E-mail Marketing:

Still the Powerful Engagement Tool That Turns Marketing Dollars Into Highest ROI

WSI White Paper

Prepared by: Francisco Hernandez
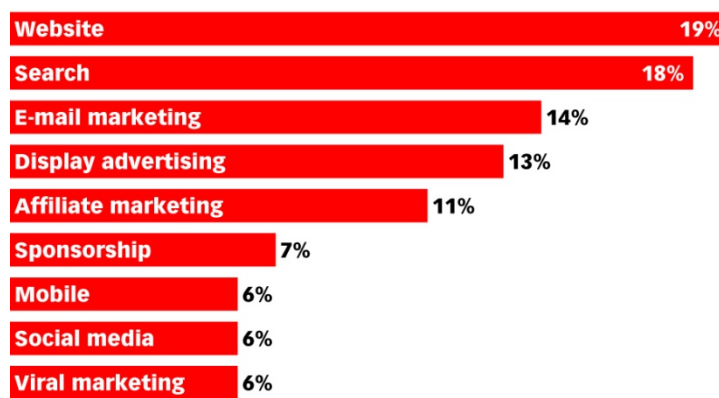*Email Marketing Expert, WSI*

Introduction

E-mail marketing's popularity is attributable to its low cost, high ROI (Return-On-Investment) and focus on customer retention. While the economic crisis will force retailers to cut back on many important marketing and technology initiatives, e-mail programs will survive relatively unscathed.

Odds are your marketing budget has felt the negative impact of growing concerns over the worldwide economy. Small businesses and large corporations alike have been forced to erase entire sections of their 2009 marketing "wish list" in response to a bleak economic forecast that has many marketers evaluating the cost-effectiveness and ROI of previously ironclad marketing vehicles.

Amid the turmoil, e-mail marketing has remained a staple due to its cost-effectiveness and flexibility. At a fraction of a penny per message, the value of an e-mail campaign compared to an expensive direct mail communication is substantial. However, getting the most from your e-mail marketing campaigns during tough economic times may require a different approach than what you've done before.

Allocation of Online Marketing Budget According to E-Mail Marketers* Worldwide**, January-February 2009 (% of budget)

Website	19%
Search	18%
E-mail marketing	14%
Display advertising	13%
Affiliate marketing	11%
Sponsorship	7%
Mobile	6%
Social media	6%
Viral marketing	6%

Note: *companies/client-side; **UK (77%), other Europe (11%), North America (6%) and other (7%)
Source: Econsultancy, "Email Marketing Census 2009" commissioned by Adestra, provided to eMarketer, March 16, 2009
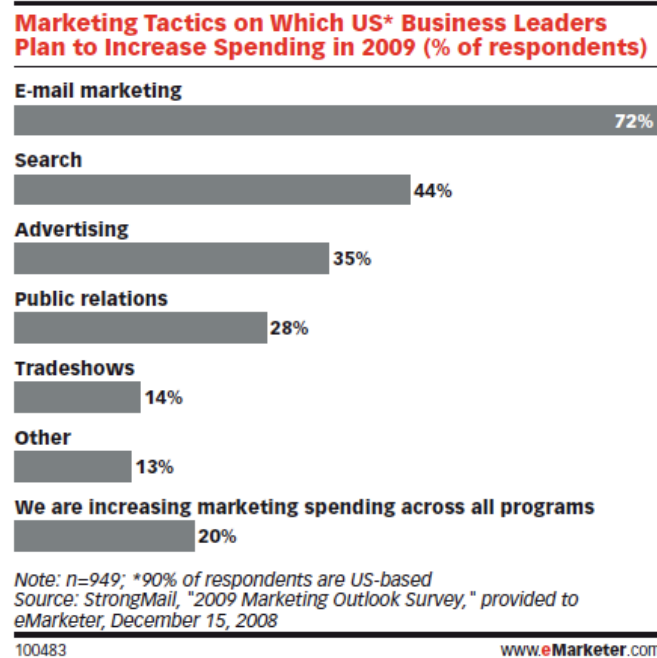
103096   www.**eMarketer**.com

It is not surprising to see how advertisers continue adding to the budget for marketing activities that are generating the greatest ROI, like searches and e-mail marketing.

