An *Anne Holland* Publication

WHICH TEST WON?

How to Pick the Best Testing Agency or Consultant

Contents

Note: Go to *http://Which-TestWon.com/agencyguide* for handy profiles of 50+ testing agencies as well as a list of their clients by brand name so you can see who uses whom.

INTRODUCTION

Testing services are one of the few quickly growing industries in the world today. A few years ago there were only a handful of specialist firms. Now an almost overwhelming number of agencies and consultants claim to be testing specialists.

How can you know which agency is best? (No one agency is best for all sites.) You may want an agency that specializes in your industry niche, your business model, the testing technology you plan to use, or who are located in a time zone or area close to your offices. Also, some agencies are experienced at dealing with the office politics, decision-making processes and other complexities of a Global 1000 business, versus those of a smaller entrepreneur's business.

This Special Report is published as a free companion to WhichTestWon.com's online Agency Guide which includes:
Profiles of 50+ agencies and consultancies
Links to Case Studies of real-life tests conducted by agencies
A list by client brand name, so you can see who uses whom

Our recommendation – read this Report first to determine what you really need from an agency. Then visit WhichTestWon.com and review the agency profiles there. It's much easier to make an apples-to-apples comparison with our profiles as a basis for quick comparison than by any other method. Go to: http://whichtestwon.com/agencyguide

You want to pick an agency that's best for you. Our goal is to help you with tools to do so!

Go to **http://whichtestwon.com/agencyguide**

The In-house vs Outsourcing Debate:
Should You Hire an Agency At All?

The "should-we-do-it-ourselves?" debate rages in many companies nearly every company we know, especially in tough economic times. The many free or low-cost testing technologies now on the market add fuel to this debate. It's never been easier to run tests in-house yourself.

Here are the top four reasons many marketers choose to outsource:

#1. Knowing What to Test

If you are heavily involved in your site or landing page design, it can be tough to know what to test because you don't have perspective. You are too close to the creative. An outside eye can make all the difference in the world.

If you know what you need to test immediately, coming up with ideas after that can be hard. After big changes, smaller, iterative tests can make a big difference over time. You may want a team dedicated to thinking of continual improvements.

The best optimization firms bring analytics prowess, broad outside experience to your project. It doesn't mean they won't be surprised by test results – testing is always surprising (which is why you can't rely on best practices in design for good response alone.) But, it does mean they'll know what's probably worth your testing dollar investment and what's not. If testing doesn't pay back costs by improving your bottom line, why bother?

#2. Staffing

Successful ongoing testing programs require seven skill sets which are not often found in a single person or even a single department:
- a strategic leader with budget approval who understands both marketing and statistics
- a copywriter
- a Web design creative

- a techie
- a web analytics expert
- a marketing and CRM database analyst
- a project manager who can coordinate between everyone

Even if you're lucky enough to have all seven, do you have the ability to organize them into a smoothly running team? (This can be hard if they're in separate departments.) Also, do you have the power to demand time on their schedules when your test requires it? (Often everyone's already working to capacity on other projects.)

Really big companies – usually in the direct response industry – have set up their own fully staffed internal testing departments. At the other end of the spectrum, sometimes really small companies are led by a "renaissance"-type marketing genius who can make testing happen even without a full staff, partly because the president or CMO is hands-on involved. Mid-sized companies have a tougher time. (If we had a dime for every time a marketer complained about their "wait-in-line" IT department….) In those situations, outsourcing can be the only thing that makes routine testing possible.

#3. Office Politics

Often consultant and agency clients don't need strategic or creative help as much as they need an "outside expert's voice" to weild as tool to get approval for the tests they desire. If your CEOs or CMOs will only trust an outside expert, then you need to get an outside expert on your side.

Office politics can be even tougher for testing than other marketing campaigns because so many different departments have ego and hotlinks on the line with your website design. You may not want – or even politically be able – to tell other departments that their ideas or rules for the site are hurting results. Even asking the CEO for permission to test a new idea against an original, that he or she approved of, may damage your career.

