

AN EXCLUSIVE REPORT FROM THE EDITORS OF INTERNET RETAILER

THE NEXT DIGITAL MARKETING WAVE

Retailers and brands will spend a lot more on digital marketing in 2016. Here's where they're going to spend that extra cash, and why.



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LETTER FROM THE EDITOR

Breaking through the noise



Everywhere we look we're bombarded with ads. On Facebook and Instagram, in our inbox, all over Google search results pages, on our Amazon Kindle e-readers and just about everywhere else we turn online and offline.

With so many ads cluttering the digital landscape, it can be hard for a retailer to get its message across to consumers. That's why many e-retail marketers are seeking to break through the noise by finding ways to tailor their messages to consumers.

Personalization can take many forms from grouping a retailer's customer base—and prospective customers—into segments, to retargeting shoppers based on what they've previously bought or looked at to turning to vendors or advertising platforms to identify shoppers who are similar to their existing customers and then hitting those groups with ads that resonated with a merchant's customers.

The push may be a good thing for both consumers and retailers. After all, remember the days when we'd be barraged with non-relevant pop-up ads? Personally, I'd much rather see ads that might interest me based on what I've looked at, bought or are likely to be interested. The more relevant an ad is, the more likely I am to click and buy (and the less likely it is that I'll feel annoyed by the ad's presence).

Consider the Bonobos approach: The apparel retailer takes what it knows about its customers—for example, the length of the shorts they wear, for example—and then only shows them shorts with that particular inseam in its marketing emails. That makes sense because to show more varieties would only clutter up the message. But while personalization is improving, you only have to look at the ads that you see as you browse the web to know that retailers have yet to perfect their targeting.

In Internet Retailer's first-ever digital marketing survey, the results of which are included in this special report, we find that many retailers are boosting their digital ad spending, and they're spreading those dollars around to a variety of channels. As they do so, they're also looking for ways to make their messages more relevant to shoppers. As far as I'm concerned, that's good news for everyone.

Zak Stambor, Editor, Online marketing

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ADS GET PERSONAL

While digital ad budgets are growing, marketers still must spend wisely. Increasingly that means tailoring just about every digital marketing campaign to individual shoppers.

BY ZAK STAMBOR

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Men's apparel retailer Bonobos Inc. sends a lot of emails, between one and five acquisition and retention messages a day.

Email, says Josh Goodman, the retailer's marketing manager, is central to everything Bonobos does. It's the primary way it keeps its customers coming back to buy. It's how it attracts prospective customers. It's how it keeps shoppers informed about what the brand is up to. But the retailer's emails only work—that is, they only drive tangible results like traffic and sales—if consumers actually open and read them. And that requires the content in those messages to be on target. Otherwise the emails fall on deaf ears or, even worse, lead shoppers to unsubscribe from the retailer's list.

"We want to provide value," he says. That means tailoring its email messages to what shoppers are interested in, which it determines based on an algorithm that its data science team developed based on data that it gathers about its customers. Among the segments Goodman can sort out using the algorithm is the group of shoppers deemed "most likely" to buy a particular item.

Bonobos has produced significant results by divvying up its customers into segments based on variables such as what color and size items they've bought and looked at, where they're located and how recently they've made

Which digital marketing channels are you currently using?

Affiliate	39.7%
Content marketing	61.2%
Display	46.6%
Email	85.3%
Google/Bing Product Listing Ads	52.6%
Location-based tracking	12.9%
Paid search (desktop)	61.2%
Paid search (mobile)	54.3%
Social media	78.4%
Video	38.8%

Which digital marketing channels do you plan to use next year?

Affiliate	47.4%
Content marketing	63.8%
Display	55.2%
Email	81.9%
Google/Bing Product Listing Ads	62.9%
Location-based tracking	19.0%
Paid search (desktop)	63.8%
Paid search (mobile)	59.5%
Social media	83.6%
Video	54.3%

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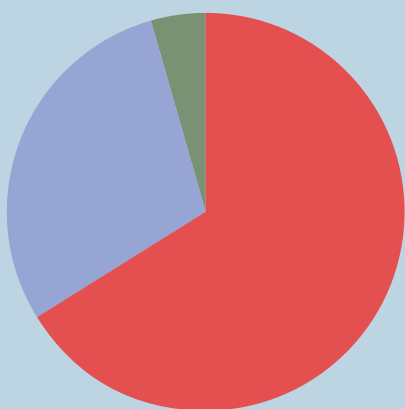
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a purchase, and then targeting those groups with relevant messages. For instance, Bonobos ran a campaign in October 2014 in which it sent an email promoting its “Daily Grind Dress Shirts” to two groups—a targeted list of email subscribers the algorithm deemed “most likely” to purchase one of the shirts and a control group made up of a random segment of the same size circulation. The “most likely” group produced a revenue lift four times greater than the control group.

As Bonobos’ email marketing program grows increasingly sophisticated and tailored to consumers’ interests and preferences, the retailer keeps boosting its email marketing budget. “As the program becomes more successful, our internal challenge is to grow it,” Goodman says.

Bonobos has plenty of company among retailers in boosting its email marketing budget; 42% of respondents to Internet Retailer’s first-ever Digital Marketing survey say they spent more on email marketing this year than they did the previous year. And it isn’t just email where retailers are spending more; 66% of respondents increased their overall budgets this year—including 24% of all respondents who boosted their spending more than 20%. That growth continues an ongoing trend. U.S. retailers’ digital ad spending jumped 14.4% last year—from \$9.574 billion in 2013 to \$10.957 billion—according to eMarketer Inc. The research firm expects spending to rise another 16.8% this year to \$12.802 billion.

How has your digital marketing spending changed in the past year?



Budget increased	66.4%
Budget stayed same	29.3%
Budget decreased	4.3%

If your digital marketing budget increased, how much did it grow?

1-5%	3.6%
5.01-10%	13.6%
10.01-15%	22.7%
15.01-20%	7.3%
20.01-25%	6.4%
25.01-50%	7.3%
50.01-75%	4.5%
More than 75%	5.5%
Budget didn't increase	29.1%

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That growth isn't likely to slow down; eMarketer expects spending to shoot up another 14.9% next year and to reach \$20.525 billion by 2019. And online retailers are spreading those dollars across a variety of channels, including email, paid search, social media and content marketing to try to drive sales, according to the Internet Retailer survey results.

