

## Google Circulars

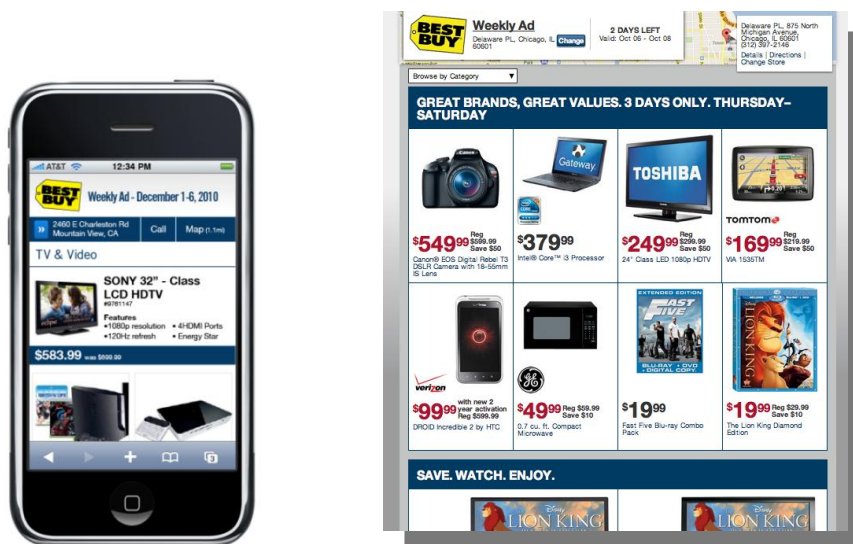
Razorfish Health Search Marketing

As newspaper circulation continues to decline so does the reach of printed ad circulars/free standing inserts, which are important drivers of both brick and mortar and ecommerce sales. Retailers are faced with the challenge of maintaining and/or expanding the reach of circulars in a declining print market.

In many ways, the internet has replaced the Sunday paper. According to an Audience Insight Survey released in December 2011 from interclick, two thirds of Americans are learning about in-store deals online. In addition, 42% of consumers prefer online advertising to newspapers and other sources, and those consumers who see in-store deals online are more likely to visit a brick and mortar store. This is especially true for electronics, grocery, drug, department, and clothing retailers.<sup>1</sup>

Many retailers have made circulars available on their websites; however, the associated user experience of these is fairly poor and very few are viewable on tablet or mobile devices. Google has acknowledged this challenge and recently launched a new product that offers an interactive and personalized circular experience, aptly named Google Circulars. This product launched in October 2011 with a small alpha test of US retailers including Macy's, Best Buy, Home Depot and others. The success of the alpha has led Google to move this product into a beta release, launching in Q1 2012 with an expanded set of retailers and vendors.

### Google Circulars Best Buy Mobile & Desktop Example



<sup>1</sup> <http://ir.interclick.com/releasedetail.cfm?ReleaseID=629232>

### Google Circular Pros

- Google Circulars are a cost efficient way to increase reach and interaction for retail promotions.
  - For the beta test, there no development costs for Google to create circulars and pages can be hosted on Google, on the retailer site, or both.
    - This may change in future betas or if/when the produce is fully released
  - Visits to the circular that come from non-Google paid visits (organic search, email, other promotional efforts) are free when the minimum media spend is met (\$150k a month for Q1).
    - This applies to the Q1 beta only; pricing model may change in the future.
- Google Circulars offer a much more personalized and interactive experience than existing circular solutions.
  - Google personalizes the circular for individual visitors based on data they have available, such as context (search query or previous site), user history and product popularity.
  - Google Circulars can incorporate advanced features, such as product reviews, videos, coupons, buy online, send to mobile, etc.
  - Google Circulars are available across desktop, mobile, and tablet devices.
  - Circulars info will be incorporated into organic search results, especially within Google Shopping – providing expanded reach for circular promotions.
- Google Circulars offer retailers the flexibility to promote what they want, where they want, when they want.
  - Specific products can be emphasized/de-emphasized based on sales data, geography, brand priorities, etc.
  - Retailers can customize the circular content through URL parameters to group promotions differently for specific campaigns (example: highlight a specific brand with a new headline, make a page about home products even if there was no page about home products in the initial feed, etc.).
  - Additional promotions can be added to the circular in a matter of hours (eliminating long lead times).
- Based on alpha results, Google Circulars are shown to drive high consumer engagement with promotional content, higher likelihood to click on “buy online” buttons, increased mobile interaction and high coupon redemption rates.
  - On average, users stay on the circular for >3 minutes and view 9 pages of content, which is equivalent to 22 print circular pages.
  - Users who click on a category-type search ad and land on a contextualized circular are 3.5X more likely to click the "buy online" button than users who go to the basic circulars front page.
  - >50% of users on mobile are within 5 miles of a store. In addition, mobile users are the most likely to engage with site content and share offers via email.
  - Google Circular visitors have high coupon redemption rates, and users change store location to see offers at their preferred store.<sup>2</sup>

<sup>2</sup> All performance data provided by Google

### Google Circular Cons

- Google Circulars Q1 beta requires a minimum AdWords media spend of \$150k per month for the full quarter.
  - Pricing structure beyond Q1 is TBD.
  - These funds would come from existing Google paid search/display budgets that would have to drive directly to the circular, or the cost would be incremental.
- Google Circulars is a brand new product and has only been tested with a minimal number of partners.
  - While initial numbers look promising, there is no proven track record of success and scale.
- Agency and client resources would be required to set-up and customize Google Circulars, which would take time from other marketing initiatives or would result in incremental cost.
  - Resources would be required to set-up and/or update Google Merchant Center and Google Places accounts (both required to run Google Circulars), as well as creating the Google Circular feed. However, for initial trials, Google can do much of this work for early retail partners based on PDFs (to help prove performance).
  - Retailers can customize the background, text, footer and additional formatting elements of Google Circular (requiring creative resources).
- Historically, interaction with digital circulars has been low and the primary way for consumers to get to Google Circulars is through paid media.
  - Success is highly dependent on retailers' ability to drive traffic to the circular.

### The Verdict

Google Circulars presents an exciting new opportunity to utilize digital circulars in a highly customized and targeted way. The breadth of data that Google has access to use in serving personalized circulars is unprecedented, and this new ad format has shown early success. As with any new marketing opportunity, there are risks involved in being an early adopter. The lack of proven success as well as the potential resources required to run such a program are barriers. In addition, the monthly minimum media spend would result in incremental cost or reduced spend in existing tactics. Success of this initiative is ultimately dependent on consumer adoption and engagement. While it's too early to say whether or not Google Circulars will be a success, this product offering does attempt to fill a growing need for communication between retailers and consumers.