An outside vendor can work wonders – especially if they've worked with clients that your CEO respects. Step back and allow

the vendor suggest the tests and pitch ideas to management. Politics and hurt feelings are far less likely to come into play.

4. Sustainability

Great! You pulled the team together for the big test and got results. Now, can you do it again? And again? And again throughout the years?

Unless your site is extremely simple and your products, marketplace, competitors and offers only change at a glacial pace, to get sustainably great results you'll need to continue testing key pages on a routine basis for the lifetime of that site. (How often "routine" is depends on the complexity of your site and of your marketplace.) The reason is fourfold:

A. Testing multiple pages

- Entry pages such as PPC landing pages, email campaign landing pages, popular site entry pages.
- Final conversion pages such as shopping carts and lead generation forms (or email sign-up offers.)
- Pages critical to the conversion path such as category pages, search results pages, and product description areas.
- Pages with unusually high abandonment rates.
- Referral, cross-sell, and upsell activity pages especially 'Thank You' pages

B. Testing new marketing tactics and channels

Have you tested a mobile landing page? A way to get more visitors to Twitter about your brand's blog? Your Facebook ad landing pages? Videos? Chat or IM invitation pop-ups? Overlays or lightboxes? As the Internet changes it's tough enough to keep up with best practices, let alone test them on your own.

C. Segmentation

If your marketplace includes more than one psychographic or demographic segment (and who's doesn't?) you probably need to test different key pages (especially entry pages) for each segment. Segmentation tests can have extraordinary impact.

D. Drift

Your newly improved pages will not continue getting such great results over time. Downward drift is inevitable. The world changes, customers change, your brand changes, competitors change, repeat visitors get bored…. You'll need to re-test someday to boost responses back upwards again.

Outsourcing can help keep a testing program going even when your internal resources are tired or otherwise too busy to continue. Sustaining excitement and a flow of ROI-generating new ideas shouldn't be as big a problem for them.

What Type of Testing Agency Do You Need: 6 Types

Now that testing and optimization are such buzzwords, seems like everyone is saying they do it. Here's how we've noticed typical firms break down into types (not in order of preference):

#1. Usability lab

Often mistaken for testing, usability labs provide qualitative rather than quantitative data. Labs can provide valuable insights, especially for navigation design. Labs can help you identify possible reasons why a page or site is confusing or turning off visitors. You'll probably come up with some fantastic ideas for site improvements to test.

However, on its own, usability lab data is not enough to base page design decisions on if you are a results-based organization.

Partly this is due to the Hawthorne Effect, which shows that lab participants act differently from "normal" site visitors because participants know they're being watched and are trying to some degree to please you. Also, you can't use a usability lab to test two or more different versions of a page or an offer against each other and get statistically valid results. You need quantitative data such as an A/B or multivariate test for that.

#2. Eye-Tracking Lab

Again, this is qualitative rather than quantitative data. You'll learn where typical visitors' eyes go when they look at your page,

how much they read, what's ignored and how far they scroll, in addition to what's clicked on that's unclickable.

This information can be very useful for training Web designers and copywriters who are invariably shocked to see how little of their work is really "seen." You may also be inspired by useful testing ideas for site layout or image placement.

But, that doesn't mean eye tracking is predictive of results – you still need to run quantitative tests for that. Eye tracking also can't tell you which offers will perform the best; you need to run quantitative tests for that.

Our suggestion is, as with usability labs, run an eye tracking test if you are considering major design overhauls and you want to know what might be wrong with your current design and/or which new ideas are even worth fielding. (Luckily, you can do eye tracking with a non-live site.)

But don't rely on eye tracking as a substitute for quantitative testing. It does not do the same job.