According to eMarketer, at the beginning of this year, 14% of the online marketing budget is destined for e-mail marketing. What is more surprising, is that advertisers are giving more importance to their e-mail marketing campaigns than on investing in social networks, even though it is a rising trend. In the current economy, on which marketing budgets plummet, e-mail marketing can be as important as a wood plank to someone stranded at sea.

Marketing Tactics on Which US* Business Leaders Plan to Increase Spending in 2009 (% of respondents)

Tactic	%
E-mail marketing	72%
Search	44%
Advertising	35%
Public relations	28%
Tradeshows	14%
Other	13%
We are increasing marketing spending across all programs	20%

Note: n=949; *90% of respondents are US-based
Source: StrongMail, "2009 Marketing Outlook Survey," provided to eMarketer, December 15, 2008

100483   www.eMarketer.com

While marketing budgets will undoubtedly be trimmed in 2009 due to the recession, e-mail's share of budgets is likely to rise. E-mail owes its resilience to its low cost, highly measurable results and focus on customer retention.

No wonder business leaders were most likely to say e-mail was a marketing tactic earmarked for increased spending in 2009, according to a December 2008 StrongMail survey. The survey generated responses across all industries, with strong representation in retail, financial services, technology and media/entertainment.

CRM = Customer Really Manage

A few years back, great importance was given to the acquisition of the latest technologies to predict, model and manage the relations between brands, companies and consumers. Unfortunately, for many years, advertisers were lost in the midst of technological development and they were not giving importance to what the consumer deserved. Today, with the growing reach of the Internet, broadband connectivity, search engines, social networks, and increased demand for Smart Phones, we have arrived at an era on which the consumer is truly the manager.

Taking into account that technology has to facilitate things, but it is not everything, advertisers have to give the consumers the value they demand. For this reason, when we speak of e-mail marketing, it is very important to speak of RELEVANCE of the messages and the level of personalization in the conversations that are initiated through e-mail.

The actual situation of the use and abuse of e-mail marketing has led the consumers to fight more and more against SPAM and has driven them to different avenues of communication like social networks, text messaging and other methods that allow the consumer to regain control over their personal

communications and relations with retailers. If retailers want to avoid being blacklisted or ignored, they must improve the relevancy of their e-mail programs. The solution lies in using segmentation and personalization techniques to target e-mails. Of course, retailers also need to be vigilant about testing their tactics to determine which are most effective.

Focus on Customers' Needs or Lose Them Forever

Marketers must use measurement tools in order to provide personalized messaging. In a 2008 Merkle Study, half of e-mail recipients said good e-mail influenced their decision to make a purchase, and 38 percent said they tend to spend more money with a company that sends e-mails they read regularly. Thirty-two percent said they stopped doing business with a company because of poor e-mail marketing practices.

Looking forward, some of the most exciting possibilities for e-mail marketing are appearing in social networks. The social inbox, for instance, promises to provide an integrated view of a user's e-mail and other communication channels. Furthermore, new applications will make it easier for people to virally share e-mails with friends in their social networks.

E-mail Marketing's Effectiveness

E-mail marketing's ROI in 2008 was $45.06 for every dollar spent on it, according to the DMA's report "The Power of Direct Marketing," which analyzed direct marketing activity across major industries.