Internet Retailer bases its findings on the anonymous responses of 116 participants who completed an online survey in late September. These e-retail marketers are seeking to figure out how to best allocate their marketing dollars when the cost is going up for nearly every form of online marketing. The cost per click for brand keywords, for example, rose nearly 40% in the second quarter compared to the same period a year earlier; the minimum cost per click to appear in paid results was three times higher than a year earlier, according to Merkle RFG's Q2 2015 Digital Marketing Report.

While they have more to spend, there is more pressure on digital marketers to reach the right audience and generate sales from that ad spend. "There's no question ad budgets are growing," says Renato Scaff, managing director in consultancy Accenture's global retail practice. "And personalization is where a lot of those ad dollars are flowing."

PERSONALIZATION CAN TAKE MANY FORMS, depending on channel, as well as the campaign's goals. It can be as simple as plopping

Strong digital marketing programs keep retailers in front of emerging trends

Digital marketing is rapidly evolving. For example, consumers are growing increasingly comfortable buying via mobile devices. While mobile conversion rates are lower than those on desktop, they're on an uptick. That, in turn, is raising the cost of mobile clicks. Facebook is also becoming an advertising force, with a whopping 76% of its ad revenue coming from mobile devices. And with access to more data and better technology than ever before, many retailers are creating highly effective and successful targeted email marketing programs.

By paying heed to the market's changes, savvy marketers are growing their businesses, while others that fail to adapt are getting swallowed up by the ever-changing marketplace.

Then, there's everyone else. Many other companies struggle to unlock the full potential of their online efforts so they can meet, if not exceed, their business objectives. "Retailers need to continuously explore both proven and new ways to maximize the return of online marketing spend," says Justin D'Angelo, director of client services at ROI Revolution, a company that manages online marketing campaigns for ecommerce merchants.

At the heart of those efforts, he says, are trackable metrics. "Without data, you can't properly attribute sales to the right channel and give credit where it's due," he adds.

Retailers also have to make sense of the data they collect, which means they need dedicated teams of smart, creative and dedicated people who are proactive about seasonality, competition and promotions, among other factors. "They need to have access to the right tools and technology that allows them to do things efficiently in order to drive results," he adds.

Finally, D'Angelo says, retailers should attach clear and concise goals to their digital marketing programs, and properly communicate and regularly reiterate those goals to the marketing teams. He also suggests

reassessing those objectives often. "Listen to the people on the front lines and be willing to shift your goals if need be," he says.

To help prevent stressing their staffs, D'Angelo suggests partnering with an experienced service provider. "Look for providers who have deep expertise in each area of digital marketing, and have separate teams set up that focus only on that one area," he says. "There are too many nuances in the various digital marketing channels for one person to be great at all of them."

ROI Revolution has helped many successful retailers meet or exceed their digital marketing objectives. They include Headsets.com, Saatva Inc., Vermont Teddy Bear Co. and Okabashi Brands Inc., to name a few.

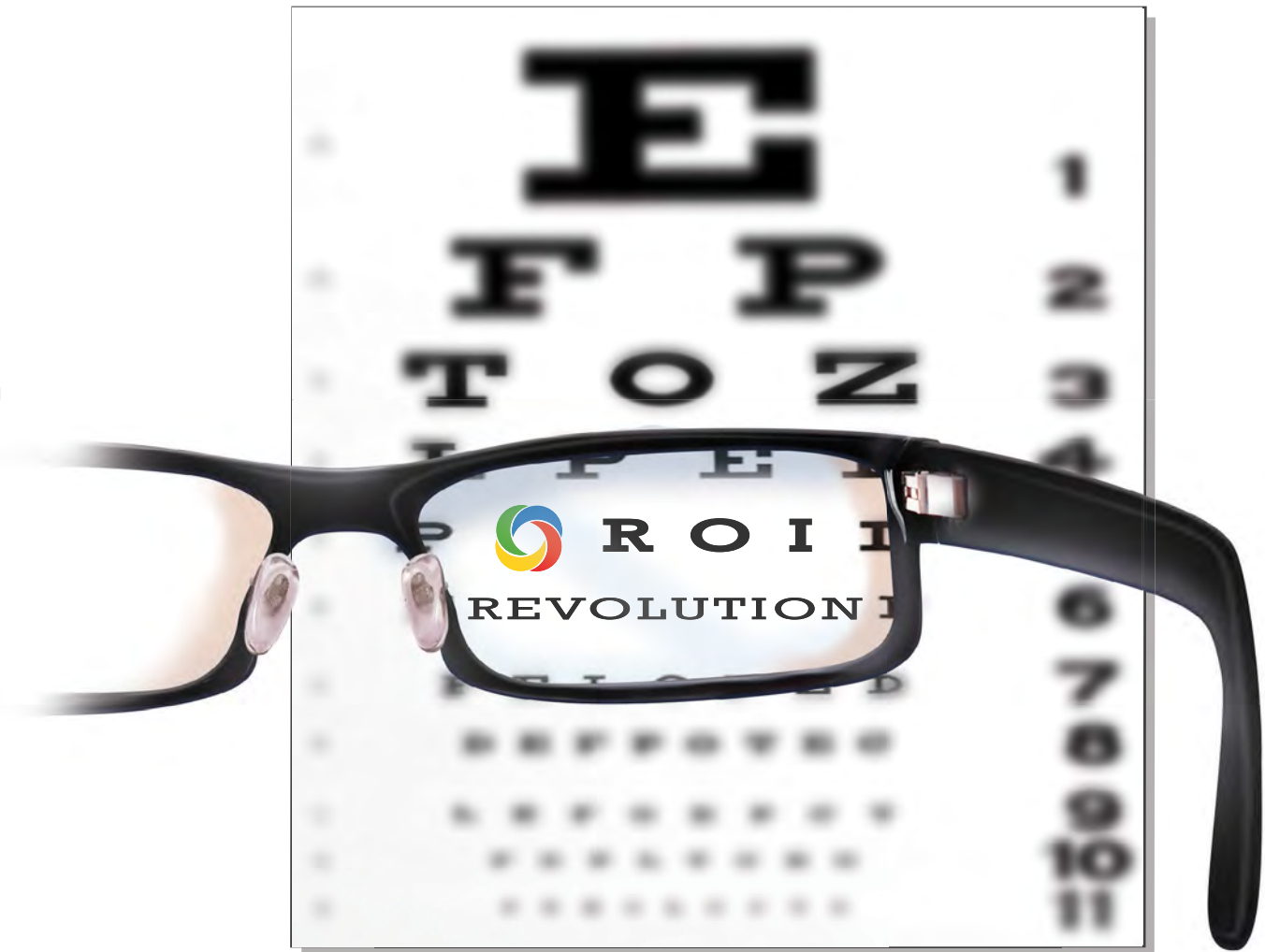
"We work with our clients to report the returns they get from their online marketing spend and proactively suggest ways to improve outcomes," D'Angelo says. "For most clients, we can boost profitability by at least 20% almost immediately with the right tactics."

