Demonstrating ROI with competitive intelligence

Using data to inform your strategic marketing decisions

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Marketing Services

Contents

ROI – Everybody's talking about it

'Return on Investment' has become the modern business mantra.

In an age of enhanced measurability, marketers are becoming increasingly accountable for every penny spent. Moreover, expectations are constantly being raised so that campaigns and activity must not only pay for themselves, but deliver handsome multiple returns.

Demanding ROI is one thing, but proving it is something else. Improved digital analytics and measurement tools have gone a long way to give marketers useful metrics that can benchmark success, but as channels diversify and the means through which customers interact with brands becomes more varied, the world is becoming a lot more complex.

A typical customer journey is by no means a simple linear progression from A to B. There are dozens of channels and thousands of potential touch points that can influence a consumer's decision-making process. Being able to understand which channel helped to influence the decision is now in the domain of highly sophisticated marketing attribution.

At its best, marketing attribution can describe the relationship between channels, not just how they work in isolation but how they can work collaboratively to improve consumer engagement. Attribution can analyse how channels assist one another and which options are best suited to a particular individual based on their demographics and behaviours.

One of the biggest problems with attribution is it is intrinsically complex, especially when trying to take into account something that is not inherently measurable. Competitive intelligence data for example will enable you to make smarter, more informed decisions; but decision-making is not a metric that is easily tracked or quantified, and so proving ROI is a challenge.

For the purposes of this paper we have deliberately chosen to keep our ROI modelling simple. We have focussed purely on assigning value to additional web visits brought to your website as a measure of successful marketing campaigns. We've used real market data as examples of how to use search, social and segmentation to increase visits and therefore deliver additional revenue to your bottom line. This is by no means a complete solution in the world of marketing attribution but it does serve to give some benchmark of success when trying to measure the unmeasurable.

Delivering ROI: in theory

Small changes — big results

Appending a direct ROI to digital analytics is difficult, as used properly the insights gained from your analytics tools should be informing every part of your digital strategy. How then do you quantify something that should be helping you make better decisions at each stage of the buying cycle?

At a fundamental level, the objective of your digital marketing campaigns should be to bring additional traffic to your website. More eyeballs on your site means more potential customers to convert to sales. If analytics can be used to inform all of the marketing decisions that you make then ROI can be derived from the increased traffic received as a result of the decisions and changes made.

In these simplified terms ROI can be attributed by multiplying the additional visits gained by the average conversion rate and the average order value. This will put a number on the value of those additional visits to your business. If the value of those additional visits exceeds the cost of your digital analytics tool then you are generating a good ROI.

What is additional traffic worth to your business?

The value of additional traffic is calculated by multiplying total visits acquired (A) by the conversion rate (C) and then multiplied by the average order value (V). So the equation is A x C x V

We've decided to use data from the Apparel and Accessories sector as an example. Although we're looking at retail, the same principles apply across all sectors.

December is the biggest month of the year for retailers with Christmas being the focal point which can make or break a year. In December 2013 Experian Hitwise data showed that there were 460 million visits to the Apparel and Accessories category from UK Internet users. Experian Cross Channel data shows that the average order value over Christmas was £75 in the retail space and for the purposes of this paper we have assumed a 5 per cent conversion rate on website visits, not unreasonable in the busy Christmas shopping season.

In this competitive industry, a good benchmark of success would be to grow online market share by 0.1 per cent, the equivalent of an additional 460,000 visits to your website. Achieving an additional 460,000 visits when multiplied by our conversion rate of 5 per cent and average order value of £75 would translate to £1,725,000 of additional revenue. By any standards that's a pretty hefty return on your investment.

This methodology is by no means perfect, as the average order value and conversion rate will vary from retailer to retailer but these are indicative results that help to add context to your marketing performance.

