



Overview

The need

PETCO sought an innovative advertising solution that could enable intelligent targeting based on customer segment and, as a result, dramatically increase the effectiveness of ads delivered.

The solution

IBM Coremetrics Web Analytics and IBM Coremetrics AdTarget software and behavioral targeting help from [x+1], an IBM Coremetrics Connect partner, enabled PETCO to create highly relevant display ads.

The benefit

PETCO doubled its coupon redemption rate, and half of buyers attracted by the ads were new to petco.com. Orders for products that tied to the display ads were proved for every segment in the campaign.

Personalized ads slash cost per order and attract new customers at PETCO

PETCO is a privately held specialty retailer that provides products, services and advice that make it easier for customers to be great pet parents. The company operates more than 1,000 stores in 50 states and the District of Columbia as well as a leading pet products and information destination at www.petco.com.

Most shoppers ignore the barrage of ads they're hit with every time they surf the web. So online marketers are struggling with how to make their ads stand out. Innovative companies such as PETCO have figured it out: personalizing ads based on customer behavior attracts new customers and cuts advertising costs.

Challenge

PETCO is at the forefront of applying personalization to improve the shopping experience and increase return on investment. For more than five years, the company has worked with IBM Coremetrics® solutions to capture detailed product and visitor data that provides insight into buying behavior.

That data has helped PETCO marketers personalize many customer interactions. For example, marketers draw on geographic data to inform site visitors of new store openings. On the home page and in email campaigns, they have presented dog lovers with specials on canine products and bird enthusiasts with offers for avian supplies. They retarget people who browse but don't buy with email containing highly relevant content and offers.



“The Coremetrics and [x+1] partnership has given us a means of reaching our customers more effectively and engaging them in a personal dialogue that creates a better shopping experience for them and a lower cost per order for PETCO.”

—Web analyst, petco.com

Results summary

- Coupon redemption rate in stores was two times the highest rate achieved in previous campaigns.
 - Two-thirds of all bird accessory orders were tied to personalized ads.
 - Bird accessory cost per order was 64 percent lower than average cost per order.
 - Orders with products that tied directly to the content served in display ads were proved for every segment used in the campaign.
 - More than half of buyers attracted by the ads were new to petco.com.
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The company had invested in banner ads in the past but halted the program because of concerns about underperformance. The introduction of IBM Coremetrics AdTarget software, however, caught the attention of PETCO marketers. They recognized that this sophisticated advertising solution would enable intelligent targeting based on customer segment and, as a result, drive up the effectiveness of the ads served.

Fast, easy implementation

Launching Coremetrics AdTarget software was simple and straightforward because the solution leveraged the tagging that PETCO already had in place for IBM Coremetrics Web Analytics software and other components of the IBM Coremetrics Continuous Optimization Platform system.

PETCO also teamed up with behavioral targeting firm [x+1], an IBM Coremetrics Connect certified partner. Tight integration between the two partner solutions allows marketers to segment customers based on robust data captured by Coremetrics software and then syndicate that data to [x+1], which serves up highly relevant display ads to petco.com visitors as they browse other Internet sites.

Coupon redemption rate doubled

Initially, PETCO kept ad campaigns simple. This approach allowed marketers to gain experience and work through the details of serving up ads through [x+1]. The first campaign used geographic targeting to encourage enrollment in the company’s mobile grooming programs in Los Angeles and San Francisco.

A follow-on campaign was branding focused, introducing new Los Angeles and San Francisco PETCO stores as *the* location for natural and organic pet foods. That campaign drove a coupon redemption rate in the stores that was more than double the highest rate achieved in any previous campaign.

Segmentation delivers dramatic results

In the next phase, marketers segmented customers based on specific merchandising categories, such as *dog containment*, *dog training*, *aquariums* and *bird accessories*. Coremetrics automatically syndicated the segments to [x+1], which delivered ads with segment-specific messaging. *Bird* term searchers, for example, were presented with ads for a discount on bird cages.

Solution components

Software

- IBM Coremetrics AdTarget
 - IBM Coremetrics Web Analytics
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In every segment, the data showed that people were buying items for which they had been targeted, indicating that [x+1] algorithms are successfully finding the right audiences and the intelligent targeting strategy is working. The number of orders with products tied directly to display ad content was quantifiable across all categories.

Personalization was especially beneficial in tightly focused segments such as *bird accessories*. For that segment, more than two-thirds of the orders were tied to the ads served. What's more, the cost per order was 64 percent lower than the average cost per order.

Personalized ads are also helping drive the corporate goal of attracting new customers. More than half of buyers attracted by the ads were new to petco.com.

The financial returns have been gratifying. With this highly personalized approach, the company can place fewer ads while helping ensure that ads are delivered to people who are likely to buy. Consequently, PETCO's return on ad spend has increased, and cost per order has dropped.

For more information

To learn more about IBM Coremetrics solutions, contact your IBM sales representative or IBM Business Partner, or visit: ibm.com/software/info/coremetrics



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Global Services
Route 100
Somers, NY 10589

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