

Improving Performance with Retargeting

A Comprehensive Guide to a Proven
Behavioral Targeting Approach

An Online Advertising White Paper
By ValueClick Media
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Executive Summary

Although retargeting is considered by many to be the most effective method of behavioral targeting, several marketers have yet to reap its benefits. This white paper reviews the various retargeting methods, when and how to use them and their impact on reducing the costs of both visitor acquisition and retention.

Whether a marketer wants to retarget users based on visits to web pages (the most common method), exposure to creative or searches on the web, there are three main retargeting success factors that must be considered.

First, interested visitors and visitor interests must be identified; this is typically done by placing a retargeting tag on particular pages of the marketer's web site or in Flash creative. Second, marketers must craft engaging creative based on the objective, which, in a typical retargeting campaign, is to increase user activity within their sites. Third, the message must be delivered at scale; the ad network that offers the solution must be able to see users often enough to retarget them successfully, and the marketer needs to drive as much traffic as possible to increase the audience available for site retargeting.

In addition to exploring the above-mentioned issues, this white paper presents aggregate data based on campaigns in the ValueClick Media network as well as specific campaign examples. Having offered a retargeting solution since 2005, ValueClick Media has seen countless examples of marketers in different industries of nearly all sizes, with various objectives, that have demonstrated retargeting success.

From June 2007 to June 2008, the average click-through rate of all retargeting campaigns in the top 19 retargeting categories was 270 percent higher than for all other campaigns in those categories. However, the lift in conversions was dramatically higher; during the same time period the average conversion rate of all retargeting campaigns in the top 24 retargeting categories was 5,150 percent higher than for all other campaigns in those categories.

Specific campaign examples from the ValueClick Media network include the following:

- One of the fastest growing wireless services in the U.S. saw 16 times higher conversion rates for a retargeting portion compared to a run of network portion of its campaign
- A major hotel chain booked over 2,000 hotel rooms in less than a month using retargeting
- A Fortune 100 company saw a 450 percent lift in conversions when comparing the retargeting component of its campaign to the run of network portion
- One of the largest online tax preparation centers in the U.S. showed that allowing an increased CPM rate for retargeting leads to even stronger performance
- A large online retailer demonstrated the value of placing tags on different pages within the site, resulting in impressive conversion rates and low eCPAs for the entire campaign



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Retargeting Defined

Retargeting is an online advertising technique that re-engages a specific audience. Most frequently marketers use retargeting to reconnect with visitors who have performed a single activity on their web site or interacted with a specific piece of creative. A more advanced method of retargeting is to display highly customized messages to visitors who have performed a specific sequence of activities.

The value of retargeting lies in the fact that most visitors to a web site never register or purchase an item. Because many of these visitors do express their interest in the marketer's brand or products, it is easier to match future creative to their specific interests, which in turn increases conversion rates and lowers acquisition costs. Moreover, as one of several behavioral targeting approaches, retargeting can retain customer interest during the consideration phase and ultimately brings visitors back to the marketer's site to complete a purchase or take other desired action.

Given the combination of hype and confusion around behavioral targeting – not to mention the true potential of it – taking a closer look at one of its proven approaches is important for everyone with a stake in online advertising. To be successful, retargeting relies on three key factors: identifying interested visitors, crafting engaging content, and delivering this message at scale.



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Retargeting Success Factors

Identifying Interested Visitors and Visitor Interests

To retarget a visitor, advertising networks need to identify which visitors have already expressed the marketer-specified interest. A common method of capturing this interest is placing a retargeting tag on particular pages of the marketer's web site or in Flash creative. This retargeting tag is also called an "invisible pixel" or "one-by-one image request". Because the image is so small and due to content delivery networks, the retargeting tag does not impact the page load time or the user experience.

When a visitor "sees" the retargeting pixel, a cookie is placed in their browser's cache so the advertising network can recognize this visitor when he/she visits other sites in that network at a later time. The larger the network, the greater their ability to reach a marketer's audience and re-engage them on behalf of the marketer.

There is an important distinction between the anonymous use of cookies that many advertising networks use and cookies tied to personally identifiable information (PII) that most web portals use. Because the latter can identify the visitor by their name, e-mail, home address and telephone number, this practice has drawn the scrutiny of both privacy advocates and government regulatory bodies. Interestingly, in the offline direct marketing world, consumer PII is readily sold to enrich direct marketing campaigns without any transparency or control offered to the individual. However, online marketing is held to a much higher standard. Accordingly, in working with a retargeting partner, the first question to ask is whether their retargeting cookies can be associated with PII.

