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Peapod
KEEPS ON
truckin'

Web grocer Peapod gains traction, potentially triggering a massive expansion of e-commerce into the last bastion of store-based retailing

President Andrew Parkinson (left) and chief technology officer Thomas Parkinson

Automation can deliver improved marketing results once e-retailers build bridges between data silos
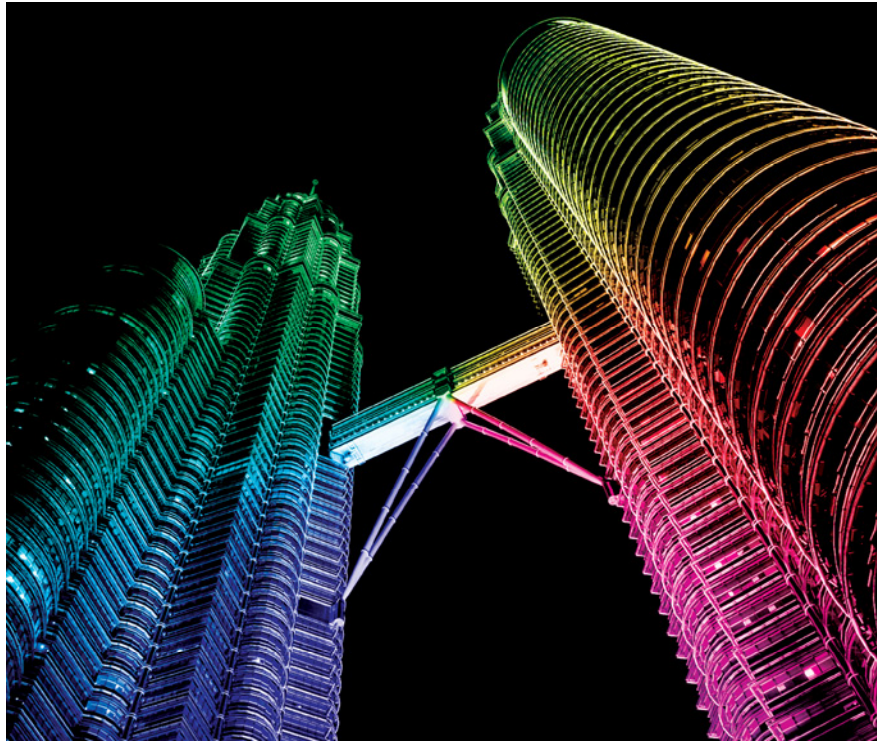
By Thad Rueter

PureFormulas.com carries about 14,000 SKUs, which means the vitamin and health supplements e-retailer has a hard time making sure its marketing reflects the most recent prices, promotions and in-stock items. That's why the web merchant recently introduced automation into its paid search campaign.

Using a ChannelAdvisor Corp. tool called Inventory Driven Search, PureFormulas ensures that its paid search ads reflect the current product data in the feed it provides to ChannelAdvisor, an e-commerce marketing technology and services firm. The tool automatically updates ads to reflect the latest prices and promotions. And if an item is out of stock, such as the 255-gram size of the Vital Scoop energy shake, the technology will substitute an ad for the 510-gram size.

In addition, the ChannelAdvisor tool suggests keywords specific to each item, such as "energy shake vanilla 255 grams." Because those phrases are so specific, there is little competition for them and they cost relatively little. At the same time, a consumer who searches for that phrase likely is intent on buying the item, thus those phrases often convert at higher rates than other keywords.

PureFormulas, which began using the tool about five months ago, credits it with helping to decrease the retailer's ad spend by 20% and increase search revenue by 30%, says Jose Prendes, the company's founder and president. "If you're running a paid search campaign online, this is a no-brainer," he says.

PureFormulas' paid search effort illustrates how web retailers can squeeze more profit from marketing efforts if they can use the data they have about products and customers to automatically trigger e-mail messages and ads likely to be relevant to customers and that take into account a retailer's current inventory.

