

## **Abstract**

*As marketing has become a very important tool for every industry to reach the consumer it became very complex as to decide what the right medium for marketing is. World has modernized dramatically in the last decade and digital media has reached every home; hence become a very important platform for marketing. This rapidly emerging digital economy is challenging the existing marketing practices, and a profound redesign of the marketing strategy consistent with emerging business needs is required. This report will discuss on a specific form of advertising 'Retargeting', its overview and what it will add to a company and what is in it for the customers.*

# **Retargeting in E-Commerce and Consumer Behavior**

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## **Introduction**

Over the past decade the internet has become an increasingly important medium for advertising. The arrival of the internet has had important consequences on the market position of many traditional media

Firms are motivated to spend more of their marketing budget online as consumers increasingly use online media to find information. Worldwide digital advertising spending in 2012 was \$103 billion, or about 20% of total money spent on advertising, and is expected to increase to \$163 billion, or 25% of total advertising spend, by the end of 2016

*(eMarketer 2013)*

## **Digital Marketing**

Digital marketing is marketing that makes use of electronic devices such as personal computers, smartphones, cellphones, tablets TV and game consoles to engage with customers. Digital marketing uses websites, e-mail, apps (classic and mobile) and social networks as the platform. Digital marketing can also be through non-internet channels like TV, Radio etc or through internet channels like social Media, e-mails ads, banner ads, etc.

Through a variety of technological advances, the internet has allowed many advertisers to address a targeted audience beyond the reach of traditional media. In fact, it has been argued that the distinguishing feature of internet advertising is its ability to convey information to a targeted audience. In particular, targeting improves the quality of the match between the consumer and the advertisement message.

*(Dirk Bergemann, 2011)*

People are consuming digital content on a daily basis. Digital marketing is extremely important. Digital marketing methods are faster, more practical and versatile than the old traditional ones. Without a digital marketing strategy in place, new client acquisitions, brand visibility and impactful revenue generating opportunities will likely be damaged.

Many organizations use a combination of traditional and digital marketing channels; however, digital marketing is becoming more popular with marketers as it allows an organization to analyze marketing campaigns and understand what is working and what isn't.

*(David Radin, 2006)*

## **Types of Digital Marketing**

### **1. Search Engine Marketing**

Search engine marketing (SEM) is a form of Internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages (SERPs) through optimization and advertising

### **2. Search Engine Optimization**

Search engine optimization (SEO) is the process of affecting the visibility of a website or a web page in a search engine's unpaid results - often referred to as "natural," "organic," or "earned" results.

### **3. Social Media Optimization**

Social media optimization (SMO) is the use of a number of social media outlets and communities to generate publicity to increase the awareness of a product, brand or event.

### **4. Email Marketing**

Email marketing is directly marketing a commercial message to a group of people using email. In its broadest sense, every email sent to a potential or current customer could be considered email marketing.

### **5. Affiliate Marketing**

Affiliate marketing is a type of performance-based marketing in which a business rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts.

### **6. AdSense Blogging**

AdSense is Google's content-targeted advertising program.

### **7. Retargeting**

*(SPYROS TSIAMANDAS, 2013)*

## **Retargeting**

Retargeting (also known as behavioral retargeting) is a form of advertising by which online advertising is targeted to consumers based on their previous internet actions, in situations where these actions did not result in a sale or conversion.

*(Chris Kilbourn, 2012)*

Retargeting can help to keep a brand in front of bounced traffic after they leave the website. For most websites, only 2% of web traffic converts on the first visit. Retargeting is a tool designed to help companies reach the 98% of users who don't convert right away.

According to a study by retargeting vendor Criteo, website visitors who are retargeted with display ads are 70 percent more likely to convert on your website.

*(Chris Kilbourn, 2012)*

The assumption behind retargeting is that the users who have similar search or browsing behaviors will have similar interests and thus have higher probability to click the same ad than the users who have different online behaviors. If this assumption is true, online users can be grouped into different user segments according to their behaviors for targeted ads delivery.