While digital marketing continues to evolve and become more complex, retailers must stay ahead of the latest trends to remain profitable and competitive. "Digital marketing is very dynamic with myriad possible approaches—from proven to very new—to support an organization's objectives," D'Angelo adds. "To be successful requires a tremendous amount of time, focus and on-going learning."

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Which channels have you invested more in over the past year? (select all that apply)

Affiliate	19.8%
Content marketing	38.7%
Display	18.9%
Email	42.3%
Google/Bing Product Listing Ads	37.8%
Location-based tracking	6.3%
Paid search (desktop)	41.4%
Paid search (mobile)	44.1%
Social media	43.2%
Video	15.3%

What percentage of your overall revenue do you dedicate to digital marketing?

0-1%	17.2%
1.01-3%	12.1%
3.01-5%	25.0%
5.01-7%	6.9%
7.01-9%	11.2%
9.01% and up	27.6%

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a shopper's name into an email subject line or as specific as retargeting a shopper on Facebook with a product that she looked at on a retailer's site but didn't buy. It can involve a mix of technologies, such as when a retailer presents mobile paid search ads to consumers who are near a retailer's store. But in all cases getting personalization right requires a retailer to understand its customer base—namely who they are, how they want to be reached and, most importantly, what products they're likely to be interested in.

For Bonobos, that starts with analyzing the customer data that it collects. For example, the retailer in February developed a campaign to drive sales of shorts with its email provider Bronto Software. Because the retailer sells shorts with four inseam options—5, 7, 9 and 11 inches—and a shopper who buys one length is unlikely to buy shorts in another length, it created four groups based on what it knew about the items its customers looked at or bought. Each group then received a distinct email featuring images of their preferred shorts inseam; each email linked to a filtered page showing only products with the inseam that matched their preference. Those shoppers who Bonobos didn't know their shorts preference received a generic shorts message (the retailer then tried to acquire a preference by tracking the inseam they clicked in the email). The targeted messages vastly outperformed the more general email; the segmented emails accounted for nearly 50% of the campaign's revenue even though they were only about 15% of the total campaign circulation.

What percentage of your overall marketing budget is dedicated to digital advertising (versus offline advertising)?

0-10%	19.0%
10.01-20%	10.3%
20.01-30%	12.1%
30.01-40%	8.6%
40.01-50%	6.9%
50.01-60%	5.2%
60.01-70%	5.2%
70.01-80%	5.2%
80.01-90%	7.8%
90.01-100%	19.8%

“Leveraging our existing customer data enables us to make our messages relevant.”

—JOSH GOODMAN,
MARKETING MANAGER
AT BONOBO INC.

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“Leveraging our existing customer data enables us to make our messages relevant,” Goodman says. “Because our emails are relevant, our customers are as engaged as ever with email.” That’s important, he adds, because email is the retailer’s most cost-effective marketing channel.

It isn’t just Bonobos that finds email marketing to be a budget-friendly channel. Forrester Research Inc.’s “The State of Retailing Online 2015: Marketing and Merchandising,” which is based on a survey of 224 North American retailers, found that for merchants email’s average cost per order is \$6. That’s far less than the other channels the report evaluated, which included retargeting ads (\$10), affiliates (\$11) and social media ads (\$28).

The Internet Retailer survey results show that 82% of respondents use email marketing, but the channel accounts for a only a small fragment of their overall marketing budget thanks to the relative cost involved in sending emails to a retailer’s list; 42% of Internet Retailer survey respondents say that email accounts for 0-10% of their overall digital marketing budgets and another 22% say it is between 10.01-20% of their spending.

RETAILERS ARE GROWING INCREASINGLY SOPHISTICATED in their approach to email. For example, roughly 62% of survey respondents tailor their email messages to consumers in some form.

Building a solid foundation is critical to digital marketing success

In the days of pre-Internet advertising, a brand would place their ads in front of a specific demographic via a specific medium at a specific time to achieve a specific objective. And thanks to companies like Nielsen, they could find out how many people read, watched or heard their ad—but that was about the extent of the information they could get. When print and broadcast dominated the advertising landscape, that approach made sense.

But today, thanks to the measurability of digital media, advertisers can reap the benefits of the vast amounts of available information about their customers to target the right audience. Yet, historically, some of them haven't been doing that.

"Brand marketers would say 'I have these audiences and I will communicate with them based on the limited amount of information that I have. I will do it within my time frame, and I will hope for the best,'" says Joe Colopy, CEO of Bronto, a cloud-based commerce marketing automation provider. "They're finally starting to break out of it."

According to Colopy, the increased amount of customer data available and sophisticated technology work together to allow this antiquated model to evolve—that is, the integrating of their e-commerce storefront with their marketing platform and backend inventory. As retailers gather more information about their customers and their behaviors, they can leverage that information across their various marketing channels.

"The most successful retailers," Colopy says, "are those that are able to act on their customer's information using a very specific multichannel approach that was never possible before."

