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An eMarketer White Paper

Effective E-Mail:

The Seven Golden Rules You Know (But May Forget to Follow)

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EMAIL SOLUTIONS

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Welcome to eMarketer

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To the reader:

In any area of business, best practice is widely revered but rarely spelled out. This white paper aims to describe the rules that define best practice in the area of e-mail marketing. The rules that are outlined will help any company maximize the returns on their e-mail campaigns, by delivering messages to a receptive and fully engaged audience. The strong relationships that follow will deliver more satisfied repeat customers.

This white paper reflects the way eMarketer develops all of its research. eMarketer aggregates and analyzes e-business research from hundreds of sources and brings it together in analyst reports, daily research articles, and the "eStat Database," the most comprehensive database of e-business and online marketing statistics in the world. Our core expertise lies in researching and sorting through vast amounts of publicly available information, and objectively compiling and analyzing the data. Our products help business executives make smarter, faster decisions about dealing with the rapidly changing world of online commerce and marketing.

We hope you find this white paper valuable. If you have any questions, please don't hesitate to contact us.

Geoffrey Ramsey
CEO and Co-Founder

Introduction: why E-mail?

E-mail is getting some bad press. The meteoric rise of spam in all of its forms has elicited a very effective technical and habitual response from e-mail providers and e-mail users. As a result, only a fraction of all e-mail is now actually read rather than instinctively deleted or automatically moved into a junk mail folder. Data from the Double Click 2005 Consumer Email Study show that, on average, some 70% of the e-mail received in the US is seen as spam.

However, rumors of the death of e-mail as a key direct marketing channel are greatly exaggerated. Only telephone marketing delivers a better return on investment. The return on spending on e-mail marketing remains high because consumers spend an increasing amount of time online and they spend an increasing proportion of that time checking e-mail. As a result, despite the obstacles presented by spam and the consumer and provider reaction to it, e-mail still delivers exceptional return on investment (ROI).

There are three other popular channels whose cost per contact cost is lower. All three, however, deliver response rates that are little more than one-tenth of that achieved by e-mail.

Revenue, Cost and Response Rates for Direct Response Marketing in the US with Direct Order Objectives, by Media, 2004

	Revenue per contact	Promo cost per contact	Response rates	ROI index*
Telephone	$45.37	$2.50	5.78%	18.2
E-Mail	$1.60	$0.10	1.12%	16.0
Dimensional mail	$14.16	$0.91	2.30%	15.3
Direct mail	$11.36	$0.56	1.88%	14.9
Newspaper	$0.45	$0.05	0.09%	8.8
Coupons	$1.50	$0.23	1.65%	6.5
Catalog	$1.48	$0.69	2.18%	6.4
Inserts	$0.49	$0.14	0.45%	3.5
Magazine	$0.22	$0.11	0.13%	2.0
FSIs	$0.12	$0.07	0.13%	1.6
Radio	$0.08	$0.07	0.10%	1.2
Direct response TV	$0.02	$0.03	0.04%	0.7

*Note: *ROI index is a baseline indicator used for comparing overall efficiency of one medium over another, calculated in this case by dividing revenue per contact by the promo cost per contact*
Source: Direct Marketing Association, October 2004

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The bottom line: e-mail has become an important part of the marketing toolbox because of its low cost and large audience; it can be accurately targeted and the reaction of recipients can be tracked to allow continuous improvements in marketing tactics. The scourge of spam has not eliminated these advantages.

In fact, in order to defend the returns on their marketing spend, companies using the e-mail channel are now forced to be even more consistent in their adherence to best practice. This inevitably enhances the effectiveness and financial performance of e-mail marketing.

Recent evidence suggests that successful e-mail marketing tactics are implemented according to a small set of common "rules." Some of these rules are old and some are responses to the very latest developments. When applied as a set, there is no doubt that these rules more than mitigate the obstacles that have arisen and enhance the accuracy of e-mail targeting. This sets the stage for even better returns on any investment in the e-mail marketing channel.

