

Welcome to second-generation e-mail

By Geoff Linton, Vice President - Inbox Marketer Inc. • August 12, 2002

People spend more time in their Inbox than on a Web browser, but did you know that e-mail messages outnumber phone calls by 10 to 1? Or that there are 50 times more e-mails sent than letters? E-mail is now the world's largest direct communications medium and has become a powerful marketing tool.

The reasons reflect its three chief advantages. Compared to other communications tools: E-mail is faster (it's hard to beat 48-hour turn-around times on direct marketing campaigns); better (targeted campaigns typically generate 50% to 70% open rates and 10% to 25% click-through rates), and, cheaper.

But don't let these natural advantages mislead you. E-mail is easy, marketing isn't. At Inbox Marketer, we call the difference between blindly blasting messages and deploying with purpose strategic e-mail marketing.

In a January 2002 report on "Second Generation E-mail," Forrester Research cites the shift to using better targeting, dynamic personalization and sequentially testing e-mail offers and creative. Early adopters include JC Crew, which now generates more than 50% sales from online sources using these techniques. Procter & Gamble is another traditional marketer that has adopted e-mail with a vengeance, using it to effectively build relations with many diverse market segments.

Unfortunately, P&G and a handful of others are brilliant exceptions. Most campaigns are still very much "first-generation" e-mail, or broadcast messaging to undifferentiated lists. Few marketers write formal e-mail marketing plans with specific goals, contact strategies, benchmarks or annual forecasts. Even

fewer track by customer segments or have conducted statistical database tests. The hope is that this will change quickly now that the industry—alarmed at collapsing banner CTRs—increasingly insists on performance.

E-mail marketing works best when used with planning and precision, and the ingredient that makes this possible is database marketing. Strategic e-mail marketing is the application of database marketing principles to e-mail.

Databases feed information directly into e-mail deployment systems, and e-mail automatically populates and updates the database as the responses roll in. Patterns can then be analysed to generate more targeted marketing and sales programs, resulting in increases in marketing ROI. The combination creates a closed loop perfectly suited to knowing and serving customers throughout their lifecycle.

In fact, second-generation e-mail marketing can:

- Identify what your best customers have in common
- Target programs to prospects that share those characteristics
- Identify which market segments have the greatest long-term value
- Highlight buying "triggers"
- Calculate the average lifetime value of customers
- Reward most frequent customers
- Retain key segments

Strategic e-mail marketers look for opportunities to modify customer behaviour and increase lifetime value. They do this in three phases that form the cycle of gaining customer commitment.

The process involves first identifying a likely prospect, gradually persuading that

prospect of the need for your product, and then converting them to a repeat customer willing to refer you to other prospects of like mind. Although the cycle is continuous and concurrent, each phase demands a different set of activities, and different types of e-mail communications.

In this way, by selectively and strategically harnessing the world's largest communications medium, marketers can attain the promising results of the second-generation e-mail phenomenon.

You may be a "first-generation" e-mail marketer if...

1. "Measurement" is your in-seam

DoubleClick surveys indicate that 76% of e-mail marketers don't even measure their campaigns. The reasons are that e-mail is such an inexpensive and responsive medium it's tempting to just "e-mail the whole housefile." Think of the potential damage of bombarding and desensitizing your best customers versus adopting a cautious strategy of selective messaging. Also, longitudinal tracking studies show that open rates and CTRs decline rapidly with over-mailing.

2. QA stands for "quite aimless"

Have you ever received e-mail with hundreds of names in the "To:" header? This was a marketer having a very embarrassing moment, and committing the two unpardonable sins of e-mail marketing. First, he inadvertently displayed the entire housefile to anyone who bothered to open the message (what's the chance of that falling into competitive hands?). Worse, he compromised your privacy.

What is your Quality Assurance

process? Before deploying, test all messages across multiple browsers and systems configurations. Inbox Marketer recently tested an event invitation for a name-brand liquor client and discovered that the cool-looking black background actually reversed with Web-based e-mail clients such as Hotmail. Parts of the message were unreadable. The company had never noticed.

3. "Test" means losing some blood

Perhaps e-mail's biggest advantage is that there can be lots of dress rehearsals. You can try any number of combinations of target, offer and creative before settling on the most effective formula. Test different subject lines and copy using direct marketing principles. Subject line testing

alone can improve open rates by as much as 50%.

In one case, we generated a 26% improvement in bottom-line conversions by putting greater urgency in the wording. In another, by testing offer placement we improved CTR by 500%.

4. Segmentation is strictly for worms

Would you cut down a tree with a scalpel? As the ultimate one-to-one medium, e-mail's inherent advantage is wasted if not used with precision. That means doing everything you can to segment your audience into identifiable groups so as to personalize messages.

One client, a large U.S. software maker, used historical customer data to

forecast a cross-sell campaign at highly inflated conversion rates. The problem was, the new campaign targeted a segment that industry benchmarking suggested would convert at lower rates. Sure enough, a little testing showed that increased price competition among this segment yielded only a 0.5% conversion versus the forecasted 5%.



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