



White Paper

Retargeting Browsers and Abandoners

Using Targeted Display Ads and Personalized Email
to Increase Relevance, Reach, and ROI

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Executive Summary

Retargeting is the practice of using targeted display ads and personalized email to re-engage visitors who left your web site without purchase or conversion. As competition for a finite universe of shoppers intensifies, retargeting has emerged as an indispensable tool in the smart marketer's online kit.

In use across a growing range of industries, retargeting is proving to be a high-performance and cost-effective solution that is generating impressive results in click-through, conversion, and sales. This white paper explores the recent growth in retargeting and outlines key strategies and capabilities that can help marketers use retargeting for maximum effect.

Featuring several real-world case studies of customers that use both display ad and email retargeting, this white paper addresses how marketers can:

- Recapture web site departees and shopping cart abandoners
- Meet customer expectations for a personalized, relevant experience
- Leverage large stores of web activity data to precisely segment browsers
- Continuously measure retargeting results and optimize campaign performance

Retargeting on the Rise

Engaging and acquiring customers online is a challenging business—over 90 percent of the time, your site visitors leave without making a purchase or otherwise converting. If this occurred at a brick-and-mortar retailer, the store would be out of business in a matter of weeks. In fact, consumers will interact with your brand 5.5 times on average before conversion, as Coremetrics Benchmark™ has shown.

Yet you had captured and engaged would-be buyers. They interacted with your site and brand, compared products and read reviews, and many had carted items and were proceeding through checkout when they clicked away, quite possibly to a competing site or a search engine for further research. Your competition is, of course, just a click away.

Smart marketers are no longer sitting back with their fingers crossed, hoping that these shoppers return. They are aggressively launching retargeting initiatives to lure browsers and abandoners back to the site with behaviorally targeted display ads and personalized email. This increasing adoption of retargeting is seen across a range of industries—retail, financial services, travel and hospitality, telecommunications, real estate, software, and more—in both business-to-consumer (B2C) and business-to-business (B2B) markets.

Retargeting is generating remarkable results. These two examples of Coremetrics customers retargeting visitors with display ads and personalized email are typical:

- **Targeted display ads:** wehkamp.nl, the Netherlands' largest online retailer, is seeing return on investment (ROI) from targeted display ads that's 15 times greater than ROI from generic banners, and click-through rates for targeted ads that are five times greater than generics. (See the case study on page 5).
- **Personalized email:** L'OCCITANE EN PROVENCE has calculated its revenue from email retargeting at \$2.84 per email, versus .11 cents for a control group—a 26-fold increase. Its retargeting conversion rate is 2.43 percent compared to 0.14 percent for personalized retargeting compared to generic emails.

This anecdotal evidence of the payback from retargeting is in line with broader industry research. For instance, a study by the Network Advertising Initiative of 12 online advertising networks found that behaviorally targeted ads are considerably more effective than non-targeted run-of-network ads. According to NAI, behaviorally targeted ads:

- Generated 2.68 times more revenue than non-targeted ads
- Resulted in a 6.8 percent conversion rate for ad clickers, versus 2.8 percent for non-targeted ads

While retargeting's primary goal is to reacquire departing browsers and abandoners, it also serves to enhance brand presence, particularly among people who have shown interest in your products or services, much in the way of a highway billboard. Several studies have found that retargeted display ads generate large spikes in searches on brand terms within several weeks after exposure—substantially higher than run-of-network ads.

Factors Behind Increasing Use of Retargeting

Beyond retargeting's proven success, three key factors are driving broader adoption of retargeting—rising paid search costs, increasingly discriminating customers, and technological advances.

A cost-effective alternative to paid search.

Though paid search remains the dominant online advertising channel, cost-per-click (CPC) rates are rising in lockstep with growing search volume, forcing marketers to search for less expensive, more cost-effective means of engaging customers. The two obvious alternatives—display ad and email marketing—have recently become all the more attractive because of the behavioral targeting and personalization capabilities that increase relevance to would-be customers.