The Seven Rules

Rule 1: build lists that work

Hold the front page! Any list of prospects must consist of people who *might* have an interest in a company's products or services! This is so trite that is essentially true by definition. Certainly it is an old rule—and one that has served advertisers and marketers well for as long as people have been selling things to other people.

Less blindingly obvious is the question of how best to compile such lists.

First, the evidence is now rock solid that any in-house list is always better than a list rented from a third party. Individuals are on such a list either because they already have a relationship with the company, often as a client of its products or services, or because they have signaled an interest in establishing one.

No matter how carefully targeted the compilations offered by list sellers may be, they will never be as "on-target" as a list of existing clients or individuals who have deliberately checked a box expressing some interest.

Better targeting translates directly into better response rates. In interviews conducted by MarketingSherpa at an ad:tech conference late last year, 47% of respondents cited the in-house e-mail list as the best performing online advertising tactic. In sharp contrast, the worst performing tactic, according to 43% of attendees, was the rented e-mail list.

Best and Worst Performing Online Advertising Tactics* according to ad:tech Attendees, December 2005 (% of respondents)
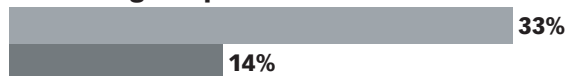
Paid search ads
- 52%
- 8%

E-Mail house list
- 47%
- 9%

Rich media ads
- 38%
- 21%

Behavioral targeting
- 36%
- 23%

Search engine optimization
- 33%
- 14%

Contextual targeting
- 31%
- 19%

Affiliate marketing
- 29%
- 22%

continued next page

Text link ads

23%

20%

Pop-ups, pop-unders

22%

39%

Ads in e-mail newsletters

16%

34%

Banner ads

14%

39%

E-Mail rented lists

10%

52%

■ **Best**   ■ **Worst**
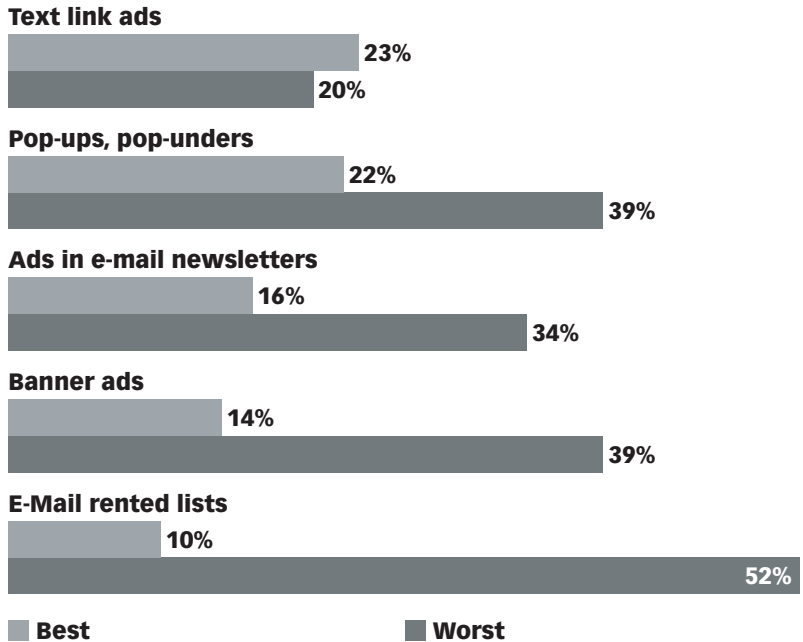
*Note: *best refers to respondents who said the tactic performed "great" and worst refers to respondents who said who said they were "disappointed" in the tactic's performance*
Source: MarketingSherpa, Inc., January 2006

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Building lists means offering an incentive for people to give their e-mail address and other personal information, as well as getting them to request to receive e-mails. Web site registration in order to access free content is a very common device for gathering this data, as is the registration requirement for an e-mail newsletter.

