



## Health & Wellness Products Firm

(A/B Testing)

Built A/B testing models to **evaluate the impact of marketing campaigns** by analyzing and comparing the customers behavior (from the control and target group) in response to the campaign

# SUMMARY OF A/B TESTING INITIATIVE

## ABOUT THE CLIENT

Client is a direct-to-consumer health and wellness brand with presence in the U.S. and multiple countries across the world.

### SITUATION



- Client was evaluating multiple marketing strategies (Email, Voicemail, SMS etc.) to enhance customer conversion rates, retention and reactivations, and wanted to understand the effectiveness of each strategy using control and test groups
- Merilytics partnered with the client to **build A/B testing models to evaluate the impact of marketing campaigns by analyzing and comparing the customers behavior (from the control and target group) in response** to the campaign

### VALUE ADDITION



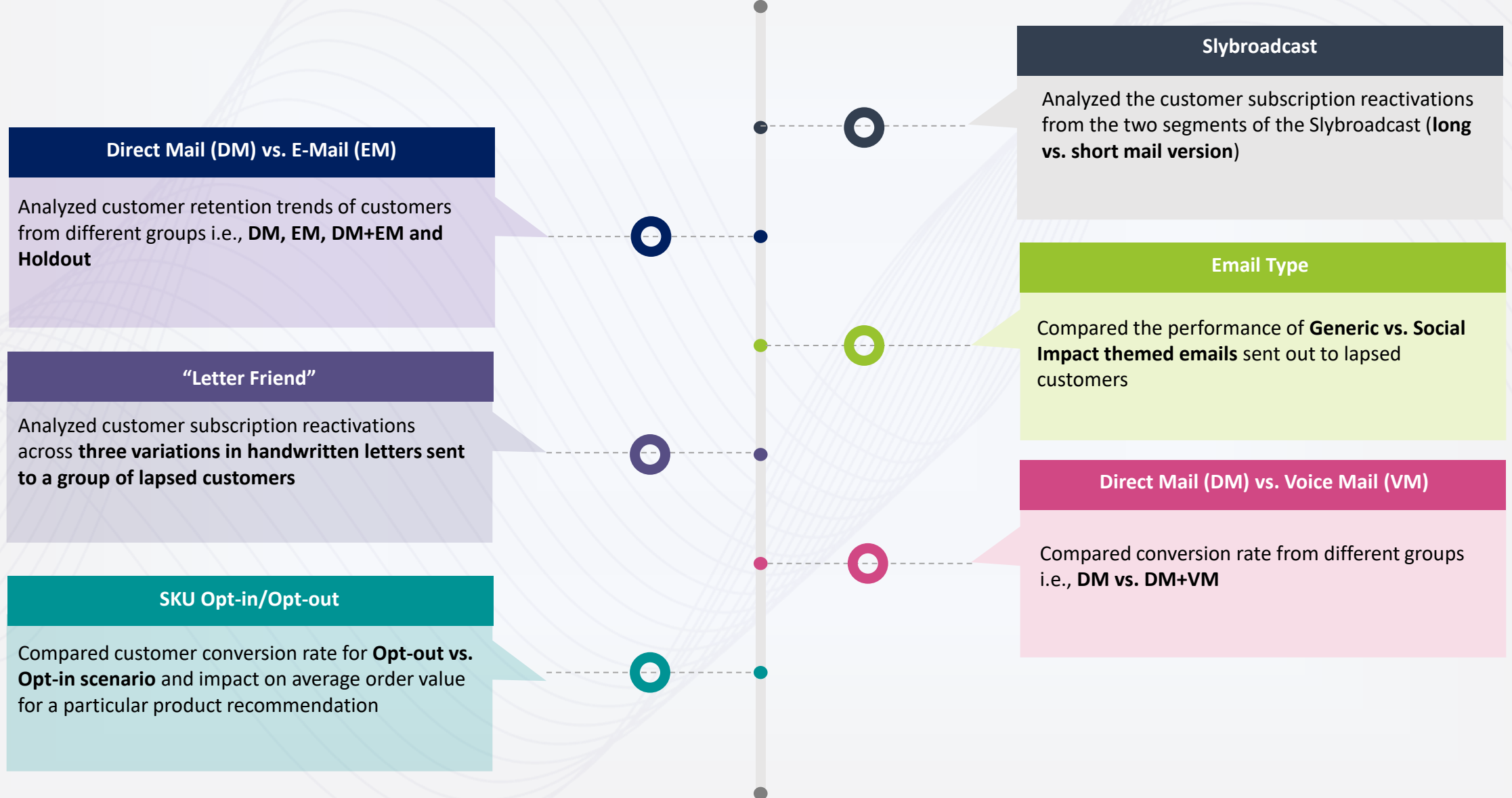
- **Segmented customers into control and test groups for each marketing campaign**, ensuring the groups are comparable and statistically similar based on demographics, age, lifetime orders/tenure etc.
- **Defined pre-period and post-periods for each campaign** to estimate the impact of the marketing campaigns and compare the results across the groups
- **Calculated key metrics such as customer conversion rate, retention, and reactivations** in the pre-period and post-period for test and control group for each campaign to identify the optimal marketing strategy
- **Devised checks to ensure the post period lift is attributable to the marketing campaign** by measuring the statistical significance of the A/B test results

