January 21, 2010

MarketingExperiments Journal

Maximize your Agency ROI: How adding science to the creative process reveals a 26% gain

We'll explore how to use a scientific method to help you choose creative.

If these three email messages came across your desk, what would you notice about them? What do they have in common? How are they different?

First you might notice the aesthetic design of each. Then you might consider that these email messages are all professionally designed. Maybe then you would start hoping that one day your own marketing campaigns might look as slick as these do and fade into the "what I would do with a larger marketing budget" trance.

No matter how you view these email messages, we might all agree that these are typical emails that we see day in and day out from big brands that spend thousands of dollars to create designs like this. Each of these email messages was created by top-of-the-line design companies and agencies and would have represented a significant investment for most email marketers.

In fact, in the few moments it took you to read the above paragraph, your agency likely charged you a few dollars for creative time. Multiply that by the hours and (billable) hours your agencies spend on producing creative for your marketing campaigns, and the result is quite a significant investment in creative billings (and we haven't even started counting markups yet).

Yet, many marketers have no set way to judge the value of this investment in the actual marketplace. Some organizations use focus groups (which begs the question…does your real-world customer really put that much thinking into the color of your logo?), but many likely just use intuition, a hunch, or flat out personal preference.

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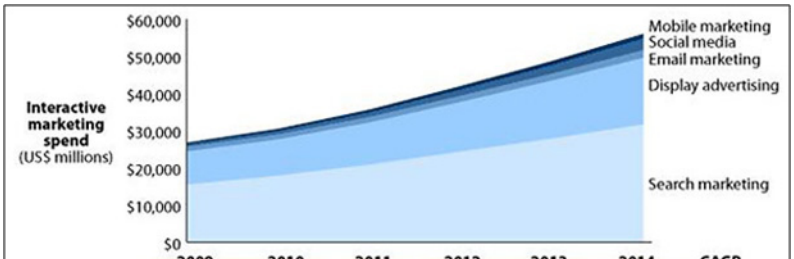
In this issue of *MarketingExperiments Journal*, we'll explore how to use a scientific method to help you choose creative. We partnered with ExactTaget, a leading global provider of on-demand email and one-to-one marketing solutions, to run a series of tests that pulled some of the best design agencies in and tested their creative against one another for three clients – AAA, MarketingExperiments, and Pier 1 Imports.

Interactive marketing spending on the rise:

While in the past, interactive marketing may have been viewed as a novelty or series of pilot projects, its explosive growth has increasingly made its use central to the success of many marketing plans.

As you can see in this research from Forrester, in just a few short years more than one in five marketing dollars will go towards interactive marketing:

We ran a series of scientific tests and polls that pitted email redesigns from three agencies against the control in-house email campaign.



	2009	2010	2011	2012	2013	2014	CAGR
Mobile marketing	$391	$561	$748	$950	$1,131	$1,274	27%
Social media	$716	$935	$1,217	$1,649	$2,254	$3,113	34%
Email marketing	$1,248	$1,355	$1,504	$1,676	$1,867	$2,081	11%
Display advertising	$7,829	$8,395	$9,846	$11,732	$14,339	$16,900	17%
Search marketing	$15,393	$17,765	$20,763	$24,299	$27,786	$31,588	15%
Total	**$25,577**	**$29,012**	**$34,077**	**$40,306**	**$47,378**	**$54,956**	17%
Percent of all ad spend	12%	13%	15%	17%	19%	21%	

Source: Forrester's Interactive Advertising Models, 4/09 and 10/08 (US only)

47730 Source: Forrester Research, Inc.

Far from a pet experiment, interactive marketing is becoming the driver for many marketing plans…or at the very least a significant support element. As the term interactive suggests, you also need to listen to the reaction to your creative executions, not just send messages into the ether and expect them to resonate.

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And the best way to listen is to test your marketing. In this way, you're getting real-world responses and understanding how your target audience really interacts with your creative. And by allocating a small percentage of those billions in the chart above to continuous testing and optimization, you create a low-cost catalyst that amplifies the ROI from your ad spend.

To understand why and how testing can help your creative selection process, we're going to zoom in and just focus on email (a $1.355 billion spend in 2010) for this issue of *MarketingExperiments Journal*. But, please keep in mind that the principles we discuss can be applied to any form of marketing.

EXPERIMENTATION

As we will see in the following three experiments, it is not just enough to hire a professional agency and have them design your emails. Sometimes the "best" in terms of design is not the "best" in terms of results. In this issue, we will show you how to make sure you are getting results for all of your marketing spend.