Although list quality matters more than size, the more personal information that is gathered on each individual, the better targeted any e-mail campaign can be. However, ask for too much personal information and potential registrants will turn away, either because of privacy concerns or simply out of reluctance to take more than a few minutes to fill out registration forms. Collecting personal information in stages is one proven solution.

Rule 2: get permission and make it clear who you are!

Any customer or potential customer will be more annoyed by messages they have not agreed to receive. Some 66% of US consumers trust e-mail that they have signed up for, whereas 95% distrust e-mail that they have not requested, according to research from Intelliseek and Forrester Research.

So, the rule is simple: if you want people to read your messages and, ultimately, to follow your call-to-action, make sure that each name on your list has given you permission to e-mail them.

In building a permission-based e-mail list, more and more companies go beyond simple opt-in—where the customer gives the OK just once—and use double opt-in. This means that after the user signs up (often on a company's Web site) to receive e-mails, he or she then receives a follow-up message from the company asking to confirm the registration.

This reinforces the fact to the recipient that they have granted permission, serving as a reminder and making it even more likely that e-mails will be opened when they arrive. This effect diminishes over time. When a customer or potential customer first signs up to a list their "engagement" is at a peak and the effect of double opt-in is at its highest. Over time, however, engagement diminishes and the benefit of double opt-in deteriorates.

Data from DoubleClick's 2005 Consumer Email Study indicates that consumers continue to open a majority of permission-based e-mails, with 64% reporting that they open 61% or more of permission-based e-mails.

Percent of Permission-Based E-Mails that US E-Mail Users Say They Open, 2004 & 2005 (% of respondents)

91%-100%
28%
25%

61%-90%
39%
39%

31%-60%
21%
24%

11%-30%
8%
8%

1%-10%
4%
5%

None
0%
0%

■ 2004   ■ 2005
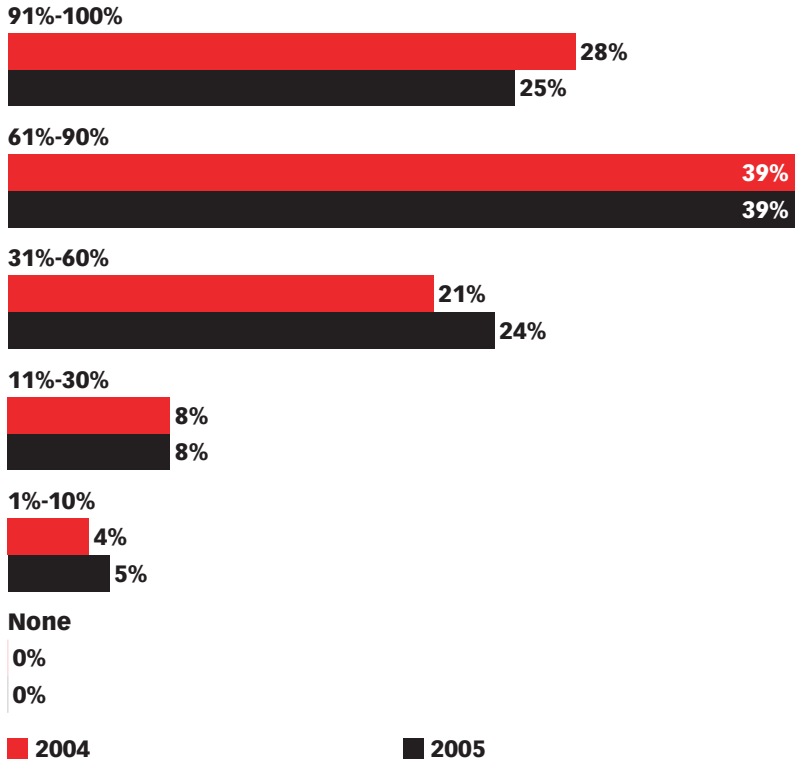
Note: n=902; among those respondents who receive permission-based e-mail
Source: DoubleClick, December 2005

