A/B and Multivariate Testing Landscape

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ZeroDash1 | Ascentium

Lead Analyst
Greg Poffenroth | Web Optimization Lead

Other Analysts and Contributors

Anil Batra | Director Analytics and Strategy
Kyle Hutchins | Director Strategic Services
John Song | Managing Director – ZeroDash1
John Bennett | Web Optimization Lead
John Goad | Search Lead
Sarah Dawson | Web Analyst
Anh Than | Web Analyst
Aaron Lovelace | Web Analyst

Executive Summary

As the interactive industry has progressed, it has become more important to demonstrate positive return on investment (ROI). Because of this, marketers are being held more closely accountable by business stakeholders and are therefore looking for new ways to increase the effectiveness of their interactive experiences. As such, A/B and Multivariate testing has become, and will continue to become, more prevalent because it allows practitioners the ability to continuously improve their websites and marketing campaigns through the direct feedback of the consumer.

The increasing use of A/B and Multivariate testing has been confirmed by the results of our most recent survey, taken at the eMetrics Marketing Optimization Summit in San Francisco. Of the 142 survey respondents, 52% said that they are currently engaged in A/B or Multivariate testing. Furthermore, of the respondents that currently do not engage in any form of web site testing, 69% plan to engage within the next year. We believe this speaks to how the industry is progressing.

As A/B and Multivariate testing becomes more common, web site strategy will change from long redesign cycles to quick testing iterations. The organizations that embrace this strategy will succeed because they will address the needs of their customers more quickly, thereby making their sites more usable and efficient. This will require changes from web site managers and their agencies alike, as online strategy will extend far beyond typical site redesigns and move toward true continuous improvement processes.

Approach

ZeroDash1, a leading Web Analytics and Optimization firm, polled a group of 142 web site marketers and analysts at the 2008 eMetrics Marketing Optimization Summit in San Francisco. The eMetrics Summit is an online marketing conference dedicated to the application of research, analytics and optimization for the purpose of increasing the effectiveness of websites and online marketing campaigns. As anticipated, the response to this survey came from a highly targeted audience of web professionals who have expressed interest in analytics and optimization.

Realizing that not all conference attendees would be involved in A/B and Multivariate testing, we divided the survey into three sections:

- Firms that currently do not conduct A/B or Multivariate tests
- Firms currently conducting A/B and Multivariate tests
- Firms whose experience extends to Behavioral Targeting

As noted in the survey results, a lack of best practices and the complexity of optimization testing are two of the biggest challenges facing online marketing professionals in this segment. This speaks directly to ZeroDash1's intent with this survey, which is to provide industry insights and trends for the betterment of the online marketing community. It is our hope that the information contained within this document will positively influence and educate you on Multivariate testing and Behavioral Targeting practices.

Below is a high-level overview of our findings:

- Challenges await firms interested in optimization
- A variety of testing platforms are considered before making a final decision
- Experiments vary in frequency, page type and page element
- Similar challenges obstruct practitioners
- Practitioners often use more than one platform to meet their needs
- Pretest hypothesis often fail
- A/B and Multivariate testing is "worth it"
- Behavioral targeting is a small but growing technique

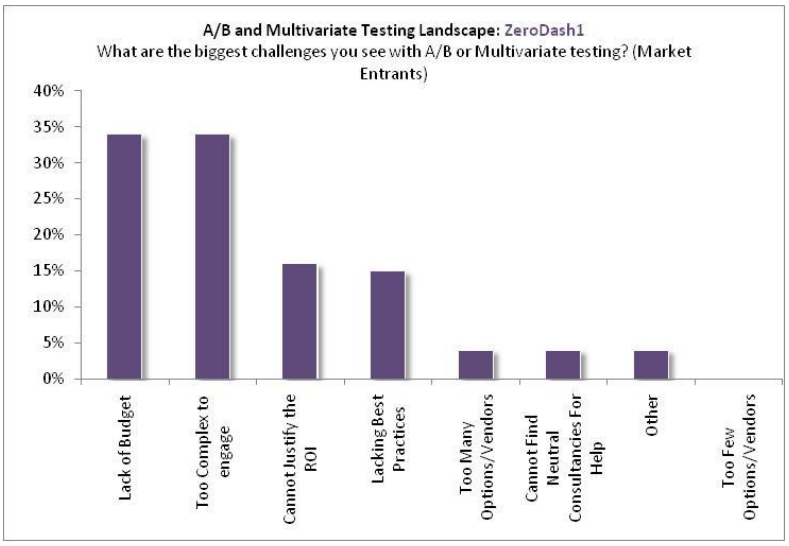
Challenges await firms interested in optimization