Crafting Engaging Creative

One pitfall marketers often succumb to is using the same creative in their retargeting campaigns as in their standard contextual campaigns. The ultimate goal for standard contextual campaigns is normally customer acquisition, which usually means driving first-time visitors to the web site. The goal of retargeting campaigns, on the other hand, is driving customer engagement, which involves getting those site visitors and loyal buyers to increase their activity within the site. Because the goals in these instances are different, different creative is called for. Messages focused on site-specific branding are best for the acquisition campaigns, while messages focused on discounts and product-specific branding work best for retargeting campaigns.



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Delivering Retargeting at Scale

As with any advertising tactic, there are a number of considerations marketers need to bear in mind when implementing retargeting campaigns. First of all, when running these types of campaigns with an ad network, the total reach of the network is of fundamental importance as there is a need to see the visitor not just once, but for repeated exposures to ensure they have an opportunity to notice the creative. While there are hundreds of ad networks and many have a monthly unique visitor reach in excess of 100 million visitors, only a small handful have sufficient scale to see the same visitor more than once per month.

Additionally, to ensure maximum scale and success for a retargeting campaign, it is necessary to understand the role a marketer's web site traffic plays in the equation. Because the audience available for site retargeting is directly proportional to the number of visitors who engage with the web site, retargeting campaigns are most successful for sites with high traffic volume or when used in conjunction with a companion campaign to drive additional traffic to the site.

Retargeting Types

Site Retargeting

The chief methods of retargeting differ depending on what form of activity the marketer is capturing. The most common method is site retargeting, which involves placing the retargeting tag on particular pages of a marketer's web site, or in the universal header so that all traffic from the site is recognized. While most retargeting partners only enable the ability to retarget to a single activity, some of the more advanced advertising networks provide sequential messaging capabilities that allow marketers to retarget to specific sequences of activities. Moreover, at each point of the purchase cycle, sequential messaging, also known as storyboarding, enables marketers to present information with a unique continuity to communicate with consumers in more compelling ways based on their last interaction with the marketer. An example of this would be to retarget visitors who have added an item to the shopping cart but not yet made the purchase with an ad for free shipping.

Creative Retargeting

Creative retargeting, another method of retargeting, is the placement of the retargeting tag within online media that appears on a web site other than the marketer's own site. A cookie can then be placed in the browser's cache of a visitor who is served Flash creative or clicks on a standard banner that will identify that person when visiting other sites within the advertising network at a later time. Also known as fourth-party tagging, marketers can use creative running on expensive contextual sites to enable them to reach these same visitors again with future messages, or exclude them, as they visit other sites.



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Search Retargeting

Related to creative retargeting is the method of search retargeting. Here the tag is placed on one or more landing pages of the marketer's web site and captures the search term a visitor entered into a search box to navigate to the marketer's web site. These search terms can often provide insight into what products or services the visitor is looking for the web site to provide, and search retargeting gives the marketer the ability to reach a person who has already, for example, searched for the marketer's product and clicked on a corresponding text ad to go to the site.

One difficulty often overlooked with search retargeting is the ability to clean, disambiguate and categorize the raw search phrases entered by visitors. Cleaning helps strip extraneous terms from the search phrases. For example, if a visitor types "The Best DVD Player," cleaning may reduce this to "Best DVD Player." Improper cleaning could reduce, "The Lord of the Rings" or "The Limited Clothing Store" to be "Lord Rings DVD" and "Limited Clothing Store." Moreover, different visitors often type the same search with the order of words reversed (e.g., "Panasonic DVD Players" or "DVD Players Panasonic"). Once the search phrase has been cleaned, it is important to disambiguate the meaning of similar terms. "China Dishware" could mean dishware from China or porcelain dishware.

The final step in search retargeting is to categorize the phrases. Since very few visitors type the exact same sequence of search terms, to ensure enough volume to justify a campaign it is often useful to aggregate these search phrases into meaningful categories. For example, "Panasonic TH-400" may be categorized into "DVD Players" and/or "Panasonic Consumer Electronics." While many vendors offer search retargeting, few invest in the technology required to adequately clean, disambiguate and categorize your visitors' search phrases.