But Colopy emphasizes that doing it correctly out of the gate is essential to a retailer's success. The first step, he says, is ensuring that all internal systems work well together. "In retail, commerce marketing automation and an e-commerce platform must be closely tied together," he says. "They are the building blocks for everything else."

Once those systems work in harmony, the retailer can direct, personal messages to its customers and potential customers through multiple digital marketing channels. "There's a lot of noise and adding more noise is not helping," Colopy explains. "By providing a message that's highly curated at the right time rises above it. Retailers that do that well are the ones that win new customers and repeat business."

Boot Barn is one of those retailers. A couple of years ago, the western apparel company realized it wasn't getting the returns it wanted from its general email marketing campaigns, and decided it was time to kick up their efforts. The company implemented Bronto's Demandware Connector, an application that allows the retailer to create ultra-targeted, personalized email and cross-channel marketing campaigns that drive gross merchandise volume.

Boot Barn saw almost immediate results. Within the first nine months of using Demandware Connector, the company produced 34% more email-generated revenue than it did in the 12 months before implementing the application.

"Boot Barn is a great example of a retailer who is focused on its digital marketing efforts—they're doing it right by building upon a solid foundation," Colopy says. "At Bronto, we have a technology platform and suite of services that makes our customers, like Boot Barn, very successful. If you're just fussing around with the latest new thing and you don't build that foundation underneath, you won't be successful."

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Dan Owens,
Sr. Marketing Manager



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What percentage of your overall digital marketing budget is dedicated to mobile?

0-10%	43.1%
10.01-20%	16.4%
20.01-30%	13.8%
30.01-40%	9.5%
40.01-50%	9.5%
50.01-60%	3.4%
60.01-70%	2.6%
70.01-80%	0.0%
80.01-90%	1.7%
90.01-100%	0.0%

What mobile marketing channels are you using?

Display ads	43.7%
Location-based tracking	11.7%
Paid search	65.0%
SMS (text messages)	24.3%
Social	56.3%
Video	19.4%

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That isn't surprising because personalized messages don't require complicated technology or algorithms to be effective, says Heath Bradbury, manager of digital marketing and innovation at Advance Auto Parts Inc.

Take the auto parts and accessories retailer's refer-a-friend program, which aims to entice Advance Auto Parts' best customers to serve as brand advocates. The program is built on the idea that a message sent by a friend or family member has far more meaning than one sent by the brand, he says.

The refer-a-friend program, which uses Extole Inc.'s technology platform, lets its advocates share a link that offers a discount on their first purchase via email, Facebook, Twitter or on a web page; Advance Auto Parts rewards advocates with a gift card for every friend who makes a qualifying purchase online.

The Extole system enables Advance Auto Parts to track which channels a consumer uses to refer his friends and the click-through rate of each, as well as to determine the brand's most valuable advocates. In the near-future—either later this year or early next year—Bradbury aims to put a program in place to offer the retailer's most valuable advocates rewards such as a larger incentive.

"We know there are people out there who are great advocates for our brand," Bradbury says. "But there isn't always an easy way to understand the value of

The next big thing: Knowing that consumers actually saw your ad

Google Inc. in October made a move that could have dramatic repercussions across a wide swath of digital marketing.

Making a major play for advertisers' dollars, the company revamped the way it charges marketers so that they only pay when an advertiser's entire display ad is visible on a user's screen. The change affects the Google Display Network, the more than 2 million websites that host ads placed by Google.

While Google already offered advertisers on the Google Display Network the option to pay only when their entire ad is displayed on a user's screen since 2013, it is now making 100% visibility the default for all CPM, or cost per 1,000 impressions, campaigns. In doing so, it is surpassing the guarantees offered by Facebook Inc. and Twitter Inc., both of which recently rolled out the option for advertisers to pay a premium to ensure they only pay when shoppers see their ads.

Google's own research shows that 56% of display ads

are never seen by consumers because they are below the fold, scrolled out of view or in a background tab. The change suggests advertisers will get more out of the ads they place through the Google Display Network. "This means your media dollars will only be spent where they can have impact," Google writes in a blog post.

Will ad prices go up? A Google spokeswoman says the move does not in itself affect ad rates because ad space on the network is sold via auction. But if the move leads to increased demand from marketers seeking a guarantee that consumers actually see their ads, prices could rise.

Google uses a technology it calls Active View to measure the ads consumers see. The tool works by examining the portion of the ad that appears on a consumer's screen and how long the portion of the ad is visible.

Google says the new standard will take effect in the next few months.

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those shoppers. The refer-a-friend program puts an ROI on brand advocates and their ability to bring new customers into our brand while, at the same time, giving something back to those great advocates."

While Bradbury declined to share specific results, he says the program is providing clear value as consumers who arrive at Advance Auto Parts' website as a result of a referral are better customers than those who come from other channels, he says. In other words, they have a higher average order value than the site's other customers whose average ticket is around \$75.

"This is a low-tech way to achieve personalization," Bradbury says. "It's a way to add a personal touch. And the fact that we don't have to invest any resources or bandwidth to find new customers makes it all the more appealing."

THAT SAID, THE REFER-A-FRIEND PROGRAM isn't the only way Advance Auto Parts seeks to make its marketing messages more personal. Having recently reorganized its marketing team to break down the silos between its physical stores and its website, the retailer is increasingly focused on finding ways to drive shoppers to buy regardless of whether those purchases are made in a store or online.

That omnichannel push is particularly important for Advance Auto Parts

Refer-a-Friend raises the bar on digital marketing

Almost every e-commerce customer has come across it—the refer-a-friend offer. Whether she's booking an Airbnb apartment, scheduling an Uber ride or ordering dinner from GrubHub, an impressive discount or credit offer pops up at checkout. And it's a win-win for both the customer, who often gets a deal on her next purchase, and the retailer, which adds to its customer base.

But surprisingly, not all retailers take advantage of these customer referral programs, despite the clear benefits. According to a recent Nielsen Co. survey, 92% of respondents said they trusted referrals from people they know, and that same study found that shoppers are four times more likely to buy a product when a friend has referred it. Additionally, the lifetime value of a customer who has been referred by a friend is 16% higher than that of the average customer, according to a University of Pennsylvania Wharton School of Business report.