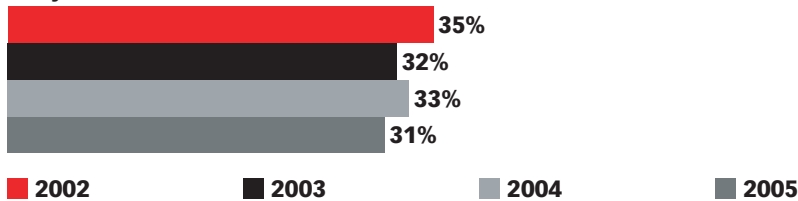070208 ©2006 eMarketer, Inc.   www.**eMarketer**.com

This mechanism touches on another factor that has a significant bearing on open rates: recognition. Subject lines and senders must be familiar so that recipients realize that the message is from someone to whom they gave e-mail permission.

Most Important Factor that Compels US E-Mail Users to Open Permission-Based E-Mail, 2002-2005 (% of respondents)

From line

Year	%
2002	60%
2003	63%
2004	64%
2005	65%

Subject line

Year	%
2002	35%
2003	32%
2004	33%
2005	31%

■ 2002   ■ 2003   ■ 2004   ■ 2005

Note: n=900; among those respondents who open permission-based e-mail
Source: DoubleClick, December 2005

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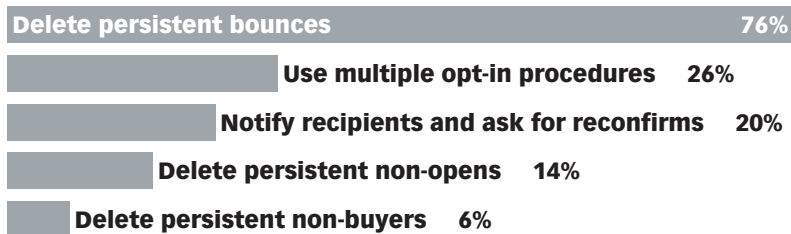
Rule 3: keep your lists healthy

Having built an asset as valuable as a highly targeted, permission-based e-mail list, it would be akin to burning piles of dollar bills to allow it to degenerate. Neglect could easily see all of the gains from an initially superior list disappear in a matter of months.

The dynamic nature of the Internet and its population means that any collection of information about Internet users ages extremely quickly.

Most importantly, there is a period of "engagement" that follows the granting of permission for contact. During this period any communication is more likely to get a response. As "engagement" deteriorates over time, which it will inevitably do with no successful communication, the likelihood of a response diminishes rapidly. To avoid a negative impact on the efficiency of e-mail marketing efforts, addresses from which no response is received should be removed quickly.

Marketers use various techniques to keep their lists clean. Deleting persistent bounces is the list-cleaning method employed by 76% of US companies, according to a June 2004 surveyed by MarketingProfs.com.

Methods Used by US Companies to Clean Their House E-Mail List, March 2004 (as a % of respondents)

Method	%
Delete persistent bounces	76%
Use multiple opt-in procedures	26%
Notify recipients and ask for reconfirms	20%
Delete persistent non-opens	14%
Delete persistent non-buyers	6%

Note: n=2,279
Source: MarketingProfs.com, June 2004

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Smart marketers also clean their valuable in-house lists frequently—nearly three-quarters clean their lists at least once a month.

It is the 16% who never clean their lists that, in the long run, spit in the soup for the entire e-mail marketing industry.