The following experiments are from the ExactTarget Email Design Competition in which MarketingExperiments served as the judge. We ran a series of scientific tests and polls that pitted email redesigns from three agencies against the control in-house email campaign. Then we polled both live and webinar audiences to find out what they thought the results would be. We found that often the marketer's intuition used in the polls was not able to identify the real-world performance winners discovered in our scientific tests.

These experiments were set up, tracked, and monitored by our own in-house team of researchers. The first experiment was conducted with AAA…

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Experiment 1:

Experiment ID: *AAA*
Location: MarketingExperiments Research Library
Test Protocol Number: A-TP1000

Research Notes:

Background: AAA is a well-known B2C company offering memberships for road-side service products along with other promotional discounts
Goal: To increase the amount of clicks from the email to the landing page
Primary research question: Which email design will generate the most clickthroughs?
Approach: A/B/C/D multi-factorial split test

Designs:

Control

The original email was being sent to current members whose subscription was going to end within 30 days. It is image heavy, but includes a single “Click to Renew” call to action.

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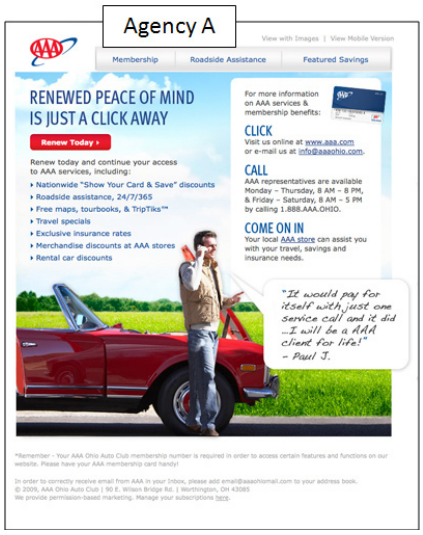
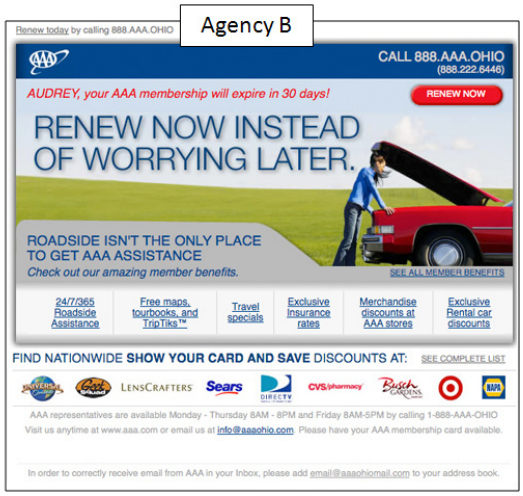
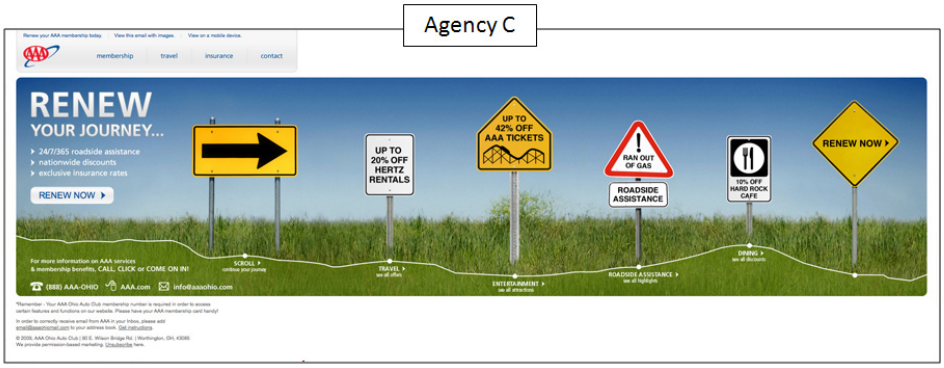
Designs by Agency A and Agency B used similar imagery as the control (broken-down red car). Agency A tried a heavier-copy version, while Agency B kept to few words and shifted to a more horizontal eye-path with the stated benefits. Both redesigns drew attention to the call to action with a red button and placed above the fold.





Agency C attempted a radical redesign of the email. Instead of taking a normal vertical scrolling approach to an email message, it designed an email that scrolled to the right. As you can see, the dotted red line illustrates what would normally be seen by an email window.

It would have been easy for Agency C's design to be disregarded due to its unconventional design, and yet it out-performed the rest.



