Boosting returns on e-commerce retargeting campaigns

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Researchers from Nanjing University, Temple University, Fudan University, and Waseda University published a new paper in the *Journal of Marketing* that examines the double-edged effects of ECR ads on customer purchases.

The study, forthcoming in the the *Journal of Marketing*, is titled "The Double-Edged Effects of E-Commerce Cart Retargeting: Does Too Early Retargeting Backfire?" and is authored by Jing Li, Xueming Luo, Xianghua Lu, and Takeshi Moriguchi.

Because consumers often abandon e-commerce carts, companies are shifting their online advertising budgets to immediate e-commerce cart retargeting (ECR). They presume that early reminder ads, relative to late ones, generate more click-throughs and web revisits.

To test this presumption, the researchers developed a conceptual framework of the double-edged effects of ECR ads and empirically support it with a multi-study multi-setting design. In Study 1, they find that customers who received an early ECR ad within 30 minutes to one hour are less likely to make a [purchase](#) compared to those who did not receive it. In other words, delivering ECR ads too early can engender worse purchase rates than without delivering them, thus wasting online advertising budgets. By contrast, a late ECR ad after one to three days has a positive incremental impact on customer purchases. Study 2 replicates this double-edged impact of ECR ads delivered by mobile SMS and explores cart characteristics. Both the negative impact of early

ECR and positive impact of late ECR can be amplified when the products in the retargeted carts are larger in quantity and at higher average prices.

Li says that "Given the prevalence of retargeting ads in practice, our findings provide managers with specific guidance on implementing ECR ads to boost ROI on retargeting campaigns. First, companies should not heedlessly follow the recency bump and shift all their online ad budgets to immediate retargeting. Delivering ECR ads too early can engender worse purchase rates than without delivering them. That is, too-soon reminder ads may annoy consumers and backfire, thus not only squandering ad budgets, but also likely hurting customers' long-term satisfaction." Prudent marketers should resist the temptation of immediate retargeting even though advanced digital e-commerce technologies can deliver retargeting ads within minutes after consumers abandon carts online. However, early ECR with price discounts or scarcity framing may allow managers to engender more purchase responses. But price discounts are not a panacea: When repeatedly used, they may train strategic customers who purposefully cart products and then wait for price discounts before purchasing.

"It is pivotal to scientifically gauge the causal impact of ECR ads. Firms should not rely on the absolute purchases as a measure of success, but rather adopt the relative purchase" adds Luo. "Without comparing the retargeting with the control, managers may mistakenly conclude that the early ECR is most effective."

The study also finds that a late ECR ad can be effective and win back potential customers with an increase in ROI on advertising. Moriguchi points out that "Firms can better deploy ECR ad campaigns with a delay after consumers abandon carts to minimize negative ad annoyance as well as maximize the positive ad reminder effects on customer purchases. Retargeting carts in e-commerce has enormous business

potential because more than 69% of consumers abandon carts online, which amounts to more than $4.6 trillion each year." The right timing of ECR does not incur additional financial costs in retargeting, but can significantly lift customer purchases.

Finally, managerial actions call for an appropriate match between the timing of ECR ads and retargeted products. It is necessary to use ECR to cater to different types of cart abandonment. Different cases include carts with a high quantity of products versus carts with only one item or carts with an expensive product versus a cheap one. Thus, the researchers reveal a tactic e-commerce retailers can use to more accurately retarget customers with different digital carts. "Firms can strategically decide the time to turn on ECR, depending on its suitability for different types of carts, to maximize conversions" says Lu. For example, managers can win back more customers by implementing late ECR ads for carts with a larger quantity of products abandoned.

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