A Note on Recency and Frequency

All the above methods of retargeting are related to where the activity is being sourced - from a web site, a creative or after a search click. However, the best results will come from the proper use of recency and frequency filters on these raw events.

Recency is one key to performance. Obviously, visitors who searched for a DVD player six months ago are less likely to buy one than a visitor who searched yesterday. Although perhaps not as obvious, the recency issue also applies to creative and site retargeting in that people who have been exposed to and/or interacted with certain creative and visited sites within a certain timeframe will be more likely to convert.

Finally, the visitor who searched for "Lexus RX400" only once is less likely to be in-market than a visitor who has multiple, recent events associated with this category. The ideal frequency to use in your retargeting is specific to the type of product you are offering. For books, a low frequency may be ideal, while for automobiles typically a much greater frequency is required to identify in-market auto buyers.



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Retargeting Lift

There are countless examples of marketers in different industries, with various objectives, that have demonstrated success with retargeting. While mainly associated with driving purchases, retargeting is also used to build awareness, increase favorability and stimulate loyalty. Additionally, it has proven its value to both big brands and smaller ones alike.

On the ValueClick Media network, significant increases in click-through rates and especially conversion rates are typically seen when comparing retargeting campaigns to standard contextual advertising and even to campaigns that utilize other targeting techniques. To illustrate this, a comprehensive analysis was done across the entire ValueClick Media network to measure lift on a category and subcategory level.

By comparing the performance of all campaigns that included retargeting against all campaigns that did not over a 12 month period, categories and subcategories of campaigns with particularly high lift were identified.

One way to approach the data from this analysis is to only look at the subcategories deemed to be statistically relevant based on having at least 30 campaigns in both the group that included retargeting and the group that did not. In addition, all of the top retargeting subcategories were identified regardless of the number of campaigns.

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Figure 1 shows the lift in click-through rates for the top five sub-categories of campaigns that meet the statistical relevance requirement of a minimum of 30 campaigns in each group. This lift is relatively low as the true value of retargeting is generally seen more on the conversion side. Figure 2 shows the lift in conversion rates for the top five sub-categories of campaigns that meet the statistical relevance requirement. Clearly, campaigns in these sub-categories have benefited tremendously from retargeting.

Figure 1: Retargeting Lift – Click-Through Rates

Category	Subcategory	Retargeting Off: # of Campaigns	Retargeting On: # of Campaigns	Lift
Retail Goods & Services	Home Improvement & Hardware	136	39	60%
Financial Services	Banking	966	54	27%
Automotive	Manufacturers	860	33	17%
Consumer Packaged Goods	Food & Beverage	448	54	17%
Business to Business	Marketing Research & Data	141	38	16%

This graph shows retargeting lift in click-through rates for the statistically relevant categories and subcategories of campaigns that ran on the ValueClick Media network from June 12, 2007 to June 12, 2008. Lift is found by comparing all the campaigns in these categories and subcategories that included Precision Retargeting™ against all other campaigns.

Figure 2: Retargeting Lift – Conversion Rates

Category	Subcategory	Retargeting Off: # of Campaigns	Retargeting On: # of Campaigns	Lift
Retail Goods & Services	Apparel & Jewelry	47	47	10727%
Travel	Online & Retail Booking Services	91	45	1140%
Financial Services	Insurance	104	41	751%
Travel	Lodging	196	149	562%
Consumer Packaged Goods	Food & Beverage	107	38	320%