ROI for Select Marketing Tactics in the US, 2007-2009 & 2013

	2007	2008	2009	2013
Commercial e-mail	$48.34	$45.06	$43.52	$37.99
Internet marketing (non-e-mail)	$20.60	$19.94	$19.97	$19.97
Direct mail (noncatalog)	$15.58	$15.55	$15.50	$15.66
Direct mail (catalog)	$7.23	$7.28	$7.25	$7.29
Direct marketing advertising total	**$11.56**	**$11.63**	**$11.74**	**$12.30**

Source: Direct Marketing Association, "The Power of Direct Marketing, 2008 – 2009 Edition," October 2008, provided to eMarketer, January 2009
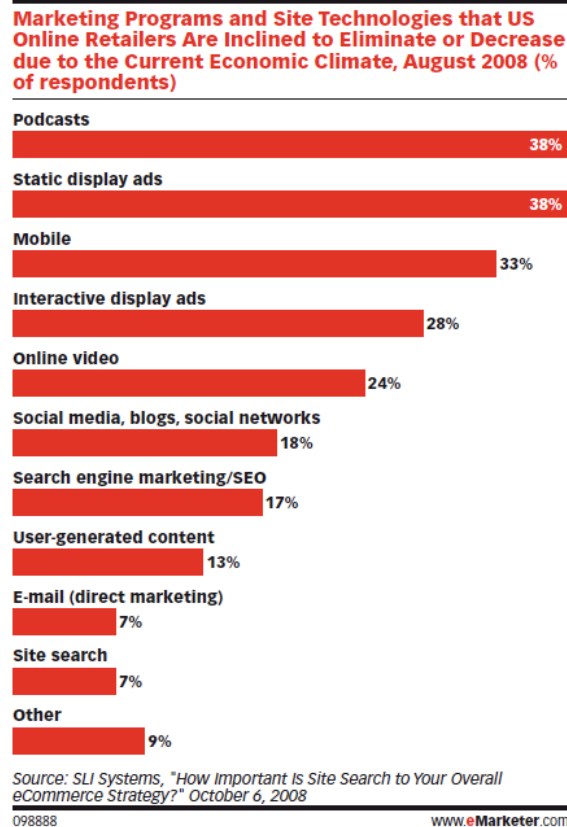
101310   www.eMarketer.com

However, compared to other media, the ROI of e-mail marketing has been in a faster decline than other advertising avenues. This decline could be attributed to the maturation of this method. But also to how companies are investing more on e-mails that are not focused on generating revenue, like order confirmations, or the failure that companies have experienced by using "rented" databases.

Despite these issues, advertisers and retailers do not want to reduce their media budget for e-mail marketing, because they recognize the ROI is going to be affected by the relevance of the messages sent and the segmentation done on the databases, and also the low cost compared to other online marketing strategies.

Marketing Programs and Site Technologies that US Online Retailers Are Inclined to Eliminate or Decrease due to the Current Economic Climate, August 2008 (% of respondents)

Podcasts	38%
Static display ads	38%
Mobile	33%
Interactive display ads	28%
Online video	24%
Social media, blogs, social networks	18%
Search engine marketing/SEO	17%
User-generated content	13%
E-mail (direct marketing)	7%
Site search	7%
Other	9%

Source: SLI Systems, "How Important Is Site Search to Your Overall eCommerce Strategy?" October 6, 2008

098888   www.**eMarketer**.com

Typically in any recession, there is tremendous pressure on marketers to do more with less. According to MarketingSherpa, 24 percent of B2B and 34 percent of B2C marketers reported budget cuts this year. Not surprising given its remarkably high return on investment, e-mail marketing increases during tough economic times.

Also, in e-mail's favor is its measurability. Marketers can quickly and effectively measure who is responding to messages, which promotions work best and so much more.

Five E-mail Strategies for 2009

1. Clean and Nurture Your E-mail List

Be sure to perform a thorough cleaning of your e-mail lists. This does not mean blindly deleting a bunch of names, but rather using segmentation strategies to treat historically inactive recipients differently than people who are actively opening and clicking on your e-mail messages. Here are some suggestions for cleaning house:

- Take a close look at your lists and list segments. Are there some list segments you are never using? If so, clean them out.

- Today's e-mail success is about quality, not quantity. Review lists of people who have not responded to messages in the past few months and contact them in a different way than the rest of your list. If they still do not respond, consider removing them.
- Review any new list segments you may want to make. Are there any ways to segment and strengthen messages to various groups? If so, segment them now and start communicating more effectively to those groups.

