

Costco Increases Order Values and Secures Lucrative Vendor Marketing Dollars with RealTime Email's Video in Email

Goals

- Drive revenue and increase order values
- Display how a product worked
- Prove the value of video in email

About Costco

Costco Wholesale Corporation is the seventh-largest retailer in the world. It is the fifth-largest retailer in the United States, and the largest membership warehouse club. In addition to its formidable offline presence, Costco is also one of the world's largest online stores in the Top 500 List of largest retailers in America.

As an online retailer, Costco makes heavy use of the email channel to drive online revenue for Costco.com and Costco.ca. "The email channel drives nine digits of annual revenues for the company, not counting any in-store effect," says Amy Norton, Director of Online Marketing.

A central theme behind Costco's email creative initiatives is to create a "treasure hunt" mentality similar to the one Costco achieves in its physical warehouses by carefully selecting and merchandising a variety of quick-turn and Costco-specific item packages. "We want our emails to encourage members to explore our changing product assortment and, of course, to make a purchase on our website," says Ms. Norton. "It's important for members to have fun hunting through our product mix and discover those 'must-have' items."

Challenges

- Keep deployment costs low
- Ensure compatibility
- Avoid delivery issues



“The segment with RealTime Email generated a 42% higher average order value than the control group. Revenue improvement for the segment was in the low double digits.”

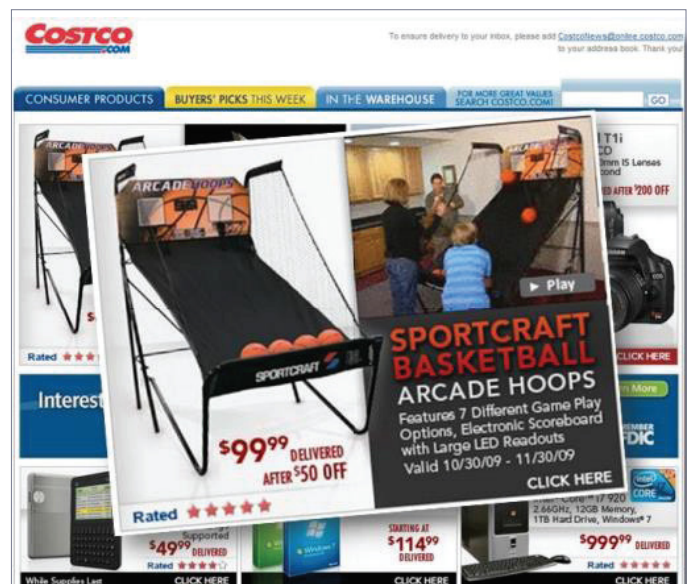
Yet with an email program that deploys 8 to 16 times a month to various member segments, Costco, like many retailers, struggles to keep open rates up and unsubscribe rates down.

“The initial idea behind using video in email was that we could do something to make our messages look different,” says Ms. Norton. *“We also thought that, for certain products, it made a lot of sense to feature video.”*

Costco has deployed several video enabled emails with RealTime Email, but one particular message drove particularly strong response. *“Some products just lend themselves more to being featured in video,”* says Ms. Norton. *“That was certainly the case with the Sportcraft Basketball Arcade system. To really capture the excitement and feel of this product, members need to see it being used. Video in email is a perfect mechanism to deliver the impact.”*

“We were not surprised that video worked better for the arcade set, but we were surprised by just how much video

in email outperformed,” says Ms. Norton. *“The segment with RealTime Email generated a 42% higher average order value than the control group. Revenue improvement for the segment was in the low double digits.”* When asked why she thought video in email was able to drive such improvements in average order value Ms. Norton explained, *“I think video can be an effective way to move big ticket items or items that are more emotional purchases.”*



Because launching video in email is an added deployment cost, it is important to Costco to ensure it is able to continue passing along strong savings to members for every product that was merchandised in emails. *“As a way to down, we are able to enlist support from some of our vendors from time-to-time to feature their products via video in email. To*

vendors, having a video of a product in email is akin to securing additional advertising real estate. Our vendors especially like the fact that video in email is so much easier to consume on mobile devices. Since we are able to get vendors to cover most of the deployment cost of adding video to email, we are able to capture revenue from vendor dollars in addition to revenue from sales on our site.”

“...A couple of years ago, you probably couldn't convince me to use video in email. Now that I've seen that it's not only possible, but that it can actually work, I am sold.”

“At the end of the day, it's about revenue. We need to show our vendors and internal stakeholders that the decisions we make are able to drive results.”

When asked whether Costco planned on launching video in future emails, Ms. Norton commented that “video in email is a good tool to have in our toolbox. It's not for everything but there are times when using it makes sense as an email merchandising tactic. A couple of years ago, you probably couldn't convince me to use video in email. Now that I've seen that it's not only possible, but that it can actually work, I am sold.” Although Costco realized that video may be a better creative choice when featuring certain products in email, there were other important considerations aside from creative preference. “At the end of the day, it's about revenue. We need to show our



Results

- 42% increase in average order value
- Low double-digit increase in revenues
- Secured additional vendor marketing dollars to reach lucrative mobile demographic with video