Meeting the relevance demands of surgical shoppers. Customers have grown more savvy and discriminating. Faced with a ceaseless onslaught of information, consumers are becoming “surgical shoppers,” zeroing in quickly on the items they want and spending less time browsing. This phenomenon is seen in Coremetrics Benchmark data, which shows that the average number of product views per session fell 84 percent, to 1.9 in mid-2010 from 3.5 a year earlier, while average time on site fell 13 percent, to 7:12 minutes from 8:00 minutes a year before.

Moreover, consumers expect a personalized relationship with their favorite brands at every touchpoint, be it on-site, social media, email communications, and through the display ads they view across the web. Consumers' previous concerns over privacy, related to emails promoting the exact products they had browsed and display ads that “follow them around” the web, have given way to an embrace of relevance and convenience. (That said, it's smart to offer consumers an easy way to opt out of display ad retargeting, if they wish).

With the right mix of display ad and email targeting, you can become a trusted guide to the consumer—you might even gain a fan on your Facebook page.

Advances in Retargeting Technology

Increasing sophistication of retargeting technology has made it more appealing and effective for many marketers. Over the past five years, retargeting has grown faster, broader, and more precise in four key areas:

- **Advanced segmentation.** The best marketers take advantage of advanced segmentation capabilities and analytics to create granular customer profiles based on multiple attributes from comprehensive visitor data. This improves on the broad segmentation based on a single attribute that prevailed five years earlier.
- **Automatic and timely retargeting.** Timely retargeting via both email and display ads can be automatically and seamlessly initiated based on a broad array of trigger events, compared to the lag times and multi-step processes that had been required. Targeted display ads can be presented to site departees just minutes after they click away.
- **Real-time network syndication.** Marketers can work with proven and specialized ad and email network providers to execute pinpoint retargeting campaigns, versus the limited and relatively crude syndication opportunities of several years ago. In the case of Coremetrics, prebuilt integration with partners speeds and simplifies the process, without the labor-intensive retagging required with alternative solutions.
- **Measurement and optimization.** Analytic tools support continuous measurement and optimization of retargeting. Technology is enabling longer-term customer lifecycle analysis to better understand and adjust to key engagement milestones, and allows marketers to measure the impact of unclicked display ads (impressions) on conversion.

A Top Near-Term Emarketing Priority

Though most organizations continue to use generic email and display ads, the targeting and personalization capabilities fundamental to retargeting are high on the priority list. For instance, among respondents to a survey conducted for Coremetrics by Bloomberg BusinessWeek Research Services, 79 percent named personalized email as a top priority in the near future, and 73 percent named targeted display ads.

Similarly, retargeting was named the #1 underutilized online marketing technique in a survey of marketers by Advertise.com and the Search Engine Marketing Professional Organization. Only 30 percent of respondents to that survey had used retargeting.

Given the still-low usage of retargeting, marketers that move quickly to implement retargeting solutions to court abandoners and browsers with targeted ads and personalized email stand to gain competitive advantage.

wehkamp.nl

Ad Retargeting Delivers 15x ROI

wehkamp.nl, the Netherlands' largest online retailer, is reaping remarkable dividends with a comprehensive retargeting program that uses display ads and personalized email to achieve its goals of greater sales, relevance, and customer engagement.

With thousands of products ranging from televisions to trampolines, wehkamp.nl is using both sides of the retargeting sword—display ads and email—to lure back site browsers and cart abandoners while delivering the personalized, relevant experience that customers want.

With display ads, wehkamp.nl is netting a 15-fold ROI from retargeting through the Coremetrics AdTarget™ online marketing and data syndication platform and Coremetrics ad execution partner Criteo. From a click-through perspective, wehkamp.nl's targeted ads aimed at browsers and abandoners generate up to five times as much click-through as untargeted banners.

For personalized email retargeting, wehkamp.nl uses Coremetrics LIVEmail™ and email solution provider Responsys™ to deliver emails tailored to shopper segments that had browsed a category or product, browsed product detail, or abandoned a cart. The results compared to standard promotional emails—68 percent higher click-through rate and 271 percent higher sales per send ratio.