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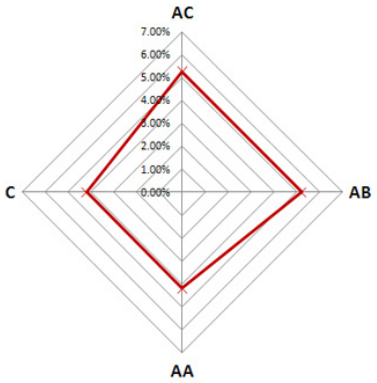
Results:

26% Increase in Clickthrough

Agency C's design increased clicks by 25.6%

AAA Email Designs		
Email Designs	CTR	Rel. Diff
Control	4.18%	-
Agency A	4.18%	-
Agency B	5.2%	24.4%
Agency C	**5.25%**	**25.6%**



What you need to understand: The email design that produced the most results was one that tried a radical strategy. This was a strategy that might fly in the face of most email best practices. It would have been easy for Agency C's design to be disregarded due to its unconventional design, and yet it out-performed the rest.

This discovery illustrates the importance for testing creative. This radical redesign would have likely been shot down as too far "outside the box" in many corporate meeting rooms. Yet, by testing, AAA was able to save a design from the scrap heap that could result in incremental revenue.

Also, testing provides a safety net for a drastic creative change such as this. It would be difficult for any marketer to stake his career on such an extreme approach based on a hunch alone.

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Experiment #2:

Experiment ID: *MarketingExperiments*
Location: MarketingExperiments Research Library
Test Protocol Number: A-TP1001

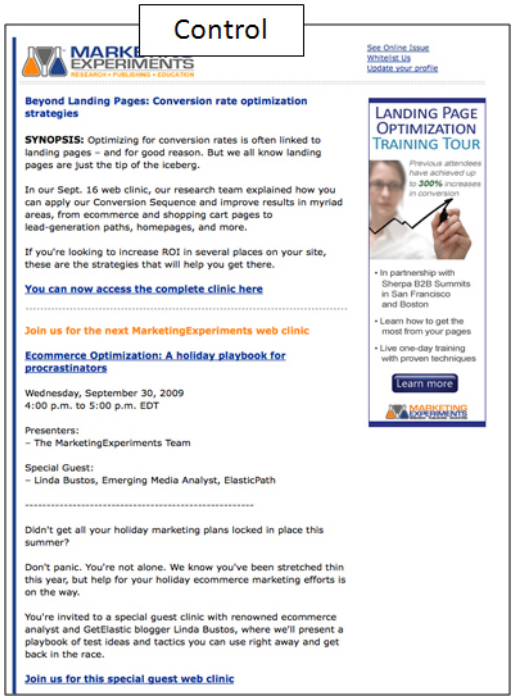
Research Notes:

Background: The (ahem) leading online marketing research, testing and publishing laboratory
Goal: To increase the amount of clicks from the email to the landing page
Primary research question: Which email design will generate the most clickthroughs?
Approach: A/B/C/D multi-factorial split test

Control and Treatment Designs:

The control is an email that our *Journal* subscribers might see often. It is an email template that we have tested in the past and found to be successful here at MarketingExperiments. However, in the spirit of testing, we submitted our own email to the design competition.

Control



See Online Issue
Whitelist Us
Update your profile

Beyond Landing Pages: Conversion rate optimization strategies

SYNOPSIS: Optimizing for conversion rates is often linked to landing pages – and for good reason. But we all know landing pages are just the tip of the iceberg.

In our Sept. 16 web clinic, our research team explained how you can apply our Conversion Sequence and improve results in myriad areas, from ecommerce and shopping cart pages to lead-generation paths, homepages, and more.

If you're looking to increase ROI in several places on your site, these are the strategies that will help you get there.

You can now access the complete clinic here

Join us for the next MarketingExperiments web clinic

Ecommerce Optimization: A holiday playbook for procrastinators

Wednesday, September 30, 2009
4:00 p.m. to 5:00 p.m. EDT

Presenters:
– The MarketingExperiments Team

Special Guest:
– Linda Bustos, Emerging Media Analyst, ElasticPath

Didn't get all your holiday marketing plans locked in place this summer?

Don't panic. You're not alone. We know you've been stretched thin this year, but help for your holiday ecommerce marketing efforts is on the way.

You're invited to a special guest clinic with renowned ecommerce analyst and GetElastic blogger Linda Bustos, where we'll present a playbook of test ideas and tactics you can use right away and get back in the race.

