



Online Customer Acquisition: Quality Trumps Quantity

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Facebook this. Tweet that. Blog everything and post your photos on Flickr. Social media continues its exponential growth, as people find new ways to connect with each other online, on their mobile phones, and on the go. Naturally, retail marketers are looking for ways to leverage social media to drive business across channels and virtually every retail conference, newsletter, and magazine is heavy on social marketing advice. But where do social networks fall in terms of volume and quality of traffic when compared to other, more traditional customer acquisition sources? This is one of the questions retail marketers should be asking themselves as they decide how to drive the most traffic during the 2009 holiday season.

Clickstream analysis gives online marketers valuable information on how many customers came to a website and where they came from, but it's hard to get a picture of what's driving customer behavior or what they'll do in the future by looking solely at behavioral data. To truly evaluate which customer acquisition sources create the best return on investment, we must also understand how the quality of traffic differs by the sources that drove it there. Research from the University of Michigan and other academic institutions has proven that when satisfaction is measured scientifically, highly satisfied website visitors are more likely to purchase (online and offline), return, and recommend. Therefore, knowing which acquisition sources result in more satisfied, well-matched site visitors can provide guidance in how to allocate resources to various customer acquisition efforts.

As part of our annual Top 100 Online Retail Satisfaction Index, we asked almost 23,000 online shoppers what most influenced their visit to a retail website. We included a full range of things that influence browsers and drive traffic to retail sites, from intangibles like brand familiarity and word of mouth to more, dare I say, traditional marketing tools like Internet advertising and promotional emails. We then used the scientific methodology of the American Customer Satisfaction Index (ACSI) to analyze which sources drove the best quality traffic. The sources that drive the greatest numbers of people are not always the same as the sources that drive people who are the most likely to purchase. As we all struggle to understand the impact of social networks and other online marketing initiatives on our brands, it's helpful to have some hard data.

Key Findings

1. Familiarity breeds both quantity and quality.

Asked what **most** influenced their recent decision to visit the site, 32% of respondents said it was “familiarity with the site, company, or brand.” Since these shoppers often know what to expect from the site, what products the company offers, etc., it is not surprising that this group is also the most satisfied (77 on the study’s 100-point scale) and are more likely to return to the site (84) purchase online (76) or purchase offline (66) than are customers who were primarily influenced by other factors like advertising, search engines, or even word of mouth. (See Fig. 1)

Figure 1: Satisfaction and Likely Future Behaviors According to Customer Acquisition Source

What most influenced your decision to visit the site?	% of Respondents	Satisfaction	Likelihood to Return	Likelihood to Purchase Offline	Likelihood to Purchase Online	Likelihood to Recommend
Brand						
Familiarity with site/ company/brand	32%	77	84	66	76	79
Email Marketing						
Promotional e-mail(s) from the company	13%	75	83	61	74	77
Advertising						
Advertising: internet	12%	72	74	60	70	72
Advertising: TV, radio, newspaper, magazine	9%	72	75	65	69	73
Advertising: social networks	1%	66	67	63	67	67
Word of Mouth						
Word of mouth: recommendations from someone I know	8%	74	79	58	73	77
Word of mouth: recommendations from a social networking site	3%	74	77	61	72	76
Word of mouth: product review website(s)	2%	71	74	65	70	72
Word of mouth: blogs or online forums	1%	67	72	52	67	69
Search						
Search: search engine results	9%	69	71	55	66	70
Search: Link from a shopping comparison site	2%	67	70	55	66	68
Other						
Couldn't find what I was looking for in one of its stores or catalogs	4%	68	73	67	66	69
Had a gift card I wanted to redeem	2%	70	75	60	71	71
Mobile phone text messages or alerts	0.3%	63	64	62	68	65

2. Don't abandon tried-and-true methods of driving traffic.

The now traditional online marketing standbys of promotional emails and Internet advertising make up the second and third most popular sources of online customer acquisition in terms of traffic volumes (13% and 12% respectively).

Site visitors who say their visit was most influenced by a promotional email are extremely satisfied (75) when compared to other acquisition sources. This group's high satisfaction makes them extremely high value; in fact, no other paid acquisition source results in browsers that are more likely to return, recommend, or purchase online. Email marketing has come out as a leading source of traffic generation (in terms of both quantity and quality) every time we've done this study, and the proliferation of social marketing hasn't changed email's effectiveness.

Twelve percent of visitors said online advertising drove them to the site. While promotional emails and advertising may be driving similar volumes of traffic, the latter group is less likely to return, purchase online, or recommend the site. This finding underscores the importance of looking beyond quantity and looking into quality.

3. Social media is not as hot as you think . . . yet.

Though consumer use of social media is certainly spreading like wildfire, social networks have yet to fully materialize as effective and efficient customer acquisition sources.

When we compare social-networking-based acquisition sources to other common acquisition sources (see Fig. 1), we see that social media sources lag the others in terms of volume, returns, recommendations, and purchases in all but one case: recommendations from a social networking site.

