



RETAIL **SEARCH MEDIA**

How Online Retailers Can
Tap into the Emerging
Site Monetization Boom

SEARCHANDISE
C O M M E R C E

Executive Summary

Today, many online retailers are seeking to adapt their proven in-store merchandising strategies to the web. But while manufacturers have shown interest in gaining product placement at the consumers' point of purchase, online retailers have had few cost-efficient options for enabling this strategy online. Retail Search Media answers this conundrum, providing an opportunity for online retailers to monetize the largely untapped majority of their website traffic. In fact, leading retailers are seizing on Retail Search Media to generate incremental revenue with no financial outlay.

Retail Search Media is defined as paid search that occurs within a retail website or monetization of site search results.

This paper explains how retail media is evolving, and how Searchandise Commerce enables retailers to capitalize on the emerging opportunity of Retail Search Media via a service-oriented network. It then details how the plug-and-play, open architecture of this network, combined with Searchandise Commerce's strategy for managing all aspects of the merchandising opportunity – from reporting and sales to monthly payout – enables near-instant ROI.

The Evolution of Media

Today, retail websites stand on the front lines of consumer engagement. Once viewed as the final destination in the purchasing process, these sites have transformed into critical information sources, and subsequently, media venues that engage shoppers earlier and more frequently in the purchasing process than ever before. This is called **retail media**, in which retailers have become publishers and brands have become advertisers in plain sight of shoppers. By engaging shoppers in their path to purchase – where they research brands, compare products, and ultimately buy

– retail media has become a powerful, influencing force on consumer shopping decisions.

Retail media incorporates many approaches, mostly ad-driven, to better monetize the traffic on retail sites. Retailers spend enormous amounts of money to attract consumers, over \$5 billion on web advertising in 2010 alone, yet most consumer traffic passes through retail sites with no spending attached.¹ For example, during the 2010 holiday shopping season, Black Friday and Cyber Monday traffic converted to sale at rates of 4.5% and 5.5%, respectively.² This relegates the remaining 95% of traffic as a mere cost burden. The challenge for retailers has become monetizing that massive amount of untapped site traffic, which is exactly what retail media is designed to do. Retail media offers retailers an easy way to monetize virtual shelf space, helping them get paid when consumers buy or simply browse. At the same time, retail media passes on value to suppliers by offering them premium positions in virtual shelf space, leading to better results and stronger partnerships.

Imagine getting paid for non-converting online window shoppers. That's exactly the promise of online retail media.

Retail media also introduces a way to enhance the engagement between brands and consumers while simultaneously offering a financial upside for retailers. For years, retailers have successfully deployed traditional merchandising in the brick-and-mortar world by offering premium placement through specialty displays, eye-level shelf space, end-caps, and in-store kiosks. Now they can do the same online, offering brands the same type of premium placement and position, but with some unique online advantages. First, brands appearing at the top of search results ultimately receive more clicks that convert to sales than they receive when appearing lower in

the search results. In addition, online offers retailers access to clickstream data that helps to inform future decisions around product features, pricing, and positioning.

As retail media giants gain momentum, the same rules will apply as for online media – a portion of the merchandising budget will have to be actionable, pay-for-performance, paid search. Additionally, with 46% of the \$26 billion online media market going to paid search, it stands to reason that the same will hold true for retail media.³ Retailers have been aggressive about branding/CPM, but that only addresses roughly half of the online ad spend. Retail search media addresses the other half.

eCommerce platforms and enterprise search and recommendations solutions have only begun to scratch the surface of online merchandising. Merchandising in the brick-and-mortar world represents a line of revenue. Yet up to now, merchandising in the online world has only meant suggestive up-selling and cross-selling via recommendation engines. Retailers can now seize the opportunity to earn significant returns from online merchandising by enabling brands to pay for product placement. After all, consumers' offline shopping patterns have shifted to the web, and brands' online budgets have followed them there. A small but growing number of leading retailers' merchandising budgets reflect that change. These pioneers of retail media recognize the shift in which portions of the budgets that were once devoted to in-store merchandising are now being spent online. Retailers have a tremendous opportunity to follow the manufacturers' budgets and move to online merchandising.

Consumer Trends are Shaping the Retail Media Explosion

According to Pew Research Center, 78% of American adults use the web for general research, while 58% have used the web for research specific to products and services they intend to buy.⁴ Equally compelling for retailers is the fact that consumers have elevated retail websites to the top spot when searching for products. Contrary to the popular notion that search engines, such as Google or Bing, originate most product searches, retail websites have actually emerged as

the first or second source for product information – 41% more often than search engines.⁵

With consumers relying so heavily on retail sites throughout the shopping process, retailers are recognizing that they can monetize not only conversions, but also the search and browse process. This emerging opportunity within retail media is known as **Retail Search Media**, and it promises to make retail media even easier and more profitable to deploy for retailers and brands alike.