Join us for this special guest web clinic

LANDING PAGE OPTIMIZATION TRAINING TOUR

Previous attendees have achieved up to **300%** increases in conversion

- In partnership with Sherpa B2B Summits in San Francisco and Boston
- Learn how to get the most from your pages
- Live one-day training with proven techniques

Learn more

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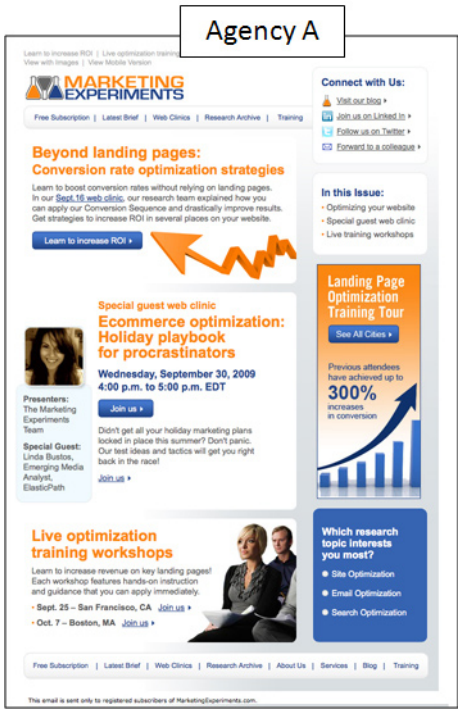
Agency A's design took a lighter copy approach and added more graphic elements (color, banners, images) as well as featuring an image of an upcoming speaker.



Agency B and C both maintain much of the copy but add some graphical elements. One of the biggest differences Agency B has from the other designs is that the promotional column has been moved to the left side. Agency C's distinct hallmark is the large clickable video player image.

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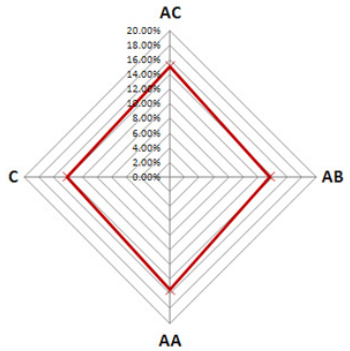
Results:

10% Increase in Clickthrough

Agency A's design increased clicks by 9.93%

MarketingExperiments Email Designs		
Email Designs	CTR	Rel. Diff
Control	14.05%	-
Agency A	**15.44%**	**9.93%**
Agency B	13.64%	-2.94%
Agency C	15.13%	7.72%



What you need to understand: The control was an email design that had been well established and tested. And yet Agency A's design was able to improve clickthrough by nearly 10%. This underscores the importance of testing though a marketer's bias might be to go with the tried and true.

Another benefit of continuous testing is the novelty that comes with new designs. It has often been said that the word "new" is one of the most powerful words in marketing. Perhaps it is simply human nature, but most customers find a certain intrinsic value in the launch of something new. It also shows your company is continually advancing, working, and thriving.

Of course, these considerations must be balanced by the need for a strong, continuous, consistent brand voice – which again points to the value of testing creative.

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Experiment #3:

Experiment ID: *Pier 1 Imports*
Location: MarketingExperiments Research Library
Test Protocol Number: A-TP1002

Research Notes:

Background: B2C home products company
Goal: To increase the amount of clicks from the email to the landing page
Primary research question: Which email design will generate the most clickthroughs?
Approach: A/B/C/D multi-factorial split test

Designs:

Control

Agency A

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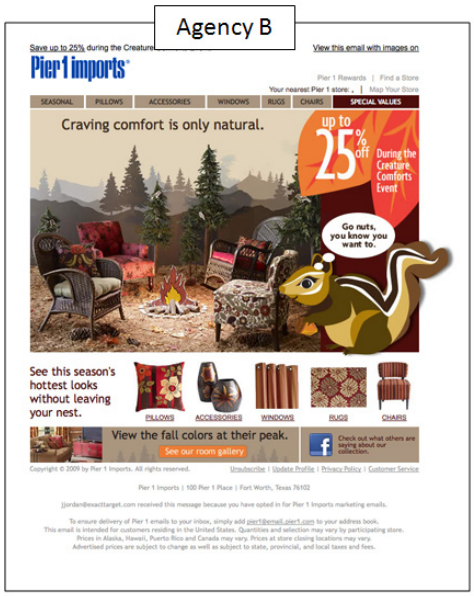
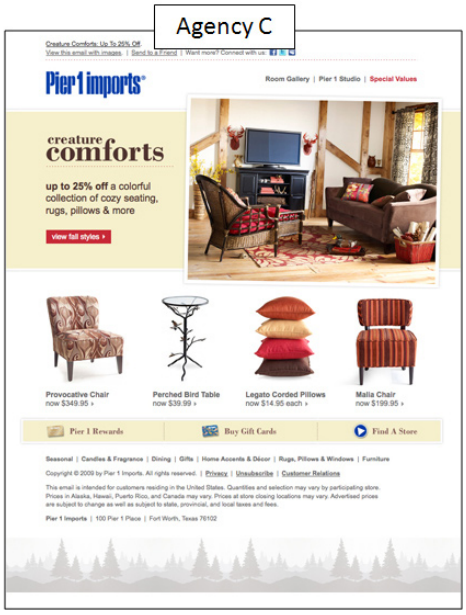




