

A Faster Pace For Retail Paid Search

Real-Time Insights Are Critical To
Competitive Advantage

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Executive Summary

In the age of the customer, companies must proactively shift to rapidly changing consumer demands in order to build relationships that will differentiate them from competitors. Retailers, in particular, face much market volatility brought about by empowered consumers who shop via multiple platforms and have very fickle needs that can change at the drop of a tweet or competitor move.

In June 2014, Google commissioned Forrester Consulting to study how retailers were using real-time data and insights as part of their paid search marketing programs.

Our study consisted of online surveys with 240 US retailers and five in-depth interviews. Study participants were all decision-makers over their firm's paid search marketing programs.

KEY FINDINGS

Our study uncovered the following key findings:

- › **Retail search marketers feel their search programs are “good enough.”** Study participants reflected an air of complacency with their search marketing programs. More than three-quarters of retail search marketers in our study feel their search programs are already effective in accomplishing any of a number of top marketing goals.
- › **But “good enough” won't help retailers become customer-obsessed.** Forrester believes that context is critical to creating relevant customer experiences. And the response times reported in this study allow for too much lag. Nearly half of our sample reported that it takes days or longer to respond to unexpected market shifts. Nearly two-thirds find that it takes days or longer to plan for expected events. And only 20% of retailers have access to click and conversion data in real time.
- › **Automation can help.** Technology can help retailers access data faster, offload operational hassle, and enable program scale.

Retail Success Requires Customer Obsession

Welcome to the age of the customer, where customers want to get things faster, better, cheaper, and with a higher degree of service.¹ Layer on top of that the notion that the low cost of technology makes it easy for companies to replicate peers' innovations. In this reality, the *only* sustainable competitive advantage is knowledge of and engagement with customers.

"Customer engagement" now must happen across platforms and in myriad locations and social settings. Your customers have different needs when with friends or in foreign locations than they do when solo or at home. And user context can change rapidly. For example, an unexpected cold snap in the south adjusts the immediate needs of residents expecting a milder climate.

Companies have always, to a greater or lesser extent, called themselves "customer-centric." But firms that are unable to respond to user context flub the chance to engage customers in their moment of immediate need.

Future competitive strategy is not about customer-centric thinking or maintaining that "the customer is always right." Instead, the new power of customers means becoming customer-obsessed: orienting your firm around customer needs and context matters *more than any other strategic imperative*.

Retail Search Marketers Are Not Prepared For Contextual Marketing

Customer obsession is a corporate-wide shift in philosophy that starts at the program level. For this particular study, we wanted to see how well retailers applied customer-obsessed approaches — like using real-time data to understand customers, create more targeted ads, and respond to changing market needs — in order to differentiate from competitors.

RETAILERS FIND THEIR SEARCH PROGRAMS ADEQUATE

We surveyed 240 veteran retailers of varied sizes who are experienced with search (see Figure 9). "Good enough" characterizes the attitude of most respondents to their current paid search programs. One retailer we interviewed summed up the overall point of view of study participants: "There's room for improvement [with my program], but it works well."

Survey data shows us that retailers think that their search programs:

- › **Work to drive sales.** Sixty-three percent of retailers consider driving sales to be one of their top three goals for paid search. And 84% of those who chose "drive sales" as a key goal feel their programs are either effective or very effective in this pursuit (see Figure 1). In fact, more than three-quarters of respondents said their paid search marketing programs are effective for any of the top seven goals selected.
- › **Respond to market events "quick enough."** Most retailers in this study believe their response times to both unexpected (72%) and expected (75%) events to be either quick or extremely quick (see Figure 2).
- › **Leverage insights reasonably well.** Study participants are also comfortable with how well they use customer insights to accommodate key competitive needs like responding to planned events, adjusting to a new store location, or completely representing all available products in paid search media (see Figure 3).

