customer acquisition and retention of customers.

As traditional affiliate marketing has evolved, so has its value. Historically, the affiliate marketing channel has been known to only drive customer acquisition. But since partner marketing methodologies can now be applied to a wider array of nontraditional partners ranging from meta search engines to mobile apps, new opportunities have opened up for retailers to use performance-based measurement models for customer retention across more touchpoints.

For performance-based partner marketing, expecting independent verification is a trend that is set to continue in the retail industry.

As retailers compete in the multichannel digital world, they are almost universally facing pressures to quantify the impact of their business decisions. Performance marketing may be particularly well suited to address these concerns as its underlying model is based on measuring, optimizing, and rewarding marketing activities.

Expanding the use of performance-based partner marketing methodologies addresses the pressure to measure results across the quickly expanding mobile channel.

Retailers almost universally expect mobile conversions to increase. The combination of the increasing pressure for measurement of performance and the expected increase in conversions across both mobile web and mobile app suggests that mobile would be a good channel to apply performance-based models and increase investment.

One of the most valuable aspects of marketing partnerships is the wealth of performance data resulting from online and offline sales conversion measurement that can be used immediately to drive better performance.

Retailers find that the data from their partner marketing programs provides them with high quality insights across transparency, fraud, contribution, attribution, and—most importantly—useful insights that support business decision-making to drive more revenues and increase profitability.

Currently, the top 3% of retail brands generates 80% of their annual revenues through performance marketing programs.

With many respondents attributing significant shares of their revenues to performance-based marketing, the reported high level of investment by many retailers seems to be justified.

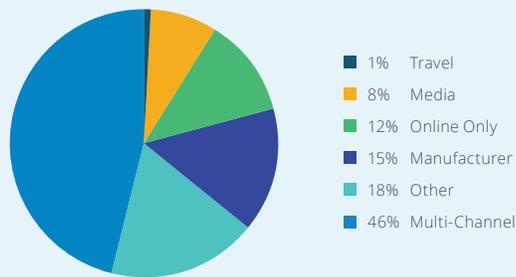
Appendices

Appendix A: Methodology

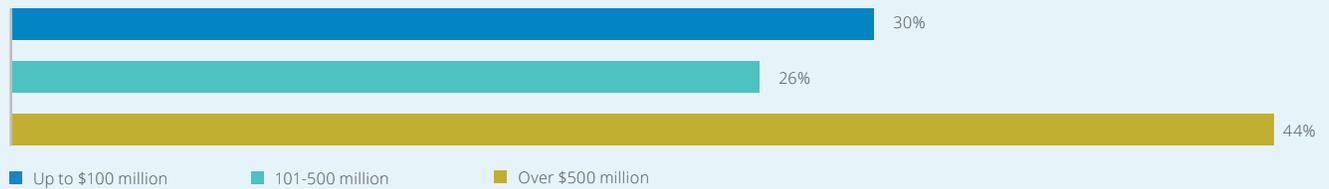
The results analyzed in this report were gathered from responses to a survey delivered to members of the eTail database and prepared by report author Andrew Greissman. 75 global retail executives responded to the survey.

Appendix B: Demographic Information

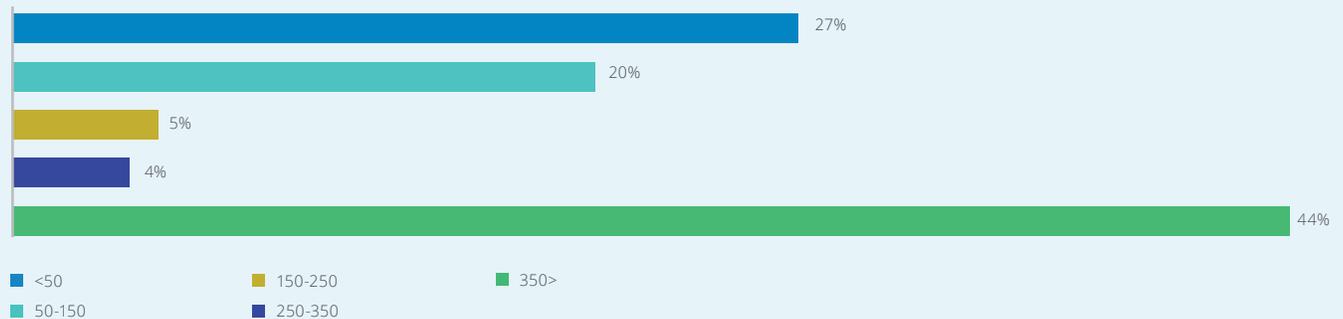
What type of company do you represent?



What is your annual revenue?



How many employees does your organization have?



Authors



Performance Horizon is the leading provider of SaaS solutions for digital partner marketing, enabling large enterprises to drive significant sales through their online marketing partners and affiliates.

The world's top digital content, retail, retail and financial services companies rely on Performance Horizon's highly scalable platform to generate over \$3 billion in sales across 185,000 marketing partners. The benefits include highly flexible partner management capabilities; real-time measurement of performance on the web and on mobile apps; optimization through deep analytics across multiple performance models; and settlement in over 50 currencies in 183 countries around the world.

With offices in the U.S., UK, Japan and Australia, Performance Horizon is backed by top-tier investors, including Mithril, Greycroft Partners and DN Capital. For more information, visit <http://www.performancehorizon.com> or follow @tweetphg.

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WBR Digital connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.

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