Frequency with which US Companies Clean Their In-House E-Mail List, March 2004 (as a % of respondents)

Frequency	%
In real time	24%
Daily	5%
Weekly	9%
Monthly	30%
Yearly	16%
We don't clean our list	16%
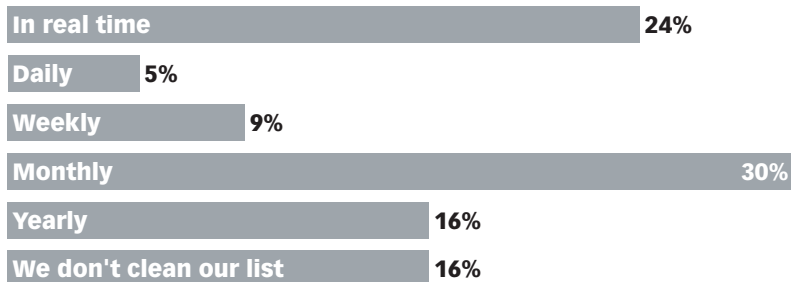
Note: n=2,600
Source: MarketingProfs.com, June 2004

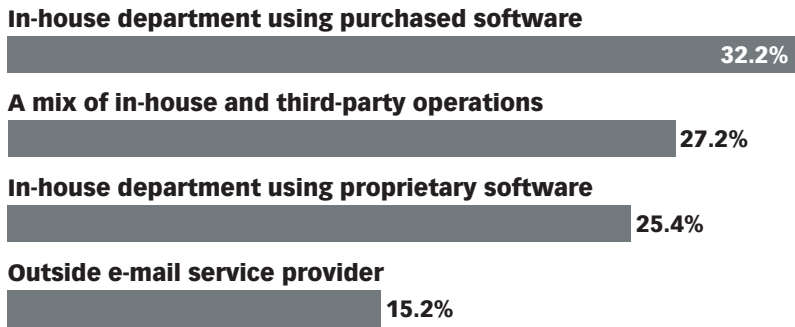061135 ©2005 eMarketer, Inc.   www.**eMarketer**.com

Adherence to best practice is, however, making a real difference. Data from DoubleClick show that in the third quarter of 2005, bounce rates hit an all-time low of 7.1%. This compares with a rate of 10% in 2004.

In a March 2005 survey, *Internet Retailer* found that most online merchants do at least part of their list maintenance in-house, with 57.6% entirely that way, either with purchased or proprietary software.

US Internet Retailers' Usage of In-House Departments vs. Outside Service Providers for Sending/Tracking E-Mail Marketing and Maintaining Lists, March 2005 (as a % of respondents)

In-house department using purchased software

32.2%

A mix of in-house and third-party operations

27.2%

In-house department using proprietary software

25.4%

Outside e-mail service provider

15.2%

Note: n=355
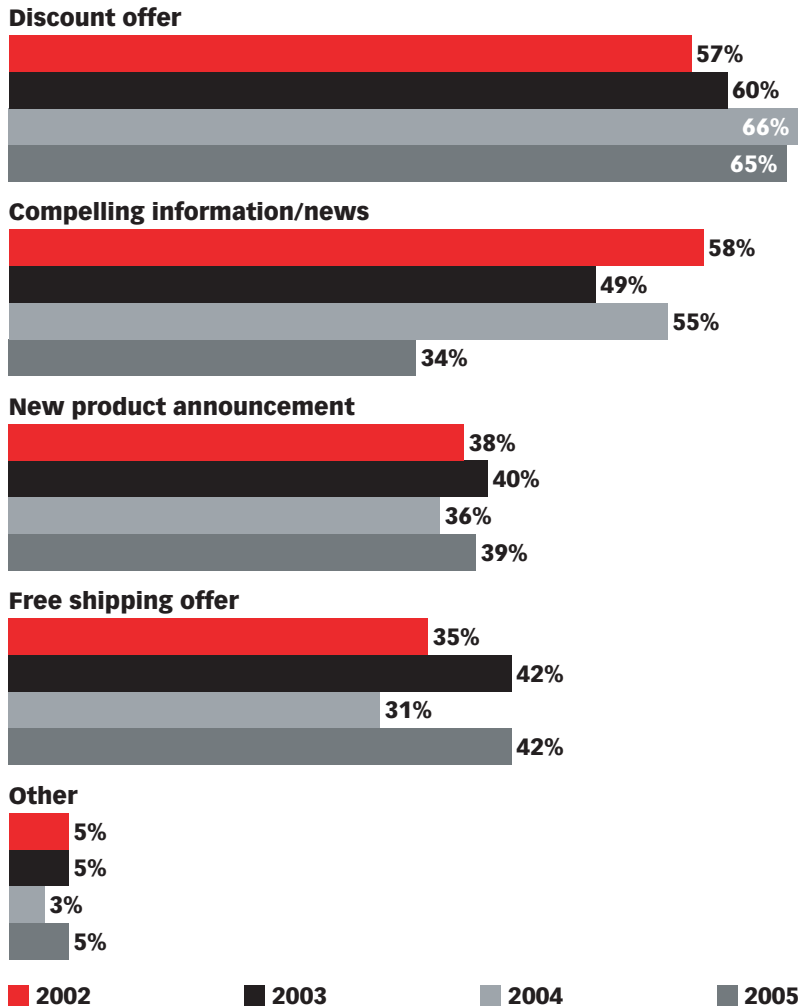*Source: Internet Retailer, WebSurveyor, March 2005*