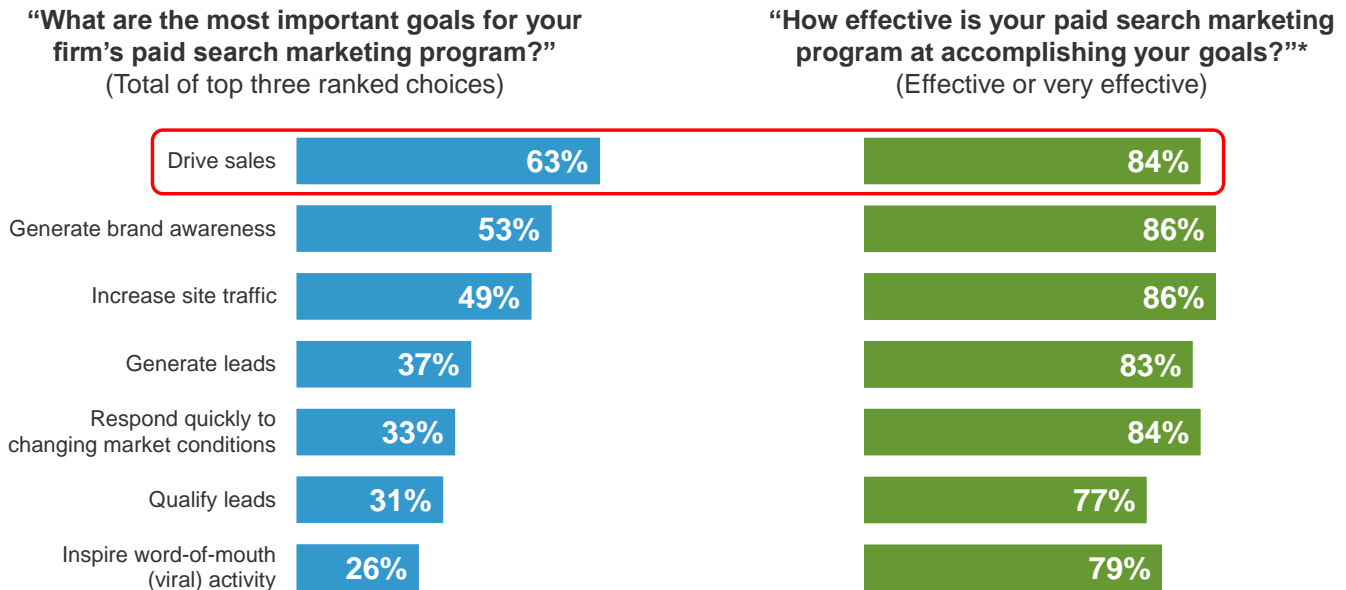
RESPONSE TIMES ARE NOT FAST ENOUGH FOR CUSTOMER OBSESSION

But campaigns that rely on data that is several days or weeks old do not keep pace with empowered consumer demand. Nor are they adequate to manage responses to changing market events. Clothing retailers may have New York Fashion week on their calendar. But if they can't respond to demand for new styles born of the event, they miss potential sales. Or, retailers who can't react to negative sentiment lose brand credibility and can risk market share.

Can you use paid search to take immediate action to these types of situations? If you are like most respondents in this study, your answer here is "no." Most survey takers cannot:

FIGURE 1

Retail Marketers Think Their Paid Search Marketing Programs Are Effective



Base: 240 retail search decision-makers

*Base: Retail search decision-makers who ranked as goal

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

- › **Plan in a few hours or less.** Sixty-four percent of retailers take days or longer to plan for expected market events such as Black Friday or seasonal inventory adjustments (see Figure 4). And only 9% can respond in minutes to sudden circumstances.
- › **Update data in real time.** Only 20% of retailers have access to click and conversion data in real time, and over half do not see data updated for a week or longer.
- › **Access data immediately.** Even after data is imported, 78% are unable to gain immediate access to it. And nearly half need to wait a day or longer to use this data for their ad strategy and bids. A marketing manager from one US retailer we interviewed lamented that it can take two days to access the data needed to react to immediate events like changes in the weather.
- › **Merchandise most of their inventory.** Retailers in this study only represent about half of their inventory on paid search ad programs (see Figure 5). Many know that this misses sales opportunities. But they can't afford to represent more of their products. One retailer we spoke

with explained, "I'm sure there are quick wins to be had. But we don't have the experience or manpower needed to chase everything."

Automation Can Help

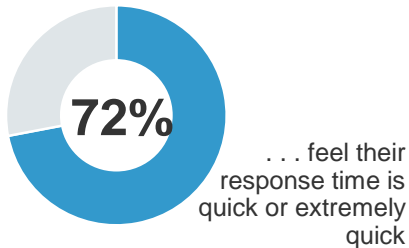
Retailers in this study know that there is value in accounting for market changes more dynamically in their paid search programs (see Figure 6). But as the immediately preceding quote illustrates, many don't feel they have the time, budget, or staff resources to speed up their processes and response times (see Figure 7). Interviewees could see technology providing needed support. In the words of one interviewee: "It would be nice to have a bidding system that uses more data inputs in order to expose products that may not have been historically successful but are valuable to the brand." Indeed, automation can help because it:

FIGURE 2

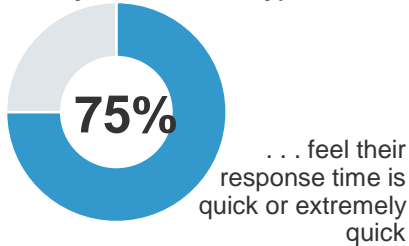
Retailers Report Quick Response Times To Expected And Unexpected Events

“How quick or slow do you feel your response time is to . . .”

