

# Beyond the Click

By Geoff Linton, Vice President - Inbox Marketer Inc. • November 29, 2004

**Successful email marketing begins with the commitment to measure.  
But few marketers apply the same disciplines as direct mail.  
Here's what to do and why.**

**T**he familiar mantra—'faster, better, cheaper'—is also email marketing's worst enemy. These very qualities tempt a cavalier approach most marketers wouldn't think of applying to other media. That's why the bulk of today's campaigns are still undifferentiated, one-to-many email blasts.

For the most direct, one-to-one medium yet invented, this leaves much of email's potential lying in the dustbin of your marketing department. The failure is in measurement—few marketers apply the discipline that they do to their direct mail campaigns. That is, they don't routinely plan, test, assign control groups, analyze results or refine future campaigns accordingly. If all you're risking is a few thousand dollars versus the tens or hundreds of thousands you might in a direct mail campaign, why bother?

The answer, of course, is ROI. Email's strength isn't its fundamental cheapness, but the fact you can leverage this low cost for truly spectacular results. Good measurement methodology makes this happen, but first you need to know what to measure and, more importantly, why.

## Tip of the Iceberg

While most can recite the basic open and click through rates of their campaigns, these are just the tip of the iceberg. Few marketers measure the impact of their email marketing programs, and a root cause is the lack of written plans and measurable objectives. If you don't predetermine what you want from a campaign, what is there to measure? The common practice is to simply cut to the chase, ask for the sale and forget that email

is primarily a relational tool. No problem measuring the lack of success there.

Several years ago, one of our clients—a US consumer software company—wanted to up-sell its registration base of 1 million-email opt-ins. Although we had lots of learning on targeted email marketing for this company, the new marketing director decided just to blast the mass message every 2 weeks to the base. The results? Tragically low conversions surpassed only by the high opt-out rates.

This seat-of-the-pants approach to email is alarmingly common. Another Inbox client, a US packaged goods company, began sending an email newsletter to a list of 100,000 opt-in names gathered from a contest. Their format was long and text heavy. As good marketers, we proposed several content and design tests to determine the optimal control design but the ad agency couldn't sell the client on this methodology. Instead, they deployed monthly and soon grew dismayed by the poor results and lack of interest. Six months later, they bailed, squandering 100,000 direct relationships.

## Lifetime value

As a brilliant relational tool, the only worthwhile approach to email is long term. It is the most effective way to gently but consistently touch prospects and customers, provide information they have stated an interest in and record their changing needs and habits.

Twinned with a robust marketing database, email is the communications backbone of lifecycle marketing. And this is where measurement plays the critical role. Once you commit to email for continuous client communications, what to

## THE ESSENTIAL, ONLINE MARKETING DATABASE

Measurement doesn't happen without a robust marketing database that tracks results and makes comparisons. After several years of managing email campaigns for our clients, it struck us that all shared the same 3 problems:

1. Marketing contacts in multiple databases that couldn't talk to one another. Typically, these were the corporate CRM, the Web site, the computers of individual reps and various napkins and match covers of senior executives.
2. IT guarding the customer database, impeding useful and timely queries.
3. Inadequate tracking of privacy and permission.

To help solve these problems, we began hosting our clients' online marketing databases, linked directly to our email deployment engine and constantly refreshed by click-through activity. We call the result continuous client communications.

Inbox clients create a mailing list based on a number of criteria, send a message to this list and then wait as the returning click-through activity refreshes and updates each individual contact. By drilling down, they can know exactly which customers subscribed to a newsletter, clicked on an offer or responded to a survey.

What this does is automate much of the measurement discussed here and—more importantly—ensure the measurement process. Whether you outsource this activity or create it in-house, it is well worth the effort.

measure and why becomes very obvious.

Finally, the most compelling reason to measure is the fact that others do, and in growing numbers. Best practices leaders—notably some Canadian banks—are quietly laying the infrastructure and pulling ahead of the rest of the pack by systematically testing, scaling and measuring at the front end and back ends of their email programs. This means that measurement won't be an option in a few short years, but the price of entry.