"We firmly believe that retargeting is a valuable way for improving our marketing communications," said Ewald Hoppen, wehkamp.nl senior web analyst. "The ability to speak with our customers on a 1-to-1 basis drives immense value back to our business."

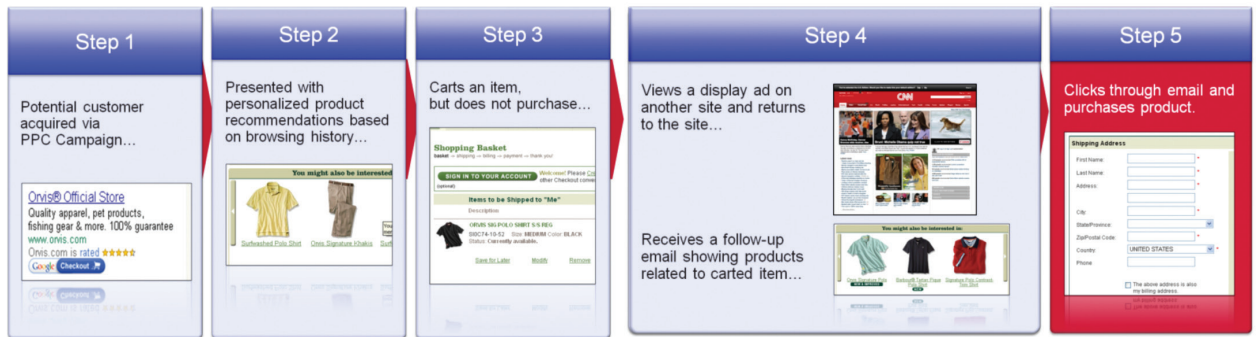


Figure 1. Retargeting typically uses display ads and email after a shopper has engaged with multiple channels.

Key Strategies and Capabilities for Retargeting Success

Effective retargeting depends on both technological capabilities and strategic, disciplined processes that take advantage of industry best practices. Three key areas of focus include:

- advanced segmentation
- automated and real-time syndication and
- continuous measurement and optimization.

Leverage Your Data with Advanced Segmentation

Exploiting the huge volumes of data that customers generate through web site interactions to create customer segments is a prerequisite for retargeting.

The best marketers have their clickstream and customer data finely sliced by multiple dimensions to be as precise as possible in retargeting; some are creating “micro-segments,” or segments within segments, in the quest for ever-greater granularity and marketing effectiveness. And many leaders are evolving towards more sophisticated web analytics that focus on a customer’s longer-term lifecycle, rather than single-session clickstream data.

Recently, display ad retargeting has become more precise as marketers expand beyond generic ads to deliver ads of the exact products visitors had browsed. Some marketers use a funnel approach to determine ad type, segmenting shoppers by three main types—those who visited high-level category and product pages, product detail pages, and shopping cart pages.

For instance, a shopping cart abandoner might be presented with a display ad for the product she browsed, as well as a personalized email. A person who viewed high-level category pages might be presented with a brand-level ad, and no email. Other criteria by which to segment customers for display ad or email retargeting can include items previously purchased, search keywords, social media activity, navigation paths, points of entry and departure, and patterns related to similar visitors.

Customer lifecycle analytics.

While traditional web analytics analyze a visitor’s session on the site, marketers are extending those core capabilities to understand the customer lifecycle journey over multiple stages, and supporting those efforts with retargeting. This more advanced approach answers the challenges that marketers face because of greater consumer sophistication, improved search and discover capabilities, and increased online competition.

This can involve mapping out key milestones in the customer journey, such as first-time buyer, second-time buyer, newsletter subscriber, review contributor, Facebook fan, and more, and aligning retargeting strategies with those. The objective is to understand what motivates the customer to progress to the next milestone and tailor efforts accordingly, and is based on key principles:

- Look beyond single-session metrics to understand customer lifecycle behavior
- Communicate differently to early and late stage customers; retarget based on milestones
- Consistently evaluate site and marketing impact on lifecycle progression
- Take action by retargeting specific groups with targeted messaging

Beyond immediate site departees, retargeting can also be effective in engaging high-value customers and prompting interest among those who haven't visited your site in a while.