Unexpected market events
(e.g., competitor moves, natural disasters, economic shifts)



Expected market events
(e.g., seasonal inventory adjustments, tax holidays, Black Friday)



Base: 240 retail search decision-makers

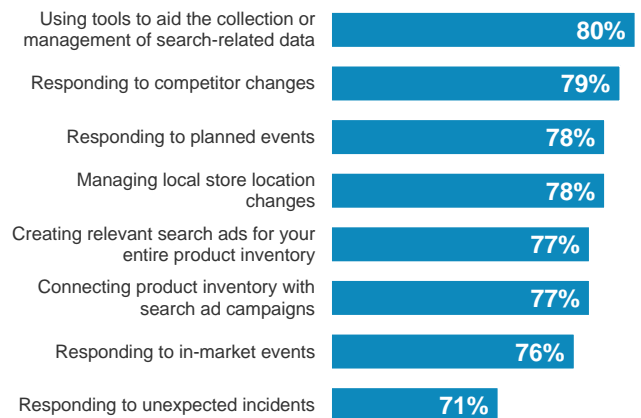
Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

- › **Supports retailers' greatest challenges.** The top influences over study participants' ability to respond more quickly to market changes include data quality, data access, and data collection tools and processes — all areas where technology can help.²
- › **Offloads operational hassles.** One retailer we spoke with reminded us that many merchants simply don't have the resources to do any more than they already are. In his words, “I have so many demands on my time, managing for something unexpected isn't convenient for me.” The right technology can free up time by managing search program mechanics. When one agency moved the setup of 8,000 campaigns to an ad management platform, it opened up weeks' worth of man-hours for other efforts.

FIGURE 3

Retailers Think That They Leverage Insights Into Paid Search Well

“How well can you accomplish each of the following tasks related to responding to key customer or market insights in your paid search marketing programs?”
(Well or very well)



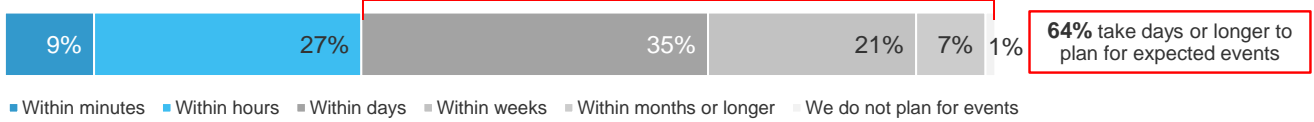
Base: 240 retail search decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

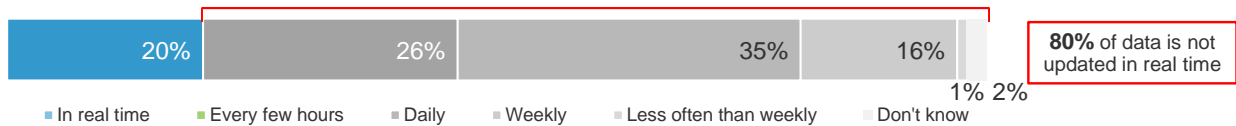
- › **Enables scale.** Nearly three-quarters of retailers in this study manage paid search programs through a combination of manual and automated effort (see Figure 8). As one interviewee explained, this makes it possible to set up ad copy for expected events in advance for a limited quantity of ads. But a more comprehensive use of automation can adjust ad copy, offers, and bids across a complete search program of any volume of keywords. One agency was able to reset 150 campaigns and 4,000 keyword ad groups in less than an hour in response to actual demand on Black Friday and Cyber Monday.

FIGURE 4
Response Times Are Not At All Immediate

“How long does it typically take to plan for expected market events (like seasonal inventory adjustments, tax holidays, and Black Friday)?”



■ Within minutes ■ Within hours ■ Within days ■ Within weeks ■ Within months or longer ■ We do not plan for events



■ In real time ■ Every few hours ■ Daily ■ Weekly ■ Less often than weekly ■ Don't know

“How soon after the data is imported into your system is it usable for you in your ad strategy and bids?”



