

AS SEEN IN...

TARGET

M A R K E T I N G

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SPECIAL REPORT
INTERNET

BY GORDON H. BELL

Multi-Element Testing

E-Testing in Internet Time

HOW TO TEST DOZENS OF NEW IDEAS AT ONCE TO IMPROVE YOUR WEB SITE AND ONLINE ADVERTISING

THE NEW WEB marketplace moves at a frenetic pace, market dynamics are in constant flux and customers are only one click away from the competition. Successful marketers must be fast, focused and agile. To know what works, they must rapidly test new ideas, zero in on what sells best, reap the rewards of market leadership and change direction before competitors know what's going on.

"But in Internet time, change comes too quickly to test one idea at a time. So drop the A/B tests. There's no time for the "champion versus challenger" saunter through the marketplace.

PROVE WHAT SELLS WITH MATRIX MARKETING

"Matrix marketing" is a new strategy which blends aggressive creativity, scientific precision and streamlined



**"We tested in 3 months
what would take 8
years using A/B splits."**

—A "MATRIX MARKETER," 1998

multi-element test methods to catapult online sales. Matrix marketing gives you a way to identify a multitude of Web site elements that may impact sales, simultaneously test dozens of new ideas and prove the impact of each.

You can use the Web to test up to 39 new ideas at once with the same speed, sample size and confidence as a test of one variable alone. For example, instead of testing one new e-mail solicitation against your control, you can test new lists, subject lines, copy, links, positioning and offers in one test. Plus you can freely combine elements of e-mail, online advertising and Web pages.

Instead of just seeing the big picture—the way the new Web site compares to the old—you can pinpoint specific elements that drive sales. With multi-element testing you can

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break new ground and prove what works best in the real world in real time—no simulation, no extrapolation, no guesswork.

Multi-element testing also uncovers interactions where certain variables are more (or less) beneficial when combined with other changes.

In one case, marketers tested 14 new ideas including a free gift and a 20-percent discount. Analyzing results of the test, they discovered that both the free gift and the discount increase sales. However, when both are offered, sales are no higher than with the discount alone.

This interaction led them to offer either a discount or a free gift, but never waste the money to offer both. With this one test, they increased response by 30 percent and saved \$75,000 in costs, without detracting from revenue per order.

Using a hypothetical company, we can see how this matrix marketing strategy works. Let's say a management team wants to increase sales at the tons-o-toys.com Web site. Brainstorming new ideas to increase sales, they zero in on 14 test elements (actually, a rather small experiment). This first step

Web Site Element	Current (-)	New (+)
A: Banner ad design	Current, simple	New, elaborate
B: E-mail solicitation list	List #1	List #2
C: E-mail subject	"Special offer"	"New toys"
D: Entry page	No	Yes
E: Product selection	Many products	Few products (larger graphics)
F: Page background	White	Gray with logo design
G: Navigation buttons	Small words	Large icons
H: Drop-down menu on sidebar	No	Yes
I: "New toys" page / link	No	Yes
J: Advertised "best sellers"	Toys over \$25	Toys under \$25
K: Call-outs on product photos	No	Yes, identify special features
L: Copy theme	"Unique selection"	"Educational and safe"
M: Order options	Online only	Online or phone
N: Low-price guarantee	No	Yes, stated on order form

is shown in the table at right.

Now, if you want to learn about each of these elements, you can:

- Try one at a time;
- Toss them all together into one new Web site design and hope things improve;
- Try all 16,384 possible combinations;

or in the same time it takes to test one idea alone, you can use a "matrix" to rapidly test all ideas at once.

CREATE THE TEST MATRIX

A multi-element test matrix in grid form lets you test many ideas at once

in unique combinations, or "recipes." Analyzing them together you can prove the precise impact of each change.

In the chart you set up, you need at least one more recipe (in rows) than the number of test ideas (in columns), and matrices increase in size by fours: you can test 11 ideas in a 12-recipe matrix and up to 15 ideas in a 16-recipe matrix.

The greatest benefit of the matrix method is that you can run all recipes simultaneously, just as quickly and with the same overall sample size as with a simple test of challenger versus champion. For example, if you normally send out 50,000 e-mails in a test, you can now test 19 new ideas with equal confidence by sending only 2,500 of each of 20 recipes.

