Drive More Website Revenue – NOW!

Grow faster and be more profitable by focusing on assimilating and converting new e-mail registrants

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You and your e-commerce team have spent a great deal of time and money to expand your e-mail list. But now, the challenge is to monetize these new registrants – quickly. To do this, you need an e-mail assimilation program that drives registrants to convert and make their first purchase. And, you need to convert them to loyal customers by helping them gain an appreciation for the value of your brand. Failure to do so will mean losing millions of dollars in new and on-going revenue. Here's how to address this challenge.

These days, retail web marketers are focused on building traffic to their sites and expanding their e-mail lists. There's lots of press about increased spending to attract new visitors with more and better search engine optimization (SEO); product promotions; sweepstakes; and Web2.0 approaches, including more sophisticated use of social networks, video and other novel approaches.

As these acquisition techniques garner more attention and increase in sophistication, they are also getting more expensive and competitive. Yet, these activities will <u>not</u> ultimately define commercial success. To achieve, sustain and maximize a site's profitability is actually more difficult: this new traffic must be converted into first-time purchasers and then high-value lifetime customer relationships.

We suspected that many retail sites were not well-prepared to convert all the traffic that could be generated from this incremental spend. We felt many sites weren't focused on their marketing processes…weren't sending timely confirmation emails, weren't initiating a needed dialog with first time e-mail registrants. In short, we felt that web marketers in wouldn't receive a good report card when it came to planning, running and improving their e-mail marketing programs.

To test our premise, we decided to examine how 50 leading retail web sites set up and executed their assimilation process (i.e., how sites market to new e-mail registrants), and if these processes were achieving increased conversion rates among new e-mail registrants.

Here's what we found after looking at these fifty popular or leading volume fashion-oriented retail web sites and their assimilation programs:

- Few sites are using the inherent advantages of the web to properly gather and use data about their new prospects. Gathering limited, but insightful, user information at the outset is essential to make messaging more meaningful and relevant, and can accelerate initial purchase if used correctly.

- Few sites are segmenting the names they acquire and customizing content to improve how they communicate their brand and the likelihood of conversion – even if users provide information that can drive basic initial segmentation.

- **Our overall conclusion: as a result of insufficient attention being paid to assimilation and conversion processes, the industry is losing millions of dollars of potential sales revenue** at a time when it's needed most – now!

Assimilation and Conversion at 50 Top Retailing Websites

Over the past quarter, we registered as new e-mail recipients at 50 leading fashion retail websites to see which:

- Had established a well-thought-out process to collect meaningful information about who we were and the type of merchandise that interested us

- Used that data to send us relevant e-mail messages

- Featured information that helped us appreciate their brands, products and services and the overall value proposition for the site

- Demonstrated they really wanted us as new customers (by treating us differently as "new registrants")

- Had an appropriate cadence and frequency that engaged us, encouraged us to provide additional data, then used that supplemental information to refine the specificity of messages sent to us during the first four to ten contacts

- Varied message content to focus not only on a stream of product promotions and savings messages, but included content that strengthened and deepened our appreciation of the brand

- Progressively intensified incentives offered to us during the initial weeks of our “relationship” to get us to make the first purchase before reducing contact frequency.

Most sites initially collected minimal information, typically just our e-mail addresses and brand or department preferences. This makes sense. As consumers visiting new sites, we didn’t want to invest lots of time or reveal too much about ourselves until and unless we felt there was value in providing detailed information. We were also leery of getting our mailboxes, at home or on-line, stuffed with irrelevant junk.

About one-third of the sites <u>*demanded*</u> (through required field editing) our surface mail addresses and phone numbers. A few (less than 20%) asked for other information that could be used to improve relevance, such as how we heard about the company, if we had previously shopped their stores, or other similar qualifying questions.

Then, there were the sites that insisted we provide more extensive information before we even purchased anything. These 14 sites used field editing to require and demand that we create passwords, answer security questions and even save favorite shipping addresses or billing information, just to receive emails from the vendor. We considered these demands as turn-offs, rather than incentives to become active customers, based on the premise that the more obstacles (notably, the collection of unneeded data) placed between the initial contact and the initial purchase, the greater the chance new visitors will drop out of the protocol.

But there is a larger problem. Those visitors who are willing to accommodate requests for “deep” information are especially valuable, since they evidently have sufficient interest in the site/retailer to do whatever’s asked of them so they can register. *Yet* ***in all cases, none of the information we had been asked to provide was used to make the messages we then received more relevant****.* As a most blatant example, if we checked “Men’s” as our primary department of interest, the first, second and even third e-mails we typically received featured women’s items, from capris to intimate apparel to jewelry.

There are at least two serious consequences to this lack of relevancy: First, customers are annoyed, having taken the time to respond to needless questions. Second, and perhaps of greater importance, there is little to encourage new registrants to become first-time, let alone repeat customers. If anything, after two or three messages, the “unsubscribe” button could become especially popular!