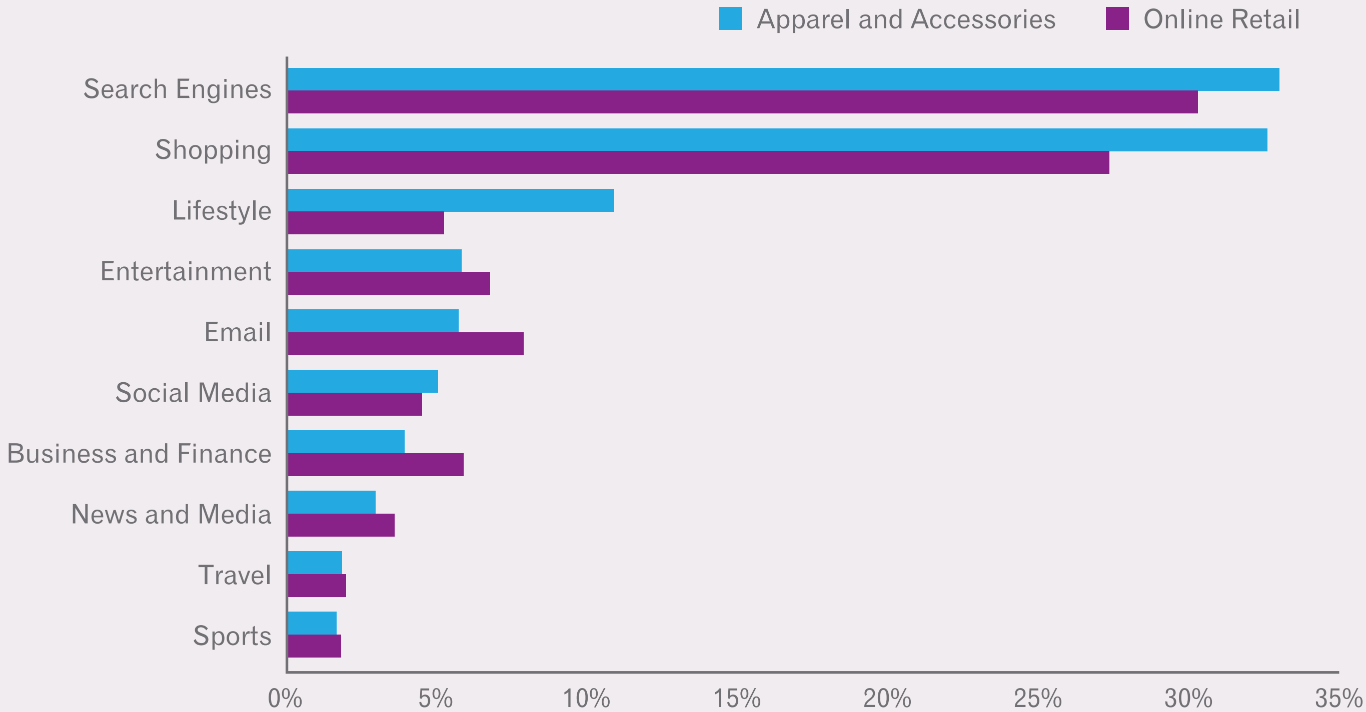
Delivering ROI: in practice

All well in theory, but how can you actually go about gaining additional visits to achieve that increased market share of 0.1 per cent and £1.7 million additional revenue? The following case studies give real actionable examples which can help to build towards improving your web traffic.

ROI in fashion

The first step is to analyse current sources of traffic to the Apparel and Accessories industry and see how it compares with online retail as a whole. As you can see from the chart below, fashion retailers rely on traffic from search, lifestyle and social channels more than the retail industry in general. Almost a third of all visits also come from the shopping channel, which suggests that browsing between competitors is more prevalent in the apparel industry than in other retail sectors.