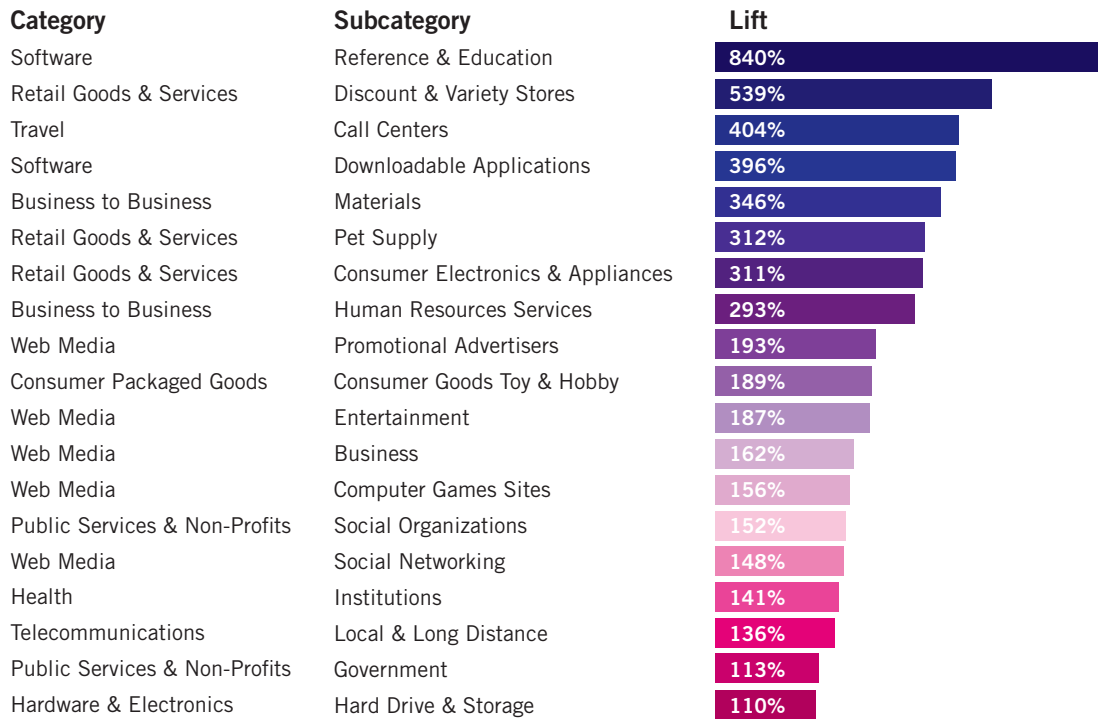
This graph shows retargeting lift in conversion rates for the statistically relevant categories and subcategories of campaigns that ran on the ValueClick Media network from June 12, 2007 to June 12, 2008. Lift is found by comparing all the campaigns in these categories and subcategories that included Precision Retargeting™ against all other campaigns.

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In addition to the statistically relevant groups of campaigns, the analysis resulted in a larger list of subcategories in which significant lift was also demonstrated. However, for some of these subcategories, the groups may have included less than 30 campaigns over the 12 month period. Still, this lift data provides a powerful indication of improvements in click-through rates and conversion rates, which are captured by Figure 3 and Figure 4 respectively.

Figure 3: Retargeting Lift – Click-Through Rates

This graph shows retargeting lift in click-through rates for the top performing categories and subcategories of campaigns that ran on the ValueClick Media network from June 12, 2007 to June 12, 2008. Lift is found by comparing all the campaigns in these categories and subcategories that included Precision Retargeting™ against all other campaigns.



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Figure 4: Retargeting Lift – Conversion Rates

This graph shows retargeting lift in conversion rates for the top performing categories and subcategories of campaigns that ran on the ValueClick Media network from June 12, 2007 to June 12, 2008. Lift is found by comparing all the campaigns in these categories and subcategories that included Precision Retargeting™ against all other campaigns.



Another way to look at this powerful lift data is to calculate the mean for each metric. The average click-through rate of all retargeting campaigns in the top 19 retargeting categories was 270 percent higher than for all other campaigns in those categories. And even more dramatically, the average conversion rate of all retargeting campaigns in the top 24 retargeting categories was 5,150 percent higher than for all other campaigns in those categories.



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Retargeting Examples

The performance lift observed by marketers who use retargeting has resulted in an average of 80 percent quarter-over-quarter increases in marketer adoption of this technique among ValueClick Media clients. Moreover, the percent of campaigns running on the ValueClick Media network that are retargeting campaigns is now measured in the double-digits. Of the ValueClick Media marketers that benefit from retargeting, nearly two-fifths of all campaigns employ retargeting. Following are five campaign examples in different categories that show how retargeting can be used to drive performance for marketers.

