



## PETCO personalized ads cut cost per order and fetch new customers

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### Overview

#### Business challenge

- Applying personalization to improve the shopping experience and increase return on investment

#### Solution

- Introduced Coremetrics AdTarget to drive up the effectiveness of the advertisements served

#### Benefits

- Coupon redemption rate in stores was more than two times the highest rate achieved in previous campaigns
  - 2/3 of all bird accessories orders were tied to personalized advertisements
  - Bird accessories cost per order was 64 percent lower than the average cost per order
  - Orders with products that tied directly to the content served in display advertisements was proven for every segment used in the campaign
  - More than half of buyers attracted by the advertisements were new to PETCO.COM
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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](http://www.petco.com).

Most shoppers ignore the barrage of advertisements they are hit with every time they surf the web. So online marketers are struggling with how to make their advertisements stand out. Innovative companies such as PETCO have figured it out: Personalizing advertisements 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® to capture detailed product and visitor data that provides insight into buying behavior.






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

— Web Analyst  
PETCO.COM

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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 company had invested in banner advertisements in the past, but halted the program due to concerns about under performance. The introduction of IBM® Coremetrics® AdTarget, 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 advertisements served.

### Fast, easy implementation

Launching Coremetrics AdTarget was simple and straightforward because the solution leveraged the tagging that PETCO already had in place for IBM® Coremetrics® Web Analytics and other components of the IBM Coremetrics Digital Marketing Optimization Suite.

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## Smarter Retail:



### Instrumented

The multichannel marketing solution captures data from a complex, multitouch environment, forming a complete view of online behavior whether accessed through a browser or mobile device.



### Interconnected

Marketing data is integrated with core systems, email marketing tools and partner behavioral targeting solutions, creating a consolidated database and single version of the truth for engaging with consumers.



### Intelligent

Extensive digital marketing and web analytics capabilities provide visibility into the dynamics of online conversion, helping PETCO develop sophisticated multichannel attribution and personalization.



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## Solution components

### Software

- IBM® Coremetrics® Web Analytics
- IBM® Coremetrics® AdTarget
- IBM® Coremetrics® Connect

### Partner

- [x+1]
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PETCO also teamed up with behavioral targeting firm [x+1] (XplusOne), an IBM® Coremetrics® Connect Certified partner. Tight integration between the two partner solutions allows marketers to segment customers based on robust data captured by IBM Coremetrics, and then syndicate that data to [x+1], which serves up highly relevant display advertisements to PETCO.COM visitors as they browse other internet sites.

## Coupon redemption rate doubled

Initially, PETCO kept advertisement campaigns simple. This approach allowed marketers to gain experience and work through the details of serving up advertisements 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*. IBM Coremetrics automatically syndicated the segments to [x+1], which delivered advertisements with segment-specific messaging. “*Bird*” term searchers, for example, were presented with advertisements for a discount on bird cages.

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 advertisements served. What's more, the cost per order was 64 percent lower than the average cost per order.

Personalized advertisements are also helping to drive the corporate goal of attracting new customers. Over half of buyers attracted by the advertisements were new to PETCO.COM.

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

### Results summary

- Coupon redemption rate in stores was two times the highest rate achieved in previous campaigns
- 2/3 of all bird accessories orders were tied to personalized advertisements
- Bird accessories cost per order was 64 percent lower than the average cost per order
- Orders with products that tied directly to the content served in display advertisements was proven for every segment used in the campaign
- More than half of buyers attracted by the advertisements were new to PETCO.COM

### For more information

To learn more about IBM Coremetrics please contact your IBM marketing representative or IBM Business Partner, or visit the following website: [ibm.com/software/marketing-solutions](http://ibm.com/software/marketing-solutions)





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