A seasonal promotion from Pier 1 Imports serves as the base-line email. Agency A makes use of a white background to draw attention to different products. Agency B takes a similar approach as the control but ads a "cuteness" factor with the chipmunk graphic. Also, Agency B and C list multiple products for the recipient to choose from in the bottom of the email. Agency C takes a cleaner approach, keeping images simpler and organized. Interestingly, it has been noted that the chipmunk makes an appearance in each of the versions tested and it is obvious that there is a lot resting on this chipmunk.

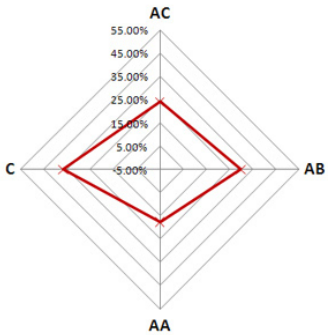
Results:

52% Decrease in Clickthroughs

Agency A's design decreased clicks by 51.8%

Remember, there is significant value to be gained by discovering not only "what really works," but "what really doesn't work" as well.

MarketingExperiments Email Designs		
Email Designs	CTR	Rel. Diff
Control	**36.70%**	**-**
Agency A	17.68%	-51.83%
Agency B	29.91%	-18.50%
Agency C	24.07%	-34.41%



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The real cost here isn't in the execution, it is in the results (or lack thereof).

What you need to understand: It doesn't matter who designed it or how much you paid for it, if you don't test you could be leaving a lot of money on the table. In this case, all three of the agency-designed emails underperformed the control.

This experiment may make some agencies (and even the clients that pay them) quite uncomfortable. Remember, there is significant value to be gained by discovering not only "what really works," but "what really doesn't work" as well.

No matter how great the agency or how strong the marketing team, creative executions sometimes fail. As a counterpoint to Experiment #2, while novelty can draw attention, change can also be disconcerting to your core customers. This statement becomes truer the stronger your brand is (consider New Coke).

However, as marketers, we must keep trying new things. If we never try, we never win. Pushing the envelope makes us better marketers. And when we stop trying new things, we are in trouble…partly because we know our competition will always try to be more innovative than us.

Testing allows us to try new creative ideas without undercutting our current efforts, while continuous learning (from both our successes and failures) and using that knowledge to further improve our creative executions.

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What do these three emails have in common?

So we return to the question raised in the beginning of this issue. What do those three emails have in common? Each of them is nicely designed. Each of them came from the creative powers of top agencies. However, as we have just seen from the experiments above, each of them significantly underperformed when compared to another design. These are all designs any one of us could have pinned our email marketing fortunes on and invested heavily in. But the real cost here isn't in the execution, it is in the results (or lack thereof).

- 20%

- 12 %

- 52 %

Results like these are sobering to some degree. But they lead us to the question we asked earlier: How can we make sure we are getting a return on all the investment that we are putting into our email marketing campaigns (or any marketing campaign for that matter)? How can we know that our money is being well spent?

KEY PRINCIPLES FOR MAXIMIZING AGENCY ROI

If you work with an agency or creative team, the above results are not meant to discourage you or make you regret every dollar you have spent on email marketing. But, what we want to do is challenge you and remove any blind assumptions that could really be hurting your bottom-line and show you how to get real return on your investment.