Do you know where your shoppers come from?

- Two-thirds of shoppers begin their search online
- More shoppers start their online search on retail sites than any other source
- Retail sites now lead 55% to 40% over search engines as one of the first three destinations online

comScore, The Value of Retail Search and Position, July 2010

Retail Search Media: The New Revenue Opportunity in Retail Media

Retail Search Media is defined as paid search that occurs within a retail website. Simply put, it is the equivalent of Google search within a retailer's site where an advertiser can bid for a premium position. What makes Retail Search Media more valuable than traditional paid search is that it occurs further downstream in the buying process, closer to where shoppers are becoming buyers. Appropriate promotions at this stage inevitably provide higher impact for brands.

Where manufacturers can bid on major search engines using traditional search methods, Retail Search Media enables them to take a more targeted approach to bidding. They can bid for premium placement on a given retail site where consumers are actually shopping. This is an important change in search placement because twice as many shoppers on a retail site use the search box feature than those that browse the landing page.⁶ Moreover, a recent study by consumer research firm



Figure 1. Retail Search Media brings manufacturers further down the click stream

comScore found that more than 70% of online shoppers for consumer electronics and computer-related products narrow their clicks to the first five results in a retail search result page.⁷ The opportunity is clear for retailers: the first results page of any search category within a retail site represents a tremendous merchandising-revenue opportunity.

Manufacturers Want to Pay Retailers for Retail Search Media Opportunities

According to many advertising agencies, the traditional online paid search market is saturated when trying to reach U.S.-based consumers, and additional spending provides very little upside benefit. This trend has even led consumer electronics marketers to seek paid search opportunities for markets outside the U.S.⁸ By tapping the Retail Search Media segment, retailers can seize much of the revenue that is waiting to be spent by brands.

Retail Search Media makes even more sense for brands as they consider another finding from the 2010 comScore study

– that paid advertising should not be displayed on search results pages because such a practice angers consumers.⁹ This all adds up to Retail Search Media offering a new merchandising frontier for which manufacturers will pay a premium. They will do so because they realize that clickshare by position within retail-search results mirrors that of web-search results (see Figure 2). And because Retail Search Media clicks occur closer to the final purchase step, retailers can charge – and receive – a higher cost-per-click than do the generic search engines.

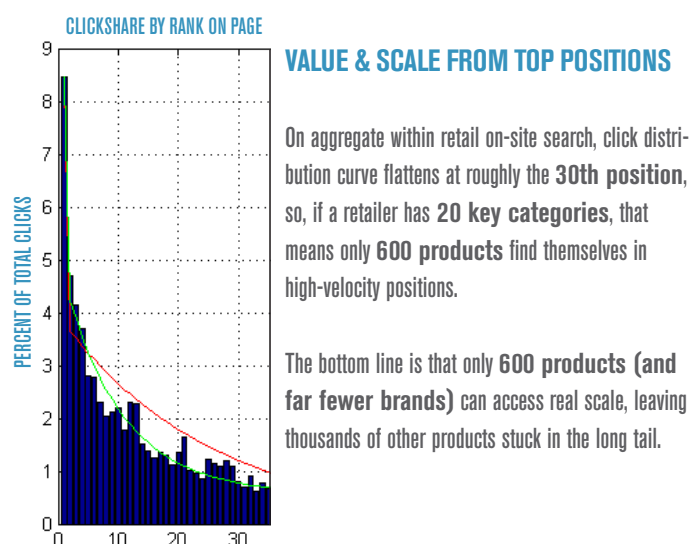


Figure 2. Clickshare by position in retail search results

Converting On-site Search from Cost Center to Profit Center

By monetizing the paid search that takes place on their websites, retailers can now transform their search functionality from a cost center to a profit center. As shown in Figure 3 below, leading retailers that have already deployed Retail Search Media can demonstrate strong profits with easy-to-obtain metrics. As the highly conservative example in Figure 3 shows, the retailer in question experiences an average traffic level of nearly 29 million visits per month and turns a yearly profit of \$6 million by deploying Retail Search Media. While these are compelling returns for any retailer, they carry even more weight when one considers that implementing Retail Search Media involves virtually zero up-front cost.

With no up-front investment needed to leverage Retail Search Media, retailers can become ROI-positive in the first month of use.

