A current e-commerce client has regularly shared the following insight: "assortment drives sales." He learned this wisdom before he'd even launched this division of his business, at the feet of a major star in a popular online sales category (roughly speaking, disguised slightly, let's say it's sports memorabilia). Mikkel (name changed to protect identity) had actually visited the "belly of the beast," the mecca of this philosophy: the Florida-based head office of this successful company that went from just an idea to nine-figure sales in just a few short years.

This reflection dovetailed with what I'd seen of online consumer behavior with our client sites. One client, a broad-based retailer, has done increasingly well over the years. When they have not done well, it's because they have a notably small inventory of available products from one of the brands they carry. Let's say you really want to buy some tasty treats from Stonewall Kitchen. You click on a paid ad showing near the top of Google Search, and land on a page with only 14 products. You're likely to leave, especially if what you want isn't there, and especially if you're dimly aware that Stonewall's true selection runs to 600 SKU's (stock-keeping-units, meaning unique items). So, in search of that apricot jam and those sourdough soda crackers, off you go somewhere else.

Today's consumer simply isn't forced to live in Henry Ford's world. We live in a post-Fordist world, needless to say: a world of customization, choice, and constant novelty. Starving consumers of that choice may make sense in the airport boutique (where they're bored and just happy to buy something-or-other), but it's often a jarring disconnect with consumer expectations in an online context.

Since conversion rates are a major component of the lifeblood driving ROI for PPC budgets, the importance of the wider selection benefit shouldn't be underestimated.

As it turns out, that's not the only reason we've seen so much success in PPC accounts representing "bigger stores with more stuff" over the years. (So much success that we've become rather leery of trying to forge positive ROI on paid ads for online stores that seem to have tunnel vision around a very few available items.)

Let's Get Even, Steven

There's also a couple of other phenomena at work. Advantage #2 of a "portfolio" of more products is the opportunity to learn and optimize for consumer response across a large number of data points – an aspect of the "online is just one endless store shelf" phenomenon that was initially and perhaps best captured in Chris Anderson's *The Long Tail*.

Another way to look at that is through the lens of Jerry Seinfeld's "*Even Steven*." When one part of your complex life has a down day, hey guess what? Something else might come along to balance it out. You just keep on lucking your way through life – presumably because you've created a life that doesn't run completely aground based on a minor setback. Jerry made his own luck.

What if it isn't just a multitude of products that were subject to optimization, but numerous other campaign segments, such as geography? The more in sync your offerings and marketing budget are with consumer demand, the more profitably you can find customers. I worked a bit with a friend's new Direct-to-Consumer business – which was, admittedly, just one product line with about 12 unique products. Over a number of months, we came to discover different demand levels and media costs lurking around the globe; there were significant disparities from country to country, especially in Europe and Asia. The result was tailoring our budgets to suit that demand, and the business ultimately hitting its stride just under a year after launch. The logic isn't that hard to sort out: you may do better when your success or failure isn't confined to a single geographic location – perhaps analogous to the broad success of national (brick and mortar) retail franchises, relying on the aggregate consumer demand in good locations to overcome the unfortunate failures of some individual franchisees.

The Even Steven benefit also flows through to a store with a wide assortment when it comes to seasonality, or even unexplained (possibly random) spikes and troughs in purchase behaviour. A wider selection of products leads to smoother overall performance, and this leads to less overthinking of small lulls in performance.

In our experience, this has been a very prominent source of angst for narrowly-defined businesses that may assign great weight to the daily sales numbers. Even by dint of pure randomness alone, such businesses can go two or three days without seeing a significant order or lead. That can lead to questions (unanswerable ones) about what has "gone wrong," when all it amounts to is a heavy reliance on a certain type of demand and prospect behavior day in, day out, 365 days a year.

A Game of Risk

The third and final benefit to more variety of products, geo targets, etc. comes down to how one approaches risk. A revolution in finance (especially among large-scale money managers) was spearheaded by pioneers such as Harry Markowitz at the University of Chicago, according to contemporary economist Alison Schrager. According to Shrager, in An Economist Walks into a Brothel, And Other Unexpected Places to Understand Risk: "[W]hen we only focus on returns, we often end up taking unnecessary risk because we try to pick only winners (which is impossible)."

On average, with wide diversification, we get the same or better returns with sharply reduced risk. Today, index funds are a wildly popular form of investing, for some powerful reasons (though they might not serve everyone's purposes or be to everyone's taste).

Jason Calacanis, in Angel: How to Invest in Technology Startups, covers the exact same phenomenon relating to private investments in high-growth, early-stage technology companies. Small and novice investors have a very low chance of picking a single winner – although, if they do pick a winner like Uber in the early days, as Calacanis did, they might see 500 times their capital returned, if not more. That's frustrating, because on average, such investments might turn out to substantially outperform other investment classes.

How to pick a winner? The answer may be not to think you can. Instead, diversify. That isn't easy with some angel investments requiring cushy personal connections or single bets in excess of $50,000. The solution to this spikiness seems to be emerging in the opportunity to place "micro-bets" through syndicated deals that will take in smaller amounts of money. (In the Canadian market, FrontFundr is an example of a service that provides access to private investments with lower minimum investments than the norm.) Calacanis seems to recommend that individual investors place ten or twenty bets to improve their chances of finishing "in the money."

We could take this analogy over to racehorse breeding, as Schrager does. Instead of stocks or consumer products, think about how likely you are to walk away empty-handed if you had put all of your budget and hopes into raising a single racehorse. But if a certain gene pool on the whole is likely to provide a strong return, you'd almost be certain of finishing in the money quite often if you owned, say, 300 – or 3,000 – racehorses.

With the racehorse analogy comes an appreciation of some of the costs and headaches that may come with diversification. In the racehorse example, it may simply cost too much to own 300 racehorses. And there would still be a tendency to sell off your less promising horses, leading to mistakes and reducing gains. No system is perfect. In e-commerce, more products may require more work; lead to inventory, supplier, and logistics hurdles; and even, perhaps, sap a business' identity by diluting its positioning. Diversification isn't a panacea, but some powerful logic remains nevertheless.

In sum, three kinds of powerful math suggest that online businesses may have more success with their growth (marketing) budgets in three distinct ways:

1. Higher conversion rates that may arise from (eg.) tickling consumers' "variety bones"
2. The ability to iterate rapidly to adapt to a unique and intricate latticework of (formerly-mysterious) consumer demand, and to tailor marketing investments to that configuration for maximum efficiency in customer acquisition
3. A superior approach to achieving superior ROI while minimizing risk.

In lottery lore and Shark Tank hopes and dreams, perhaps ABBA's fabulous "The Winner Takes It All" rings true. But to become a PPC Super Trouper in the real world, diversification may be your best bet.

Use this powerful three-pronged math to your advantage.