### IMPACT



- Our analyses helped Persona to evaluate the marketing strategies and **identify the marketing campaigns and parameters that are delivering best performance** in terms of customer conversion, retention, and reactivations
- The analyses also **helped the client avoid marketing campaigns that do not deliver any incremental value** against the cost incurred in running the campaigns

# MARKETING STRATEGY SCENARIOS FOR A/B TESTING



# A/B TEST RESULTS FOR A FEW STRATEGIES

## A/B TEST RESULTS FOR “SKU OPT-IN/OPT-OUT” SCENARIOS

Control Group	Targeted VA Takers	Converted Customers	Conversion (%)	SKU Purchased(%)	AOV	1st order Gross Revenue per VA taker
T1	15,112	1,030	6.8%	57.5%	\$92	\$6.26
C	15,034	1,174	7.8%	23.6%	\$82	\$6.38

A/B testing analysis measuring the impact of Test group (SKU Opt-in) vs. the control group (SKU Opt-out) across the metrics like **conversion rate**, **Average order value (AOV)** and **revenue per potential customer (Vitamin Assessment (VA) taker)**

## A/B TEST RESULTS FOR “EMAIL TYPE” SCENARIOS

Mailing Theme	Targeted customers	Reactivations	Reactivation rate	Standard Error
Split A	2,675	39	1.46%	0.23%
Split B	2,672	51	1.91%	0.26%
Z-Score	-1.28116			
P-Value	0.10007			
Statistically Significant				
99% Confidence	No			
95% Confidence	No			
90% Confidence	No			

Measuring the impact of retargeting lapsed customers via two different types of Mailing themes and checking if the impact is **statistically significant**

## A/B TEST RESULTS FOR “DIRECT MAIL (DM) VS. E-MAIL (EM)” SCENARIOS

Target Method	Target Audience	Converted Customers	Conversion Rate	Total Orders	Gross AOV
DM	124,793	209	0.17%	324	\$90
DM+EM	43,458	79	0.18%	109	\$89
EM	115,888	135	0.12%	190	\$93
Holdout	49,875	59	0.12%	82	\$91
Grand Total	449,191	686	0.15%	1,033	\$90

A/B testing analysis measuring the impact of various marketing campaigns i.e., Direct Mail (DM), E-Mail (EM) & DM+EM and comparing it to the **Conversion rate** of holdout group.

# BREAKEVEN ANALYSIS FOR “DIRECT MAIL (DM) VS. E-MAIL (EM)” SCENARIOS

ILLUSTRATIVE

## TARGET LIFETIME ORDERS FOR BREAK-EVEN

	Total Cost as										
	Discount	Percentage of Gross	#Target Considered	Baseline LTO							
	50%	52%	100,000	5.8							
Target Method	AOV	Mailing Cost	Conversion Rate	Discount	Total Cost per Order	Gross Revenue	Baseline Gross Margin	Target Gross Margin	Additional Orders Required	Target LTO	
DM	\$90.0	\$45,082	0.17 %	\$45	\$47	\$86,851	(\$10,933)	\$24,640	4.9	10.7	
DM+EM	\$89.0	\$45,082	0.18 %	\$44	\$46	\$93,170	(\$8,448)	\$24,640	4.3	10.0	
EM	\$93.4	\$0	0.12 %	\$47	\$49	\$62,666	\$24,640	\$24,640	0	5.8	
Holdout	\$91.5	\$0	0.12 %	\$46	\$48	\$62,346	\$24,514	\$24,514	0	5.8	

**Breakeven Analysis** measuring the Target Lifetime Orders (LTO) or Target Conversion rate needed to breakeven on the costs incurred across the various **A/B test scenarios** of Direct Mail (DM), E-Mail (EM) & DM+EM Campaigns

## TARGET CONVERSION RATE FOR BREAK-EVEN

	Total Cost as										
	Discount	Percentage of Gross Order Value	#Target Considered	Baseline LTO							
	50%	52%	100,000	5.8							
Target Method	AOV	Mailing Cost	Conversion Rate	Discount	Total Cost per Order	Gross Revenue	Baseline Gross Margin	Target Gross Margin	Target Conversion Rate		
DM	\$90.0	\$45,082	0.17%	\$45	\$47	\$86,851	(\$10,933)	\$24,640	0.34%		
DM+EM	\$89.0	\$45,082	0.18%	\$44	\$46	\$93,170	(\$8,448)	\$24,640	0.35%		
EM	\$93.4	\$0	0.12%	\$47	\$49	\$62,666	\$24,640	\$24,640	0.12%		
Holdout	\$91.5	\$0	0.12%	\$46	\$48	\$62,346	\$24,514	\$24,514	0.12%		