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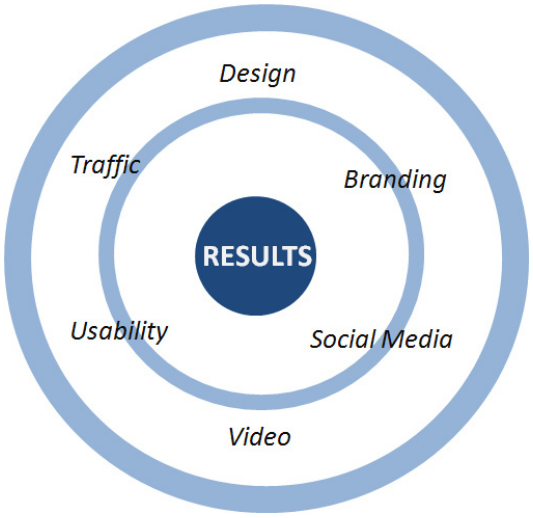
And if you are an agency, we are not trying to put you out of business. What we want you to realize is that the days of blind marketing with no measurable results are coming to an end. If you really are to serve your clientele you must be thinking and breathing ROI. You can take the principles that we are about to investigate and apply them to your offerings in order to best serve those who are depending on you – namely marketers.

So now we will explore a few key principles that can help you get the most from your marketing spend.

Key Principle #1

Objective must be results-driven and ROI-focused.



How are you organizing your marketing campaigns right now? Are you in tune with what focus groups say about the usability of your pages? Or are you worried because your CMO said that you need to be "social" this year?

Then there's the creative… are you overly concerned with finding a great design? Does it fit with your branding standards?

And how are we going to increase your traffic?

We all face these questions and are troubled and anxious about so many of these things. Yet, we are really only after one thing. Every one of these concerns is peripheral to the one main question you should be asking: What campaign is going to deliver the results your company really needs?

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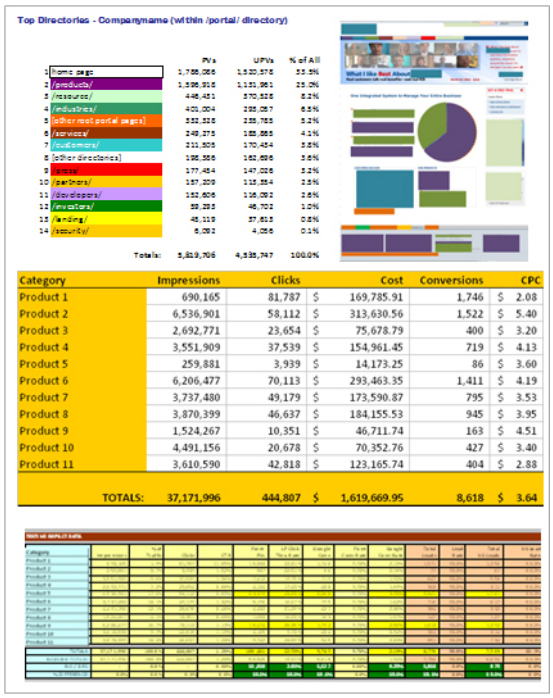
"Begin with the end in mind." –Stephen Covey

When you start a marketing campaign, it is important on the front end to identify the one key business objective you are trying to accomplish, write it down, and make sure all of your efforts are aimed at accomplishing that one objective.



Top Directories - Companyname (within /portal/ directory)

		PVs	UPVs	% of All
1	home page	1,786,086	1,520,578	35.5%
2	/products/	1,596,918	1,151,961	25.0%
3	/resource/	446,451	370,528	8.2%
4	/industries/	401,004	295,057	6.5%
5	[other root portal pages]	332,328	235,785	5.2%
6	/services/	249,275	185,865	4.1%
7	/customers/	211,505	170,454	3.8%
8	[other directories]	195,366	162,696	3.6%
9	/press/	177,454	147,026	3.2%
10	/partners/	157,209	115,554	2.5%
11	/developers/	152,606	116,092	2.6%
12	/investors/	59,295	46,702	1.0%
13	/landing/	45,119	37,615	0.8%
14	/security/	6,092	4,056	0.1%
	Totals:	5,819,706	4,535,747	100.0%

Category	Impressions	Clicks		Cost	Conversions		CPC
Product 1	690,165	81,787	$	169,785.91	1,746	$	2.08
Product 2	6,536,901	58,112	$	313,630.56	1,522	$	5.40
Product 3	2,692,771	23,654	$	75,678.79	400	$	3.20
Product 4	3,551,909	37,539	$	154,961.45	719	$	4.13
Product 5	259,881	3,939	$	14,173.25	86	$	3.60
Product 6	6,206,477	70,113	$	293,463.35	1,411	$	4.19
Product 7	3,737,480	49,179	$	173,590.87	795	$	3.53
Product 8	3,870,399	46,637	$	184,155.53	945	$	3.95
Product 9	1,524,267	10,351	$	46,711.74	163	$	4.51
Product 10	4,491,156	20,678	$	70,352.76	427	$	3.40
Product 11	3,610,590	42,818	$	123,165.74	404	$	2.88
TOTALS:	37,171,996	444,807	$	1,619,669.95	8,618	$	3.64