Although 48% of respondents do not currently engage in A/B or Multivariate testing, this segment will experience significant growth in the next year as 80% of total respondents plan to engage, or continue practicing, within that timeframe. The main barriers to entry, for those who are not currently engaged in A/B or Multivariate testing, are:

Lack of budget. 34% of respondents noted that they currently lack an appropriate budget to engage in A/B or Multivariate testing. Of these respondents, 22% said that they are not able to justify the ROI of A/B or Multivariate testing. This speaks to a recurring problem we see in the analytics industry. Firms aren't able to monetize the web on a consistent basis, or project the benefits of new technologies. Through proper ROI calculations and executive support, A/B and Multivariate testing often demonstrates positive ROI upon initiation, as identified by the responses to question number 7 of this survey.

Complexity. Another 34% of respondents said that A/B and Multivariate testing practices are too complex to engage. Although optimization practices have been available for some time, we believe there is a lack of education on the subject. An average Web site manager struggles to grasp the processes, implications and benefits of optimization. We believe that establishing best practices, creating more usable tools, and providing tangible case studies will help educate interested parties, dispelling some of the complexity that currently hinders the practice.

Figure 1.1 A chart detailing the biggest challenges for all respondents who do not currently engage in A/B or Multivariate testing.



A variety of testing platforms are considered before making a final decision

Web site professionals who are entering the optimization market consider a variety of platforms before making a purchase decision. On average, companies consider 1.65 A/B or Multivariate testing tools before moving forward. However, there are only two platforms that are considered by more than 25% of survey respondents. The Multivariate testing platforms currently generating the most interest among new users are:

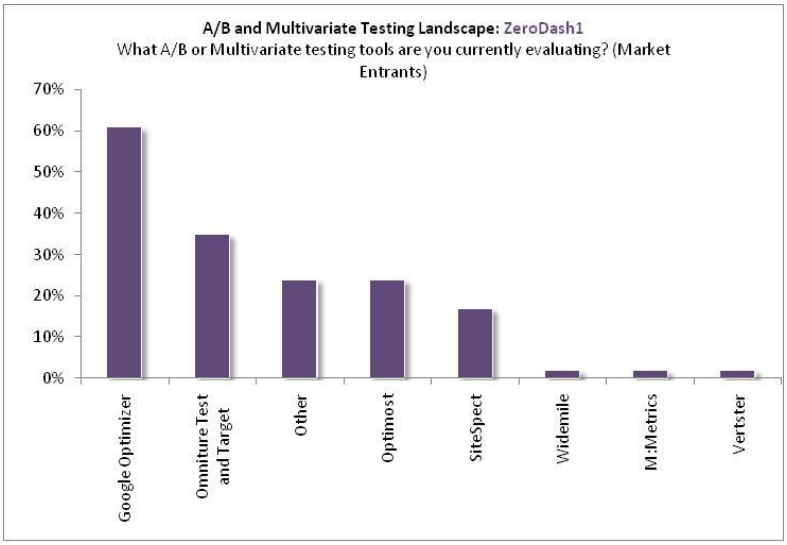
Google Website Optimizer. 61% of new users entering the optimization market consider Google Website Optimizer before making a purchase decision. Google's tool is also the most common tool

evaluated by purchasers considering more than one tool. Google Website Optimizer is a free tool that faces the problem of proving its credibility next to more established platforms like Omniture Test & Target and Optimost. However, because Google offers the opportunity to learn about optimization before making an investment in a licensed tool, users are considering the advantages and disadvantages of using this free tool over more traditional platforms. It is likely that this is also the result of an effort to curb budget restraints and the complexity of optimization, the two biggest challenges for market entry.