*(Jun Yan, 2009)*

**Retargeting has proven to be remarkably effective for the following reasons:**

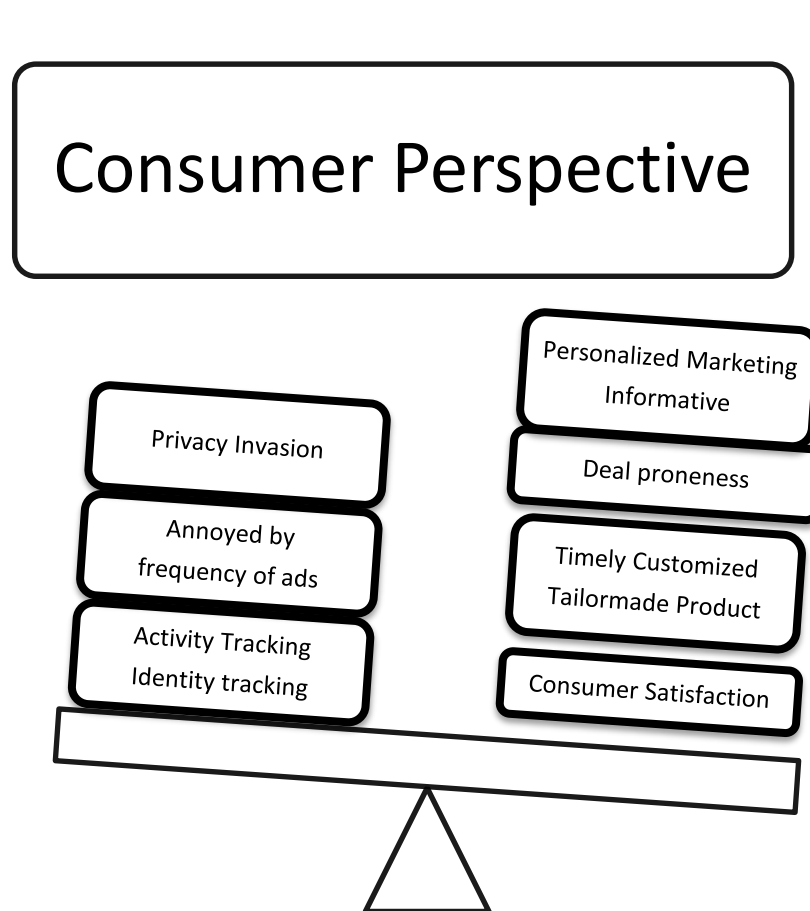
**Specificity:** It targets only those who have already visited the website and have an interest in the product or service in offer. These are the potential clients who are most likely to return and make a purchase.

**Brand recognition:** It keeps the brand fresh in the memory of customers, making them more likely to choose the product when they are ready to buy. Familiarity with your brand also establishes trust, which can lead to greater customer loyalty for future purchases.

**Better value:** Retargeting costs much less than other forms of online advertising, but provides greater ROI because it targets only those most likely to make a

purchase. This frees up the rest of the marketing budget for other effective campaigns.

*(Solomon Timothy, 2015)*



Retargeting is the practice of serving ads based on prior engagement. While there is more than one form of this technology, the most frequently used is **site-based retargeting**.

Other forms include

- **Search retargeting:** A form of retargeting employed by online marketers that target an audience based on the previous searches they conduct on other websites. It is designed to find new customers who have likely never been to a marketer's website before.
- **Email retargeting:** Sending personalized e-mail to an anonymous website visitor.

- **Social Media retargeting:** Displaying remarketed ads on your social networks

*(Chris Kilbourn, 2012)*

**Site-based retargeting** is the practice of serving ads to people who visit the website, perhaps via paid search or display, after they leave. These ads appear on a variety of other sites around the web, keeping the brand in front of bounced site visitors in an attempt to bring them back. Site retargeting is the best known form of retargeting available today. The goal of site retargeting is to encourage known customers to come back to the site. The key point here is that the firm is not reaching new customers but is marketing to customers that have been to the site previously but who failed to convert. Over the past few years, site targeting has evolved and many companies now offer advanced retargeting capabilities. New techniques involve showing each lost visitor a unique banner based on their very specific past interactions on the advertiser's website. This new form of retargeting involves real-time personalized banner creation and can result in a dramatic impact on campaign performance. Site retargeting should be part of a company's marketing mix to convert lost leads.