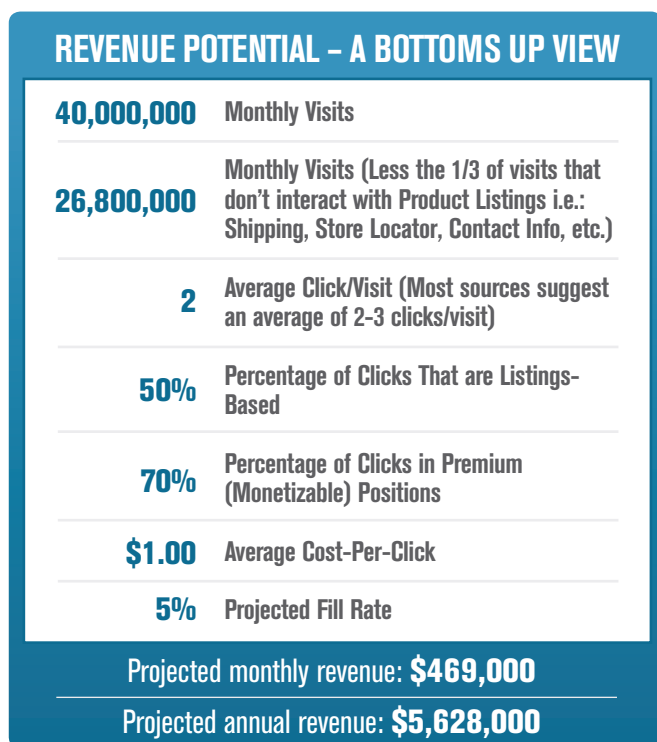


Figure 3. A Conservative Look at the Revenue Potential of Retail Search Media

Why Retail Search Media is Only Taking Off Now

Retail Search Media has only just emerged because, prior to recent developments, a unifying ad network never existed. Without a unifying ad network similar to the ones offered by Google and Microsoft, retailers that sought to monetize site search had to create their own proprietary sales and delivery systems from scratch. The costs and resources required to do so were difficult to justify. Such has been the case as well for exploiting the search engine merchandising functionality from companies such as Endeca and Omniture. In fact, effective Retail Search Media is difficult to achieve with these platforms because they offer limited network reach between brands and retailers.

The pent-up demand for Retail Search Media has led to the development of a collaborative, multi-store network – or Retail Search Media network – dedicated exclusively to site search monetization. The network's model strongly resembles

Forty percent of shoppers in the market for computers, consumer electronics and other related products use a retail website's search box to find the product category, brand or model they're looking for, according to a poll conducted by leading research firm comScore.

that of Google, including the familiar bidding, pricing, and delivery methods. Manufacturers can bid by SKU with costs determined via a per-click model. Retailers can opt to join the network, monetize their own inventory, and then display the corresponding bids in a variety of ways to meet their own customized user-experience requirements. While popular approaches to bid display include premium placement in search results, product showcases, and home pages, retailers can choose from countless more options.

Improve the Consumer Experience while Adding a New Revenue Stream

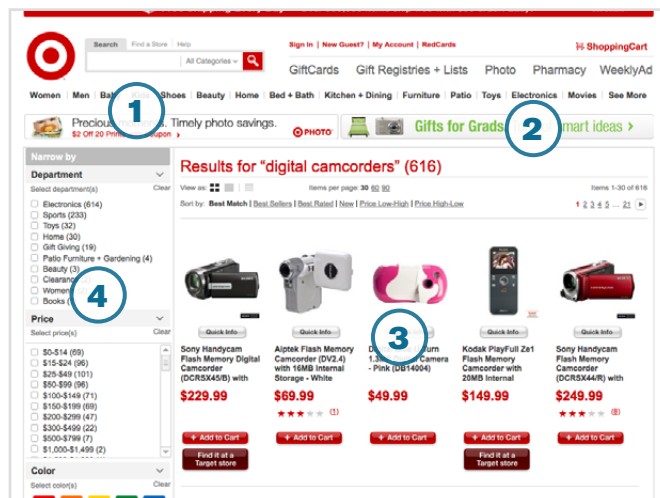
The search-results page within retail websites has always been considered untouchable ground for monetization. But one company, Searchandise Commerce, has changed that notion and enabled retailers to cash in on that space without disrupting the user experience. Working closely with enterprise search, eCommerce, and digital media partners, Searchandise Commerce has built out a network that incorporates several disparate elements to provide unique functionality for Retail Search Media.