So why aren't more retailers deploying customer referral programs?

"Retailers have an awareness of referral programs, but there is a lack of clarity around the potential impact of referral on their business," says Chris Duskin, vice president of marketing at Extole, a referral marketing firm. "Many retailers aren't yet dialed into the fact that there is a marketing platform for customer referral programs that has the same power that marketing platforms have for search and email, for example. Refer-a-friend isn't merely a widget or a homegrown effort anymore."

As more retailers begin to implement digital marketing campaigns that take an integrated multi-channel approach, Duskin says they should expand those efforts to include customer referral programs. "Today, many retail marketers are utilizing vast amounts of data to very specifically target their customers," he says. "That's where the opportunity lies."

Through referral programs, Duskin says, they can gather insights into which customers share

information about a product or brand, who responds to those shares and what those shares add up to in terms of revenue per customer. "Analyzing the data you gather about your customers through your referral program allows you to make the program specific to a customer's behaviors," he says.

Children's clothing retailer Hanna Andersson recently experienced the benefits of a customer referral program firsthand. In an effort to add to its customer base, the company worked with Extole to implement a refer-a-friend program in March. When a customer referred a friend, Hanna Andersson offered that friend 20% off her first purchase. If the friend made a purchase, the referring customer would then receive a 20% discount on her next purchase.

The program was a resounding success. In the program's first month, Hanna Andersson recouped all of its referral program investment costs. By the end of the second month, it had acquired more than 25% of its new-customer goal for the year. Overall, the conversion rate for shoppers who click is 20%.

"To be successful in referral, retailers need to get started quickly, take advantage of the immediate opportunity, and expand to grow the program beyond what most people even realize is possible," Duskin says. "They need to shift to a 'customer journey' way of thinking and fully understand the much more complex relationship they have with their customers today. It's not as much a challenge as it is an opportunity."

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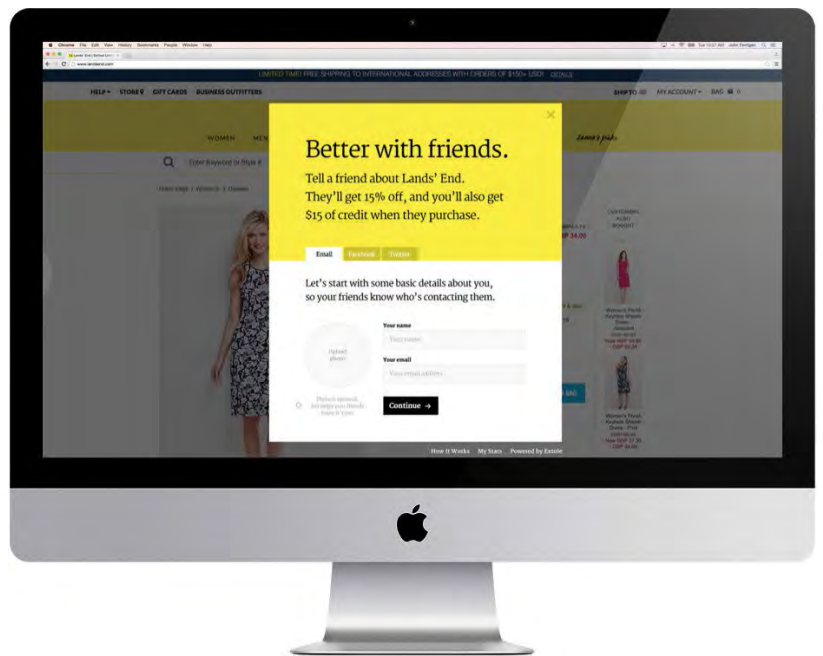


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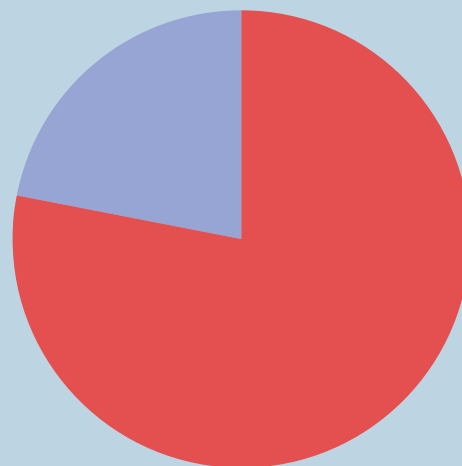
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What percentage of your overall marketing budget is dedicated to email marketing?

0-10%	42.2%
10.01-20%	21.6%
20.01-30%	18.1%
30.01-40%	6.9%
40.01-50%	2.6%
50.01-60%	1.7%
60.01-70%	3.4%
70.01-80%	1.7%
80.01-90%	0.9%
90.01-100%	0.9%

Are your marketing emails responsively designed?



Yes	78.3%
No	21.7%

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because nearly everyone who buys online—roughly 90%—go into its stores to pick up their orders.

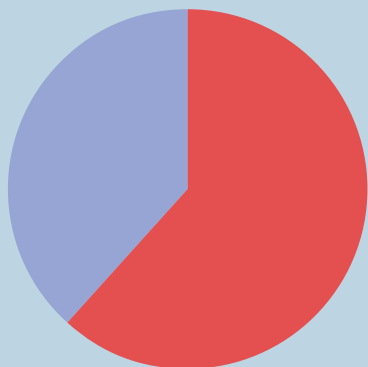
“That’s somewhat indicative of the category,” he says. “But it’s one of our last competitive advantages against Amazon. So knowing that our stores are valuable assets we have to ask ourselves, ‘How can bring that local experience online?’”

One way that it’s doing so is via search marketing, which is increasingly oriented at consumers on their smartphones. Many of its search campaigns target smartphone users who are near its stores with ads that show where the nearest store is, the store’s hours and other pertinent information.

That’s in line with industry trends. Paid search is the leading way retailers are seeking to lure mobile consumers, according to the Internet Retailer survey, as it is used by 65% of respondents who have mobile marketing programs in place, outpacing social network ads (56%), display ads (44%), mobile messaging (24%) and video (19%).