Omniture Test & Target. The Omniture Test & Target platform is considered by 35% of market entrants. As the second most considered tool, we believe this is a result of Omniture's market share in the web analytics space and their ability to integrate different service offerings in one package. We believe that as the analytics and optimization industry continues to progress, there will be continued consolidation of tools and platforms. This will allow users the ability to create actionable insights with more ease by providing the ability to holistically evaluate their online presence through one central location.

Other. Surprisingly, 24% of respondents said that they are currently considering a tool other than those noted on the survey. Many of these firms consider building a tool internally, bypassing any recurring license fees, or tool limitations that they may encounter. While this may be a good solution for larger firms that have the ability to dedicate full time staff for tool maintenance and training, the average company will likely run into difficulties as this type of solution limits the ability of a third party to efficiently provide support.

Figure 1.2 The chart below details the most common A/B and Multivariate testing tools considered by firms entering the market.



Experiments vary in frequency, page type, and page element

One of our primary objectives with this survey was to discover not just if, but how companies are currently using A/B and Multivariate testing to their advantage. The information provided below details how frequently survey respondents engage in optimization testing, what types of pages they test, and what elements on those pages are tested. Although the responses to these questions are general, they are representative of how companies use these practices and will help reduce complexity in the market by creating scope on how A/B and Multivariate testing is generally approached.

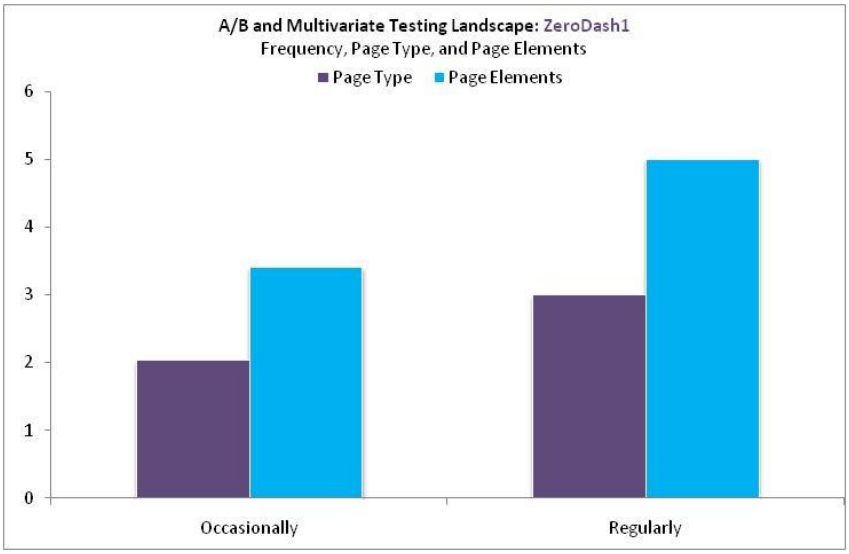
Frequency. Although all web sites are different, ZeroDash1 found it beneficial to know how often optimization testing practices are used. We purposefully structured this question with limitations in an

attempt to simplify and conventionalize the responses given. Respondents were given the option of "Occasionally" and "Regularly" when asked how often they engage in Multivariate testing.

44% of survey respondents occasionally engage in A/B or Multivariate testing. Those who occasionally engage in A/B or Multivariate testing tend to use the practice to a lesser extent than those who regularly engage in A/B or Multivariate testing. Specifically, occasional users generally test 2.03 page types and 3.41 page elements. The most common page types tested by occasional users are landing pages at 74% and Home pages at 48%. This data suggests that occasional users engage in Multivariate testing primarily for marketing purposes.

