



Email Marketing: Permission to Pester

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Contents

	Page
Introduction	1
Email Marketing	1
Permission Marketing	3
Methodology	3
Results	4
Reactions	4
Campaign Effectiveness	6
Success Factors	6
Discussion	6
References	8
Tables	
Table 1: Comparison of Direct and Internet Marketing Techniques	2
Table 2: Attitudinal Statements, T Test	5
Table 3: Rotated Component Matrix	5

Abstract

Email marketing is increasingly being recognised as an effective Internet marketing tool. Our paper reviews the email marketing literature, and compares email marketing to other forms of direct and Internet marketing, identifying its key advantages. In the light of the growth of unsolicited email or 'spam', the literature highlights the importance of obtaining recipients' permission. The literature on permission marketing focuses on the nature of permission; there is little empirical research of consumer attitudes. This study extends research in this area by exploring consumer attitudes to a permission marketing email campaign and identifying success factors.

In order to explore reactions to email marketing respondents were asked to register at a music website for a customised email newsletter. After two weeks an email questionnaire was sent to respondents. Despite the considerable shortcomings of the particular campaign, nearly a third of our respondents bought from the website and 41 per cent forwarded emails to their friends. This reflects the potential of this new Internet marketing tool.

Email Marketing: Permission to Pester

Introduction

Email marketing is being increasingly recognised as a cost-effective marketing tool. Forrester (Niall, 2000) describes email marketing as one of the most effective online marketing tools because of its high response rate, and expects email marketing to be worth 5 billion US dollars by 2004. *eMarketer* (2000) estimate that 61 per cent of all medium and large US companies use email marketing on a regular basis. Jupiter MMXI forecast that digital marketing will exceed Internet advertising by the year 2006 (Pastore, 2001).

This paper explores reactions to email marketing and identifies some of the factors that affect the response rate. Email marketing can be used for acquisition or retention; this paper focuses on short-term retention.

Email Marketing

The advantages of email marketing have been recognised by a number of authors. Jackson and DeCormier (1999) recognised that email provided marketers with communication that permitted relationship building and real-time interaction with customers. Wreden (1999: 3) described email marketing as the “Internet’s killer application” because of the precision with which email can be tailored, targeted and tracked. Low costs and digital processing allows companies to send out huge numbers of emails. The medium is push rather than pull, the consumer does not have to instigate the interaction, and currently response rates are high (Di Ianni, 2000; Rosenspan, 2000). Peppers and Rodgers (2000: 4), claim that “clear benefits, including high response rates and low costs are rapidly turning email marketing into an invaluable tool”.

Table 1 compares email to other forms of direct and Internet marketing. The basic characteristics of email marketing are low costs, shorter turnaround (in the time involved to prepare and send the messages, and receive the responses), high response rates, and customisable campaigns. The advent of HTML, audio and video email, improves the scope for creativity in email marketing. Ultimately it is conversion or retention, rather than response rate, which will determine the cost effectiveness of email marketing. Briggs and Stipp (2000) have argued that the ‘lean-forward’ nature of the Internet increases involvement in streamed Internet advertising, this could equally apply to email marketing.

Email is a relatively new medium; in the future, consumer response is likely to be adversely affected by increasing traffic volume (Mehta and Sividas, 1995; Rosenspan, 2000; Di Ianni 2000). Turban *et al* (2000: 360) define spam “as the practice of indiscriminate distribution of messages without permission of the receiver and without consideration for the messages’ appropriateness”. Jupiter Communications (2000) estimate that the average US surfer will receive up to 1,600 unsolicited emails every year by 2005. Windham (2000) believes that unsolicited email is considered an invasion of privacy, and has already become a serious problem for some customers; spam taints the reputation of email marketing. To avoid being perceived as spam, several authors recommend that companies should restrict the messages they send (Wreden, 1999; Wright and Bolfig, 2001); in addition, marketers should obtain recipients’ permission.

