

ROAS TO NEW CUSTOMER CONTRIBUTION MARGIN WITH NUTS.COM

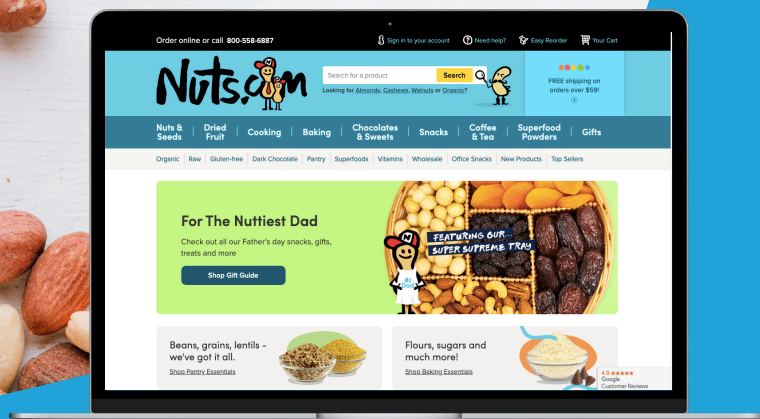


NUTS.COM CASE STUDY

BACKGROUND

Nuts.com is an enterprise retailer of nuts, healthy snacks, and more. They recognized that new customers created additional value for their business over time, and **wanted to manage their account to maximize new customer acquisition.**

Additionally, Nuts.com knew some product segments and marketing channels generated greater lifetime value than others and wanted to factor this into their advertising. To maximize profit, they needed to direct spend accordingly. That's when they came to Omnitail.



INVESTIGATING THE ACCOUNT

Nuts.com wanted to ramp up ad spend to acquire new customers, as they had found first-time customers generated repeat orders and a lot of additional revenue over time.

Because of the increased value, they didn't mind targeting reduced margins for the first sale to a new customer. To successfully design a strategy around this goal, we had to address the following:



Nutty Best Sellers
Variety Pack - 24 x 1.5
ounces s - 24 x 1.5...
\$31.99
Nuts.com

1 ACQUIRING NEW CUSTOMERS

Nuts.com wanted to pivot from a ROAS strategy to PPC campaigns that would maximize new customer acquisition. We needed to find a way to limit spend on sales from existing customers as much as possible.

2 MANAGING DATA

Nuts.com is an enterprise business with large-scale campaigns. Their customer value assumptions and new vs. existing customer statistics are also recalculated regularly. We needed a way to ensure we were always working with the most recent data.

Factoring in these calculations manually for every bid adjustment would be an overwhelming task. To manage the account efficiently, **we had to find out how to automatically include these assumptions in our bidding tools.**

3 PRESERVING PROFIT

We needed to maximize spend toward new customer acquisition without overspending. In other words, we still needed to preserve the overall profitability of the business.

OMNITAIL'S ADVERTISING STRATEGY

Previously the Nuts.com team was using a very basic PPC strategy centered around ROAS targets. They had the technical knowledge needed to calculate the lifetime value of customers across segments, and could provide a breakdown of new vs. existing customers. However, they lacked the PPC expertise needed to harness this data effectively to maximize new customer acquisition.

DETERMINING COST TOLERANCE

Nuts.com was willing to see a loss on new sales under the assumption that new customers would return to make additional purchases in the future. For many segments, especially on Google Shopping, this meant our target contribution margin was negative. These 'cost tolerances' became the profit benchmarks for our bidding strategy.

On our side, we developed a way to securely and automatically reconcile their calculations into our own system on a daily basis. This ensured we were working with the most up-to-date data.

UPDATING BIDS

Next, we pulled transaction data from Google Analytics, and calculated the relative profitability of each ad group and campaign. Then we compared this data to the cost tolerance targets mentioned above, like we do for our other clients (although other benchmarks are typically positive!)




By comparing the actual profit metrics to the benchmark, our analysts could easily see whether to raise or lower bids for each ad group. In the majority of cases, we needed to raise bids despite the fact that the ad group in question wasn't profitable—but that was okay! According to lifetime value figures, those ad groups were still creating profit over time by introducing new customers to the business.

BUILDING LONG-TERM GROWTH

To manage our campaigns effectively, we needed to ensure our strategy was actually driving additional new customers. Nuts.com provided us with data to reconcile transactions pulled from Google Analytics daily. This told us how many sales and how much revenue resulted from new vs. returning customers.

We found that in fact, **our campaign strategy was driving a significant increase in new customers!** At the same time, sales from existing customers were increasing too—meaning the business was growing very rapidly.

Long-term, we can continue to adjust bids day to day, week to week—depending upon the number of sales from new and existing customers. The goal is to limit spend to existing customers, and push as much spend possible to new customer acquisition. Our bidding system analyzes the breakdown between new and existing customer data from Nuts.com and reallocates ad spend accordingly.

		
Roasted Brazil Nuts (Unsalted) - 1 pound	English Walnuts (In Shell) - 1 pound	Organic Raw Cashews - 1 pound
\$12.99 Nuts.com	\$4.99 Nuts.com	\$13.99 Nuts.com

RESULTS

140% 122%

INCREASE IN
NEW CUSTOMER
REVENUE Y/Y

INCREASE IN
NEW CUSTOMERS
Y/Y

CONCLUSION

Nuts.com wanted to invest aggressively in new customer acquisition, knowing those shoppers would return in the future to make additional purchases. Omnitail analysts worked closely with them to take their lifetime value assumptions, and factor them into our bidding process to determine the ideal spend for maximum future profitability.

As lifetime value estimates changed, so could our bidding strategy, without missing a beat. **These collaborative efforts grew new customer acquisition rates, and brought valuable future customers to the business.** The investment paid off—new customers have grown, and over time, so have profits!



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