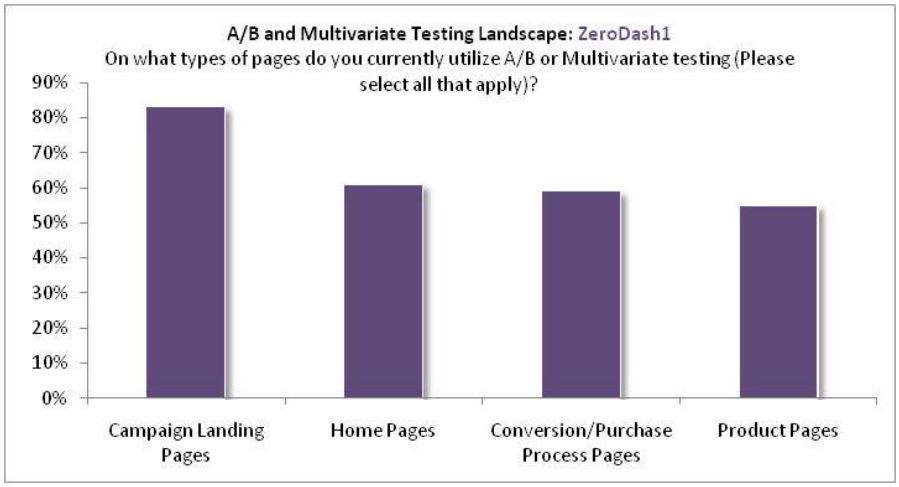
By comparison, the other 56% of respondents who regularly use A/B and Multivariate testing tend to focus on optimization of both marketing and transaction-based pages. The most common page type tested by this segment is also landing pages at 90%. However, the second most common page type is conversion-based pages with 73%. Not only do these users engage in optimization practices more often, they also extend the breadth of their experiments as they test an average of 3 page types and 5 page elements.

Figure 1.3 Detailing the number of page types and elements tested, organized by frequency.



Page Type. In aggregate, survey results show that online marketers consistently test a variety of page types, although one page type stands out from the rest. 83% of survey respondents who currently engage in optimization testing have experimented with landing pages. This is followed by home pages at 61%, conversion pages at 59% and product pages at 55%. Again, this suggests that A/B and Multivariate testing is most often used as part of a marketing effort, in order to optimize landing page click through rates (CTR). As marketers push for campaign and site ROI, we believe that A/B and Multivariate testing will focus more on conversion and purchase process pages.

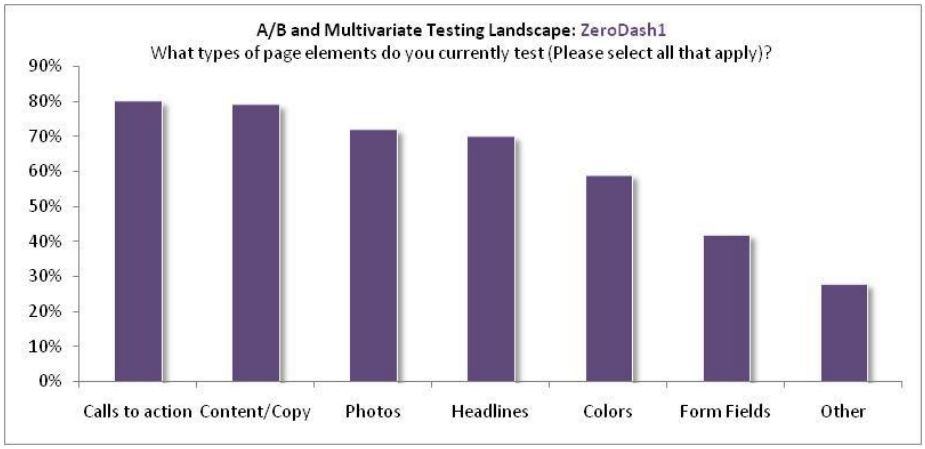
Figure 1.4 The chart below details the percentage of survey respondents that test each page type.



Page Elements. Our results indicate that test designers create experiments with similar page elements, despite the difference in page type. For example, those testing landing pages are most likely to test calls to action (85%), copy (81%), and headlines (73%). Similarly, those testing product pages are also most likely to create different calls to action (88%), copy (82%), and headlines (82%) for their pages.

In summary, the most common page elements tested are calls to action at 80%, copy at 79% and photos at 72%.

Figure 1.5 The chart below shows what page elements survey respondents are currently testing.



This speaks to a pain point we consistently hear from clients; companies have difficulty coming up with new creative elements to test. As a result, they test the same page elements over and over, limiting their ability to drive long term benefits from A/B and Multivariate testing. Over time, these situations can lead to an unfavorable opinion of A/B and Multivariate testing as the quick wins that were prevalent in the beginning become less obvious. Through our consulting experience at ZeroDash1, we've found that companies can continually drive long term value by expanding the testing team to include thought leaders in adjacent business units. These people provide a different point of view than practitioners involved in the day-to-day operation of Multivariate testing and can help testing teams re-focus on key business objectives.