Although only 3% of respondents indicated that recommendations via social networking most influenced their decision to visit a retail website, satisfaction for this group ranks fourth of the 14 measured acquisition sources. Additionally, traffic resulting from recommendations on social networks rivals traffic from traditional word of mouth recommendation in terms of satisfaction (both 74) and the measured future behaviors (likelihood to return, recommend, purchase online, or purchase offline).

Thus far, advertising on social networks does not appear to be drawing in a large, or well-matched, crowd to Top 100 retailers' websites and in fact results in satisfaction and future behavior scores that considerably lag the other sources. Of course, this data aggregates the shoppers for the Top 100 retailers as a whole -- some retailers may be generating better results from their social media forays than others.

While chatter and recommendations in social networking channels are undoubtedly influencing customer brand perceptions, it's difficult to see a direct impact on high-quality site traffic. What this suggests is that social networks have a world of potential as a source of customer acquisition, but they still have a ways to go before they can compete with other acquisition sources in terms of garnering measurable ROI. This may vary from brand to brand, and any retailer could benefit from knowing how social campaigns are influencing both quantity and quality of site visitors.

4. Search engines drive traffic...if not purchase intent.

Although search engines influence 9% of all visits to the Top 100 e-retailers measured in our study, these shoppers are much less likely to purchase (either online or offline) than those who came to the site because of their familiarity with the site, company, or brand. Even Internet advertising appears to result in better-matched traffic than search engine results.

So What Do We Do Next?

The upshot of this research is that some of the best-matched, most lucrative website traffic is still coming from promotional emails and Internet advertising rather than from the latest trendy social networking sites. It will be important for each individual site to monitor the quality of its own various acquisition sources in order to get the best return on investment.

But what do we do next? Once each individual e-retailer has a handle on what kinds of paid and unpaid customer acquisition sources are driving the most people and the best people, more work can be done to dig deeper by integrating customer satisfaction data with clickstream and other customer experience analytics. People who come to Top 100 retailers' sites because of a recommendation on a social network make up 3% of visitors, but what percentage are they of your buyers? How do conversion rates differ from group to group? What are the intentions of different customer segments when they arrive on your site? How well are you delivering on those intentions for your customer. Are there certain product differences? Maybe advertising produces more buyers of big-ticket items, while promotional emails drive more lower-priced purchases (or vice versa).

One other caution: we're focusing on customer acquisition techniques and sources as if the need for additional traffic is a foregone conclusion. It's not. You might already be getting enough traffic, and your time and resources are best spent delivering an excellent experience to the people who are already there. Choosing to focus on improving the online experience for existing customers may be a better strategy for your business than courting new traffic. For most businesses, the most important thing will be to strike a balance and not to neglect either objective, but the point is that you don't know without some fundamental customer experience metrics in place that help you identify priorities and target return on investment.

The key takeaway from this research is that we should be smart about our investments in customer acquisition. Don't throw all your resources into social media this holiday and eschew the tried-and-true methods; don't ignore social entirely to do what you've always done. In fact, don't do anything based on internal opinions and expert analysis. Ask your customers! Do it in a smart, thoughtful way, and they will tell you everything you need to know about where to invest to get the most traffic this holiday season.

About Kevin Ertell

Kevin Ertell is Vice President of Retail Strategy for ForeSee Results and brings more than 25 years of experience in retail and online commerce, most recently as Senior Vice President of E-Business at Borders. He blogs about e-retail strategy at www.RetailShakenNotStirred.com.

About the Top 100 Online Retail Satisfaction Index

The Top 100 Online Retail Satisfaction Index measures browser satisfaction with the top 100 online retailers by sales volume from the 2009 Internet Retailer Top 500 Guide. Satisfaction data was collected through FGI Research's SmartPanel—a nationwide group of 1.6 million consumer households that have agreed to participate in opt-in surveys—and analyzed using the methodology of the American Customer Satisfaction Index (ACSI). During spring of 2009, ForeSee Results collected data from over 22,000 respondents who had visited the top 100 online retail sites within the previous two weeks whether or not they made a purchase.

The ACSI is a leading economic indicator and a cross-industry benchmark of customer satisfaction for seven economic sectors, more than 45 industries, and nearly 200 major companies in the United States. It measures approximately 45% of the U.S. gross domestic product. Applied to the web, the ACSI methodology goes beyond accurately assessing current satisfaction to predict how improving online customer satisfaction will foster future behaviors tied to loyalty, such as future purchases.

About ForeSee Results

As the leader in online customer satisfaction measurement, ForeSee Results captures and analyzes online voice of customer data to help organizations increase sales, loyalty, recommendations and website value. Using the methodology of the American Customer Satisfaction Index (ACSI), ForeSee Results identifies the improvements to websites and other online initiatives with the greatest ROI. With over 38 million survey responses collected to date and benchmarks across dozens of industries, ForeSee Results offers unparalleled expertise in customer satisfaction measurement and management particularly in the retail category, with over 85 retail measures in ForeSee benchmarks.

ForeSee Results, a privately held company, is headquartered in Ann Arbor, Michigan, has offices in the UK and Canada, and can be found online at www.ForeSeeResults.com.