The survey also finds that retail marketers’ use of mobile search marketing is just a half step behind their use of desktop search marketing; 61% of respondents say they use search marketing, compared to 55% that pay for mobile search ads. Those percentages stand to increase slightly next year with 64% planning to use desktop search ads and 61% planning to use mobile search ads.

Are your emails personalized (such as highlighting items a shopper has looked at or by including a shopper's name)?



Yes	61.7%
No	38.3%

“Marketing works best when you connect the dots to understand who your customers are.”

—COURTNEY LEAR WALLACE,
DIRECTOR OF DIGITAL MARKETING AND
E-COMMERCE AT ONLINE-ONLY
APPAREL RETAILER UNIQUE VINTAGE

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Many of those retailers are spending more on search ads. 35% of respondents say they boosted their spending 0-25% this year, another 12% spent 25.01-50% more and 12% devoted more than 50% to the channel. For the sake of comparison, the average monthly paid search spending among the 500 largest online retailers in North America grew 29% last year—from \$247,030 to \$317,550—according to Internet Retailer's Top500Guide.com.

“Search isn't sexy, but it's still effective, which is why it still attracts plenty of ad dollars,” Accenture's Scaff says.

Forrester's report makes that point clear, as 58% of respondents listed paid search engine marketing (it combined desktop and mobile in its survey) as one of their top five most effective customer acquisition channels. That outpaced 31 other channels that ranged from affiliate programs (38%) to video ads (4%) to mobile messaging such as SMS, MMS and push notifications (1%).

WHILE ONLY A QUARTER OF FORRESTER RESPONDENTS LISTED FACEBOOK among their top customer acquisition channels, the social network has played a key role in growing 2-year-old watch manufacturer and retailer MVMT Watches into a \$20 million business, says Jake Sassan, one of the company's co-founders. Roughly 98% of the company's sales take place on its e-commerce site.

Successful e-retailers find the right partners that help them stay ahead of the trends

E-commerce is growing fast. 68% of U.S. consumers reported that they shop online at least once per month, up six percentage points since last year, according to a recent study from market analysis firm Walker Sands Communications. That larger customer base will help e-commerce account for nearly 9% of total retail sales worldwide by 2018, eMarketer Inc. predicts.

This unprecedented growth is sparking some notable trends—particularly with regard to mobile advertising, data and personalization.

“Having the ability to collect, integrate and analyze data from external and internal sources is allowing marketers to better target their audience, personalize their messaging, track their performance and optimize to drive for efficiency,” says Kristy Troup, senior director of eBay Advertising. “Mobile advertising is growing rapidly—and it’s critical that digital marketers have a solid strategy around mobile to realize its full potential.”

To maintain a competitive advantage, Troup says retailers need to stay on top of industry trends. That starts with retailers identifying their digital marketing goals. “They need to be clear on what they’re trying to achieve and who they are trying to reach and identify their key performance metrics,” she says. “Then they will better understand the right partners they can work with to help achieve those goals.”

Establishing meaningful partnerships is critical to meeting or exceeding their identified objectives, Troup says. “Those partners are essential in helping retailers set up and implement the best tactics to align with those goals,” she says, adding that retailers should be open to experimenting with different tactics and channels—whether it’s mobile, data or personalization.

Retailers must test and measure the results of those digital marketing tactics to ensure they are hitting their identified goals, Troup says. “Make sure you’re set up to measure performance across all of these tactics and continue to test and iterate,” she says.

With its portfolio of advertising solutions and different product formats available, Troup says eBay Advertising helps many retailers stay ahead of these trends and gain a competitive advantage. Specifically, eBay Product Ads—an efficient, performance-based advertising solution—allows marketers to access exclusive high quality ad placements across eBay, on any device.

“We leverage eBay’s first-party data to target audiences on and off eBay,” Troup explains. “A lot of our advertisers have a tremendous amount of success because of the capabilities that we provide from that area.” A home and garden retailer, for example, saw 27% year over year sales growth with eBay Product Ads, Troup says. As the e-commerce marketplace evolves, finding the right partners to stay ahead of these trends in mobile advertising, data and personalization becomes the key to a retailer’s success, Troup says.