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Rule 4: send the right message

Although three quarters of e-mails sent are e-newsletters with original content, consumers indicate that they are very receptive to e-mails with information about new products or promotions. Discounts, cross-promotion (of new products) and free-shipping offers are particularly well received by consumers according to data from the DoubleClick 2005 Email Consumer Study.

Type of Subject Line Content that Compels US E-Mail Users to Open a Permission-Based E-Mail, 2002-2005 (% of respondents)

Discount offer

- 57%
- 60%
- 66%
- 65%

Compelling information/news

- 58%
- 49%
- 55%
- 34%

New product announcement

- 38%
- 40%
- 36%
- 39%

Free shipping offer

- 35%
- 42%
- 31%
- 42%

Other

- 5%
- 5%
- 3%
- 5%

■ 2002   ■ 2003   ■ 2004   ■ 2005

Note: n=280; among those respondents who say the subject line compels them to open permission-based e-mail
Source: DoubleClick, December 2005

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Among online retailers, sales and promotions account for 81% of all promotional e-mails sent. Across all industries, the most popular and most read permission-based e-mails are service messages such as receipts, transaction confirmations, shipping notifications and information about bank account activity.

One feature of e-mail content that appears to make a difference is personalization. At the bare minimum, addressing the recipient by name is mildly helpful. Bona fide personalization merges content and targeting by considering the recipient's profile and interests, and addressing those elements in e-mails.

While all marketers tend to track the customer information that could be used to adapt any message to appeal to each recipient, they use the details differently depending on their business type. For example, 70% of direct marketers in the B2B space personalize their marketing messages, according to the DMA. However, only 52% of B2C direct marketers do the same. This may be explained by the need in the B2B space to get to exactly the right person and to have the maximum possible impact when the ideal person is reached.

Whatever the real, full explanation for this particular variance, it serves to highlight an important point about content personalization: the rule is not as simple as "the more personalization, the better." At the end of the day, appropriate personalization is a powerful device that has a measurable impact on open rates.

The average consumer might be made very nervous by the fact that a faceless multinational knows where they spent their last vacation or by an e-mail that addresses them by name in its subject line. However, a busy executive may be impressed that a potential supplier had done its homework on his company and presented "personalized" details upfront in an e-mail to show it. So the optimal level of personalization varies between the B2C and the B2B worlds.

Of course, it varies greatly within each of these areas as well. The fundamental principle is that personalization is a very powerful tool but, like so many others, it has to be deployed in a way that is appropriate for the target audience.

Rule 5: get the timing right

Which day of the week is best for sending promotional e-mail? A poll in June 2004 showed that Tuesday was the most popular day, but this is a result that varies with time and there really is no universal answer.

The fact is that different days suit different products and services. If your company's product is likely to be purchased on a weekend, then a Thursday or Friday mailing might work better. Or if you want to skew the reading more to people at home than at work, Saturday could be your best bet. The key is to get the message out at the right time when potential customers are in the market for what's on offer.

