

For effective video ads, look beyond demographics to behavior and context

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Google's Kate Stanford speaks to Groupon's CEO and CMO to find out how the company acquired 160,000 new paying customers with a data-driven and highly targeted YouTube campaign.

The days of “spray and pray” marketing—where brands would blast their ads at as many people as possible and hope the right audience noticed—are long gone. Today's marketers understand the importance of data-driven, highly targeted campaigns.

It's certainly progress, but there's still more work to do. For one thing, many marketers still draw almost exclusively from demographic data such as age, gender or income, and that has its limits. What's more effective is looking at your audience's online behavior—recent purchases, the apps they're using, what they're searching for in Maps—and using these insights to serve them contextually relevant, personalized creative.

That was the approach Groupon used in its recent YouTube ads campaign. It worked, driving 160,000 new paying customers this year.

I spoke with the company's CEO Rich Williams and CMO Vinayak Hegde to find out more about their behavioral targeting strategy and what they learned along the way.

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Kate Stanford, Google: Groupon will soon be celebrating 10 years in business. How has your marketing strategy changed in that time?

Vinayak Hegde, Groupon: Groupon used to have a rather transactional approach to marketing. It was all about driving immediate spend as a result of our marketing efforts.

It also used to be very much focused around email. That made sense in the past. But now, many of the people we're targeting—like millennials and Generation Z—aren't email-centric, they're mobile-centric. So we've had to change our approach in line with that.

Rich Williams, Groupon: We've also focused much more than in the past on video ads. When I joined Groupon in 2011 as global CMO, video was niche, but in the past few years it has really matured.

We're able to adapt our marketing to the behavior and interests of the customers we're targeting.

Today, you can do so much with digital video ads when it comes to audience and context. With the sophisticated targeting data and tools available, digital video allows us to be personally and contextually relevant to customers.

How has that worked in practice for some of your video campaigns?

Hegde: We're able to adapt our marketing approaches to the behavior and interests of the customers we're going after.

We've been doing this by aligning our audience targeting segments to Groupon's deal categories based on what people are looking up on Search

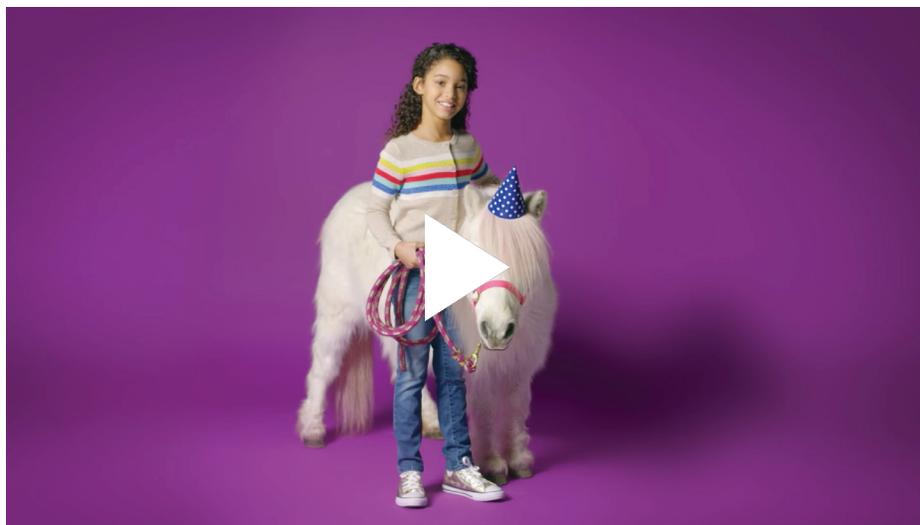
and Maps. We used YouTube’s new Consumer Patterns to target “people who frequently visit salons,” “live event enthusiasts,” and “department store shoppers,” for example.

The behavioral targeting was just the first part of our strategy. Of course, we now have much richer data on what customers are looking for. But unless we use that information to inform our creative decisions, it’s useless.

So as a second step we built [contextually relevant creative](#) tailored to each audience segment and the content they consume—travel-related creative for jetsetters, family activity-related creative for parents, and recipe-related creative for foodies, for example.

It’s no wonder that there are over 20M gaming how-to videos uploaded to YouTube.⁵ To put that into perspective, that’s as if half the population of Canada uploaded a gaming how-to video.⁶

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Finally, we took a rigorous testing approach to refine and validate our acquisition results with Google’s geo test methodology.

What did you learn from these tests and what will the experiment force you to do differently in the future?

Vinayak: We learned a lot about the power of matching creative to audience sub-segments to maximize acquisition.

Intuitively it makes sense—if someone is on YouTube searching for videos about microdermabrasion, you'd think they'd be more receptive to an ad about a beauty deal. The testing proved our instincts were right: contextual relevance really is key to success.

As a result of this campaign, we've acquired 160,000 new paying customers so far this year. We also saw best-in-class lift in brand favorability—over 20%.

Contextual relevance really is key to success.

How are you thinking about your video marketing strategy moving forward?

Williams: Even before this campaign, video ads were instrumental in helping us grow our customer base. For example, YouTube played a critical role in helping us acquire 5 million new customers last year, the most in over four years.

Seeing how much the digital video medium has changed in such a short span of time makes me excited about where we could go next, especially with technologies like augmented reality and virtual reality layered on top.

But no matter what video bells and whistles we have available in the future, hyper-relevant targeting is going to continue to be our top priority because the more precisely we can target someone, the more likely that person is to become a Groupon customer.

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