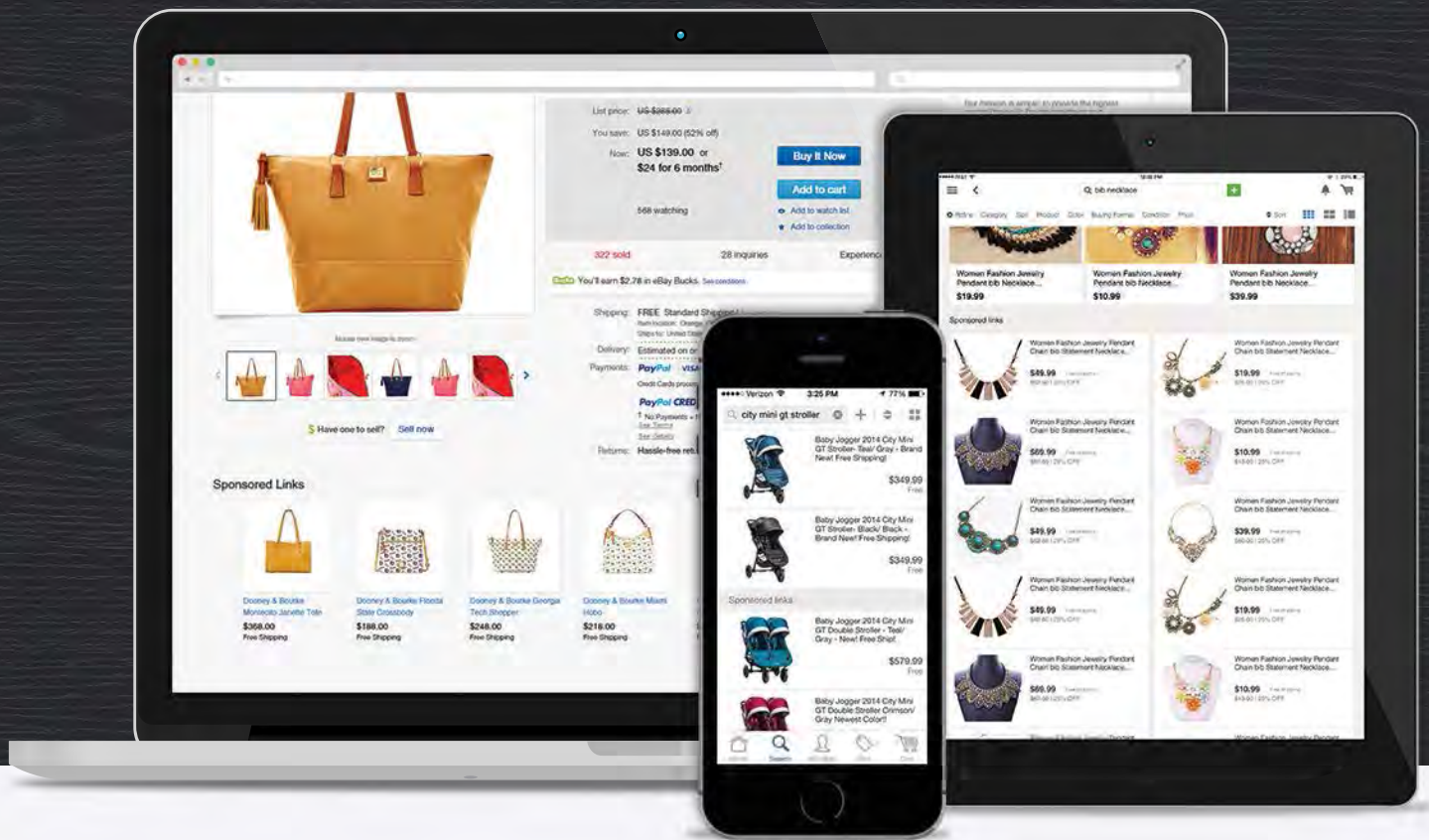
“eBay Advertising and eBay Product Ads specifically is really tapping into all those digital trends,” she adds. “We’re staying relevant and innovative in this space.”

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What percentage of your overall marketing budget is dedicated to paid search?

0-10%	35.9%
10.01-20%	17.9%
20.01-30%	14.5%
30.01-40%	9.4%
40.01-50%	6.8%
50.01-60%	4.3%
60.01-70%	3.4%
70.01-80%	4.3%
80.01-90%	1.7%
90.01-100%	1.7%

How has your paid search spending changed over the past year?

Increased 0-25%	33.9%
Increased 25.01-50%	12.2%
Increased 50.01-75%	4.3%
Increased 75.01-100%	5.2%
Increased more than 100%	2.6%
Stayed same	32.2%
Decreased 0-25%	7.0%
Decreased 25.01-50%	0.9%
Decreased 50.01-75%	0.9%
Decreased 75.01-100%	0.9%
Decreased more than 100%	0.0%

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Facebook, he says, enables the brand to leverage the information the social network knows about its users—such as their demographics, interests and offline buying behaviors—to develop campaigns tailored to particular prospective customer groups. MVMT also uses the social network's Custom Audiences tool, which enables it to target ads at consumers in its email database or those who visit its site, as well as Facebook's Lookalike Audiences tool, which lets it direct ads at consumers who share similar traits to its Custom Audience segments. The retailer's Facebook ads are a mixture of top-of-the-funnel campaigns aimed at boosting the company's brand recognition and bottom-of-the-funnel ads that seek to drive immediate purchases by shoppers who seem ready to buy.

MVMT has plenty of company among retailers advertising on Facebook; 92% of those who advertise on a social network advertise on Facebook. That far outpaces the other social networks as 56% advertise on Twitter, 38% on YouTube, 34% on Instagram, 32% on LinkedIn, 30% on Pinterest. And like MVMT, many of those use social networks both to drive sales and to build their brands. Among the retailers' social media advertising objectives, 62% say they are the ads to boost audience engagement, 57% are seeking to drive sales, 56% are looking to boost brand awareness and 47% are seeking to drive traffic to their sites and 40% are looking to grow their fan bases on the respective platforms.

The strength of Facebook, Sassan says, is that it offers an ideal platform for

What percentage of your overall marketing budget is dedicated to product listing ads?

0-10%	59.1%
10.01-20%	17.4%
20.01-30%	11.3%
30.01-40%	5.2%
40.01-50%	1.7%
50.01-60%	3.5%
60.01-70%	1.7%
70.01-80%	0.0%
80.01-90%	0.0%
90.01-100%	0.0%

How has your product listing ad spending changed over the past year?

Increased 0-25%	31.3%
Increased 25.01-50%	17.4%
Increased 50.01-75%	4.3%
Increased 75.01-100%	2.6%
Increased more than 100%	1.7%
Stayed same	38.3%
Decreased 0-25%	2.6%
Decreased 25.01-50%	0.9%
Decreased 50.01-75%	0.0%
Decreased 75.01-100%	0.9%
Decreased more than 100%	0.0%

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MVMT to make relatively small ad buys to see what works. “Everything we do, especially when it comes to advertising, is driven by A/B testing,” he says. The retailer runs hundreds of Facebook ads at any given time that seek to help it determine the types of images, copy and targeting that work best. “We could sit around our office and everyone would have an opinion about what picture is best for a Facebook ad,” he says. “But this way it doesn’t matter what we think. We can test and see what works.” Once a test proves successful, MVMT quickly scales up its ad buys.

WHAT WORKS FOR ONE RETAILER doesn’t necessarily work for another. And with digital advertising rapidly evolving, that means online merchants have to be careful about how they allocate their budgets.

Retargeting consumers across the web via display ads—which 27% of Forrester respondents listed as one of their five top customer acquisition channels—can be one way to stretch a budget because the consumers a retailer is targeting have already expressed interest in a brand’s products, says Courtney Lear Wallace, director of digital marketing and e-commerce at online-only apparel retailer Unique Vintage.

“There’s so much noise out there that you have to be relevant,” she says. “A message that’s based on something a shopper looked at can be incredibly effective.”