#3. Non-Specialist Agency or Design Firm

Testing is so popular now that lots of agencies in related fields – Web design firms, online advertising agencies, marketing consultants, SEM consultants, etc. – are trying to sell testing services as an add-on.

This could be a wonderful solution for you, especially if you have an existing agency that already has a thorough understanding of your brand, data, and politics. But, before you hand them the account, first ask detailed questions about their testing staff and expertise.

You don't want to be the client they use to start their learning curve. Do they have fulltime testing experts on staff? How many tests have they conducted via what platforms?

You deserve experts handling your tests. What's confusing the matter is that some testing tools are fairly easy to use. However, just because the tool is easy to use doesn't mean you can use it well. For example, just because you can type on a keyboard, doesn't mean you're a great copywriter.

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#4. "Intuitive" Optimization Services

Be forewarned, this is not a term that any service uses to describe itself. They may say they're "optimization service", "persuasion expert", a "usability specialist" or some other term. The drawback here is they may not use statistical evidence for their conclusions.

To get results, they may use tools such as a usability lab, a focus group, persona-research, in-depth meetings with your creative team, design best practices, and their own common sense (often referred to as "intuitive design.") Much of the information and advice they give you may be extremely useful for better understanding the potential "whys" behind your response rates, for understanding the mindset of your customer, and for suggesting testing hypotheses.

However, this is all qualitative information with the inherent limitations of qualitative information. Unless you also run quantitative tests with statistically conclusive results, you'll never know if this service's design "conclusions" are hurting or helping results in reality.

Therefore, you may want to pair this firm's services with a quantitative testing firm and have them work together to find the best solution. The former brings the human side, the latter the stats. Working together the results could be gangbusters.

BTW: It's easy to spot an Intuitive Optimization Service even if they don't call themselves by that name. Just ask to see a screenshot of real-life result stats from one of their recent tests. (It's OK if they hide the client name, you just want to see if the stats look quantitatively-based or not.) Also, you should ask them which testing tool they use. (See below for more on technology.)

#5. Testing Technology Firm Also Offering Services

We're defining this as a company whose bottom line profits come from software sales primarily instead of testing services. Testing may be an add-on service run by an in-house team or they may have acquired a testing agency as a separate-but-wholly-owned division.

Often these teams can provide amazing results, especially because they have so many clients and an very thorough knowledge of how to use their in-house technology.   You'll have to use your own judgment in whether it makes sense to work with a firm like this or not. Most major analytics and testing software firms do allow – and even formally authorize or certify – third party testing firms to use their platforms, so you're not locked into working with the software company's testing team alone if you happen to already own their software.

Whether you use a team provided by the software firm or a third party testing service, be sure whoever you are working with has past experience with the latest version of the tools. You don't want someone learning how to use a tool or new software on your dime. Nor do you want a techie learning about testing strategy on your dime.

Make sure they're a true testing expert whose career revolves around testing. Your project deserves a specialist team.

#6. Specialist Statistics-based Testing Firm

These folks do nothing but testing for conversion rate improvement in statistically conclusive ways to determine the best performing page for your goals. In addition, they may sub-specialize in certain types of testing.

Although they may offer software as part of their service (either reselling another firm's or using their own proprietary software), their bottom line is driven primarily by testing services. (We use the 80/20 rule. If something is 80% of your profits, then you tend to dedicate yourself to it.)

One key question to ask a firm of this nature is how well they play with others. They'll have to get along with your SEO team, PPC experts, brand marketers, ad agency, legal team, IT department, etc. Are they natural diplomats who can work with everyone, or will you have internal political fires to put out?

The Six Steps of a Testing Program

Agency services usually include six specific steps:

Step One: Initial analysis based on your current stats and business/site goals to determine which pages, emails, or other creative needs to be tested to bring in the best ROI

Step Two: Forming test hypotheses based on site stats, best practices, experience and any qualitative studies of your site that you bring to the table.