### **RETARGETING process**

Retargeting is a cookie-based technology that uses simple JavaScript code to anonymously 'follow' audience all over the Web.

A small, unobtrusive piece of code is placed on the website (this code is sometimes referred to as a pixel). The code, or pixel, is unnoticeable to the site visitors and won't affect the site's performance. Every time a new visitor comes to the site, the code drops an anonymous browser cookie. Later, when the cookie-dropped visitors browse the web, the cookie will let the retargeting provider know when to serve ads, ensuring that the ads are served only to people who have previously visited the site.

Retargeting is so effective because it focuses the advertising spend on people who are already familiar with the brand and have recently demonstrated interest. That's why most marketers who use it see a higher ROI than from most other digital channels.

*(Victoria Wallis, 2015)*

Retargeting is a powerful branding and conversion optimization tool, but it works best if it is a part of a larger digital strategy. Strategies involving content marketing, AdWords and targeted display are great for driving traffic, but they don't help with conversion optimization. Conversely, retargeting can help increase conversions, but it can't drive people to the site. Best chance of success is using one or more tools to drive traffic and retargeting to get the most out of that traffic.

*(Victoria Wallis, 2015)*

### **Measure of Retargeting**

**Click-through conversions** are any conversions that happen as a direct result of someone clicking a retargeting ad they were served.

**View-through conversion** is a new type of conversion tracking within Google which measures how many visitors saw your Google Display Network (also known as Google Content Network) ad but did not click.

*(Joanna Lord, 2011)*

### **Acknowledgement**

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## **Problem Statement**

Our main focus is study on Retargeting in E-commerce and consumer behavior.

This study intends to find the role of digital advertising (specifically retarget advertisements) and promotions carried out on consumer behavior in E-Commerce space. The types of consumer behavior to be explored are (1) Planned Purchase Behavior (PPB) (2) Unplanned Purchase Behavior

So we aim at designing the experiment to identify how much these two variables influence the consumer behavior using the e-commerce websites.

We'll look through the variables affecting 'retargeting' from the consumer's view point and try to find a way in which these variables act. Keeping these variables into consideration, we'll try to find the best possible ways of retargeting so that companies can leverage most of it to maximize their revenue.

## **Methodology**

To achieve the goals mentioned above, we should conduct a social experiment using e-commerce website and retargeting tool to study about its variables.