Cut through the clutter: Understanding the customer leads to digital marketing success

In 2013, technology company Lenovo faced a serious challenge. More than 40% of visitors to the personal computer manufacturer and retailer's website were first-time shoppers and the company knew nothing about them. That reality made tailoring their marketing messages to those potential customers nearly impossible.

The company needed a way to personalize that first-time shopping experience for new visitors to help convert them into customers.

Lenovo's story is a familiar one. Many retailers experience new visitors to their e-commerce sites every day, and they struggle to market directly to those anonymous individuals effectively enough to push that relationship to the next level.

"There is a need for retailers to curate all interactions they have with their customers across channels so they can truly build a complete view of what the relationship is and how that customer interacts with their brand," says Jamie Ray, executive director of retail at Neustar, a technology company that provides real-time information and analytics across various industries. "There is no shortage of data being captured to accomplish this. However, the ability to tie cross channel interactions to a single unique ID is something many retailers don't even realize they can be doing."

Ray says retailers must leverage authoritative data to tie all channel exposures back to a unique identifier. The retailer can then use that identifier to sum up all exposures to that unique identifier across channels to accurately attribute credit to each marketing channels that contributed to an online or offline sale. That type of insight can help a retailer determine where it should increase or decrease its marketing spend and optimize their media mix.

Building a successful omnichannel digital marketing plan requires retailers to develop a strong understanding of who their customers are, Ray says. That means gathering insights into their behaviors beyond how they interact with their specific brand, including whether they shop with competitors as well as other demographic attributes they possess that can aid in segmentation. Once a retailer does that, it can then activate the right marketing message to the right audience. "It's about getting to the right person at

the right time with the right offer," Ray says. "One size does not have to fit all in digital like it has in the offline channels for a hundred-plus years."

Finally, he says, it's critical to measure the results. "There is a black hole of understanding with regards to the ability to measure digital's effect on conversions regardless of channel," Ray explains. "The reality is, if you spend a dollar on media and you can't prove ROI, then you've spent too much. You have to be able to track every dollar you're spending and know the effect it has on driving a conversion."

Lenovo worked with Neustar to figure out how to speak to first-time shoppers. Neustar's platform cross-references anonymous online household-level data to categorize visitors into a number of key audience groups based on product propensity and company priorities. Lenovo then uses that information to show consumers a specific homepage banners or offers targeted to that visitor's preferences.

"It's really important for us to cut through the clutter and the way we're trying to accomplish that is by being relevant and making a great first impression," says Siping Roussin, Lenovo's senior manager of optimization and personalization. "Neustar is helping us by providing us with the data intelligence and support team that allows us to truly understand our customers' needs and put relevant messaging in front of them at the proper time."

The approach is working. Since Lenovo implemented Neustar's solution, its website order conversions have grown more than 40% and it has generated over 25% more revenue per visitor.

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What percentage of your overall marketing budget is dedicated to paid social media marketing?

0-10%	67.8%
10.01-20%	13.0%
20.01-30%	8.7%
30.01-40%	2.6%
40.01-50%	1.7%
50.01-60%	1.7%
60.01-70%	1.7%
70.01-80%	1.7%
80.01-90%	0.0%
90.01-100%	0.9%

What is the goal of your social media ads?

Audience engagement	62.5%
Audience growth rate	40.2%
Drive sales	56.3%
Drive traffic	46.4%
Increase brand awareness	56.3%

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That's important for Unique Vintage, a mid-sized retailer with annual e-commerce sales somewhere between \$10 million to \$50 million, that keeps a tight handle on its digital marketing budget, she says. When the retailer initially launched a retargeting program, it delivered roughly a two times return on its ad spend. But, based on industry benchmarks, Lear Wallace thought the retailer could do better if it refined its approach to only retarget the shoppers whose actions suggest that they're likely to click and buy.

Earlier this year the retailer put new, more stringent parameters in place. The new rules meant that the retailer might not retarget a shopper who looks at a single dress on its site, for example, and instead only go after shoppers whose on-site actions suggest she's a good prospect. Six months into the new approach, Unique Vintage saw a four times return on its ad spend as its impressions went down and revenue increased.

"Retargeting is a bit like dating," Lear Wallace says. "If a guy is aggressive and you're into him, you love it. If you aren't, he's creepy. It's a fine line between stalking and romance. It's the same way when a product is following you around the web."

While the retailer doesn't always feature in its retargeting ads the same item a shopper looked at, it does tailor the items to a shopper's likely interests. That makes sense for Unique Vintage because the retailer's vintage-inspired

What social networks do you advertise on?

Facebook	92.4%
LinkedIn	32.4%
Instagram	33.3%
Pinterest	30.5%
Polyvore	1.9%
Snapchat	1.9%
Tumblr	2.9%
Twitter	56.2%
YouTube	37.1%

“There’s no question ad budgets are growing. And personalization is where a lot of those ad dollars are flowing.”

—RENATO SCAFF,
MANAGING DIRECTOR IN
CONSULTANCY ACCENTURE’S
GLOBAL RETAIL PRACTICE

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clothes encompass a wide array of styles—from 1920s-style flapper dresses to 1980s-style Valley Girl-inspired off-the-shoulder sweatshirts—and shoppers who like one era’s fashions often aren’t interested in another.

Another way Unique Vintage seeks to draw in shoppers is by seeking out, and highlighting, user-generated content both on its site and in its marketing emails. The retailer is in the mainstream in turning to content, or content marketing—the broad-based category that includes articles, images and videos that help a brand attract, acquire and engage shoppers—to help drive sales. 63% of Internet Retailer survey respondents say they plan to use content marketing next year.

Since Unique Vintage began weaving user-generated content throughout its site and in marketing emails, its conversion rates increased. But the retailer has also made other changes to its site as well, which is why Lear Wallace is reluctant to attribute too much to the lift. “That being said, we’ve gotten nothing but positive feedback from user-generated content,” she says. The other benefit to making use of content provided by customers is that it helps build a richer connection between the brand and those customers.

“Marketing works best when you connect the dots to understand who your customers are,” she says. And that’s something no retailer can ignore. ●

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