

Customizing Display Ads to Shopping Behavior



AN INTERVIEW WITH:

Cheryl Kellond
Senior Vice President, Advertising Business, ChoiceStream
February 17, 2009

ChoiceStream provides a fully hosted personalization service to retailers. The company delivers personalized product recommendations to a customer on the retailer's Website, based on that customer's past shopping behavior on that site. ChoiceStream has recently debuted a new service in which it analyzes consumer shopping behavior on the retailer's site. It then delivers personalized display ads to the customer wherever the retailer has purchased media online.

Cheryl Kellond recently joined ChoiceStream as the senior vice president of advertising business. Previously, she was vice president of advertiser product marketing at Yahoo!, where she drove product strategy for search, display and video advertising, including Yahoo!'s targeting and dynamic advertising initiatives. Under her leadership, Yahoo! helped develop the new Interactive Advertising Bureau standard video ad formats, and she drove the acquisition of Maven Networks.

Ms. Kellond spoke with eMarketer about ChoiceStream's new service and the advantages of personalized display ads for retailers.

eMarketer: Are the personal ads based on shopping behavior data that occurs only on the advertiser's site, or does it include behavior on other sites?

Cheryl Kellond: Right now, our primary focus is behavior on the advertiser's site and profiling what their consumers do—understanding what an individual consumer is most likely to be in the market for now, or most likely, to be in the market for next, based on their shopping behavior.

eMarketer: So would you characterize this as primarily a customer-retention service rather than a customer-acquisition tool?

“Personalized ads are about retention and building loyalty. [A]dvertisers now... [a]re more focused on going after customers they have some brand affinity with.”

Ms. Kellond: Personalized ads are about retention and building loyalty. What we’re seeing with advertisers now is where they’re more focused on going after the consumers that they have some brand affinity with. All the investments retailers have made in the past in search and brand marketing, they’re now trying to reap the benefits of going forward in these tough economic times.

eMarketer: Are the personalized ads based on the individual’s shopping data only, or are they also on the past behavior of similar users?

Ms. Kellond: Both. We look at the individual’s shopping behavior, but then we look at what other users did next who had similar patterns in their behavior. The third piece is, what future purchase events did certain product views and product purchases trigger? Those three pieces come together to allow us to predict what’s most likely to be bought next.

eMarketer: Now, if I’m a retailer and I’m already using ChoiceStream’s product recommendations on my Website, why would I also want to show my customers’ recommendations via display ads on other sites?

Ms. Kellond: Site personalization allows the retailer to really generate a sale once someone’s already at their site. What the personalized ads do [on other sites] is bring past visitors and past consumers back to the site for new purchases. So it’s really about generating that next sale and pulling people back to the site.

eMarketer: So perhaps then a person has visited a retailer’s Website, shown an interest in a particular type of product and then maybe the retailer, two months later, has received new products that they feel that consumer might be interested in buying if they only knew about them. Is that the idea?

Ms. Kellond: Exactly. It does one of two things. If the consumer is in market for that product, it predicts what they would want next, and the advertiser captures that purchase opportunity from the consumer instead of letting that consumer go to a competitor’s site. If we can predict what that consumer will want next, it also allows the advertiser to create a brand new opportunity with that consumer and trigger the aha moment: “That is what I would have wanted and would be looking for.” So it captures every purchase opportunity out there plus it creates new ones.

eMarketer: Is there any difference in the recommendations you would show to a person in a display ad versus the ones they see on the retailer’s Website? In other words, does the medium affect the message?

Ms. Kellond: [It] absolutely does, and that’s one of the tricky pieces of this. The kind of recommendations that you want to hone down to in an ad to capture a user’s attention and get them to click on the ad are oftentimes different from the ones that are gonna push them over the threshold to purchase. So while we’re personalizing the recommendations, we’re able to optimize the ones that appear in the ad, as well as the additional ones that appear on the landing page, to really fully control that engagement and then purchase.

eMarketer: Couldn’t you do the same thing by delivering personal recommendations through a promotional e-mail?

“E-mail is part of our site personalization product. The two ad formats are really used in parallel.”

Ms. Kellond: Very good question. E-mail is part of our site personalization product. The two ad formats are really used in parallel. If we see how an advertiser’s consumers are sort of parsed out, you’ve got the core group of most loyal consumers, for whom they will have an e-mail address because the consumer has purchased with them before. They’ve shared their e-mail address and want to receive those e-mails.

There’s a border group of consumers that have a brand affinity for the advertiser but that you can’t reach via e-mail, and then there’s the folks who have never responded to anything before and are more in the realm of prospecting. When you’re dealing with the core users that you’ve seen before, you want to hit them with the most effective total combination of ads and offers that you possibly can. So in those environments, e-mail used in conjunction with display banner ads [is] also very effective.

eMarketer: I know from my personal experience that I might not click on an e-mail, especially during the holiday season when I’m getting so many. But I think a display ad is more difficult to ignore.

Ms. Kellond: Bingo. There are so many e-mails that sit in my inbox that I never open. But you have the combination of seeing the advertiser’s name there and then seeing a display ad that contains those same very personalized recommendations. You can’t miss it.

eMarketer: Do you think there are some product categories where product recommendations do not work as well as in other categories? For example, apparel, where a purchase may be based on subjective or emotional considerations.

Ms. Kellond: I think personalized recommendations are going to work well wherever there is a large catalog of product, and where potential for repurchase or next purchase is great. So I think apparel is a place that personalized recommendations would work very well, because there are attributes of those products that over time become similar. Whether they’re attributes of things I personally like, or people that purchase things like me also like, that really fuel that predictive engine. And I’m sure there’s other categories of retail where it’s not a frequent repurchase. What wouldn’t be a good category? One example might be orthopedic shoes that you purchase once a year and they’re all brown.

eMarketer: Is there much of a problem with consumer fear over invasion of privacy, or do consumers feel the benefits outweigh any drawbacks?

“In a survey we did, we found that the better consumers, the more affluent consumers, purchase more and are even more receptive to personalization.”

Ms. Kellond: Most Web consumers are pretty savvy that what they’re doing is being monitored, but if it’s used to provide them more relevance and a better shopping experience, they embrace it. In a survey we did, we found that the better consumers, the more affluent consumers, purchase more and are even more receptive to personalization.

eMarketer: On the other hand, I recall an article where somebody’s husband, prior to Valentine’s Day, used the computer to shop for some jewelry for his wife. His wife went on the computer later and then saw an ad for jewelry and then gathered from that somehow that her husband was shopping for jewelry. They got upset because it

spoiled the surprise. Is that an example of how maybe knowing too much about somebody can backfire?

Ms. Kellond: Or, it's a great case of where she could have taken that [experience] and picked the actual jewelry [she] wanted, added it to her wish list and forwarded it to her husband. Then personalization would have really paid off for her.

The reason those types of situations happen is because we are respecting consumers' privacy. We don't collect any personally identifiable information. It's an anonymous cookie associated with the consumer's browser. So there will definitely be some tripping points. But given how much information consumers have to sort through, any help sorting through the clutter is very welcome to them.