



Bob Sherwin, Wayfair's vice president of direct marketing, has helped the retailer build proprietary advertising platforms for paid search, display and social remarketing.

Why buy when you can build?

Wayfair Inc.'s advertising budget is bigger than that of just about any retailer save Amazon.com Inc., according to Internet Retailer's Best Digital Marketers in E-Commerce report, which assessed budgets of publicly traded retailers that disclose

marketing spend. And Bob Sherwin, the web-only home furnishings retailer's vice president, direct marketing, works to ensure the retailer spends that money—\$409.1 million last year—wisely.

Sherwin, who spent four years working at the famously quantitative-oriented consulting firm McKinsey & Co., relies on data to

Wayfair's vice president of direct marketing rethinks how the online-only retailer markets to shoppers.

By Zak Stambor

drive his marketing strategy. In that way he fits in with the retailer's overall analytical bent. Examining where Wayfair can maximize its return on investment has led Sherwin and other Wayfair executives to invest in personnel—it now has more than 1,000 engineers and data scientists—to build proprietary advertising platforms for paid search,

display and social remarketing rather than relying on tools developed by vendors and available to competitors.

“By building the technology ourselves, we can control our destiny and the pace of innovation,” Sherwin says. “Before we started building our own technology, our marketing, engineering and data science teams would lift the hood of vendors’ platforms and they’d find limitations as to what we could do. We figured we could use additional signals, additional customer data that the tools weren’t using at all.” At the same time, it didn’t hurt that the retailer also cut out the vendors’ margins, he adds.

Sherwin works with Wayfair’s engineers and data scientists to ensure that as they build and iterate the retailer’s marketing tools that they all understand Wayfair’s objectives. “It’s important that everyone understands the vision, is excited about what we’re doing and feels empowered to interject with their own ideas,” he says.

That approach helped two years ago when Wayfair first built Athena, a proprietary search engine marketing platform that automates a large share of the retailer’s paid search program. Athena draws on the massive trove of historical information Wayfair collects to predict the conversion rate, average order value and margin for a given keyword.

Given Wayfair’s massive product assortment of more than 8 million SKUs, Athena enables Wayfair to aggressively use paid search ads to drive sales. The data bares that out: Wayfair ranks No. 5 in Internet Retailer’s “Best Search Marketers in E-commerce” report thanks in part to it driving 14.2% of its site traffic from paid search while only allocating 4.5% of its overall sales revenue to paid search—far less than many of its competitors.

Beyond Athena, Sherwin is building out a proprietary display advertising platform that it calls Magellan, as well as a tool that enables it to remarket to shoppers on social networks.

Remarketing had long presented a challenge for Wayfair and its five e-commerce sites before it built its own platform, Sherwin says. “The challenge is determining whether it is worth it for us to go after someone,” he says. “It can be an expensive channel and there are a lot of factors at play. We have to find the person and target him on a one-to-one basis. Then, once we find him, what do we show him?” Based on who the customer is, what he’s purchased before, his on-site behavior and the particular items he was looking at, the retailer tailors a message that it expects will drive the shopper to click and buy.

The effort is working, Sherwin says. After all, Wayfair’s sales jumped nearly 60% last year, including 40% growth in direct retail revenue in the fourth quarter. Moreover, in tests that pit its in-house platforms against vendors’ tools, Wayfair’s advertising products are winning out.

“We’re beating [vendors] when it comes to scale and efficiency,” he says. “While their products might be good for the average e-commerce platform, we’re tailoring the products we’re building to the furniture and décor customer.

As Sherwin works with other Wayfair teams to build out its technical expertise, he and his teams are focused on stitching together a more complete picture of the retailer’s customers. “We need to tie together our marketing messages so that we know what message to give what customer at a given time, regardless of whether that’s on our site, in an email, a display ad, social media, a direct mail piece or when she calls customer service.”

That approach produces a better customer experience while also helping it keep its costs in check, said CEO Niraj Shah, during the retailer’s fourth quarter earning call. “[The technology we’ve built] has helped us significantly in terms of controlling cost, but also to be able to use all the data we collect and put that to good use in terms of being very surgical.” ●

ZAK@VERTICALWEBMEDIA.COM @ZAKSTAMBORIR