Step Three: Designing test creative based on those hypotheses, which are acceptable to your branding and SEO teams (not always easy) and may be used with live traffic tests.

Step Four: Liaise with your tech team to install the testing tool that will split your traffic and display the test pages to enough visitors to get statistically valid results in a reasonably short time period (ideally within 21-30 days.)

Step Five: Analyzing results based on stats from the testing software and creating a formal page recommendations report for your team including copies of all creative you may want to use to replace current site pages.

Step Six: Based on data, suggesting additional tests and testing timelines for that particular page or email, as well as for other pages on your site to optimize your overall ROI performance.

During these steps, the firm will also act as a team with your IT department, branding department, ad agency, SEM

expert, etc. In particular, they'll make it a goal to work well with anyone on your side who is responsible for driving a significant amount of traffic to the page or site, because variances in traffic demographics, psychographics and other differences can directly affect test results enormously.

Testing Best Practices: What Rules Should Your Agency Adhere To?

Testing is a mathematically-based science that directly affects your company's bottom line. Your agency must use certain best practices or you won't be able to trust the results. These include:

✓ **Conclusive Results:** Your agency should use a testing technology which measures the statistical conclusiveness of your results. They should not recommend nor run tests which cannot be measured against a specific result – ranging from a clickthrough rate (CTR) to perhaps a final sale or high-quality lead generated. Tests should reach at minimum 90% conclusiveness to be worth acting on. Tests should also be run for at least 21 days to allow for time-of-week differences, although certain low-responding versions may be dropped earlier in the testing process. Any tests that take more than 45 days to reach conclusiveness may be questionable as well.

✓ **Hypothesis:** Every test begins with an idea of what could work better than the control (original). Your agency should have a specific hypothesis for a test – for example a button of a different size might catch visitor's eyes and thus, work better. This hypothesis may be proven right or wrong. Negative test results can be as educational as positive ones.

✓ **No guessing games:** If your test creative had more than one single change at the same time (for example, a button and a headline both changed in the same creative) you cannot expect your testing agency to tell you which change resulted in the difference in response. They can guess, but they can never be sure unless they are using advanced multivariate testing technology which gives them statistics on each element on the page.

✓ **No Before & After "Tests":** A true test splits identically-sourced traffic coming in at the same time to a particular page (or splits an email list). You can't run different test creative at different times of the month or year and then compare results. The attribute of time has changed too much.

Which Analytics Software Should Your Testing Service Use?

Currently, we know of 38 testing technologies available on the marketplace – ranging from free, to low-cost, to high end. You can see profiles of all these technologies, and easily compare apples-to-apples, on the Testing Technology section of WhichTestWon.

✓ Which is best for your agency to use? The answer depends on your requirements, your site, your budget, and your agency's expertise. Most importantly, make sure your agency has already-trained expert staff in the technology you – or they – decide to use. You don't want them learning on your dime. Many technologies, including Google Website Optimizer and Adobe Test & Target Powered by Omniture, offer formal certification programs to agencies. If you're not sure if your agency is certified, ask them.

No matter which technology they use, your agency should be able to explain and defend their choice for you. The technology that's right for you may not be the same tech they use for all their clients.   Other key questions:

✓ Will past test versions and data be archived anywhere for your reference purposes? What happens to your data and past creative if you stop using that technology in future?

✓ Will your data be secured and held private from other brand's marketers or casual Internet users?

✓ Are the reports easy to read so you can clearly see which version has won and how conclusive results are?

✓ Will this technology be easy for your IT department to work with?

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For a free download of our Special Report PDF, go to:
http://whichtestwon.com/wp-content/uploads/2010/12/2How-to-Pick-Conversion-Testing-Technology.pdf

To see useful profiles of 38 testing technologies, go to our free guide at *http://whichtestwon.com/techguide*

Pricing: What's a Reasonable Cost and Payment Model for Testing Services?

