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Increasing Conversions through Behavioral Retargeting

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Abstract

One of the biggest aims in marketing strategy is how to attract and retain customers through product promotion. Over the past sixteen years, social media has created revolutionary new ways of reaching customers (Lamberton & Stephen, 2016). Since the globalization of online purchases, corporations have engaged in a plethora of novel strategies to gain new customers. One of these strategies is called Behavioral retargeting. Behavioral Retargeting is a form of targeted advertising whereby advertisements are displayed to consumers, based on their previous browsing history (Stephen, 2015). When organizations use behavioral retargeting, they tag consumers allowing a cookie to be inserted in the user's browser. When the cookie is inserted, the organization is able to display advertisements to the user on other Internet websites through an advertisement exchange (Stephen, 2015). The purpose is to increase conversion rates where visitors to sites become customers.

Keywords: Conversions, Behavioral Retargeting

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Introduction:

This paper describes previous research on behavioral retargeting and posits several research questions to advance theory within marketing science. The paper focuses on types of advertising and proposes that specific types of advertising can yield the greatest gains for advertisers and organizations through judicious behavioral retargeting.

Behavioral Retargeting: Review of Empirical Research

When advertising is used in an effective manner, it can trigger consumer interest in a product. However, there are occasions when advertising can become irritating and result in consumers deciding not to return to an organization to browse their products (Stephen, 2015). In one of the first empirical studies to examine behavioral retargeting. Drawing on data from the travel industry, Lambrecht and Tucker (2013) examined the effectiveness of behavioral retargeting as compared to generic brand advertising. The researchers conducted the study because there was little evidence that a personalized recommendation for a product would be successful when displayed on websites that were external to a firm's own website (Lambrecht & Tucker, 2013). Further, marketing analysts were enthusiastic about behavioral retargeting and were using it as part of marketing strategies, despite the lack of evidence to support this new technique. Lambrecht and Tucker sought to examine the effectiveness of behavioral retargeting. The researchers utilized data that had been collected by a Travel web site, which sells vacations to consumers. The firm uses several advertising networks to promote its services. The travel frim conducted its own field experiment, collaborating with a major advertising network and the experiment lasted for twenty-one days. Participants were randomly assigned to one of two conditions–a generic advertisement or a retargeted advertisement– when the consumer visited an external website in which the advertisement appeared (Lambrecht & Tucker, 2013). The generic advertisement displayed an image that was reminiscent of a beach vacation and included the logo of the brand. The retargeted advertisement displayed one hotel that the consumer had crowed on the travel firm's local website and three other hotels that were similar in location and ratings. Then, the researchers conducted their own laboratory experiment recruiting 162 participants online through Amazon Turk; they used the same methodology as the field experiment conducted by the travel firm (Lambrecht & Tucker, 2013).

The results were interesting and surprising because the generic advertising was generally more effective than the dynamic retargeted advertisements. Given that retargeted advertisements are personal and aimed specifically at the user, one would expect those advertisements to be effective in increasing consumer spending. However, on average, the researchers found that the generic advertisement was the most effective. There are limitations with the research because the study just focused on the travel industry and it might be that generic advertising is more preferential than individualized advertisements. It might also be that consumers tend to focus more on personalized advertisements when the product is very important to them. Many consumers might just wish to have a vacation and are not motivated to scrutinize the details for a vacation that has been packaged exclusively for them. There is obviously a need to conduct more research on behavioral retargeting. One interesting aspect of the study is that retargeted advertisement did become more effective once consumers had engaged in more browsing suggesting that their preferences did evolve.

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There has been additional research on how features within advertisements can promote a product most effectively. Bruce and colleagues examined how the combined effects of behavioral retargeting, creative and message content was related to the performance of online advertisements (Bruce, Murthi & Rao, 2017). The research team focus on a major US retail outlet and examined six months of data including impression, clicks, targeting, and creative content and the effects on consumers, who had been retargeted (Bruce et al., 2010). The researchers found that dynamic advertising was more effective than static advertising. However, this was not true for advertising that used behavioral retargeting. Static formats were still effective for retargeting and the effectiveness of retargeting only held if the firms offered price incentives. Their study tended to support the findings by Lambrecht and Turner (2013), suggesting that retargeted advertisements are generally ineffective unless consumers have specific requirements. Based on this study by Bruce and his colleagues, it seems that future research needs to identify contingencies when evaluating the effectiveness of behavioral targeting.