### **What to measure and how**

Deciding explicitly what to measure depends on your marketing objectives, and every company's goals are different. But there are some common rules:

#### **1. Don't measure clicks, measure the 'the relationship'.**

This is really the context of why you measure in the first place. You are growing a community of involved customers and prospects. Consistent, applied measuring will tell you many things over time, such as:

- How rapidly the community is growing or shrinking
- The number of meaningful segments it consists of and how they change
- The level of commitment and involvement of members
- The average customer tenure
- The average success rate of converting prospects to customers
- Which email programs are most successful
- The relative appeal of various offers

Marketers that don't measure are left with only anecdotal evidence of how they're actually doing with their community; except for that ultimate metric—sales. By consistently nurturing and knowing this community, sales will begin to look after itself.

#### **2. Plan what you will measure**

The first step in your commitment to measurement is to communicate it in writing—ideally in the Marketing Plan where you can align email ambitions with overall objectives. Here, you might decide that your email objectives for the fiscal year are to increase the prospect database by 20%, gain explicit email permission from 50% of the customer base, and to grow online sales by 10%. These are measurable objectives that tie directly to overall marketing strategy and, ultimately, feed the sales funnel.

The next place to communicate objectives is the Creative Brief. Every campaign should begin with one so that copywriters, marketing managers, art directors and production coordinators all see the same goals and know exactly how to gauge success.

#### **3. Start with the essentials**

At a minimum, marketers should measure each campaign and track the segment impact. Email is a relationship medium so ideally you should track longer-term measures such as most active readers, "engagement tenure" and, of course, sales transactions.

#### **4. Measure cost efficiencies**

The most important measure of all is whether your campaigns are worthwhile. Standard campaign reports should contain basic cost efficiency measures that you can compare across campaigns to reveal underlying trends. When calculating actual delivered costs, don't forget to factor deployment charges, agency design fees, and account management time. While deployment fees are pennies per message the actual cost of a 40,000 message campaign typically runs \$0.10-\$0.20 per message.

With email tracking, we can immediately show clients the:

- Cost per Message Opened (CPO)
- Cost per Message Clicked (CPC)
- Cost per Response (CPR)
- Through parallel tracking we analyze Cost per Call and Cost per Conversion

From our experience CPO is \$0.60, CPC ranges between \$3-\$5 and Cost per Conversion is often 20 times CPC. Relative to other media, email is 3-6 times more cost efficient.

#### **5. Don't forget ROI**

Of course the ultimate goal is to measure the incremental revenue and attributed ROI associated with your campaigns. This requires good information flow between Marketing and Sales so that you can reliably track a lead as it converts to a sale, or a message to a customer as it prompts them to purchase. (The larger the company, the more challenging this task.)

A solution we recommend is maintaining a very robust, online marketing database that shares some common fields with the customer database. That way, the two can share information without compromising the other, and you can link cause (marketing

message) with effect (sale). The need for this grew so apparent with our customers that we began hosting such a database for them (please see separate sidebar 'The essential online marketing database'.)

#### **6. Watch the leaders**

If you run short of ideas on what you should measure, just keep an eye on the leaders. Some we have spoken to recently are now focusing on Lifetime Value (LTV) and making calculations based on longitudinal tracking of retention and spending. LTV will be a very accurate assessment of the value of your email programs. Leading marketers are also tracking:

- Sequential Email Streams
- IMC programs
- Size & Growth of Opt-in Base
- Segment activity and migration

#### **7. Benchmark your success**

Benchmarks are useful in assessing your relative performance but must also be taken with a grain of salt. Averages vary considerably among industry sectors, so you should benchmark versus your own sector as much as possible.

We reference a cross section of sources including email vendors, research reports, and conferences and compile these into an Inbox library of industry cases. Here is some sample information on the publishing sector, for example:

- Average publisher captures email permission from 30% of subscribers
- 60% of publishers use email to renew subscribers.
- Cost per web generated subscriber is \$2.19 vs \$9.26 for mail
- Emails are more cost efficient at driving online sweeps entries (24% response for email vs 1.5% for postcards)

Remember, the best benchmarks are your own trends so track them closely.

#### **8. Observe best practices**

Another way to stay abreast of the latest trends in measurement is to subscribe to some free email newsletters that focus on best practices. Among them are: ClickZ ([www.clickz.com](http://www.clickz.com)), and our own Inbox Marketer ([www.inboxmarketer.com](http://www.inboxmarketer.com)).



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