It is also vital here to quantify results. For instance, if you determine on the outset that your primary goal is to sell more subscriptions, get more sign-ups for a conference, sell more renewals, drive more customers to a store, or whatever it might be, you must not only determine that objective from the outset, but also make sure you are measuring the right metrics that will answer that question for you.

It is not enough to just slice and dice metrics after everything is said and done and try to make meaning out of it all. Rather, you must always start with the end in mind as you run your marketing campaigns.

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Key Principle #2:

Designs must be based on methodologies that transcend best practices or gut feelings.

At MarketingExperiments, we are always testing marketing intuition and more often than not we find that even the best marketers with the most experience choose underperforming designs. Our intuition will never be as good as our ability to test.

So how do you know where to start with your designs? Some would suggest best practices (above the fold, hero shots, short copy, etc.). They would encourage marketers to take a training course, learn a handful of best practices, and make sure that they are applying them to their creative. However, even best practices can fail us as we have discovered over the years. We could show you test after test where best practices have decreased conversion.

Rule-based Optimization *vs.* ***Principle-based Optimization***

What we want to put forward is the notion that we have to go even deeper than best practices and get into principles and methodologies that give us a more holistic understanding of best practices and why they work and when they work. We need principle-based optimization that understands the user experience and can help us get into the mind of our visitors to optimize their thought sequences.

Here is an example of MarketingExperiments optimization methodologies for email marketing. We teach this heuristic formally and thoroughly in our Email Marketing Course. But really, you don't have to use our methodology per se, you just need some lens or thought reference for analyzing creative design.

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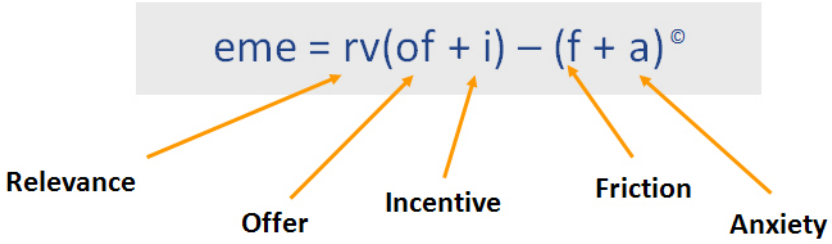
Email Messaging Optimization Sequence:



If we look at this underperforming email through our methodology we might quickly see the following:

1. There is friction *(f)* in the eye-path because there is little direction. The multiple columns and heavy images are all vying for my attention.
2. The headline is creative, but really isn't communicating any specific value of the offer. *(o)*
3. The sequence of thoughts is out of order. They are being asked to renew before really communicating why they should renew. Getting the order right can help with both reducing anxiety and clearly communicating the value of the offer. *(a + o)*
4. Most of the key information is hidden in and by the heavy graphics. *(f)*

It is a bad thing to not know what design performs best, but it is an even worse thing to have invalid testing techniques that lead you to believe that you know which design performs best when you really don't.

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If we look at this underperforming email through our methodology we might quickly see the following:

1. There is significant confusion and friction due to the multiple, equally weighted objectives competing with one another. *(f)*
2. This email is relying heavily on images to communicate the value. Keep in mind that some people will not even see the images because their email reader blocks image downloads by default. *(o)*
3. And similar to the second point, there is also very little value communicated in the copy. *(of)*
4. This email also does not relevantly connect to the recipient. What does the marketer know about this person that could more specifically connect to them?

Key Principle #3:

Success must be determined by scientifically viable and statistically valid tests.

At this point, we will assume that you have had success in convincing you agency or design team to test their creative. What we are talking about in this section is really the math, the numbers, the data to make those tests works. It is absolutely vital that your tests are run with scientific precision and are valid.

It is a bad thing to not know what design performs best, but it is an even worse thing to have invalid testing techniques that lead you to believe that you know which design performs best when you really don't. If we are going to test, we must test right. Because if we don't, we not only get in the wrong car, but we then drive it off a cliff.