When you buy testing services, you're paying for two different types of services:

✓ **Consultative wisdom:** A good testing agency brings years of experience and analysis skills to your project. Although they can't tell you precisely which creative versions will get the best results (otherwise what would be the point in testing), they do know what's worth testing, how to set conversion goals, how to evaluate technology, and which strategies are best for you.

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✓ **Technical execution:** This is where the hours of labor come in. You're paying for analysis of your past campaigns or traffic results (in order to devise testing hypotheses), creative design, copywriting, and technical implementation.

The cost of running a test with a reputable firm with a full staff working on your account including a strategic expert, an analyst, a design creative, a copywriter, a technical specialist and an account coordinator who will liaise with your team (possibly including your agency, SEO specialist, and IT department) will run anywhere from $5,000-$50,000.

If the cost is lower than this, our question would be which activities/deliverables will be left out and can you live without them?

Note: Your vendor may lose money – or if they are lucky break even – on the first test they run for your account. Why? Because there's a lot of set up work required for a new client, including understanding your business model and branding guidelines, building relationships with the rest of your IT and advertising team, determining your site's conversion goals, analyzing historic data, and strategizing what will work best as first test. Not to mention their marketing and sales cost of gaining you as a new client (agencies have a cost per sale just as you do!)

Their goal will be to do the best job they possibly can in order to prove themselves to retain the account. If, from the start, you appear to be a one-time-only client, the base cost quoted to you may go up accordingly. It's only fair. Otherwise the vendor might not be able to stay in business.

If, however, from the start you've been clear that there's a possibility of a retainer or other ongoing work if the first engagement goes well, you may be able to keep the base cost reasonable or negotiate a somewhat discounted rate for follow-on work.

Why You Need an Ongoing Arrangement … and Why Your Results Will Slowly Become Less and Less Dramatic

Although an agency may agree to a trial engagement in part to help you prove the value of testing to your organization, most will ask for an ongoing retainer so they can use what they learn from your first tests to continue to improve your results and to extend testing to other areas of your site and/or email programs. Continuous testing is not an excuse for an agency to keep charging you money – it's mathematically-proven method of continuing to make sure your site and email programs get the best results they possibly can.

As your products and offers change, your customers change, your traffic sources change, the time of year changes, your competitors change, the world changes … you'll need new tests.

If your site has not been rigorously tested in the past, your agency's first tests usually will yield big results. Then, as they continue testing over time, many successive tests will not move the needle as dramatically. It doesn't mean the agency has stopped trying or their skill has hit it's limit. It also doesn't mean you'll get better results by switching agencies.

Instead, this is a natural evolution that happens to everyone who is testing. If your site and/or email programs have never before been rigorously tested, any good agency should be able to get fantastic results from their first series of tests. They are working with raw material to some extent, shaping it to better meet your visitor's needs and expectations.

After the first series of tests, now they change their work to get closer and closer to perfection. Your site is working substantially better…. but it could still works much better. These are known as "incremental gains."

Your agency should be able to help you run the numbers to show how often they should continue running incremental tests in the future. For some sites, it's worth running tests every few weeks, for others, it's worth running tests quarterly or semi-annually. A lot depends on your traffic volume and the amount of money each

conversion makes for your bottom line. For some sites, a 2% gain can mean six figures added to the bottom line. Others require a 10% gain to cover the cost of testing.

Over time due to marketplace changes and natural drift, your site will almost certainly start doing worse and worse. That's natural. You may want to bring in a testing service at least annually just for a "face lift" to bring results back up to where you need them to be.

What About Pay for Performance Pricing?

Pay for performance pricing has been gaining ground in marketing – for example, some PR firms charge a flat rate for every major interview they land. And, many online media, such as Google, are only paid by the click.

However, we do not recommend you seek a pay for performance contract with a testing vendor, and in fact, most will not accept such a deal.