The challenge is to get disparate systems to work together, such as the analytics technology that tracks an e-retail site's most popular products with an e-mail marketing system. One indication that such automation is in its infancy comes from digital marketing services vendor Webtrends Inc., which estimates no more than 10% of retailers integrate analytics with marketing systems.

The promise is that e-retailers can market more effectively without human fingers constantly pushing buttons. Last month's release of the ChannelAdvisor Inventory Driven Search tool is one example of vendors making available more tools that can automate marketing, particularly e-mail, online display ads and paid search.

Prep work

For these tools to work, a retailer must have good data about its inventory, and about its customers and site visitors who may become customers. The most important customer information retailers need to collect concerns how frequently a shopper visits and buys, the last time she bought and the value of that purchase, says Ellen Duffie-Fritz, head of marketing strategy and analytics for TrueAction, the marketing services division of e-commerce technology and services provider GSI Commerce Inc. Such data enable a retailer to send in a

timely fashion automatic e-mails, or serve up relevant display ads, to consumers in the mood to shop and buy; the messages could include discounts for loyal customers who might be prodded to buy a bit more, or reminders that items were left in shopping carts.

Web retailers usually have an abundance of such data. "They are sitting on a pot of gold," Duffie-Fritz says. However, she adds, retailers don't always have the data in a useful form, which can mean, for instance, that a retailer may have to add additional data to code product feeds, or that data must be shared between departments in new ways.

A big challenge Charming Shoppes Inc. faced last year when preparing to test retargeted display ads was getting its data into shape so that vendors competing for the retailer's business could use it, says Ken Mowry, senior vice president of marketing.

The women's apparel retailer, which operates Lane Bryant and other brands, had to update the coding on its product feeds and fix other areas, such as making sure that a promotional price actually paid for an item was not mistakenly inflated to its full price on back-end reporting systems; such a mistake could affect the retailer's ability to measure the returns from marketing programs. "Accuracy of the data is critical," Mowry says. And there was a cost associated with that data preparation. "Anytime you touch

code on the page, you are involving the technology team," he adds.

Tagging, planning and budgeting for the Charming Shoppes automation effort took about two months, Mowry says.

Similarly, CafePress.com, which sells customized merchandise, underwent four months of prep work to get its product data into shape so that a vendor could send automated offers to good customers, says Sumant Sridharan, vice president of online acquisition. For CafePress, that meant figuring out how to put customers in some 20 segments based on location, gender, purchase amount, type of purchase and other factors, which then leads to post-purchase e-mails that offer discounts and offers based on those variables.

First, the company had to decide what types of segments to divide its customers into, and then arrange the data in such a way to populate those segments. For instance, CafePress wanted to identify customers who made relatively large purchases over certain periods of time, which meant having its development team go into the guts of its customer history data to sort and combine the necessary information so that CafePress could determine who warrants juicier discount offers.

All that work can be worth it. Based on client experiences, Duffie-Fritz says, automatically generated display ads can boost conversions by

up to 30%, while automated e-mail messages triggered by consumer behavior can be as much as five times more effective than other e-mails.

E-mail success

In January, after doing the requisite in-house coding and development, Vintage Tub & Bath Inc. launched its own automated marketing campaign using technology from e-mail marketing firm Listrak. The goal was to capture sales from shoppers who left items in their shopping carts, says Dawn Bobeck, the retailer's vice president of sales and marketing. To do so, the web merchant changed its checkout system so it would capture a consumer's e-mail address a step earlier in the process, before the shopper got cold feet.

Via Listrak, Vintage now sends automatic reminder e-mails 12, 24 and 36 hours after a shopper abandons a cart. Vintage doesn't want to send an e-mail any earlier than a half day after a potential purchase because its relatively high-priced items—the average order value at Vintage is $474—means a consumer often needs more time to think about a purchase than does a shopper buying a shirt or mobile phone case. A link in the e-mail reminders guides shoppers back to the abandoned cart.