After running the test you combine data from all recipes, so results pinpoint the impact of each change just as clearly as you see the impact of that one new e-mail against your control.

Let's consider the matrix for tons-o-toys.com (pictured at bottom left with eight recipes instead of the required 16 for space reasons). Each row in the matrix is one recipe or version of the Web site, with a unique combination of all 14 variables. Every column represents one element, set at either the current setting (-) or new set-

	Banner ad design	E-mail solicitation list	E-mail subject	Entry page	Product selection	Page background	Navigation buttons	Drop-down menu on sidebar	"New toys" page/link	Advertised "best sellers"	Call-outs on product photos	Copy theme	Order options	Low-price guarantee
Recipe	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	+	-	-	-	+	-	-	+	+	-	+	-	+	+
2	+	+	-	-	-	+	-	-	+	+	-	+	-	+
3	+	+	+	-	-	-	+	-	-	+	+	-	+	-
4	+	+	+	+	-	-	-	+	-	-	+	+	+	-
5	-	-	+	+	+	-	-	-	+	-	-	+	+	-
6	+	+	+	+	+	+	-	-	-	+	-	-	+	+
7	-	+	-	+	+	+	+	-	-	-	+	-	-	+
8	+	-	+	-	+	+	+	+	-	-	-	+	-	-

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ting (+) for each recipe.

For example, look at recipe #1. Visitors click through the new banner ad (A+), from e-mail list #1 with the "special offer" (B-, C-), or from elsewhere (each of these three sources are analyzed separately). At tons-o-toys.com, they first see the home page (no entry page, D-) with fewer products, larger graphics (E+), and a white page background (F-). Links are shown as words on the sidebar (G-) where you click and hold for a drop-down menu (H+). The sidebar also shows a link to the "New Toys" page (I+). Toys advertised on key pages are all over \$25 (J-) with call-outs popping up when the cursor moves over the photos (K+). Copy focuses on the site's unique selection of toys (L-). An 800 number for placing phone orders is shown on key pages and on the order form (M+). The order form also includes a paragraph on the low-price guarantee (N+).

To simplify programming, tons-o-toys.com managers decided to test these changes just on the home page, first page of each product group and the order form. After creating each new file, the team programs all recipes, tests them in-house, and decides how long to run the test.

In general, the more visitors you get, the more quickly the multi-element test can be completed. The precise run length depends on statistical calculations.

Each visitor is consistently directed to only one Web site recipe. You program the server to add a recipe number onto their "cookie." When someone clicks in, she is tagged and sent to one of the 16 versions. If the visitor has no cookie, then she is always sent to the final recipe (the current Web site). Therefore, whenever visitors return during the test period, they always see the same recipe.

For the test of tons-o-toys.com, managers decided to track sales, close rate, visit length and click-through for the ads and e-mails. After just a few days, the team completed the test, gathered all market data from the log files and calculated the impact of all their ideas.

PROVE WHAT SELLS AND QUANTIFY THE IMPACT

After calculating results, they created a percentage-based bar chart showing the impact of each element with a "line of significance" dividing the bars. Every variable shown as a bar above the line is significant; all oth-

ers are not proven to be important.

The chart would show the ideas that help (+), the new ideas that hurt (-), the changes that make no difference and the relative importance of each. The top four influential ideas, taken together, would save the company about 85 percent in costs! By the same token, making negative changes would drop sales by about 72 percent.

Sometimes, the ideas that have no impact on sales are valuable as well. In the case of tons-o-toys.com, both e-mail lists perform equally well, so both groups can be targeted in the future.

Eliminating drop-down menus, call-outs and the low-price guarantee simplify the Web site and credit policies. And the advertised "best sellers" did not affect dollar sales, but sold more units of the lower-priced toys.

RAISING PROFIT ONLINE

After decades of A/B splits, a new force in market testing has arrived. Toss a pile of ideas together, test them all at once and prove what sells with matrix marketing. ◆

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GORDON BELL, principal of LucidView in Knoxville, TN, consults with industry leaders to improve marketing and advertising effectiveness. Reach him at gbell@lucidview.com.