A difficult but very important decision is *how often* to send e-mails to a target list. This is widely acknowledged to be a big—and to some extent unanswered—question for marketers who use e-mail. For example, even for one company's list, some recipients will be happy to get one message a week, while others will consider the sender intrusive if they get more than one e-mail per quarter. It is also possible that a single recipient may start off satisfied with a company's weekly e-mail but may find this irritating after six months.

Also important in the consideration of e-mail frequency is the type of content that is being sent. For example, weather, sports and stock information only make sense on a daily basis. An e-mail newsletter, however, can easily be created to be valuable once a month.

The one certainty is that e-mail is a powerful and highly personal communication channel. It keeps brands, products and services in the recipient's immediate sphere of awareness and it does so extremely cheaply. Put another way, e-mail is the ideal tool for driving *engagement,* that vital consumer attitude towards a company or a brand or a product which, when achieved on a broad scale, delivers a supercharged response to almost any marketing effort.

Rule 6: test and tweak as you go

One of the uniquely powerful characteristics of e-mail marketing is the extent to which the effectiveness of every piece of activity can be measured. The servers that constitute the Internet's e-mail infrastructure store detailed information about every piece of e-mail that is sent. But the exact information that is available to the sender does depend on the technology that is deployed. It is important for any marketer using the e-mail channel to choose a provider and platform that provides the metrics appropriate to the underlying business need.

By examining the data on recipients' actions marketers get extensive insight into what was effective and what failed in every piece of e-mail they send. This means that it is possible to continuously adjust an e-mail campaign in order to optimize its performance.
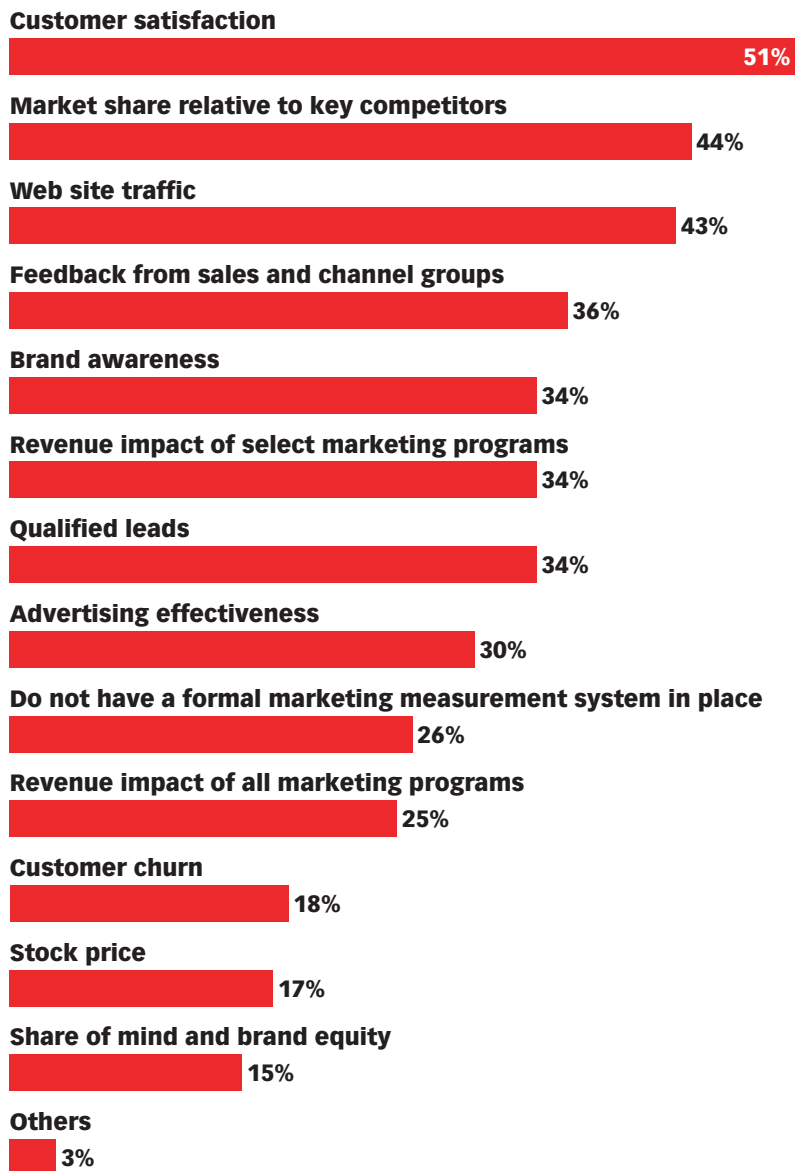
An e-mail campaign's effectiveness should be gauged against three things:
- other e-mail campaigns;
- other forms of online marketing and;
- offline marketing efforts.