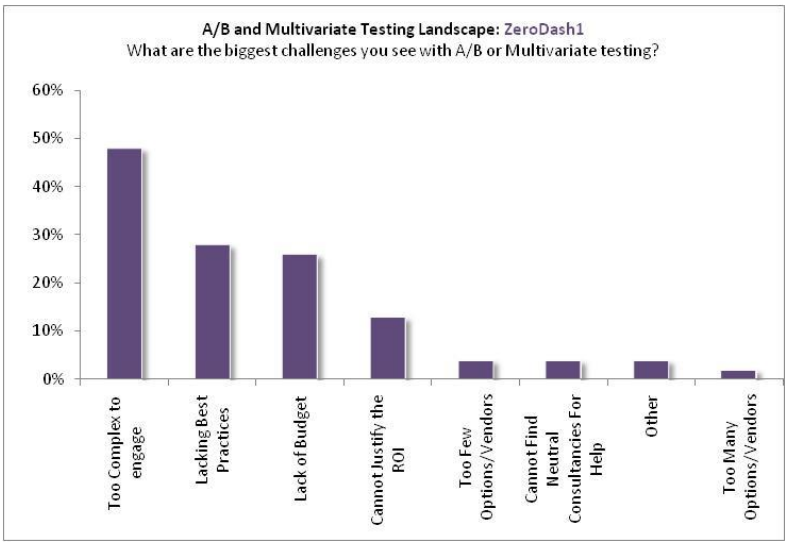
Similar challenges obstruct practitioners

The 52% of survey respondents who currently engage in A/B or Multivariate testing encountered many of the same challenges as marketing managers looking to enter the market. However, the opinion of these practitioners has shifted slightly as they've become more involved in optimization; rather than struggling with monetization, they are challenged by more tactile problems. This is significant because it demonstrates the ability to overcome many of the challenges specific to market entry. Those who currently engage in A/B or Multivariate testing are currently challenged with:

Complexity. 48% of current practitioners face difficulty with the complexity of A/B and Multivariate testing. We believe this issue is closely associated with the lack of best practices that current practitioners face (explained below). Whereas the complexity concerning market entry is more general and in most cases can be solved by additional research and education, complexity from this perspective is more focused on integration, process, and prioritization as noted by survey respondents.

Lack of Best Practices. 28% of survey respondents in this segment said that their biggest challenge is that the industry lacks best practices. Although current practitioners seem less concerned with monetization, this call for best practices demonstrates their need to mitigate risk. A/B and Multivariate testing often calls for additional staff and budget, both of which can cause downward pressure from executives who want to demonstrate positive ROI quickly. In order to do this efficiently, practitioners are looking for industry best practices as a way to ease fear of the unknown, gaining knowledge through the experiences of others.

Figure 1.6 A chart detailing the biggest challenges faced by current practitioners of A/B and Multivariate testing.



Practitioners often use more than one platform to meet their needs

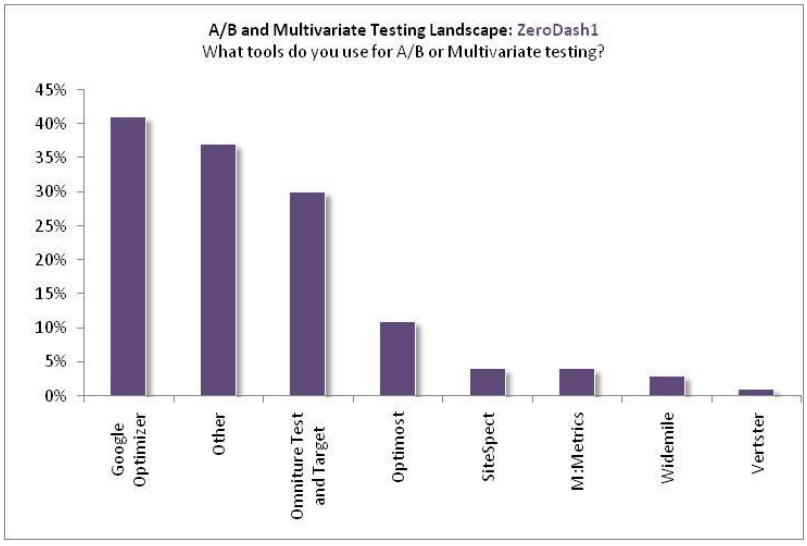
30% of practitioners use more than one tool to meet their A/B and Multivariate testing needs, the most common combination of tools is Google Website Optimizer and Omniture's Test and Target platform, as there is approximately 28% overlap between the two tools. This suggests that experienced testing practitioners are also weighing their options between free and licensed tools. The most common tools used by those currently involved in A/B and Multivariate testing are:

Google Website Optimizer. 41% of firms currently engaged in A/B or Multivariate testing use Google Website Optimizer as their testing platform. However, those using Google's tool tend to use it in situations that are less complicated, with landing pages accounting for 38% of total use. Other tools tend to have a more even distribution of page types tested. This, coupled with the fact that many companies use more than one platform, leads us to believe that Google Website Optimizer is used by many entry level firms and as a backup for more experienced professionals who use other implementations as their primary testing tool. Similar trends have developed with Google Analytics, which also appeals to a broad audience.

Other. Representing 37% of current practitioners , companies that currently use a tool other than the ones listed in our survey are 46% more likely to consider switching platforms within the next year. Within this segment, 6 out of every 7 companies are considering Google Website Optimizer as an option. This suggests that users associate greater value and functionality with more established tools, but are cautious to incur the upfront purchase costs of a licensed tool. They are looking to move away from internal solutions and tools that have lesser market recognition. And as third party agencies and consultants gain a better understanding of the more established tools, practitioners will increase their ability to work with third parties more efficiently.

Omniture Test and Target. 30% of current practitioners use the Omniture Test and Target platform. This high percentage is likely due to legacy Offermatica clients and Omniture's ability to cross sell through other analytics tools. Unlike entry level users, those using Omniture's Test and Target platform generally use the tool extensively, testing an average of 5.38 page elements. This figure is well above that of the occasional user (3.41) and slightly above that of the regular users (5.0). In fact, 67% of Omniture's user base considers themselves regular practitioners of A/B and Multivariate testing, more than any other tool.

Figure 1.7 The tools used most often by current A/B and Multivariate testing practitioners.



Pretest Hypotheses Often Fail

100% of survey respondents admit that their pre test hypotheses are not always correct. While no surprise, this proves that A/B and Multivariate testing can level the biases of practitioners by confirming the validity of any combination of page elements, specifically those that were not originally favored by the teams that created them. This highlights the fact that marketing managers and agencies who do not currently engage in A/B or Multivariate testing can make invalid assumptions about the preferences of

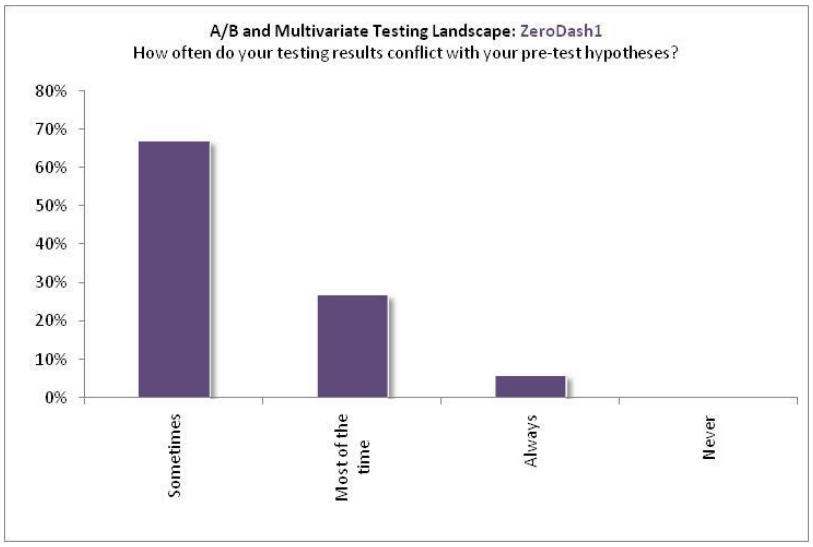
their customers. This often leads to lower click through and conversion rates as marketing managers inject their opinions and skew creative output.