■ Immediately ■ Within a few hours ■ Within the day ■ Within the week ■ Not for more than a week

Base: 240 retail search decision-makers

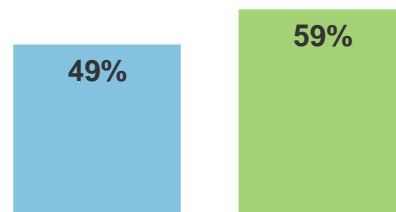
Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

“It would be nice to have a bidding system that uses more data inputs in order to expose products that may not have been historically successful but are valuable to the brand.”

— Digital marketing manager at a major US retailer

FIGURE 5
Retailers Only Represent Half Of Their Product Inventory In Search Ads

“How much of your product inventory . . .



■ Is currently represented ■ Would ideally be represented

. . . in paid search ad programs?”

Base: 221 retail search decision-makers who were able to give an answer

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

FIGURE 6
Faster Response Brings Positive Outcomes



Base: 240 retail search decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

FIGURE 7
Several Factors Limit Retailer Search Effectiveness

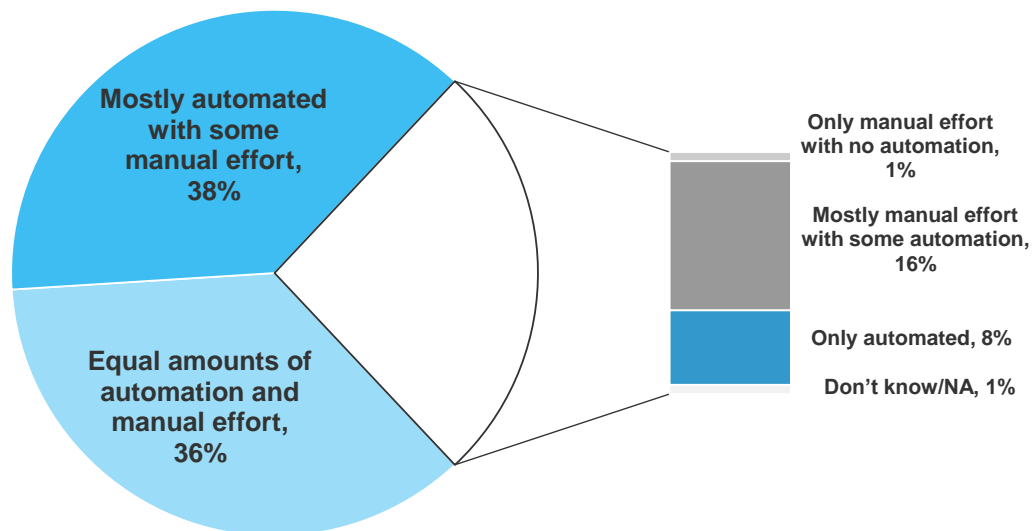


Base: 240 retail search decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

FIGURE 8
Most Marketers Rely On A Blend Of Manual And Automated Processes

“Which of the following best describes your process for getting insights that are critical to your paid search ad strategy and bids out of data in your ad management system?”



Base: 240 retail search decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

Key Recommendations

Leveraging real-time insights into your search programs will require a different approach to paid search efforts for most retailers. Here are a few ways to reset current thinking:

- › **Spend on technology as an innovation center, not for cost savings.** Companies have historically pursued cost savings to justify spending on technology hardware, software, and services. But in the age of the customer, customer-obsessed enterprises will justify technology expenditures through improvements in customer experience and revenue growth. The resulting agenda will employ new metrics like “customers created per technology dollars spent” to sustain focus on the company’s customer goals.³
- › **Innovate with affinity data.** Forrester’s research finds that the most advanced digital marketers demonstrate two overt practices that less mature firms do not: 1) They invest in innovation; that is, they earmark dollars to test emerging capabilities and 2) they collect data about user context (where I am and who I am with) and affinity (what do I like or whom do I feel connected to) as well as behavioral (what I’ve clicked on) and demographic (how old I am and where I live) data. This means that today’s retailers who focus their efforts only on tried-and-true search efforts based on keywords searched, ads clicked, and anomalies in these behaviors will be bested by the firms willing to invest in collecting the contextual cues needed to create engaging customer relationships.
- › **Prioritize quantitative skill development.** Search marketers need statisticians to instate principles for collecting, preparing, and analyzing data. This needn’t mean costly new hires. One insurance company couldn’t add headcount to its search marketing team, so it hired external statisticians to train current search marketers on the quantitative skills they needed to draw insight from the data. And agencies have bolstered their data savvy through acquisitions and partnerships as well to better support search marketers’ advanced needs.⁴

Appendix A: Methodology

In this study, Forrester conducted an online survey of 240 marketers in the retail industry among 200-employee or larger organizations in the United States, France, Germany, Italy, and the United Kingdom to evaluate their paid search marketing programs. Survey participants included decision-makers in paid search marketing. Questions provided to the participants asked about ability to access and utilize search data in real time and their ability to respond to market events. Forrester also conducted five in-depth interviews of the same audience. Interview respondents were offered highlights of this study as a thank you for their time. The study began in May 2014 and was completed in July 2014.