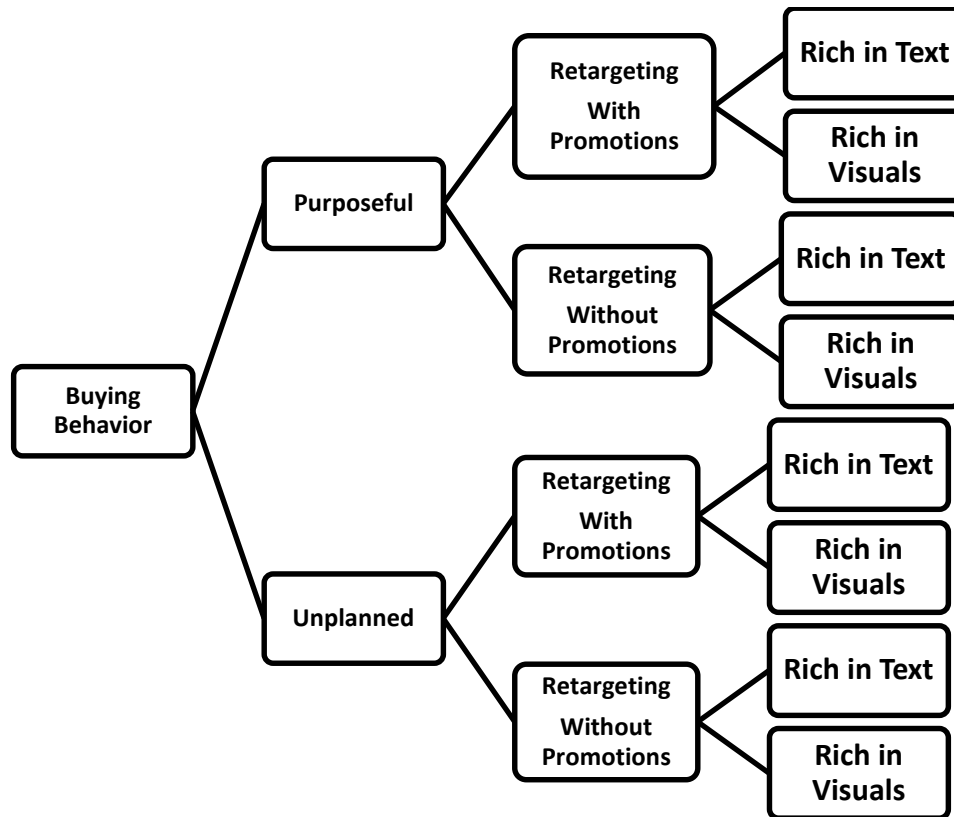
As a part of carrying out the experimental study an e-commerce website should be designed. The product category we intend using in the university souvenir site and the service to be used will be hotel booking/bus ticket booking site. The website will be keeping only selected products unlike commercial websites like Flipkart and Snapdeal. We will be giving specific vignette to the participants of each group.

The participants are free to shop in our website as well as from other websites also. Obviously not all students who come to the website will make it to the final. So we will be sending different promotions as well as retargeting ads to bring them back to our website to increase the conversion rate. Our aim of the experiment is to get the required data from that and do some predictive modeling to get more insights from the data, which may have very significant industry applications.



Also a survey on retargeting should be taken in order to know the consumer's perspective. Expert's opinion is also taken down on their review of retargeting.

### ***Experimental Setup***



Segregate the people according as shown above. We'll design an e-commerce website and serve the people who visited the website with retargeted ads. And then we'll notice the way in which these retargeted ads affect the consumer buying behavior

Based on their transactions in the website, we can do regression analysis by using statistical tools we can get so many insights.

- How efficient is retargeting in this case?
- Which has better results in each category the ad which is rich in text or rich in visuals?
- Comparing the retargeted ads and promotions, which can deliver good conversion rate?

We have completed the design of the experiment and as it costs a lot in building the E-commerce website and retargeting tool, we applied for funding from ICSR.

So as soon as we get funding we proceed with building the website and conducting experiment to study our main objectives

## **Results and Conclusions**

The variables concerned in retargeting that are used in the survey are

- **Perceived Risk**
- **Invasiveness**
- **Perceived Benefit**
- **Unfairness**
- **Repurchase Intention**
- **Intention to Purchase from Personalized Advertisers**
- **Intention to Click on a Personalized Advertisement**
- **Perceived Usefulness**
- **Attitude Toward Personalized Advertising**
- **Consumer innovativeness**
- **Consumer Experience**
- **Consumer buying behavior**

From the survey

- Consumers are concerned about their privacy but they are unaware of privacy policies and rights
- Customers are pleased to see the retargeted advertisements
- People are not clear on their repurchase intention. Their opinion varied
- Consumers showed positive attitude towards retargeting and pleased that information in the advertisements may give them new ideas
- Most of the consumers are okay with opening these advertisements
- Most of the customers seems to be influenced by retargeted advertisements; their buying behavior seems to be effected by these advertisements

## Interview Results

- The future of advertising is Digital advertising and Retargeting will play a major role particularly in the e-commerce domain.
- Recent trends in advertising are advertising on social media like Facebook, Twitter, Google plus, Instagram, Pintrest etc...Even advertising through gaming apps is also picking up.
- Retargeting can produce brilliant conversion rate. To quote the recent example it gave around 5 % conversion rate in the End of Season sale organized by Snapdeal when compared with 2% in general.
- It can reduce the average time spent on the website by the consumer to arrive at the right product significantly.
- The efficiency of retargeting in India is picking up and it can reach to that in western countries in few years.
- Technology has made this tool much better as they can find the perfect target audience through different levels of segmenting.
- Apart from Conversions, it helps a lot in Product Recall, Brand Recall and Brand building.
- Retargeting will get smarter over the next few years such that ads will be shown only when the deals are better or products are of better quality.