Campaign Example 1 – Mobile

A campaign for one of the fastest growing wireless services in the U.S. running on the ValueClick Media network from January 11 to May 19, 2008 retargeted both new and existing customers and saw excellent performance. More specifically, the average conversion rates over three different ad units for the portions that retargeted new and existing customers were, respectively, 16 and 15 times higher than the conversion rate of the run of network portion of the campaign. While this clearly shows the value of retargeting as an online advertising tactic, the fact that it outperformed the run of network component does not mean the advertiser should eliminate that portion of the buy as it exists primarily to drive traffic so consumers can be retargeted. When that is done, conversions increase dramatically, as seen in this example.

Campaign Example 2 – Travel & Hospitality

A major hotel chain using online advertising to book rooms within a defined CPA target ran a campaign on the ValueClick Media network from January 22 to February 20, 2008. Across three different ad units the average conversion rate for the retargeting portion of the campaign beat the average conversion rate for the run of network portion by 5,733 percent, resulting in a total of 2,044 hotel rooms booked online. Again, the comparison between the two components of the campaign makes it clear that retargeting drives a significant amount of conversions, but advertisers who also cast a wider net to drive more traffic typically see the greatest retargeting success.

Additionally, the same hotel chain has been running more conventional campaigns without a defined CPA target from July 2007 to May 2008, also seeing significant lift in conversions. More specifically, with a run of network portion including more than 26.5 million impressions and a retargeting portion with more than 27.5 million impressions, the conversion rate of the latter was 2,628 percent higher than the former. Interestingly, the click-through rates for the two portions were similar, which is not uncommon as retargeting aims to drive conversions more than anything.



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Campaign Example 3 – Fortune 100 Company

A Fortune 100 company and clear industry leader who has been, and still is, running several campaigns on the ValueClick Media network has also been able to lower acquisition costs as a result of excellent retargeting programs. One portion of a campaign in particular saw a 450 percent lift in conversions when comparing the retargeting component to the run of network component. While the campaign itself included several additional portions, the run of network and retargeting components each included over a million impressions, clearly making the data statistically relevant and demonstrating the value of retargeting.

Campaign Example 4 – Tax Services

TaxBrain, one of the largest online tax preparation centers in the U.S., ran a pure retargeting campaign on the ValueClick Media network from December 7, 2007 to April 15, 2008 in an effort to drive an increase in signups for their online tax preparation and filing services. While the campaign saw solid performance from its inception, the CPM rate was increased by 75 percent on January 25 to ensure even better ad placement across the network to further improve performance. As a result, the click-through rate increased noticeably, underlining the importance of finding the optimal CPM rate – not just going for the lowest possible. The campaign was not set up to track conversions, but TaxBrain reported excellent results in terms of signups.

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Campaign Example 5 – Retail

A large online retailer is running a highly successful and interesting campaign across the ValueClick Media network where retargeting pixels are placed on three different pages of the retailer's site in order to target users with different creative based on how much is known about those individuals and where they are in the shopping process. As Table 1 shows, pixels were placed on the home page, the shopping cart page and the conversion "thank you" page of the site. A conversion in this campaign was defined as making a purchase of any item.

What the table does not show is that the conversion rate was already very high for the ads retargeted at users who had previously visited the home page (Retargeting 1), so it is especially interesting that the conversion rate was noticeably higher for the ads retargeted at users who had added something to the shopping cart (Retargeting 2). As those individuals were obviously familiar with the retailer and some of its products, "10% off your next purchase" messages were highly successful in driving them back to the site to complete a purchase. Not unexpectedly, the conversion rate was especially high for the portion of the campaign that was based on pixels on the conversion "thank you" page (Retargeting 3) as those customers were motivated to return by discount offers.

In addition to the excellent conversion rates, the eCPA was also very impressive for this campaign. Even for the portion with the highest eCPA (Retargeting 1), the eCPA was still within the retailer's desired range, and it dropped dramatically down to almost only a tenth of that for the portion that retargeted customers who had already made a purchase (Retargeting 3).

Table 1: Retail Campaign Example

Campaign Portion	Pixel Placement	Impressions	CTR	CR	eCPA
Retargeting 1	Home page	9,760,397	X	Y	Z
Retargeting 2	Shopping cart page	5,396,399	0.83X	1.51Y	0.80Z
Retargeting 3	Conversion page	446,212	0.97X	10.05Y	0.11Z

CTR = Click-Through Rate

CR = Conversion Rate (Clicks)

eCPA = effective Cost Per Action

Not only does this example show that basic site retargeting is a powerful tactic, it clearly demonstrates the value of an even more thorough approach where pixels are placed deeper within the site to retarget consumers based on exactly where they are in the shopping process.