When asked how often their testing results conflicted with their pretest hypothesis, users responded:

Sometimes. The majority of respondents, 67%, said that the results of their tests "Sometimes" differ from their pretest hypothesis. While we expected the majority of responses would be in this range, we did not expect that only 55% of this segment would identify themselves as regular users of A/B and Multivariate testing. It was our assumption that a higher percentage of users in this segment would be regular testers, drawing on their experience to create more accurate hypotheses. This proves that regular testers are only slightly more accurate with their pretest hypothesis, despite their expertise.

Most of the Time. 27% of current practitioners stated that their pretest hypotheses differ from their results "most of the time". While digging deeper in the testing behavior of this group, we found that these practitioners test more page types and page elements than the average survey respondent. Similar to the previous response, this was an unexpected outcome. The fact that these users are testing more implies that they may be less accurate because they are extending their capabilities more broadly, creating more opportunities to "fail" with their hypotheses.

Figure 1.8 A chart detailing the conflict between results and pretest hypotheses.



A/B and Multivariate Testing is "Worth It"

A/B and Multivariate testing has a purpose. On the highest level, it is intended to help businesses gain higher ROI through their online efforts. Although this question is undoubtedly the most subjective within the survey, we used it in an effort to assess whether or not most practitioners are realizing the intended value from A/B and Multivariate testing. As it turns out, 91% of survey respondents see positive ROI through A/B and Multivariate testing. Hard facts like these should help support more widespread use of testing practices and make them more commonplace.

Current practitioners experienced different levels of return, including:

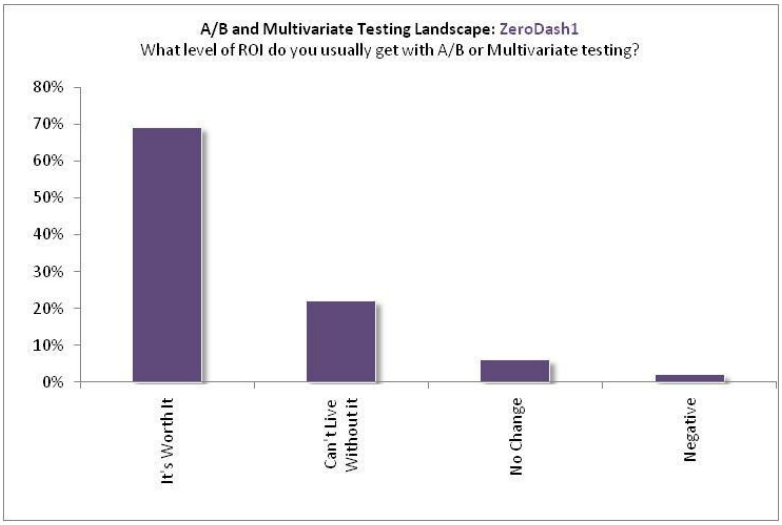
Negative. Only 2% of survey respondents experienced negative ROI through A/B and Multivariate testing.

No Change. A slightly higher percentage of users, 6%, saw no change in ROI through A/B and Multivariate testing. With just enough increase in conversion to cover the costs of tools and resources, these users are likely debating whether or not to continue with their testing practices. There is opportunity for this segment, however, as they tend to use the practice less broadly than most, only testing an average of 3 page elements and 2.2 page types.

It's Worth It. 69% of current practitioners responded by saying that A/B and Multivariate testing is "worth it" from a ROI standpoint. Contrary to those that experienced little or no change in ROI from MVT, these users tested an average of 4.15 page elements and 2.46 page types. This data shows that if those users who currently experience no change through A/B and Multivariate testing were to broaden their testing practices, they would likely realize higher ROI.

Can't Live Without It. 22% of current practitioners say they can't live without A/B and Multivariate testing. The majority of these users, 54%, are using the Omniture Test & Target platform. This is significant because it would be much easier to achieve the highest possible ROI through a free tool, like Google Website Optimizer. However, the data suggests that free tools like Google's, while worthwhile, do not provide the same level of return as licensed tools, such as Omniture's. It is possible that because Google Website Optimizer is a free tool, users do not feel obligated to use it as extensively as a licensed tool, thereby not earning the same type of return.