Upstream industries sending traffic to fashion retailers



Source: Experian Hitwise clickstream data December 2013

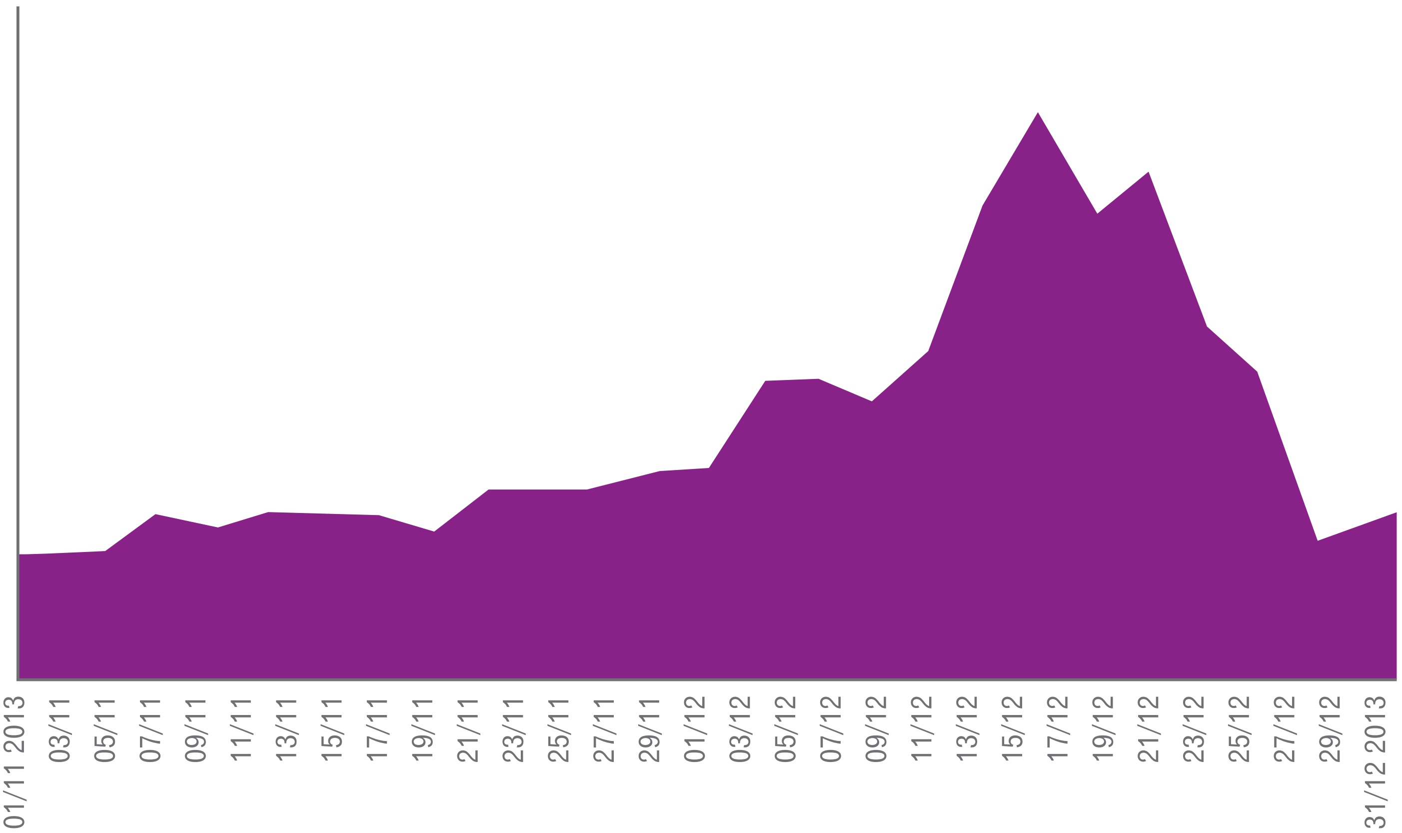
Search opportunities

With such a high volume of traffic to fashion retailers coming from search, this is clearly a place to focus. 33 per cent of visits to the industry come from a search engine so getting an effective search strategy in place is essential, more so than for other industries.

Good SEO is all about matching the content on your website to the way people are actually searching for your products. In the run up to Christmas with lots of social occasions on most people's calendars searches for 'party dresses' increase significantly and are an ideal search opportunity for fashion retailers to capitalise on.

The chart below shows that the peak of searches for all terms relating to party dresses occurs in late November for the week ending 23/11/2013 as consumers plan ahead for their festive occasions.

UK internet searches for variations of "party dress"



Source: Experian Hitwise search data December 2013

In this key week when product demand was at its highest there were thousands of unique ways people searched for party dresses some of the most popular recurring terms have been highlighted in the word cloud.

Source: Experian Hitwise data recurring keywords searched for in variations of “party dresses” week ending 23 November 2013

Reflected in this data are clusters of customer demand for key types of party dress and relevant topics surrounding this area. Perhaps unsurprisingly given the time of year, one of the biggest demand areas is for Christmas party dresses. However, you can also see from the other prominent keywords that the factors that are going to influence a consumer to buy are the colour (with searches for black, white, pink etc.), size (size, plus, children’s) and style (cocktail, maxi, long) of the dress.