- Court high-value customers. Most segmentation initiatives will have as a priority identifying the company's highest-value customers and use retargeting to cultivate that value. A site visit by a registered user who has purchased high-profit goods in the past is a good opportunity for email retargeting on the most recently browsed products, while endeavoring to strengthen your relationship with that customer.
- Retarget the dormant. Though personalized email retargeting is often thought of as a vehicle for recent visitors, it can also be effective for those registered users who haven't visited your site in a while. You have little to lose and a lot to gain by targeting these dormant individuals with an email and incentive.

Accelerate with Automation and Real-Time Syndication

The idea of retargeting isn't new, but early efforts usually delivered so-so results because many solutions were custom-built. They typically demanded manual effort and multiple processes, and introduced a substantial lag time between the customer's visit and delivery of the retargeting message. The relative immaturity of ad networks limited the reach and precision of display ad retargeting, while many marketers overlooked email retargeting in favor of "spray and pray" campaigns.

Today, such delays, inefficiencies, and imprecision are unacceptable. The shopper's "consideration window" is shrinking, and speed is of the essence for retargeting. That requires an automated, scalable solution that can get your display ad in front of a site departee in near-real time, across a vast array of web publishers for maximum breadth. Conventional wisdom is that email retargeting need not be instantaneous, but should execute within a reasonable period of time.



SkyMall Sees Sales Soar with Email Personalization

SkyMall, the multichannel merchant that produces the catalogs full of unique products found in seat pockets on commercial airliners, is seeing its sales and online conversions take off with a personalized email retargeting program driven by Coremetrics LIVEmail and ExactTarget, one of Coremetrics' certified ESP partners.

The solution gives the Phoenix-based SkyMall unparalleled insight into on-site activities of their customers and the tools needed to take action. LIVEmail automatically syndicates abandoned cart data to ExactTarget, triggering emails that feature the recipient's abandoned product(s).

With email retargeting, SkyMall has recaptured up to 5 percent of abandoned cart sales from shoppers who provided email addresses. Personalized emails to SkyMall cart abandoners boast a 32 percent greater open rate and 18 percent higher click-through rate than other promotions, and the retargeting initiative contributed to a 34 percent year-over-year increase in email-triggered sales.

"Coremetrics integration with ExactTarget allows us to send emails to our customers that tell them exactly what products they abandoned along with the price," said a SkyMall marketing manager. "Coremetrics makes it easy to capture and track those sales."

A typical retargeting use case.

Let's consider a typical example of how retargeting can work. A shopper enters a search term for a product you sell and spots your paid search ad among the results. She clicks on that ad and lands on your site and spends 12 minutes browsing and comparing products and reading reviews before carting the item she was looking for. And that's where her visit ends. She clicks her Google bookmark and is gone.

Display ad retargeting technology places a cookie on the shopper's computer that uniquely identifies her and the items she was browsing. You share that information with your display ad execution partner, which triggers ad syndication across ad networks—either a promotion for the product she was browsing, or a generic, brand-level ad for your company. These ads are generated on the fly, using blocks of dynamic content inserted based on your specified business rules.

Within minutes, your would-be buyer spots your ad and is reminded that she really wanted to order that item today. She clicks on it to reach a page of your choosing—it could be the product page, or, for shoppers with behavior that didn't suggest interest in a certain product, your home page. But let's suppose that she leaves again with conversion.

If she is an unidentified visitor, you can continue serving targeted display ads for the days and weeks to come. But if she is an identified visitor with an email address registered at your site, you can retarget her with a personalized email, perhaps offering an exclusive discount or free shipping on the product she browsed. That email can also feature recommendations of related products, or "other shoppers liked" wisdom of the crowds recommendations.

In most cases, marketers work with display ad execution partners to syndicate targeted display ads across multiple networks, and with email service providers (ESPs) to deliver personalized retargeting emails.