Appendix B: Supplemental Material

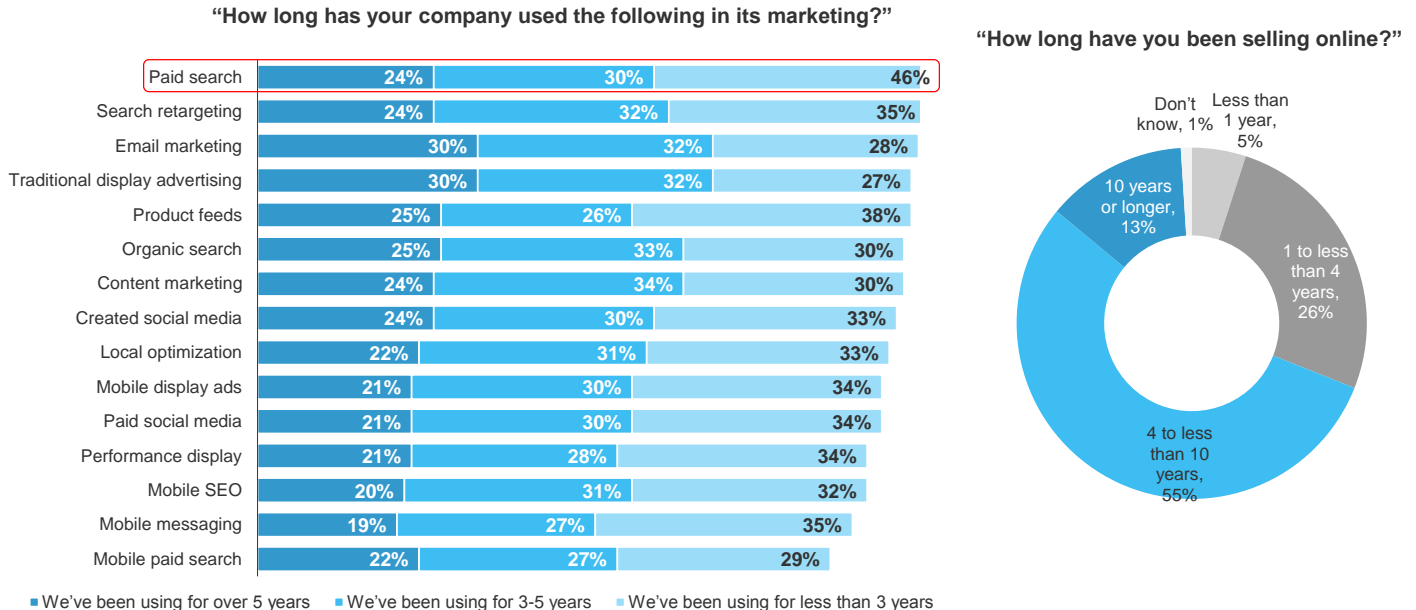
RELATED FORRESTER RESEARCH

"The Power Of Customer Context," Forrester Research, Inc., April 14, 2014

Appendix C: Demographics

FIGURE 9

Retailers Surveyed In This Study Have Many Years Of Experience And Come From Companies Employing A Wide Variety Of Marketing Practices



Base: 240 retail search decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Google DoubleClick, June 2014

Appendix D: Endnotes

¹ Only customer-obsessed enterprises can survive digital disruption. Source: “Competitive Strategy In The Age Of The Customer,” Forrester Research, Inc., October 10, 2013.

² Technology has long been a support for data collection, management, and marketing processes. Source: “Eight Marketing Technologies That Enable Customer Centricity,” Forrester Research, Inc., June 5, 2007.

³ Contextual marketing changes the role of the campaign; now it must spark the interaction cycle. New measures of success must be aligned to the value exchange between brands and customers. Source: “The Power Of Customer Context,” Forrester Research, Inc., April 14, 2014.

⁴ Search marketing consultant Bruce Clay finds that “many search marketers fail to understand the difference between data and wisdom.” We agree. The way around this is to make search marketing a customer intelligence priority. Source: “Search Marketing Metrics Are Too Much And Not Enough,” Forrester Research, Inc., July 24, 2013.