Importantly, with this kind of search data each of these variables is quantifiable and comparable. In terms of prioritising content, retailers should be promoting their sizing options available (particularly for plus size garments) and using images of black and red dresses (by far the most commonly searched for colours). From an SEO perspective it’s also useful to know that party dress searches including the word ‘christmas’ were 10 per cent more popular than searches including the word ‘xmas’. Interestingly, price was not the defining characteristic when searching for party dresses, with less than 2 per cent of searches including the word ‘cheap’ – lower down the priority ladder than searches for style or colours.

What the search data also uncovers is niche opportunities that are often easy to overlook or perhaps have never been thought of but nevertheless have a market. One such example is with 'maternity party dresses' which accounted for 1 in every 175 party dress searches in the third week of November 2013. The search data revealed that unlike most party dress search terms with a typical click success rate of 80-100 per cent, only 28 per cent of searches for 'maternity party dresses' resulted in a click through to a website.

This would suggest that when people search for 'maternity party dresses' they cannot find a relevant dress which is suitable and therefore make another search for something else. The absence of relevant content might also explain the strong prevalence of searches for plus size dresses in the same content area. By creating relevant onsite content around the term 'maternity party dresses' fashion brands could start to offer customers the product that they are looking for and scoop up the 70 per cent of unfulfilled consumers.

If Search can be optimised in this way for just one type of dress, can you imagine the number of additional visitors that could be attained from incremental improvements across an entire range of thousands of products?

Social media – the real value of Facebook

Social Media is definitely a potential growth area in this industry. But with the bottom line value of social media traditionally difficult to prove, should fashion retailers care?

Since the Facebook phenomenon first appeared, marketers have been scratching their heads trying to work out how much a 'Like' is worth. Looking at the number of visits the top 100 online retailers receive from Facebook; the volume of searches being conducted for those brands after a visit to Facebook; and the number of Facebook fans those retailers had it was possible to benchmark the incremental visits a site received per fan acquired.

Based on the strong correlation between visits, searches and fans we can now solve the Facebook conundrum: one newly acquired Facebook fan equates to 20 additional visits to a website every year. Furthermore, we've discovered that these 20 additional visits will not come from the company's fan alone. The viral nature of Social Media means that, when a message is sent, it's also seen by the Facebook fan's friends, helping to drive new web visits from completely new customers.

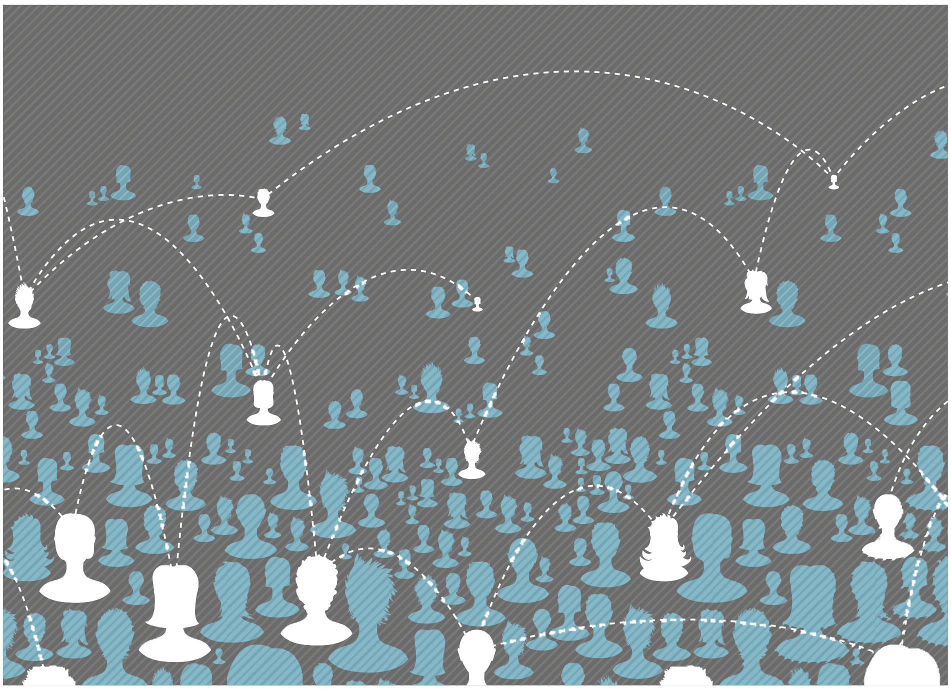
Facebook is the UK's biggest social network and one of the most visited websites in Britain. One in every six page views from UK Internet users goes to a Facebook page and they spend 500 million hours on it every month. So yes, this is an avenue worth investment.

