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From Online Ads to In-Store Sales Pier 1 Imports

A Search Ad Effectiveness Test
U.S., March 2009

Pier 1 Imports: Online to Store Case Study (Company Background)



The Company

North America's largest specialty retailer and original global importer of unique home furnishings

Annual Sales
\$1.2 billion

Store Locations
More than 1,000

E-commerce
Eliminated in 2007 – all sales come from in-store transactions

Marketing
Total marketing investment is 4-5% of sales allocated across direct mail, shared mail, TV, newspaper and online. Highest concentration in direct mail.



The Challenges

Objective
Support hypothesis that marketing dollars spent on Paid Search advertising results in an increased level of in-store sales.

Sales Goals
Increase sales across all store locations

Return of Marketing Investment
Spend marketing dollars more efficiently

Economic Downturn
Offset slow retailing environment especially for furniture and high consideration purchases

Pier 1 Imports: Online to Store Case Study (Test Background)

The Test

Objective

To prove that marketing dollars spent on Paid Search advertising results in an increased level of in-store sales.

Strategy

Pier 1 Imports chose to focus its Paid Search advertising spend on furniture specific keywords and creative terms. This decision was made in an effort to help increase the company's overall average ticket as well as increase furniture sales.

Test Details & Methodology

The test was conducted over a five week time frame during the months of September and October of 2008. Google partnered with Applied Predictive Technologies (APT) to aid in evaluating the sales lift at highly significant levels across the designated test and control market segments. Test and control stores were equally matched by comparing historical store sales figures as well as sociographic and seasonality trends.

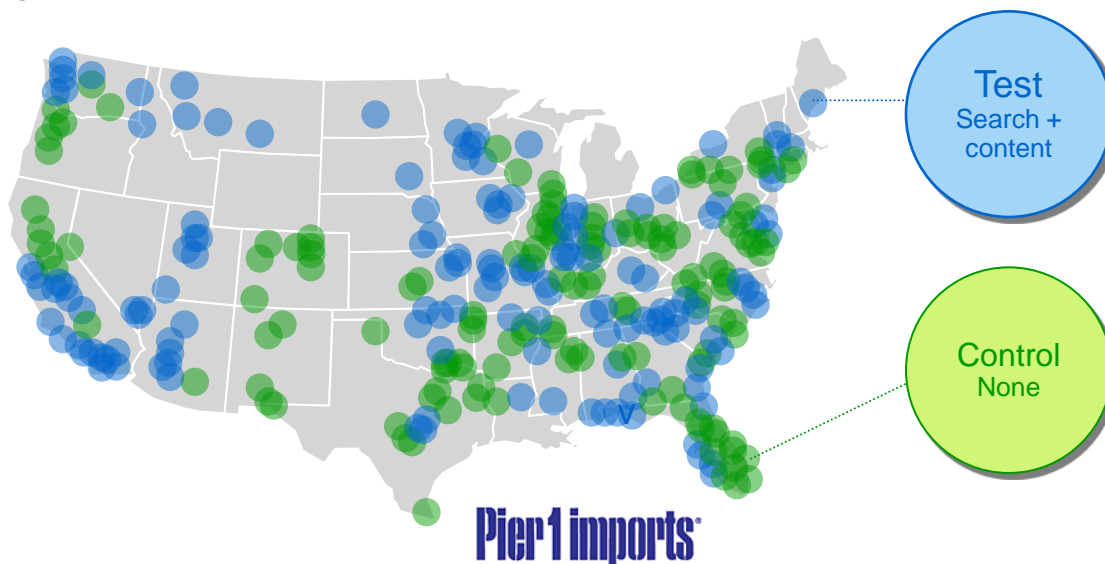
During the five week study period, the differences in store sales were tracked between the test and control markets. Using APT's sophisticated analysis tool, those sales were compared to determine the impact of Paid Search Advertising.