Table 1: Comparison of Direct and Internet Marketing Techniques					
	Direct Mail	Telemarketing	Email	SMS	Internet Advertising
Reach	All households	Most households	Internet users	Mobile users	Internet users
Response rate	Approx 2%	10% -20%	3.5% - 10%	10% - 20%	0.3%
Cost per message	Medium 60p	High £6	Very Low 3p	Low 6p	Very Low 1p/impression
Time to organise	Slowest	Slow	Quick	Quick	Medium
List availability	Very good	Good	Limited	Very low	N/a
Response time	Slow	Quick	Quick	Quickest	Quick
Materials	visual, objects	Voice only	Multimedia	Short text	Text, visuals
Personalisation	Yes	One to One	Yes	Yes	No
Consistency	Consistent	Variable	Consistent	Consistent	Consistent
Persuasive impact	Medium	High	Low	Low	Low
Interactivity	No	Yes	Yes	Yes	Yes
Access	Home	Home	Home/work	Everywhere	Home/work
Intrusive	Low	High	Medium	Med./high	Very low
Immediacy	No	No	No	Yes	No
Location Targeting	No	No	No	Yes	No

Sources: Authors, Stone (1990), Yeshin (1998), Roberts (2001), Niall (2000), Peppers and Rodgers (2000), Rask and Dholakia (2000) and Industry sources.

Permission Marketing

Godin (1999: 43) coined the term 'permission marketing' which is based on consumers giving their consent to receive marketing information. Permission marketing "offers the consumer an opportunity to volunteer to be marketed to" and it is therefore "anticipated, personal, and relevant". The idea of consent is not new; customer permission had been introduced in the context of privacy issues in direct marketing (Milne and Gordon, 1993). The key to permission marketing is knowing customer interests and knowing their information needs (Sterne and Priore, 2000). It is particularly relevant to Internet marketing because the low marginal cost of messages creates a potential volume problem for both consumers and marketers. Permission marketing improves the targeting and relevance of promotional messages, thus improving response and conversion rates. The interactivity of the Internet facilitates communication of consumer permission and preferences.

A survey by IMT Strategies (1999) found that permission email has a higher response rate than non-permission email; more than half of their respondents felt positive about receiving permission email. Successful permission marketing is about building long-term relationships with customers once the initial permission has been granted.

Hagel and Singer (1999) discuss the emergence of 'infomediaries' or information brokers who elicit the permission of consumers and preserve their privacy. In effect, these companies are 'permission' brokers; an example is yesmail.com.

Krishnamurthy (2001) presents a model where consumer interest in a permission-marketing programme depends on five factors: message relevance, monetary benefit, personal information entry costs, message processing costs, privacy costs.

He also introduces the concept of permission intensity, which he defines as "the degree to which a consumer empowers a marketer in the context of a communicative relationship".

Methodology

The objective of our research was to explore reactions to permission email marketing. At the time of the research, permission email marketing was relatively new. We therefore decided to adopt an experimental design, getting a panel of respondents to register for the permission email marketing programme of a website and analysing the respondents' reactions after a trial period of two weeks.

Respondents were invited to register at the NME.com (New Musical Express) web site in May 2001, using a single 'opt in'. When they registered they indicated their musical preferences and the desired frequency of email newsletters (daily or weekly). After a period of two weeks, an email with a URL to an online questionnaire was sent to respondents. A maximum of two reminders were sent and 51 questionnaires were returned. Visual inspection of the data revealed that five were clearly unreliable; these were removed from the analysis.

This exploratory study used a non-probability sample formed by snowballing an original sample of 25 business students. The resulting sample of 46 respondents is split nearly equally in terms of gender (48% male). The sample is biased towards the younger age categories (76% between 18 and 30 years old), and students (35%). This is due to the nature of the starting sample used in the snowballing process, chosen conveniently amongst business students to ensure sufficient expertise in using the Internet. All respondents used the Internet; 39% had more than four years experience, 52% had received email marketing in the past.

A music website was chosen so as to appeal to our target audience. This was communicated to respondents during the collection of the sample; therefore respondents are likely to be biased towards those with an interest in music.