On their side, too many factors, ranging from the quality of your product to the aggressiveness of your competition, are out of their hands. Your testing firm can't control the rest of your business decisions or external factors. They also can't control when or how much you'll decide to continue testing, or how aggressively your branding team will allow them to test changes. For example, you might not allow them to test a particular guarantee or free shipping. So, their hands will be tied, to some extent, over how far they can push testing-related progress and raise conversions. That's why the only testing firms we know who do business on a pay for performance basis get around these problems by turning down 95% of would-be clients to focus on only the easiest to work with (often very simple, single-product ecommerce sites.) Also, they generally require a long service contract up front and far more control over the look and feel of client's sites than your organization may be willing to give any outsider.

On your side, if testing does as well for you as it's done for thousands of other sites, you may wind up paying far too much for services if you use a performance basis. Per for performance fees are generally *not* in the clients' favor. The testing firm covers

their assumed risk handsomely indeed. From an ROI standpoint, you'll almost certainly do better paying retainers or flat fees.

How should you determine potential ROI?

No testing firm will specify a guaranteed ROI for a test because test results are unpredictable – that's the inherent nature of testing. (Some do offer other guarantees, see below.)

However, experienced firms can look at your site or pages together with your current data, and give you a general estimate of potential conversion rate lift based on both on industry benchmarks as well as their own hands-on experience. Naturally, lift will be higher if your site is badly designed and lower if you've been conducting testing already.

On average a previously untested ecommerce site will see a 20% gain from a solid round of testing, and a lead generation offer will see a 30% gain. However, we've also seen much higher lifts.

Our recommendation: take the agency's lift estimate for your site or email, cut it in half (to be ultra conservative), and then do your own math. Will that lift in conversion rate raise your company's measured sales enough within a reasonable time period to break even on costs? If you are a marketer with a complex and lengthy sales cycle, you may need to rely on KPIs instead – for example, will the lift bring you enough qualified sales leads to put in the pipeline to be worth investing in? Always make decisions based on potential ROI. That's all that matters in the end. Testing for the sake of testing alone is not worth the investment.

Guarantees and Lowering Risk: What Sort of Safety Net Should You Look For?

When you invest thousands in a testing agency, you need to manage your risk, especially in this economy. Look for five ways to lower your risk:

#1. Experience

How long has this firm been in the testing business? Are they well funded or are they still on the road looking for backers? Have they run tests for companies with a similar business model to your own? (Note: Industry is far less important than business model for relevance of testing experience.)

Also, are they experienced (and perhaps certified or authorized in an official way) to work on the software tool you intend to use? You don't want them learning a new tool, or a new version of a tool, on your dime.

#2. Scalability

If your first test page does very well, you may want to ramp up and test more pages fairly quickly. (Once you see how much more money your site can be making, it's hard not to get a little greedy!) Make sure your testing firm is adequately staffed for this. If they are a sole owner-operator or a one-man department in a larger firm, you may not be happy.

#3. An actual guarantee

As I mentioned above, no testing specialist can accurately predict what precise result the test will get. It's against the nature of testing! However, experienced testers can tell you roughly what sort of lift a page or site like yours might see with testing. They base this figure on benchmark data for your industry or type of page, as well as their own experience of similar sites.

They should also be able to tell you which pages on your site, or elements on a particular page, are not worth testing because the ROI isn't there.

Lastly, although they can give you fairly precise estimates of how long tests will take, they can't guarantee timing in reality because your own client-side activities can delay test launches unexpectedly. (For example, you might not approve creative in a timely manner.)

Since specific performance can't be guaranteed, what can be? Some services now offer a two-pronged guarantee – that their deliverables will be done within the specified time frame, and

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that the tests will end up improving your page's ROI. They can't guarantee by how much, but they can guarantee the optimization leads to improvement. If they don't get you their deliverables on time (barring client delays), then you should have the right to get your money back. If there's no lift in ROI, then the testing firm should continue running tests until such time as there is.

Testing should pay for itself. Period.

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