Pier 1 Imports : Online to Store Case Study (Test Details)

1 Pier 1 Imports shared sales, unit and transaction data for purposes of test design and performance analysis. Resolution Media search marketing agency of Chicago helped build, track, & monitor campaigns

2 59 test markets saturated with Google search and content ads for Pier 1 Imports brand terms and furniture category terms vs. 93 control markets that received no online media in test categories

3 Each test store's performance measured against a well-matched* set of control stores to minimize noise; analysis allowed insight into performance by DMA, demographic, etc.



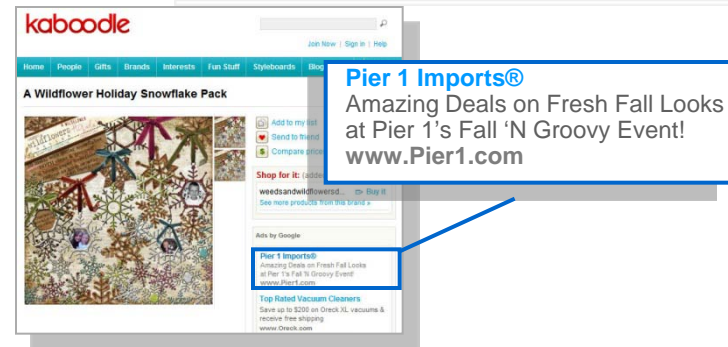
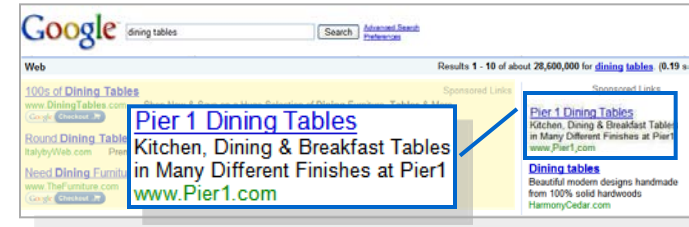
Pier 1 Imports : Online to Store Case Study (Online Ads)

Unique Benefits of Online

- 1 Low production cost:** does not require the heavy investment of most offline media; from postage to printing costs to TV production.
- 2 Rapid and relevant:** online ads reduce time to market and offer advertisers flexibility to react instantaneously to market changes. Offline media execution usually requires from several weeks to months of lead time.
- 3 Minimal inventory exposure:** online flexibility means it does not carry the heavy risk of printed books that require retailer to stock all advertised inventory.
- 4 Strong ROI:** online ROI calculation includes cost of media and development of creative. Offline ROI must factor in additional costs such as staff, printing, production, etc.

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Online Ads



Sample ads

Pier 1 Garden Party
Celebrate the Heat Wave at Pier 1
Stylish Outdoor Furniture Available
www.Pier1.com

Pier 1 Clearance
75% Off Tomorrow Only
Cushions, Mirrors & Rugs at Pier 1
www.Pier1.com

Pier 1 Imports : Online to Store Case Study (Results)



The Results

Pier 1 Imports experienced an overall sales lift of 2% in the test markets when compared to the control markets. Additional lift of up to 5.3% was achieved in a select group of underperforming stores. The achieved sales lift is directly correlated to the level of Paid Search impressions and website visits.

Pier 1 Imports achieved a positive return on advertising spend equating to more than 300% (for every dollar spent on Paid Search, Pier 1 Imports received three dollars in sales).

A significant caveat to this test is the resulting lift in furniture sales. The 1.4% lift experienced specifically in the furniture categories during this five week test period is noteworthy because the average consideration for furniture purchases is greater than the five week test period. Additionally, the test was conducted in a timeframe that was tough for any retailer.

“The 2% sales lift was impressive and successful in proving that our online advertising drives in-store sales. Online is quick, flexible and targeted advertising that must be within your advertising mix.”

-Jeff Haddox, Direct Marketing Analyst, Pier 1 Imports

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