2. Enhance Your Segmentation

E-mail marketing data offers incredible segmentation power and the ability to take advantage of small audience segments that might otherwise be financially or technically difficult to reach. If you haven't started segmenting your list and sending more targeted messages based on recipient data or behaviors, start in 2009. Most of the research in the e-mail industry indicates that segmentation yields significant gains in e-mail conversions. Some typical strategies for segmentation include:

- Geography - This is an easy, fairly obvious segment. For example, your customer in Florida is likely not interested in a snowmobile. And your customer in Minnesota probably isn't interested in a jet ski—not in the winter, anyway. Geography can also be an indicator of buying patterns and other influences on the purchase cycle. Take the technology industry, for example. In high-tech pockets like Silicon Valley, Boston and Austin, early adopters are far more common.
- Demographics - This is another easy one, and can make a lot of sense. For example, we know men and women can interpret information quite differently. Younger vs. older audiences take in information in different ways as well.
- Job title and function - Are you e-mailing potential users with none–or all–of the buying power? An owner or CFO may want to know about ROI, while a middle manager may just want to make his or her job easier. An engineer or programmer may want to find better ways to work, and so on...
- Purchasing frequency - Less frequent purchasers may require a time-sensitive offer to encourage them to act. Another approach would be to reward frequent buyers with exclusive privileges via e-mail.
- Monetary spending - Adjust resources so you're dedicating your efforts toward customers who spend the most money with your company.

If you have been segmenting your e-mail audiences, don't stop. Try to find new ways to segment and look at segmentation based on historical e-mail activity, perhaps treating people who are frequent "clickers" or "openers" differently.

3. Review and Refine Your Opt-in Campaigns

Now is a good time to perform a checkup on your opt-in processes. Review everything from the data fields you're collecting to the confirmation e-mails you are sending afterwards. Small changes can mean big gains in new audiences, as well as setting the proper expectations for subscribers.

- Can you increase opt-ins by reducing unneeded data collection?

- Are you prominently directing web visitors to sign up for e-mail? Can you place this on more pages, or in more visible locations?
- Do you clearly define significant benefits for subscribers signing up for your e-mail? Does the e-mail you send confirming the opt-in restate the benefits?
- Can you set expectations and ask subscribers to "add this address to your safe list" in the opt-in process?

The language you use, the support graphics, and the staging techniques you employ can make a huge difference between being ignored and creating an evolving, dynamic relationship that can enhance database precision, enrich dialogue, and help you showcase a larger scope of services.

If you're not using strict opt-in policies, 2009 is the year to start. As consumers continue to tire of unwanted e-mail, you'll continue to see declining response rates if you are not using an opt-in-only process.

4. Design for "Images Off" and Preview Panes

In 2009, you'll find your audiences are increasingly looking at your messages without images turned on (it may not be their choice, but rather the default of their e-mail client or a corporate IT policy). Make sure your messages are still readable and compelling without images. This may mean designing messages using fewer images, or including a short list of articles at the top of your newsletter. This technique works well for people who are viewing your message through a preview pane as well. Making sure enough content is placed at the top of the message to give recipients something to act on will be important to success rates.