The relative importance of these factors does, of course, vary according to the business objectives that lie behind any e-mail campaign or marketing strategy. Similarly, the natures of the target audience and the industry context have a bearing on how effectiveness should be measured.

Constantly evaluating e-mail effectiveness might seem like an obvious approach but apparently not to some. According to *CMO* magazine, 26% of US marketing executives have no formal marketing measurement system in place.

ROI Metrics Tracked by US Marketing Executives, 2005 (as a % of respondents)

Customer satisfaction
51%

Market share relative to key competitors
44%

Web site traffic
43%

Feedback from sales and channel groups
36%

Brand awareness
34%

Revenue impact of select marketing programs
34%

Qualified leads
34%

Advertising effectiveness
30%

Do not have a formal marketing measurement system in place
26%

Revenue impact of all marketing programs
25%

Customer churn
18%

Stock price
17%

Share of mind and brand equity
15%

Others
3%

Note: n=514
Source: CMO Magazine, April 2005

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With no measurement system in place, testing the response to e-mails is not possible. It is only this testing that allows marketers to tweak the characteristics of their mailing, fine tuning them to what is most effective.

The simplest testing process is probably also the most revealing. The simple testing of alternative formats, timings and content should be continuous and can consist of nothing more than controlled "A/B" comparisons. These involve splitting a given list into two even, randomly-selected groups. The e-mails sent to the two groups differ in only one characteristic. The differences in responses to the two e-mails provide a clear assessment of the impact of the single change that was made.

Rule 7: know your metrics

To fine-tune an e-mail program, a marketer must know which measurements are important to his business. The fundamentals are open rates, tracked by nearly 76% of e-mail marketers, and click-through rates, tracked by nearly 69% of respondents to the MarketingSherpa survey. Conversion rates, however, which assess the whole point of e-mail campaigns, get tracked by only 48% of e-mail marketers.

Metrics Tracked by E-Mail Marketers in the US, 2004 (as a % of respondents)

Open rates	75.6%
Click-through rates	68.6%
Conversion rates of clicks	48.0%

Note: n=2,293
Source: MarketingSherpa, November 2004

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The range of standard metrics includes the following six elements.
■ delivery rate; typically, e-mails sent minus bounces
■ open rate
■ click-through rate (aka response rate)
■ bounce rate (aka bounce-back rate)
■ unsubscribe rate
■ conversion rate; typically, number of actions divided by number of unique click-throughs

Within those metrics, certain fine-tuning goes on. For example, most marketers track not just the open rate, but the unique open rate, which takes into account things like the "double open" that occurs when an e-mail appears in the software preview pane (open No. 1) and then when the recipient actually clicks open the full message (open No. 2). Similarly, unique click-through rates measure a single individual's click on a single link only once, even if he should click there multiple times.

By being clear on the business objectives of any e-mail campaign, knowing what the available metrics mean and which ones reflect a better performance relative to that objective, marketers who use e-mails can very effectively and quickly maximize the return to the company of their promotional e-mails.

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