Six weeks into the effort, Bobeck says, the retailer had sent 4,571 reminder e-mails, which had an open rate of 37%. The e-mails brought in about $10,000 in what she thinks are mostly incremental sales, and which is more than what Vintage is paying Listrak for the program.

She adds that Vintage works with Listrak to make sure that customers who end up placing phone orders don't also receive reminder e-mails. That requires Vintage, on a daily basis, to submit to Listrak

a feed from the retailer's billing system, though Vintage has to perform no special coding on that feed, which is simply imported into Listrak's data system.

"We don't want to annoy customers," Bobeck says. The concern about pestering consumers with too many reminders, either via e-mail or retargeted display ads, is a common one among retailers using automated tools. At Charming Shoppes, Mowry says he worries about a backlash from consumers who might feel the breath of a retailer Big Brother from automated efforts that are too aggressive.

Looping back

Vintage also is using retargeted display ads to gain sales, paying about $3,000 for an effort that began late last year, with assistance from personalization and product recommendation technology vendor MyBuys. The vendor works with ad networks to make sure that a consumer who might browse a slipper-shaped cast iron bathtub at the Vintage e-commerce site sees related ads on other web sites.

Codes inserted on the Vintage e-commerce site capture information about what products a visitor views. Since Vintage sells about 14,000 SKUs, the retailer declined to put codes on every product page because it was too much work, which means ads are not always going to feature the exact types of products the consumer was looking at. "It hasn't been hugely successful, but we've been testing it for only three months," Bobeck says.

Charming Shoppes is another retailer hoping for big things from retargeting. Using the Lane Bryant site as a guinea pig, the retailer late last year began offering up a rotating series of a dozen retargeting ads

to shoppers who had browsed the women's apparel site but did not buy anything; the ads appear on other sites not operated by Charming Shoppes but which the shoppers visit. So far, returns from automation are encouraging enough—up to $7 in revenue for every marketing dollar spent—that the retailer will continue evaluating vendors of such retargeting services, Mowry says.

Smaller e-retailers also are seeing promise from automated marketing tools. Ryan Gruss, a drummer, founded TheLoopLoft.com about a year ago to meet demand from musicians for recorded drum loops, which are samples of music used in larger compositions. He still runs the site on his own, and envisions it becoming the iTunes of drum loops, but without a technical staff he decided to outsource the automated marketing efforts to e-mail marketing firm MailChimp.

Gruss offers all visitors to his site who register their e-mail addresses a free sample pack of loops, then sends automated e-mails to those consumers who request the samples, redeemed via a link in the e-mails. Anyone who makes a purchase from the site also gets an automated e-mail, this one with a percentage-off offer that increases with the purchase amount. 60% of customers who receive the offers redeem the discounts on additional purchases, he says.

And like Prendes at PureFormulas, Gruss also uses automation to help

him refine his paid search campaign. Last year, he noticed that an increasing number of consumers were visiting his site after searching for "brushed drum loops," a soft percussion sound. He decided to craft some keyword phrases around that consumer demand, and after doing so turned to AdGrok, his paid search services vendor, for help in coming up with keywords in an automated way.

An AdGrok tool suggests keywords based on Gruss' phrase, keywords that include all the variations that consumers might use.

Besides misspellings, the tool suggests keywords of different levels of specificity or word combinations—for instance, the technology suggested that to sell more of the brush drum loops, Gruss could bid on such phrases as "snare drum brush loops" and "drums loop brush" or "drum brush loops."

The tool also showed the competition for such keyword phrases, helping Gruss manage costs by giving him a fuller picture of bidding trends for those phrases. "It was pretty much all automatic," he says. "The tool suggests a keyword, and all I have to do is say 'yes'." Gruss says he pays $50 a month for the service, which has increased his returns from paid search by 25%.

Those are the kinds of results that can justify e-retailers taking a close look at the marketing automation tools vendors are introducing. ●

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Ken Mowry, senior vice president of marketing, Charming Shoppes: 'Accuracy of the data is critical.'