*"In the retargeting campaigns that I ran 9 out of 10 times it showed positive results. It is a phenomenal achievement in digital advertising."*

-Pradeep, CEO, Sociall.in

*"Even in India now a day's 2 in 5 digital advertising agencies has a budget for retargeting. This shows the demand for the tool which started a couple of years back in India"*

-Sreedhar, Manager, THEOS, Chennai

*"46 % of search engine marketers believe retargeting is the most underused online marketing technology. So coming years we are going to see a revolution."*

## **Questionnaire**

**Gender**

**Occupation**

### **Shopping Category (multiple choice)**

1. Clothing/shoes/accessories
2. Books/magazines
3. Entertainment (CD, videos, concert tickets)
4. Sporting / Hobby goods
5. Consumer electronics (TV, VCR, cellular phones)
6. Computer hardware or software
7. Other

### **Shopping Frequency**

1. More than once a week
2. Once a week
3. 2-3 times a month
4. Once a month
5. Less than once a month

**Please read the information below carefully and answer each question by clicking an appropriate checkbox.**

Online Behavioral Advertising is a form of online advertising strategy, which tracks consumers' online activities over time – including the searches the consumer has conducted, the web pages visited, and the content viewed.

In this study, we are examining one major type of Online Behavioral Advertising: An online banner ad that exactly re-shows the specific products/services you have recently clicked on and viewed online or features the specific brands of online stores you have recently visited.

The ad format may vary, but here are some typical examples of such ads.

**Example A)** Last night, you visited Apple's online website to check out new laptop models you were considering to purchase. You were looking around several

laptop models on the site and left the site without buying anything. This morning, when you went to an online weather site to check today's weather you noticed a banner ad on the side bar showing the pictures of the exact laptop models you looked at last night.

**Example B)** A week ago, you visited Nike's online shopping site to buy your brother's birthday present. Today, when you were reading a news article at New York Times online site, you noticed a visual banner ad for Nike on top of the article.

➤ Have you seen this type of advertising in the past 6 months?

- (1) Yes, I have had the exact same experience. {Proceed to Q1}
- (2) I have had similar experience but not in the same way (e.g., a location-tracking ad, recommended products, flight or hotel suggestions, etc.) {Proceed to Q1}
- (3) No, I have never had this type of experience. {Disqualified}
- (4) Don't know {Disqualified}

➤ On a typical day, how often do you see the kind of online behavioral ads described in the previous page?

- (1) Never or almost never
- (2) Once
- (3) Twice
- (4) Three times
- (5) More than three times