Without designing your messages with "images off" in mind, your campaigns may end up looking like this to recipients:
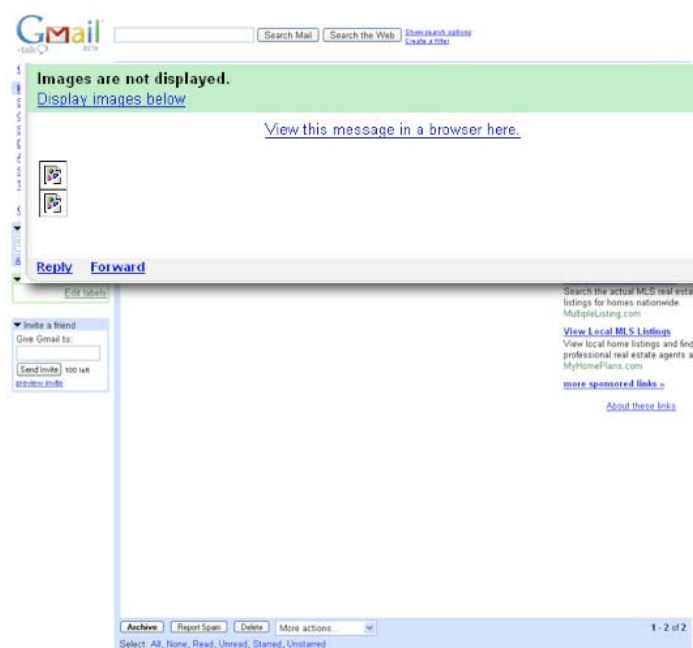
5. Integrate Social Media into Your E-mail Program

Like e-mail, social media has quickly become one of the most widely used communication mediums on the web, so it only makes sense that integrating the two can serve to increase the overall effectiveness of your online marketing.

The power of social media lies in the ability of its users to quickly and easily share information with their contacts, which might then turn around and share with their own contacts. If the information being shared is, for example, a piece of content from one of your e-mails, this type of "word-of-mouth" marketing can extend the reach of your message by a tremendous margin.

Here are a few ways to integrate social media into your e-mail program:

- Incorporate a social media bookmarking tool into your e-mails, allowing subscribers to share your newsletter to their contacts on various social media platforms (Facebook, Twitter, LinkedIn, etc.)
- Develop and maintain a company profile on various social media networks, and prompt social media contacts to consider subscribing to your e-mail newsletter(s)
- Promote your social media presence on your e-mails in order to build a larger social media following
- Start a company blog and use your e-mails and social media profiles as traffic generators

Social E-mail Marketing: The Next Big Thing

While the World Wide Web continues to generate exciting new forms of human interaction, including such Web 2.0 offshoots as social networking and video-sharing sites, wikis and blogs, what is just as exciting are the new engagement-marketing opportunities that result from the joining of both old and new Internet-based communication technologies. E-mail and social networks represent such a nexus.

Clearly, social networks have changed the relationship between companies and their customers. Sites like Facebook and MySpace allow people to share their thoughts and quickly connect with hundreds of friends and friends-of-friends. An estimated 19 percent of online users log onto social networking sites at least monthly or more often, while 41 percent of youth ages 12 to 21 visit social sites daily.

Individuals linked to one another on a social networking site are affiliated for a reason. They're like each other in some important ways. Social e-mail marketing, therefore, enables you to reach prospects that share some affinity with your best customers. The ability to reach out to others with attributes similar to your best customers is invaluable.

Will E-mail Just "Twitter" Away?

There's mounting evidence that social networks are pulling certain audience segments away from the e-mail inbox, and the numbers indicate it's not just the Millennials, or Generation Y. JupiterResearch reports that 22 percent of e-mail users say they use social networking sites instead of e-mail. And in

England, Hitwise estimates that social network sites such as Facebook, MySpace and Bebo receive more Internet traffic than e-mail sites Hotmail, Yahoo! Mail and Gmail.

## Is This The Death of E-mail? Hardly!

Though change is inevitable, most industry analysts and experts agree that e-mail marketing won't be going away anytime soon. A recent Pew Internet & American Life Project survey found that 92 percent of adult Internet users send or read e-mail — far more than regularly visit any social network.

E-mail is simply too valuable a marketing channel to disappear or even diminish. E-mail marketers have long been the stewards of customer engagement. And Forrester Research projects that e-mail marketing will grow to more than $4 billion by 2012.

But new technologies that combine the rich reporting capabilities of e-mail with the viral, consumer-oriented nature of social networking have arrived to make reaching out to customers and their friends through social networks easier, allowing progressive marketers to enjoy the benefits of both.