Using multiple display ad execution partners.

To extend the reach of display ad retargeting, some marketers work with multiple display ad execution partners. These partner companies often cater to different publishers, have different strengths, and may address certain niches. Engaging several partners can increase your chances of winning back a customer before she converts on a competing site.

Use Analytics to Measure and Optimize Retargeting

Web analytics is the foundation of a successful retargeting program. Leading marketers will use analytics in the customer segmentation process, and subsequently apply analytics to measure and optimize such metrics and click-through rate, site visits, conversion and purchasing attributable to retargeting initiatives. Sustained success with retargeting is a moving target, if you will, and requires robust analytics and a disciplined approach to continuously optimize for the best results.

For companies that decide to retarget by both display ads and email, analytics are essential to optimizing between the two for the greatest returns and cost-effectiveness. Similarly, what marketers should strive to understand is how retargeting affects other channels, such as paid search or social media, so that the full complement of online marketing can be tuned based on data analysis.

Measuring unclicked ad impressions.

For display ad retargeting, marketers can and should think beyond click-through and conversion as the only measurement metrics. Coremetrics Impression Attribution™ enables marketers to measure the impact that unclicked display ads have on conversion—that is, to measure the impact of view-through traffic, rather than only click-through traffic. The solution works by embedding an impression tag in display ads (or other impression-based assets, such as syndicated videos or blog posts).

When a user views a web page containing the asset, the impression tag deploys a third-party cookie on the user's machine, and reports the impression to Coremetrics. If the user subsequently visits the marketer's web site, Coremetrics makes the connection. With Coremetrics Impression Attribution, marketers can correlate offsite impressions against web site visits, along with subsequent sales, conversions, and other activities.

Measuring and executing by lifecycle analytics.

As discussed in the advanced segmentation section, marketers can realize greater value over the long term with a web analytics strategy that ties conversion events to stages and milestone events in the customer lifecycle (first-time buyer, second-time buyer, Facebook fan, etc.). This flavor of analytics requires historical data on customer activity and a framework to measure how activity correlates to conversion.

Coremetrics Lifecycle™, a new module that will be available soon through the Coremetrics Explore™ ad hoc reporting solution, is designed to help marketers understand customer motivations for progressing to the next milestone, and track the web activity, including pages browsed and session frequency/duration of those customers. By better understanding the customer lifecycle across different segments, you can run retargeting campaigns via display ads or personalized email based on defined milestones, metrics, segments, dates, and more.

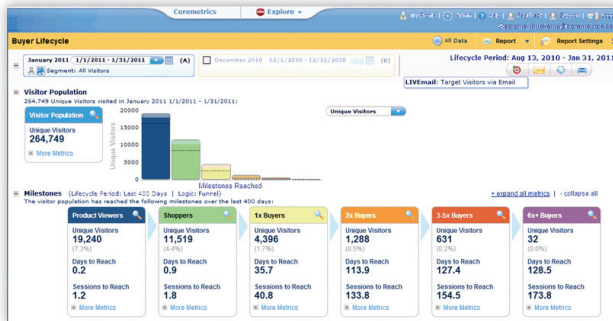


Figure 2. Coremetrics Lifecycle™ enables marketers to understand and view their customers based on buying behavior.

Measuring and managing display ad performance.

Marketers should recognize the potential for overkill in display ad retargeting, as they generally do with promotional emails. For instance, three consecutive non-stop days of presenting the same ad to the same consumer for the same product is likely to be counterproductive. It's important to meter the frequency of ad presentation to avoid consumers tuning out your ad entirely; measurement is essential to determining the optimal delivery timing. Along these lines, some marketers cycle through different creative to present effectively the same promotion, both to offer variety and test which creative is most effective.



Retargeting Pays Off

PETCO, the specialty retailer catering to pet owners, had invested in generic banner ads in the past, with so-so results. The introduction of Coremetrics AdTarget, however, caught the attention of PETCO.com marketers who expected that behaviorally targeted ads could excel where generic ads had fallen short.