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Retargeting: When to Use It

Retargeting tends to outperform all other targeting options available to online marketers as the visitors targeted are already engaged with the marketer's brand by the time they are served an ad. Other forms of behavioral targeting tend to operate at the broader category level (Consumer Electronics/Flat Screen TV), while retargeting focuses on the specific manufacturer or retailer who can provide a product or service relevant to the visitor's interest.

Retargeting can also be combined with other forms of targeting such as geographic targeting. For many businesses serving specific geographic regions, this enables them to reach interested visitors to whom they can ship their product.

Because the eligible audience for retargeting is necessarily a very small percent of all online visitors, it is more useful to supplement retargeting campaigns with awareness targeting to visitors who have not yet been to your site. This ensures a steady stream of first-time visitors with whom the marketer has the ability to begin the engagement process.

Regargeting: Looking Ahead

While retargeting has been around for many years, there are some new capabilities just beginning to be offered to online marketers. The first of these is the capability to capture historical transaction data from a CRM database and incorporate this into segmenting an online retargeting campaign. Although all businesses want more customers, not all customers are equally profitable. By offering different discounts and enticements to loyal customers, marketers can ensure that they win back these visitors next purchase.

In a similar vein, until recently, the pixel collection has tended to capture information at the event level (a conversion or subscription event). With the availability of more robust tagging choices, marketers can now remarket to customers purchasing specific product categories, specific product SKUs, and/or price points.



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Conclusion

Most marketers recognize the value of re-engaging an audience that has already connected with the brand or product(s) promoted by a marketer, and retargeting has therefore become a highly popular tactic. While a relatively basic solution compared to the more complex behavioral targeting approaches, retargeting is an extremely powerful technique that consistently drives performance, as evidenced by the examples presented in this white paper as well as countless other campaigns. Although click-through rates improve to a certain degree, the real attraction is the phenomenal lift in conversions.

As illustrated in this white paper:

- One of the fastest growing wireless services in the U.S. saw 16 times higher conversion rates for a retargeting portion compared to a run of network portion of its campaign
- A major hotel chain booked over 2,000 hotel rooms in less than a month using retargeting
- A Fortune 100 company saw a 450 percent lift in conversions when comparing the retargeting component of its campaign to the run of network portion
- One of the largest online tax preparation centers in the U.S. showed that allowing an increased CPM rate for retargeting leads to even stronger performance
- A large online retailer demonstrated the value of placing tags on different pages within the site, resulting in impressive conversion rates and low eCPAs for the entire campaign

Regardless of size, objective, and industry, any marketer can take advantage of this proven tactic. Whether a marketer wants to retarget users based on visits to web pages, exposure to creative or searches on the web, there are three main success factors that must be considered.

In addition to evaluating the various retargeting types available, marketers must also understand the different types of vendors offering the solution. Going back to the success factors, the ability to deliver retargeting at scale is critical, which is not something all vendors have. Savvy marketers also understand the value of working with partners that have enough experience with the media they represent and that they can see consumers often enough.



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About ValueClick Media

ValueClick Media is one of the world's largest and most effective performance advertising networks. Offering innovative solutions to advertisers through its advanced display and lead generation platforms, ValueClick Media leverages its global reach, extensive targeting capabilities and market-leading optimization technology to accomplish any online marketing objective. For publishers, ValueClick Media offers comprehensive solutions to earn the highest revenue for their available advertising inventory. Underlying all of ValueClick Media's solutions is an experienced and passionate team dedicated to helping advertisers and publishers achieve online advertising results.

30699 Russell Ranch Road, Suite 250, Westlake Village, CA 91362, 818.575.4500, valueclickmedia.com

About Precision Retargeting™

Precision Retargeting™ presents relevant messages directly to consumers who have previously demonstrated interest in a product or service. When consumers visit an advertiser's site, ValueClick Media anonymously identifies each visitor and records their interaction, such as viewing a particular page or reaching a certain point in the purchase process. Later, as those individuals visit any of the over 13,500 sites in the ValueClick Media network, highly targeted creative is displayed, increasing the likelihood of the person returning to complete a purchase or other desired action.