The Value of "Better Assimilation"

We were prepared to make a purchase at sites that met our overall expectations, but ultimately did so on only two of the 50 sites where we registered. That's a 4% conversion rate, far less than the 20% most marketers would expect from a registration-qualified source list. Our criteria for converting from a registrant to a customer were simple and basic to establishing a customer relationship. We would make a purchase if the site:

- Requested information from us, then utilized this data to tailor their response

- Recognized and treated us as new members, in a way that went beyond an initial e-mail or welcome note

- Consistently communicated the value of the brand, in addition to promoting products.

We were puzzled (actually, shocked) why so few marketers neglected to use the data they collected to affiliate us with their brand and make their communications more relevant. So, for some additional insight, we asked four marketers from these retail e-commerce sites about their conversions rates (i.e., the percentage of those registered who make at least one purchase within 60 days). We found:

- Two marketing managers were not able to cite their conversion rates. We found this baffling, since these same managers send over 20 e-mails a month for their brands.

- One manager noted a rolling 12-month 60-day registrant-to-customer conversion rate of 18%.

- Another indicated an averaged a 14% conversion rate during the past year. She also noted this number had increased significantly from 3%, when they first started measuring it, and then began to vary message content and cadence to try and improve.

Extrapolating data just from this last marketer suggests an alarmingly large amount of money is being left on the table by most of the industry. We estimate that the near-term incremental revenue gains from effectively assimilating 4,000 new registrants per month amounts to over $400,000.*

*Increasing the conversion rate from 3% to 14% accelerated revenues from over 5,280 prospects (now customers) over the past year, each of whom placed one order with an avg. value of $74.

The Logical Conclusion: Assimilation and Conversion Need Improvement!

Despite the informality of our exploration in the e-commerce retail space, there is conclusive evidence that *those who pay attention and devote resources to planning, measuring and executing the conversion process will improve profitability.*

This generally unrealized opportunity becomes even more crucial in today's difficult marketing environment. It leads us to wonder why more companies are not appropriately mining this source of additional short-term revenue from their web sites to drive growth.

Going even further, multi-channel retailers can transform these early converters on their web sites to become multi-channel shoppers. This requires a comprehensive assimilation process and encompasses integrating the overall value of the in-store experience. However, these prospects could, over their lifetime, become your most valued customers. The potential, we submit, is enormous.

For example, across the collection of e-mails received from our sample of 50 sites, only six referenced their in-store channel by either helping us find the locations closest to us or using e-mail to inform us of in-store special events. Another 10 sites did mention special promotions were available on-line or in-store, but this information was spotty and inconsistent. None explained to us, as new registrants, what to expect about merchandise available on line, or differences between on-line and in-store pricing, assortments and available size ranges. So for petite or big & tall shoppers, or slim or husky or narrow or wide shoes, there was no clear explanation what could be found in-store vs. on-line or both.

Unfortunately, our exploration showed few companies currently willing or able to focus on their assimilation process. In discussions, they claimed lack of staffing, insufficient payback from past segmentation efforts, difficulties in pulling the data together, and a myriad of other – well, excuses. As a result, they base their growth on increasing the total number of registrants, tracking only open and click rates, ignoring sales conversion by type of customer or product, and rarely link this increased volume to lifetime value. And certainly they are not measuring the ability to convert these new registrants in the critical first 60 day period.

The resultant outcome is predictable: acquisition costs go up and the number of registrants increases, and yet without an improved conversion rate, profitability is static or declines. The alternative we propose is to expand the marketing focus so the assimilation process becomes more efficient, effective and measurable. We assert that greater profitability will follow – quickly!

Rate your own assimilation and conversion programs

You can assess your company's performance in these areas by asking five simple questions:

1. *Are we organized to focus on assimilation and conversion?* Is there an individual or team responsible for designing, executing and optimizing assimilation and conversion? Is this the team that is charged with getting customers to the site responsible for initial conversion or was the raw list handed over to another group?

2. *How are we performing in this area?* What is our 60-day conversion rate? What's the trend? Have we established meaningful new customer assimilation and conversion goals?

3. *Is our process designed to succeed?* Is the information we collect in our registration process useful and legitimate? Do we use this information appropriately? Do we need to become friendlier and less demanding during the registration process – or do we actually need more information to be relevant?

4. *Does our process effectively combine driving for the first sale* <u>*and*</u> *informing the prospect about the values of the brand* – product, pricing, loyalty, credit, other channels (stores and catalog), customer services, chat, etc? Direct response philosophy only focuses on response from specific mailings, not building brand value and awareness over time. Yet, both approaches need to be melded together into a comprehensive 60 day sequence to achieve customer value.

5. *Are we looking at longer, as well as the shorter-term goals?* How do we measure lifetime value?

PCF Consulting works with leading multi-channel and on-line retailers to improve their strategy, marketing programs and overall effectiveness. Using a quick-start process that emphasizes immediate revenue creation while also building needed infrastructure and the processes to support long-term successful growth of multi-channel operations, PCF helps clients drive for excellence and growth. Visit www.pcfconsultinggroup.com to learn more about PCF Consulting or contact Gary Breitbart at garyb@pcfconsultinggroup.com to get more details on this study.

Juro Marketing is a full-service marketing agency specializing in direct response. The firm focuses on helping clients improve performance and profitability of their direct marketing, segmentation, creative development, market research and measurement activities. For more information contact

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