The instrument contained 13 attitudinal statements related to the newsletter received, measured on a seven-point Likert scale: reactions to the site (newsletter frequency, drop out), actions taken subsequently (word of mouth, purchasing etc), a final generic section (Internet usage, privacy concerns, previous experience of email marketing and demographics).

The questionnaire used elements from a study conducted by Mehta and Sivadas (1995) on attitudes towards advertising and direct mail on the Internet.

Results

The research objective was to assess reactions to email marketing. We also analysed the effectiveness of this specific campaign for these respondents to identify success factors.

Reactions

From the attitudinal statements, respondents liked the 'permission' elements of the campaign; they liked being able to select artists, choose the frequency of the newsletter, and unsubscribe at any time. Response to the emails was polarised, while (43%) of respondents agreed or agreed strongly that the emails they received had encouraged them to go to look at the website, 34% agreed or agreed strongly that the emails they received did not encourage them to visit this site. Some agreed slightly with both of these statements suggesting that they only responded to some of the email newsletters they received.

Table 2 contains the means for the attitude statements and t-test results for significant differences of the statement means, compared to the attitudinal scale neutral point (4). The 13 attitudinal statements showed high correlation levels between them; of the 13 statements 9 had a correlation coefficient higher than 0.5 and significant at the 99% confidence level with at least one other statement. To better understand the underlying structure of the answers, an exploratory factor analysis was performed. A traditional principal components analysis was used, see Table 3. We note that the sample size is small but the analysis nevertheless produces some interesting early results. The final solution retained (3 factors with 12 statements) scored a KMO of 0.740 (with a maximum high of 1, the Kaiser-Meyer-Olkin measure indicates that PCA should yield distinct factors). The total variance explained reached an acceptable level of 66.7%.

The first factor seems to emphasise the frustrating aspects of email marketing experience with all the negative statements being grouped together ('The emails were intrusive', 'I will not subscribe to any other newsletter in the future', 'I did not feel in control when receiving the newsletter', etc). The second factor groups the more positive aspects and the relevance of the marketing programme, leading with 'overall, receiving the NME newsletter was a positive experience'. The final factor focuses on the conditions of participating in the scheme: 'I felt comfortable I could unsubscribe at any time', 'I liked the fact I could select my own artists'. One statement ('I don't mind receiving the targeted emails that I have requested') was removed as it appeared as a single fourth factor and somewhat diminished the meaning of the other factors.

This negative/positive dichotomy could be attributed to the newness of email permission marketing, respondents are polarised, being either relatively enthusiastic about the NME

Question	Mean
I do not mind receiving targeted email that I have requested.	1.65**
I liked the fact that I could select my preferred artists	2.04**
I liked being able to choose the frequency of the newsletter.	2.09**
I prefer email to postal mail	2.37**
The emails were relevant to me	2.61**
I felt comfortable that I could unsubscribe at any time	2.61**
The emails encouraged me to look at the site.	3.04**
It took me too long to register.	3.41*
I did not feel in control when receiving the NME newsletter.	3.52
The emails did not encourage me to look at the site	3.59
The emails were intrusive	3.87
I will not subscribe to email newsletters from any other site in the future.	4.30
Scale 1 to 7 where 1 is strongly agree Base = 46 **p<0.01, * p<0.05	

	Component		
	1	2	3
I will not subscribe to email newsletters from any other site in the future	.882		
I did not feel in control when receiving the NME newsletter	.877		
The emails were intrusive	.854		
The emails did not encourage me to look at the site	.836		
it took me too long to register	.735		
Overall, receiving the NME news.letter was a positive experience		.836	
The emails were relevant to me		.823	
The emails encourage me to look at the site		.770	
I prefer email to postal mail		.746	
I felt comfortable that I could unsubscribe at any time		.163	.773
I liked being able to choose the frequency of the newsletter		.128	.743
I liked the fact I could select my preferred artists	.331	.390	.487

Extraction method: Principal Component Rotation Method: Varimax with Kaiser Analysis.
 Rotation converged in 5 iterations. Factor loadings lower than 0.1 have been removed for easier reading

campaign or negative; their views do not go as far as critically distinguishing the various components of the campaign.