Figure 1.9 A graph detailing realized ROI by current A/B and MVT practitioners.



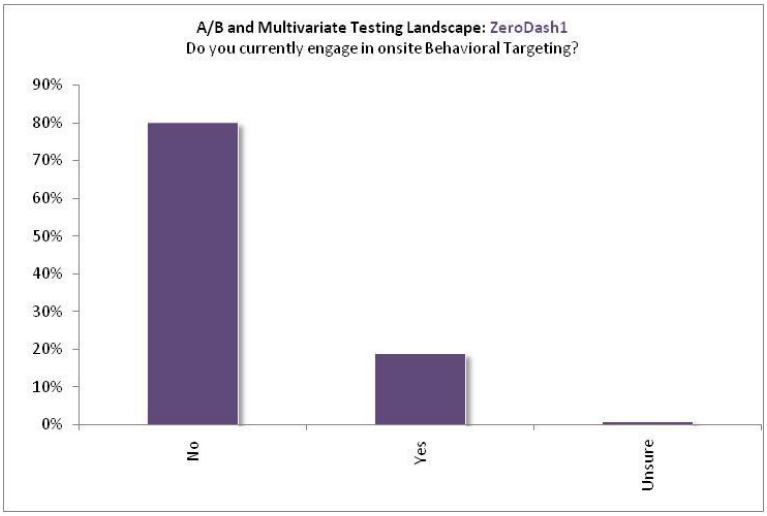
Behavioral Targeting is a small but growing technique

Although the primary focus of this survey was A/B and Multivariate testing, we also wanted to shed light on an adjacent practice: Behavioral Targeting. Behavioral targeting is a technique by which website managers are given the ability to serve relevant content, ads, products, and offers to users based on their previous actions. The technique has been available for a few years, but it has yet to gain much popularity in the industry.

Of all survey respondents, 19% currently engage in Behavioral Targeting. The majority of users who are currently engaged in Behavioral Targeting, 96%, are also engaged in A/B or Multivariate testing. This suggests that Behavioral Targeting practices are used by only the most progressive companies, those who have likely experienced positive ROI as a result of their testing practices and who are now looking to further that return through a cutting edge practice.

Looking to the future, 31% of all survey respondents expect to engage in Behavioral Targeting within the next year. Although this shift is not as significant as the developing trend in A/B and Multivariate testing, it still represents a 16% shift from those who do not currently engage in Behavioral Targeting.

Figure 1.10 A graph detailing the percentage of marketers that currently use Behavioral Targeting.



Conclusion

The A/B and Multivariate testing industry is growing rapidly. The tools are becoming more widely known and the techniques are becoming more easily understood by a broad audience. However, firms will face significant barriers when entering the market. The biggest opposition will likely come from within becasue continuous improvement processes require significant changes in web strategy and approach.

That said, the benefits of A/B and Multivariate testing are clear. If your situation truly merits A/B and Multivariate testing practices, your firm will likely recognize positive ROI as a result of your efforts. This fact alone will continue push significant movement toward the practice, and it will become even more common as it appeals to a broader audience, much like traditional web analytics has done in the past.

If you have any questions or comments about the contents of this survey, or would like to speak with us about our services, please call (206.223.1031), email support@ZeroDash1.com or visit us online at www.ZeroDash1.com .

About ZeroDash1

We believe in using data to support, influence and guide web site and marketing engagements to create efficient, interactive experiences while increasing ROI.

ZeroDash1 was founded to empower marketing professionals. We help our clients measure the digital impact of marketing initiatives by harnessing data—zeros and ones. Our mission is dedicated to serving clients to become a strategic analytics partner. We remain flexible in order to keep up with your changing business needs and we strive to find efficiencies within your analytics processes, taking an objective view of data in order to provide you with the best recommendations for your business.

ZeroDash1 was recently acquired by Ascentium Corporation.

About Ascentium

As a leading full-service interactive marketing consultancy, Ascentium merges marketing and technology and prides itself on creating compelling customer experiences that result in measurable return for our clients. We are passionate about bridging the art of storytelling with the science behind the framework. We excel at delivering compelling on-brand solutions that demand creative vision, uncompromising design, and technical excellence.

Visit Ascentium online at www.Ascentium.com.