In a study examining the effectiveness of advertisement types across a wide range of consumer behavior, Ghose and Todri-Adamopoulos (2016) found that advertising that happens in the blink of the moment has an effect on consumers. This mere exposure effect increased consumers' motivation to search for the brand product. Consumers also engaged in active searches to gather information and were more inclined to make a purchase. However, behavioral retargeting showed mixed effects. When advertisers used retargeting, this decreased the likelihood that consumers would revisit the company's website by 45%. The researchers suggest that one reason for this is that consumers might find the retargeting irritating. However, although the consumers were less likely to return to the company website, their behaviors changed in the long-term because consumers were more likely to convert to the brand product, by an average of 26% (Ghose & Todri-Adamopoulos, 2016).

Researchers have also challenged the use of retargeting as a marketing strategy (Li & Kannan, 2014). Li and Kannan were interested in determining the incremental value of marketing strategies such as email, referral and display within the context of retargeting. Consumers frequently visit and revisit a firm's website to peruse products. Over time, consumers familiarize themselves about product lines and details and make attributions about the brand. Retargeting as a marketing strategy allows advertising agencies to hone in on consumer preferences through personalization of consumer tastes. The hope is that frequent encounters with a company brand through behavioral retargeting will lead to conversion and commitment to a product. The study by Li and Kannan used secondary data and focused on a range of marketing channels. The authors found that in the short term, marketing strategies such as email and advertisements did work. However, they found that long-term, these strategies tended to reduce customer commitment to a brand, particularly through behavioral retargeting. In a path-analysis of the data, the authors found that retargeting customers through email yielded mixed results (Li & Kannan, 2014). Although the use of email retargeting resulted in an increase in overall purchases for some customers, for other customers it impeded the possibility of future sales. Their findings tend to support the notion that customers get irritated when they receive too many emails and that these emails can become ineffective and lead to a lack of commitment to the firm's brand. The authors present a model that can be used to effectively target customers for whom behavioral retargeting is appropriate (Li & Kannan, 2014). It is recommended that future research focus on individual differences among consumers. It is possible that customer attitudes are related to the effectiveness of behavioral retargeting and that certain segments of customers will convert based on strategic behavioral retargeting.

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New Directions for Research

There are several directions for new research. Future research can examine the effectiveness of advertisement type and determine when specific and generic types of advertising are most effective for consumer conversion when using retargeting. Previous research shows that environmental colors and overall attractiveness can influence consumer affect and increase the likelihood of purchase (Bellizi & Hite, 1992). It might be useful to conduct a study that determines the impact of generic and specific advertisements that vary in color and attractiveness. Another area of research interest for behavioral retargeting is a focus on individual differences among consumers. There are several well-established theories that have suggested how best to present goods and services to consumers. One of the best known within the persuasion literature is the Elaboration Likehood Model (Petty & Cacioppo, 1981).

In this model, there are two paths to persuasion - a peripheral path and a central path. When people respond to a message and use the central path, they listen more attentively to the message and process it at a deeper level. When people are less concerned with a topic, such as an advertisement, they tend to use the peripheral path and focus on peripheral attributes of the advertisement, such as the aesthetics or the credibility of the advertiser. It is possible that behavioral retargeting might work for consumers who use the central path of processing and they will pay more attention to retargeted messages (Petty & Cacioppo, 1981).

Conclusion

This paper provided a description and analysis of current research in the new area of behavioral retargeting. The research shows promise for the use of this technique yet also provides boundaries on the effectiveness of its use as a key marketing strategy. Future research is needed to determine when, how and on whom behavioral retargeting is most effective.

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