

Survey: E-mail marketing

Despite the recession, some retailers say their e-mail conversion rates are better than ever.

By Bill Siwicki

Most retailers' e-mail marketing programs are holding their own during the economic recession, many even performing better than they were a year ago. At the same time, retailers are employing a variety of tactics to ensure their programs continue to perform well as consumers place strict limits on what they're spending during these difficult times.

These are some of the conclusions of Internet Retailer's new e-mail marketing survey of 275 web-only retailers, chain retailers, catalogers and consumer brand manufacturers.

Compared with last year, 56.4% of retailers report their typical sales conversion rate for an e-mail marketing campaign remains about the same. More than one quarter of survey respondents, though, report conversion is up: 22.8% say up slightly and 3.7% up significantly. Only 17% report conversion is down: 13.7% say down slightly and 3.3% down significantly.

Buying less

More than one quarter of retailers improving on conversion during a severe economic recession may surprise some in the industry; however, some e-mail marketing experts say customers on e-mail lists are still buying, just not as much.

"2008 was an interesting time for a lot of our retailer clients: Revenue plummeted, but e-mail interaction and conversion stayed up quite well. The key factor was the order size dropped," says Stephen Webster, chief strategy officer at iPost, an e-mail marketing services provider. "Your conversion rate may have increased or stayed the same, but the rest of the story is how much money did you make off of these guys."

According to the Internet Retailer survey of IRNewsLink e-newsletter readers conducted last month with e-mail marketing and survey firm Vovici Corp., about half of retailers report between 1% and 10% of all online sales stem from e-mail marketing; 15.7% say 1% to 2.5%; 15.7% say 2.6% to 5%; and 15.4% say 5.1% to 10%.

"That's surprisingly low," Webster says. "I think it's possible they don't have analytics tracking their e-mail traffic separate from other traffic. This is a straightforward thing to do. Unfortunately, most every client we bring on does not have a good level of integration between e-mail marketing and analytics. So they are guessing at revenue driven by e-mail."

Still, e-mail is converting well, making it a solid tool to drive as much revenue as is possible as consumers tighten their belts. As a result, a slim majority of retailers, 51.6%, plan to increase their use of e-mail marketing during the recession. 43.7% plan to keep e-mail marketing volume about the same while only 4.7% plan to decrease it.

“We saw an uptick among clients in March, when retailers not making their quarterly numbers sent some more e-mails to try and hit customers,” says Arthur Sweetser, chief marketing officer at e-Dialog, an e-mail marketing services firm. “Marketers hacked away at paid media and direct mail, then put what money they could from there into e-mail. It costs 50 cents to the dollar to talk to customers in direct mail, but a few cents to a dollar in e-mail. Marketers are going to their bosses and saying we can make more money with e-mail for less expense.”

Controlling the message

In last month’s Internet Retailer survey on search engine marketing, 55.2% of retailers said e-mail marketing will perform better than search during the severe recession. Many marketers are turning more to e-mail today because they know they can control the message better than they can with e-mail marketing’s rival for dollars, paid search, experts say.

“The e-mail customer is on a mission,” says Webster of iPost. “The difference between e-mail customers’ missions and paid search customers’ missions is paid search shoppers are looking for nouns, things. They have searched for it and see your site in the results, and they say, ‘Well, maybe I’ll buy from you.’ Whereas if they click on an e-mail, they are not shown other possibilities for doing their shopping. And that’s what drives a big difference in conversion rate. The beautiful thing about e-mail marketing is that the message and call to action and the means to take that call to action are in exactly the same place at the same time, and that is rare in marketing channels.”

So how can retail marketers get more out of e-mail marketing? When asked what tactics they are using to improve the effectiveness of e-mail campaigns during the economic recession, 46.7% say they will be fine-tuning their mix of graphics and content. This is especially important because many e-mail recipients don’t see graphics when they first open an e-mail.

“The wonderful graphics you create will not be seen by the majority of people receiving your e-mail,” Webster says. “In the last few years almost every e-mail software program and Internet service provider has begun suppressing images by default. So all you see is the text. So e-mail marketers have to craft content that carries the brand and the call to action that works when the images are all turned off. And, of course, it has to work well when the images are turned on.”

Some experts, however, say graphics and content are overemphasized at the expense of more effective tactics. They believe marketers need to spend more money and time on

segmentation. And 40.8% of retailers surveyed say they will be increasing their use of e-mail segmenting.

“The key to segmenting is, are retailers doing it intuitively or do they have a feedback loop built in?” Webster says. “For example, seeing that a certain segment drove improved results and then learning why and applying that in different ways. Unfortunately, many marketers are hemmed in by the I.T. department, which manages the data. Marketers don’t have easy access to purchase histories and such to do serious segmentation, and are left with demographics and self-reported data that often is unreliable. The only reliable data is behavioral.”

Securing addresses

Another key tactic many retailers are employing is making every effort to get e-mail addresses. 40% of retailers are working on acquiring e-mail addresses to grow lists at every point of contact, including in store, in the call center and through social networks.

“For years many retailers and e-mail service providers just had to wake up and turn on the lights to see their e-mail lists grow. That’s no longer the case,” says Sweetser of e-Dialog. “Increasing the list is very important. The people who shop your stores, in your catalog, who visit your web site: If they walk into your living room, leave, and you never get their name, that’s bad.”

Sweetser says there are many ways to improve acquisition efforts. “Is there a link on every single page? You never know where they land, and you have to give them the ability to register. If shoppers need to go through three clicks to find out where to sign up, odds are they won’t find where to sign up,” he says. “And you can pay them for it. In stores, give a shopper \$5 off a purchase if they give you their e-mail address. The typical annual worth of an e-mail address is about \$20, so that \$5 is a good investment.”

Retailers are using many other tactics today to improve the effectiveness of e-mail marketing:

-38.8% are triggering e-mail marketing messages based on behaviors or events.

-36.5% are personalizing messages (such as by addressing customers by first name).

-28.2% are adding Forward-to-Friend links.

-22.7% are leveraging transactional messaging for marketing communications.

-18.4% are providing multiple options (for example, opting out of promotional e-mails but remaining on the e-newsletter list) during the opt-out process.

-17.6% are including customer reviews.

-14.1% are adding Share This links to social networks.

-13.3% are adding more video-related content.

All of these tactics help make e-mail marketing messages more relevant to customers-and in e-mail marketing, relevancy rules, Sweetser says.

“Do we have their name, do we personalize it, do we know their past purchase history, can we segment based on age or gender? As soon as retailers invest in relevancy, they see conversion rates rise,” he says. “So many of these organizations have lots of data residing around the company. Sometimes getting it so it is feeding into a database for marketers is difficult because of the way an organization is structured. But when you do get it, that allows you to trigger a more relevant and timely message.”

Even though consumers are spending carefully, retailer marketers can still count on e-mail marketing to perform. And, as the survey shows, it’s clear they’re increasing use of e-mail and spending time honing tactics to get the most out of the message.

<http://www.internetretailer.com/2009/04/30/survey-e-mail-marketing>