

IDENTIFYING THE MOST EFFECTIVE FIRST-TIME PURCHASE OFFER FOR A D2C SKINCARE BRAND

1. Background and Problem Statement:

A direct-to-consumer (D2C) skincare brand with a large social media presence and rapidly growing traffic was experiencing high bounce rates and low first-order conversion from new visitors. Despite well-designed product pages and influencer partnerships, fewer than 2.9% of first-time visitors completed their purchase. The marketing team believed that an optimized entry-point offer could improve conversion but lacked data on which offer types would be most effective for their specific audience.

2. Objectives:

- To evaluate which of three targeted first-time purchase offers results in the highest conversion rate
- To assess whether short-term conversion offers align with long-term customer retention
- To recommend a default offer for first-time users based on behavioral and revenue impact

3. Methodology:

3.1 Customer Segmentation

- Segmented first-time visitors into cohorts by source:
 - Paid Instagram traffic
 - Organic Google traffic
 - Referral/influencer coupon traffic
- Target audience: Women aged 22–35, mobile-first users, US-based

3.2 Offer Structure and Test Groups

Three offer types were designed and A/B/C tested across landing pages:

- **Group A:** Flat 10% discount on first order
- **Group B:** Free shipping (worth \$6.99)
- **Group C:** Free 30ml trial cleanser with orders above \$35

3.3 Technical Setup

- Split test implemented using **Google Optimize** on Shopify
- 10,000 visitors randomized equally into the 3 groups over a 4-week window
- Events tracked via **Shopify Analytics** and **Google Tag Manager**
- Revenue, conversion, and bounce rates extracted via Shopify and visualized in Excel

4. Results:

Offer Type	Conversion Rate	Average Order Value (AOV)	Bounce Rate	Repeat Purchase (30-day)
10% Discount	4.7%	\\$42.80	38%	17.6%
Free Shipping	3.9%	\\$45.10	42%	15.2%
Free Cleanser	5.5%	\\$48.50	31%	22.3%

- The **free cleanser offer (Group C)** delivered the best performance across all KPIs
- Customers responded more to **value-added bonuses** than price reductions
- Bounce rate was lowest in Group C, suggesting product-sampling offers improved trust
- Free gift recipients had higher repeat purchase rates—likely due to trying an additional SKU

5. Interpretation and Insights:

- Sampling (with minimum spend) outperformed monetary discounts in driving both conversions and basket value
- Younger, skincare-aware audiences responded better to **product experiences** than savings
- The cleanser SKU was inexpensive to fulfill (COGS \\$1.22), but added perceived value of ~\$10
- Early product exposure (via the cleanser) led to **repeat category expansion**—many reorder customers added moisturizers or serums in their second purchase

6. Recommendations:

6.1 Default Offer Strategy

- Adopt **Free Cleanser on Orders Above \$35** as the default first-purchase incentive
- Ensure bundle value exceeds \$45 to preserve margins
- Position this offer across influencer campaigns and retargeting ads for consistency

6.2 Funnel Improvements

- Add **product demo video** or short review on the cleanser offer page to increase trust
- Introduce a timer or inventory counter for urgency (“Limited Offer — Only 50 Left This Week”)
- Personalize post-purchase email flows based on redeemed offer (discount vs. gift)

6.3 Sampling Campaign Expansion

- Introduce **rotating mini-product giveaways** quarterly to maintain freshness
- Measure CLV for customers acquired through each offer path over a 90-day cycle

7. Future Work:

- Extend this framework to test **exit-intent offers** for high-cart-value visitors
- Use machine learning (e.g., logistic regression or gradient boosting) to model conversion probability by user attributes
- Launch **geo-segmented offer testing** (e.g., test free shipping in rural areas vs. product gift in urban centers)

8. Stakeholder Relevance:

Academic:

- Demonstrates the use of randomized controlled experiments in offer testing
- Relevant to coursework in digital marketing, experimental design, and behavioral economics

Corporate:

- Provides a replicable template for A/B/C testing of ecommerce offers
- Supports scalable personalization through behavioral and financial metrics

- Highlights how product-based incentives can boost both short-term conversion and long-term retention

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