**SA** *Strongly Agree*

**N** *Neutral*

**SDA** *Strongly Disagree*

**A** *Agree*

**DA** *Disagree*

**Please tick the appropriate option**

|  | SA | A | N | DA | SDA |
|--|----|---|---|----|-----|
| ➤ When I see this Online Behavioral Advertising,   |    |   |   |    |     |
| 1. I get concerned that my online activity history could be misused                          |    |   |   |    |     |
| 2. I get concerned about what others might do with my online activity history data           |    |   |   |    |     |
| 3. I feel that personalized advertising is an invasion of my privacy                         |    |   |   |    |     |
| ➤ You are aware of potential privacy risks of Online Behavioral Advertising                  |    |   |   |    |     |
| ➤ You are knowledgeable about potential privacy risks of Online Behavioral Advertising       |    |   |   |    |     |
| ➤ You are familiar with potential privacy risks of Online Behavioral Advertising             |    |   |   |    |     |
|  |    |   |   |    |     |
| ➤ I feel that personalized advertising is an invasion of my privacy                          |    |   |   |    |     |
| ➤ Personalized advertising violates consumers' right to privacy                              |    |   |   |    |     |
|  |    |   |   |    |     |
| ➤ I am pleased to see the advertisements of the brands I shopped when                        |    |   |   |    |     |
| 1. I use my social network website   |    |   |   |    |     |
| 2. I go to a news website  |    |   |   |    |     |
| 3. I use online email services   |    |   |   |    |     |
| 4. I use other online services   |    |   |   |    |     |
|  |    |   |   |    |     |
| ➤ I intend to click on personalized advertisements in the near future                        |    |   |   |    |     |
| ➤ I intend to purchase products or services from personalized advertisers in the near future |    |   |   |    |     |
| ➤ I would recommend this store to my friends   |    |   |   |    |     |
|  |    |   |   |    |     |
| ➤ The online behavioral ad I saw was   |    |   |   |    |     |
| 1. Beneficial  |    |   |   |    |     |
| 2. Informative   |    |   |   |    |     |
| ➤ When I saw the online behavioral ad, I felt the information in it might be..               |    |   |   |    |     |
| 1. Important to me   |    |   |   |    |     |
| 2. Relevant to my needs  |    |   |   |    |     |
| 3. Worthwhile to me  |    |   |   |    |     |
| 4. Likely to give me new ideas   |    |   |   |    |     |
|  |    |   |   |    |     |
| ➤ You pay attention to the ad  |    |   |   |    |     |
| ➤ I will open the ad only if it contains a deal/offer on the product I intended to buy       |    |   |   |    |     |
| ➤ I am usually among the first to try new products   |    |   |   |    |     |
| ➤ I know more than others do about the latest new products                                   |    |   |   |    |     |
| ➤ I am eager to buy new products as soon as they come out                                    |    |   |   |    |     |
|  |    |   |   |    |     |
| ➤ The ad I saw made purchase recommendations that matched my needs at that time              |    |   |   |    |     |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
| ➤ The ad I saw enabled me to order a product tailored for me   |  |  |  |  |  |
| ➤ The ad I saw was tailored to my shopping situation at that time  |  |  |  |  |  |
| ➤ The ad I saw made me feel that I was a unique customer   |  |  |  |  |  |
| ➤ The ad I saw was customized to my needs at that time   |  |  |  |  |  |
| ➤ Those ads affected your purchasing decisions   |  |  |  |  |  |
| ➤ These ads improve my overall shopping experience   |  |  |  |  |  |
| ➤ I feel confident that encryption and other technological advances of current online marketing practices make it safe for me to interact with personalized marketing messages |  |  |  |  |  |

➤ Overall, I like personalized advertising and feel that it is useful

(1 for not likely to 7 for highly likely)

➤ To what extent do you feel that personalized advertising results in an invasion of your privacy?

(1 for Definitely Not an Invasion to 7 for Definitely an Invasion)

➤ Do you think that personalized advertising is Favorable

(1 for not favorable to 7 for highly favorable)

## **Interview Questions**

1. What is Digital advertising and online advertising? What are the recent trends in advertising?
2. What is Retargeted advertising?
3. What is the difference between banner ads and retargeted ads? Similarly what is the difference between retargeted ads and conventional online ads?
4. What metrics do you track in your dashboard?
5. What is the impact of retargeting in the sales of product for sellers?
6. Similarly what is the impact of retargeting in this info search/evaluation/purchase/post purchase of the product for consumers?
7. How efficient is Retargeting? Compare its efficiency in India vs. western countries?
8. What is the impact of retargeted ads on privacy of customers? How does retargeted protect user privacy?
9. How do you find your target audience? How much control do you have over segmenting your data to find your target audience?
10. What is your pricing model? How do you bill CPC, CPA, and CPM?
11. What are the critical factors that we should be careful about while employing retargeting?
12. Can retargeting do more than just produce conversions?
13. What are the recent technological developments in retargeting? What may be the trend of retargeting for the next few years?

We took the interviews from 3 top digital advertising agencies that are in the field of retargeting. We recorded the interviews and analyzed them using software's such as Nvivo, atlas.ti etc...Thus we got the crux from the interviews which gave us so many insights.