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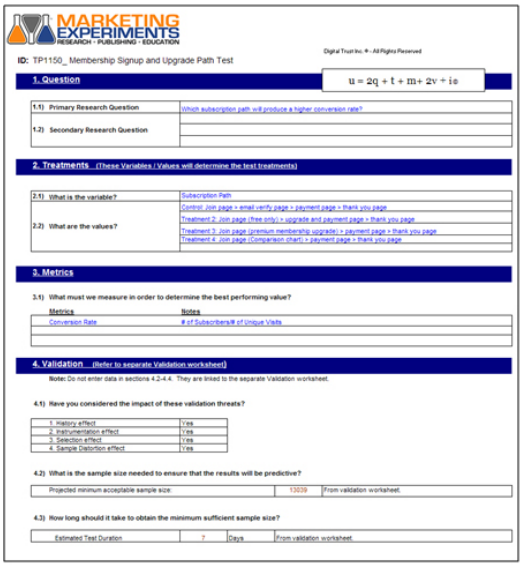
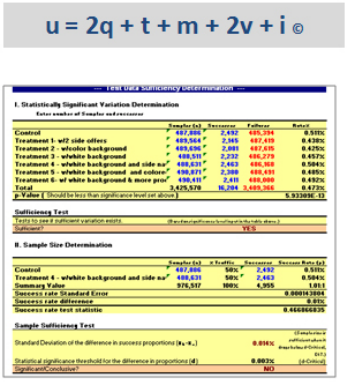
So we are going to look at the key experiment questions that the MarketingExperiments research team walks through with each of our tests to ensure scientific viability. Of course, we are not suggesting that our way or tool is the only way. The point is just to show you how we do it, so that you can get a vision for how you might conduct your own tests.





Key Research Questions:

You must start with the end in mind and measure for that objective.

1. Question

1.1 What is the primary research question *(e.g., Which design would produce the most account sign-ups?)*

1.2 What are the secondary research questions *(e.g., Does long copy outperform shorter copy on this design?)*

2. Treatments

2.1 What is the variable?

2.2 What are the values?

3. Metrics

3.1 What must we measure in order to determine the best performing value?

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4. Validation

4.1 How have you considered the impact of these validation threats?

1. History effect
2. Instrumentation effect
3. Selection effect
4. Sample distortion effect

4.2 What is the sample size needed to ensure that the results will be predictive?

4.3 How long should it take to obtain the minimum sufficient sample size?

4.4 How will you verify during the test that you have reached a sufficient number of sample observations?

5. Metrics and results

5.1 What are the test results?

6. Interpretation (What insights can we gain from this test?)

6.1 What is the objective interpretation based on test data?

6.2 What is the speculation on possible causes of the test outcome?

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BOTTOM LINE

In order to make sure you are getting the most out of your agency, you cannot depend on gut feelings or pretty designs. You need something more objective than this, because over and over designs that look like they should win, those that have incorporated all of the best practices and have a panel of experts backing them, will and do often underperform. To get the most from your creative team you must follow these three key principles:

1. **Objectives are results-driven and ROI-focused.** You must start with the end in mind and measure for that objective. All of our peripheral efforts should be aimed at on overarching goal: results.
2. **Designs are based on methodologies that transcend best practices or gut feelings.** We must get beyond our feelings and common best practices. We need something deeper and more transcendent. We need principle-based optimization that takes a holistic approach to understand visitor motivation and thought sequences.
3. **Success is determined by scientifically viable and statistically valid tests.** It is one thing to run a test, but it is another thing to run a good test. We don't want to base our marketing effort on our gut or common best practices; but we also do not want to base it on invalid tests. Spend some time developing a rigorous testing process that will ensure reliable results.

If you want help driving email ROI for your company, you can order your custom Email Response Optimization Package at **MarketingExperiments.com/email**.

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About MarketingExperiments

MarketingExperiments is a research laboratory dedicated to discovering "what really works" in marketing. The MarketingExperiments Lab tests every conceivable methodology to determine which online strategies and tactics are the most successful at improving conversion, driving traffic, and selling product. The laboratory also conducts real-time marketing experiments with research partners such as Royal Bank of Canada, Johnson & Johnson, 1-800-Flowers, The New York Times, and Reuters Group. Scientists at MarketingExperiments have developed patent-pending methodologies which allow its partners to achieve significant conversion gains in their marketing efforts. The findings from these experiments are regularly published in the MarketingExperiments Journal and broadcast via online briefings. MarketingExperiments, along with MarketingSherpa and InTouch, is part of the MECLABS Group.

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