In fact, a few companies are making it easier than ever to enable both e-mail recipients and landing page visitors to post their favorite messages on social network sites. Such new technologies allow marketers to combine the power of e-mail with the reach of social networking sites to engage with customers, friends of customers and friends-of-friends of customers.

New Technology Bridges the E-mail/Social Network Gap
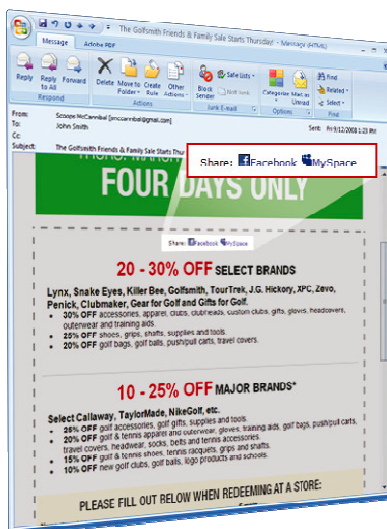
Recently, Silverpop developed an industry-first technology that bridges the gap between e-mail marketing and social networking. Using links within e-mails, recipients are able to quickly post messages to their profile page on Facebook or MySpace. When these social e-mails are posted on social sites, everyone connected to the original recipient can see the message, make a comment or post it on their own profile page.

Dynamic content and personalization remains intact in the posted e-mail. So when Golfsmith sends an e-mail about a putter sale at its stores in Dallas, area recipients can post the message on their profile page to let Texan friends in on the good deal. And the golfer in Akron will be able to post a message on her profile page giving the details of the sale there.

Share-to-Social feature gives e-mail marketing a tremendously powerful viral effect. Plus, the ability to pull reports on who posted e-mails to social network sites resulting in additional opens and clicks provides marketers with the detailed data necessary to prove the campaign's value.

Give Some Steroids to Your E-mail Campaigns

Combining the targeting and reporting capabilities of e-mail with the reach of social networks enables companies to build marketing programs that change their relationships with customers in very real and dramatic ways. To help ensure effective outreach, take a customer-centric approach to your messaging. Begin by listening to your customers and monitoring the way they currently interact with your messaging. Start with those recipients most connected to your brand as indicated by their behavior. Those who open your messages most and click on links frequently are already in line to serve as brand ambassadors. Give them a good reason to share your promotional e-mails with their friends, and make it easy for them to connect by including links within the e-mail and landing pages to their social site.

Utilizing brand enthusiasts to post your e-mails onto their social sites signifies their endorsement—they posted them for others to see. But better yet, social e-mails can even result in the poster adding an influential comment or two, such as, "This is a cool watch, and it's on sale. Did I mention my birthday is coming up soon?"

Such postings add strong word-of-mouth marketing that helps sell products. Studies by Bazaarvoice found that customer accolades can make Web site visitors who browse for highest-rated products 49 percent more likely to make a purchase. And sharing opinions is at the very essence of social networking, where consumers are frequently influenced by the thoughts of peers.

Conclusion

E-mail marketing continues to prove itself to be a low cost retention and conversion tool that yields high response from consumers. However, using segmentation and personalization techniques to target e-mails is essential to prevent campaign failures. Remember, relevancy is king. By diligently studying the extensive reports that can be gathered from an e-mail marketing campaign, a feature many other types of media lack, you will be able to apply the 5 email strategies and provide information about your products/services to the people that are truly interested in it. Lastly, keep up with the times! Social media is becoming huge and these two strategies (e-mail marketing + social media) promise to skyrocket the ROI of your campaigns.

References

- eMarketer
- Silverpop – "Beyond opens and clicks" – "Engagement Marketing"
- Forester Research
- GotMarketing
- Listrak
- Wunderman

About the Author

Francisco Hernandez' focus is not only to provide just a website, but a complete Internet marketing strategy that includes creative work like promotions, display advertising, email marketing, social media campaigns and consulting. Francisco is also an international speaker and in 2008 created a road show of Internet Marketing Summits with Google through 8 countries in Latin America.