For this to be effective however, the brands would need to make sure that they're attracting the right fans — those who are likely to buy from them. Acquiring the right fans requires a detailed knowledge of what a valued customer looks like. What are their passions outside of fashion? What TV shows do they watch, what newspapers do they read, where in the country do they live? Experian data helps you know your clients inside and out, but this topic raises a whole new proposition – customer segmentation and targeting.

We can now build a far more accurate picture of Facebook-derived ROI. If, for example, a retailer acquired 10,000 new Facebook fans they would receive 200,000 additional website visits in a year. Using our equation from earlier — (A) 200,000 x (C) 5% x (V) £75 — would generate an additional £750,000 in revenue. Benefits don't stop here, because once acquired, fans can be repeatedly marketed to, generating additional value over time.

Better segmentation and targeting

So far the focus of this paper has been to highlight opportunities to increase ROI by increasing the market share of visits within a category. Of the ten key categories driving traffic to the online fashion retailers highlighted earlier we have only touched on optimising web visits for Search and Social Media. Clearly there are opportunities to be discovered in every one of these upstream categories which would undoubtedly add up to a lot of additional web visits if properly executed by any company working in this field.



However, increasing ROI is not simply a matter of increasing the quantity of visits to a website; it is also about increasing the quality of visits. In identifying and targeting your ideal customer demographic, conversion rates are likely to be far higher than the 5 per cent we have used in our ROI calculations so far. By increasing both quantity and quality of visits, the ROI is certain to improve.

Though we've said it before, we'll say it again; understanding your customer is critical to attracting productive web visits. Better segmentation and targeting allows you to tailor messages to maximise sales.

The data shows however, that online behaviours differ considerably between different demographic segments. We've taken two age demographic groups of 18-25 year olds and 26-35 year olds and then split these two groups by gender. By analysing each group individually it was clear that the older demographic was more prolific in the post-Christmas shopping period but particularly for females between the ages of 26 and 35. This is precisely the demographic most fashion retailers would want to target.

What transpired was that the female 26-35 group was five times more likely to visit fashion websites in the week after Christmas than the male 18-25 group. They were also four times more likely to visit the apparel sector than the female 18-25 group and twice as likely to visit as the male 26-35 group. Some simple analysis can reveal the top websites being visited by each of these target groups to show not just their shopping habits but their other likes and behaviours.

One of the insights to come from the prolific female 26-35 group was that these women were happy to spend money provided they felt they were getting good value from their shopping. These women were 80 per cent more likely to visit a daily deals website than the average UK consumer, demonstrating their eye for a bargain but also providing a wealth of opportunities for new potential affiliate partners that will really resonate with this key target demographic.

The lesson to learn is that there are hundreds of thousands of additional web visits there for the taking, if companies are smart about how they go about attracting them and who they target.

The post-Christmas period is a good example of where this can bring ROI. It's the peak time for online visits in the Apparel and Accessories category, with Boxing Day being the single biggest day for online retail for the past six years.

The pay-off

There are so many ways that Experian Hitwise can be used to improve market share of visits: we've outlined just some of them here in search, social and segmentation. Using the wider suite of Experian tools can influence every decision the digital marketer makes to constantly question, improve and evolve their marketing strategy. Boosting market share by 0.1 per cent and beyond suddenly doesn't seem that daunting a task — and the reward in terms of return on investment is clear to see. The additional 460,000 visits gained would translate to an additional £1.7 million in sales per month.

Now that's real competitive advantage and bottom line ROI.

Find out more

Proving ROI from great data intelligence doesn't need to be a struggle for your business. We hope this paper has given you some food for thought about how to gain a competitive advantage.

Experian has over 30 years' experience as a dedicated data provider helping brands to understand consumers.

To find out more about how Experian can help you please contact us using the details below:

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Experian Marketing Services is a global provider of consumer insight, targeting, data quality and cross-channel marketing. We help organisations intelligently interact with today's empowered, hyper-connected consumers. By helping marketers identify their best customers, find more of them, and then coordinate seamless and intelligent interactions across the most appropriate channels, Experian Marketing Services' clients can deepen customer loyalty, strengthen brand advocacy and maximise profits.

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