They were right. Working with AdTarget and Coremetrics display ad partner [x+1], PETCO targeted browsers who had shown interest in a particular category (bird accessories, dog training, cat toys, and so forth) with display ads relevant to their interest. The results were gratifying—in each segment, analysis showed that people were buying the products for which they were targeted.

For instance, in the bird accessories category, more than two-thirds of orders were tied to the targeted display ads served. Moreover, PETCO's cost per order for bird accessories triggered by display ads was 64 percent less than average. PETCO also used geo-targeting—delivering in-store coupon offers to people within a given distance of a store—and doubling redemption rates compared to previous campaigns.

With email retargeting also under way, PETCO marketers took the additional step of determining how various online marketing strategies, including retargeting, affected one another. The multichannel attribution analysis exercise generated valuable insights that enables PETCO to optimize online marketing as a whole, such as that 28 percent of the time, a customer shifts from one channel to another before purchasing.

Next Steps for the Marketer

Retargeting is no longer a nice-to-have. It's an instrumental element of the online marketing portfolio that will become increasingly commonplace as time goes by. Companies that forsake retargeting are in effect conceding shoppers and revenue to the competition, while losing the opportunity to build long-term customer relationships.

Coremetrics offers a full complement of retargeting solutions, including Coremetrics AdTarget and Coremetrics LIVEmail™, both components of the Coremetrics Continuous Optimization Platform™.

Coremetrics AdTarget™

Coremetrics AdTarget is a data syndication platform and online marketing application that enables targeting and personalization of display advertising. It leverages granular visitor activity captured by Coremetrics to deliver highly relevant display ads that capture the attention of casual browsers and increase visitor reacquisition. Key features include:

- **Full analytics integration.** Avoid the cost of placing ad network tags by leveraging the Coremetrics analytics tags that already exist throughout your web site. Track extensive visitor interactions that far exceed the limited data captured by today's ad network tags.
- **Click and impression attribution.** Track how display ad click-through and view-through drive web site conversions. Evaluate display advertising in the context of the entire marketing program. Optimize the marketing mix with comprehensive cross-session, multi-channel views.
- **Highly segmented data syndication.** Create sophisticated data segments to capture detailed behaviors down to the specific event type level. Customize segments to meet individual ad network needs.
- **Cross-network integration.** Increase audience reach by developing data segments and managing syndication for multiple ad networks simultaneously. Take advantage of prebuilt integration with Coremetrics display ad execution partners.

Coremetrics LIVEmail™

The Coremetrics LIVEmail solution gives marketers the flexibility to automatically deliver emails to customers based on specified scenarios. For instance, LIVEmail may be configured to generate personalized emails to individuals who abandoned a shopping cart, or to send follow-up offers for related products or accessories after a purchase. Key features include:


- **Prebuilt best practices:** Easily retarget site browsers, abandoners, high-value or dormant customers, or other audiences. Get up and running quickly with prebuilt best practice techniques. Customize to suit your requirements.
- **Advanced segmentation:** Use a broad range of options to define custom email retargeting segments. Take advantage of attribute filters to further refine segments of email recipients.
- **Seamless ESP integration:** Benefit from Coremetrics' seamless integration with your ESP by exporting segmentation data in a single click. Send personalized retargeting offers that improve conversion and drive ROI.

About Coremetrics®, an IBM Company

Coremetrics®, an IBM Company, a leading provider of web analytics and marketing optimization solutions helps businesses relentlessly optimize their marketing programs to make the best offer, every time, anywhere, automatically. More than 2,100 online brands globally use Coremetrics Software as a Service (SaaS) to optimize their online marketing. Coremetrics integrated marketing optimization solutions include real-time personalized recommendations, email targeting, display ad targeting across leading ad networks, and search engine bid management. The company's solutions are delivered on the only online analytics platform designed to anticipate the needs of every customer, automate marketing decisions in real time, and syndicate information across all customer channels.

Find more information at www.coremetrics.com or call +1-866-493-2673.

Coremetrics has strongly supported online privacy since its inception. To learn more, visit www.coremetrics.com/privacy.php

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