Campaign Effectiveness

Overall, 48% of respondents remained members of the site for the total duration of the experiment (two weeks); those who unsubscribed did so evenly throughout the two week period. Overall 65% of respondents felt the experience was positive, and only 4% disagreed strongly. Possibly due to this high proportion and the small sample base, there was no significant relationship between this positive experience and Internet experience or demographic variables. This is also partially explained by the selection of a sample interested in modern music.

However, the effectiveness of the campaign was limited in that only 30% opened all the email messages. Messages were not read because “it took too long to click through the site” (41%), they “did not have the time to read them” (35%), and their “in-box was too full” (26%); some agreed with more than one of these statements.

However, from a different perspective the campaign was successful; 65% were encouraged to visit other pages of the site, 41% forwarded emails to their friends and recommended the site, and 28% bought from the site.

Success Factors

Our research also identified a number of problems specific to this campaign. It took too long to register on the site, and messages were in text format rather than HTML, which our respondents would have preferred (56%). Two-thirds of respondents “felt the emails needed to offer more”, half agreed that “messages need to be more attractive”, and over one-third agreed that “messages need to be more relevant”.

Discussion

The overall positive response is weakened by the high drop-out rate, and respondents’ failure to open some of the emails. However, the viral element and purchasing by impoverished students during a market research experiment supports the potential of email marketing.

The research identifies some success factors for this type of email newsletter or (‘ezine’) marketing. Respondents are unanimous in saying they would change the newsletter format and content, with a majority pointing out that it needs to be more relevant. Their reaction suggests that emails failed to meet Godin’s permission marketing criteria of “anticipated, personal and relevant”. This is related to the high frequency of newsletters - one third of our respondents chose to receive daily newsletters. It is unlikely that the site can produce ‘personal and relevant’ music news on a daily basis. The low marginal cost of email marketing encourages a volume approach with marketers bombarding Internet users with messages; this conflicts with the permission marketing approach and rebounds as recipients delete messages indiscriminately because so many are not relevant. Email marketers can use Internet technology to check whether messages are being read or just deleted, and automatically adjust the volume of email, narrowing the content to focus more closely on the recipients’ interests, or emailing a questionnaire to fine-tune their segmentation.

Respondents also found the emails unattractive and would have preferred HTML rather than text messages. With HTML emails, the viewer gets an immediate, attractive visual impression. The development of streaming video and audio email increase the potential creative impact of email marketing. 'Sniffer technology' is available which can detect whether the recipients' email client accepts HTML messages and then send text messages if it does not.

Our results are partially explained by the failure of the site to produce added value news for their members. Krishnamurthy's model (2001) suggests consumer interest in a permission-marketing programme depends on five factors: monetary benefit, message relevance, message processing costs, personal information entry costs, privacy costs.

The last two factors will have been relevant when signing up for the campaign, but monetary benefit, relevance and processing costs are pertinent throughout the campaign.

When asked to suggest improvements respondents wanted the emails to offer more and be more relevant; many did not read all the emails, this suggests that 'processing costs' were too high.

Despite these deficiencies the NME campaign was very successful in stimulating purchase from a nearly a third of our respondents, who bought ring tones from the site within the limited period of this experiment. There may well have been additional sales from the 41 per cent who recommended the site and forwarded messages. Viral marketing is also likely to follow Godin's permission marketing criteria, in that recipients are more likely to forward 'personal and relevant' messages.

This exploratory research suggests that permission email marketing has considerable potential, but that this depends on a disciplined approach with marketers sending a limited number of highly relevant messages. Success factors include realistic frequency rates, message relevance, (which presupposes accurate targeting), monetary or other benefit, use of HTML, monitoring of response (unread deletions, visits to the site, etc), and opportunities for recipients to alter their preferences. In addition, the viral element could be enhanced by encouraging recipients to forward emails and nominate new members.

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