The simplicity and scale provided by the Searchandise Commerce solution provides an instant ROI-positive model for retailers. Searchandise Commerce recognized early on that the most effective ad networks provide the best distribution and tools to their customers. Following that model, the Searchandise Commerce solution focuses on broad network reach combined with easy-to-use tools for brands and retailers alike. The result is a high-value, on-demand service.

On a daily basis, Searchandise Commerce obtains CPC bids from manufacturers and incorporates those bids automatically into retailers on-site search solutions. In this way, CPC bids become munged together with other algorithms that retailers use to yield search results. Through this approach, Searchandise Commerce uniquely provides retailers with a method for tapping into the search budget that was once dedicated to generic web search engines. As noted earlier, web search spending is saturated and yields little incremental value in many consumer product industries. The Searchandise Commerce network solution gives retailers a powerful competitive advantage for securing that unspent online budget from manufacturers.

tactics from in-store merchandising and site search-triggered merchandising. In other words, Searchandise Commerce allows merchandisers to control the various ways of presenting manufactured-sponsored feeds based on the retailer's goals. Options for simply changing back and forth between various prioritization methods make Retail Search Media more flexible than search engine-based advertising and more effective for both brand marketers and merchandisers. It also makes this emerging form of sponsored promotion remarkably similar to the proven approaches used in the brick-and-mortar world.

One example of the simple merchandising methods available through Searchandise Commerce is relevancy weighting – a technique many site-search vendors promote as boost. With relevancy weighting, retailers can influence the order in which products appear on results pages by prioritizing multiple factors, such as margins, inventory, location, ratings, and conversion rates. As a result, retailers can apply additional weighting to ensure that certain results are always returned first for popular searches. Searchandise Commerce simply injects manufacturers' CPC bids into the algorithms that retailers are already using so they can apply sponsorship information to their relevancy weightings. None of this impacts the user experience, because results appear as organic search results, just as they did prior to using Retail Search Media. Figure 5 below provides an overview of the Searchandise Commerce approach.



1. Ad Networks
2. Custom content/Brand stores
3. On-site search; Searchandise Commerce
4. Search Engines

Figure 4. With Searchandise Commerce, retailers can merchandise the coveted search box

How Searchandise Commerce Works to Optimize Merchandiser Control

The combination of tools and the network comprise Searchandise Commerce. The solution enables merchandisers and website monetization professionals to work the way they always have while monetizing site search. That's because Searchandise Commerce incorporates the

As the Searchandise Commerce solution continuously maintains up-to-date product information from both retailers and manufacturers, it can provide real-time data and communications to retailers to ensure that their results pages reflect desired outcomes. For example, the solution can notify a retailer when the inventory is getting low for a product that has a bid attached to it. It can also analyze traffic trends and help retailers demonstrate return on ad spend (ROAS) to manufacturers across margin on product, spend, and when the campaign is end positive.

Searchandise Commerce is an open system that integrates well with leading eCommerce, enterprise search, and analytics platforms such as Endeca, Omniture, and Microsoft (FAST).



Figure 5. Searchandise Commerce enables seamless integration of CPC bids into retail search engines

Because merchandisers maintain the flexibility gained from state-of-the-art site search systems, they feel comfortable incorporating Retail Search Media into their daily routine. Figure 6 below demonstrates how merchandisers have the option to call out bid items if they choose. All of the capabilities for contextual promotions remain in place, including creation of dynamic landing pages based on specific search terms as well as fine-tuning of relevancy strategies.

For retailers already performing search-triggered merchandising, Searchandise Commerce helps lower the costs associated with a proprietary approach. They can monetize their entire site without adding new staff, and at the same time, know that the open nature of Searchandise Commerce means that they will not need to perform any painful technology integrations as vendor platforms evolve.

Conclusion: Retail Search Media is too Profitable and Simple to Ignore

Retail media is gaining a foothold in today's competitive online market for consumer products, and retailers will measure retail media's value in the same ways they measure online media's value. This means that a portion of the

merchandising budget dedicated to retail media will become results-oriented paid search. As such, retailers need to make their offerings complete in order to capture their full share of paid-search budgets. By partnering with Searchandise Commerce, retailers can quickly tap into that budget by leveraging Retail Search Media. With few requirements other than simple integration with a fully outsourced service that includes managing, reporting, sales, and payout, retailers can generate a new monthly revenue stream with little effort.

Figure 6. With Searchandise Commerce, retailers can call out sponsorship of a position or implement the sponsorship into fully organic-looking search results

Contact Searchandise Commerce Today

We'll show you evidence of demonstrable ROI from Retail Search Media and to learn how you can capitalize on this emerging opportunity.

Footnotes

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