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Email Marketing: Success Factors

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Abstract

Email marketing is increasingly recognised as an effective Internet marketing tool. Our paper reviews the email marketing literature which highlights the importance of obtaining recipients' permission. Email marketing is compared with other forms of direct and Internet marketing, identifying its key advantages. We identify the factors that have been found to increase response rate in direct marketing and direct mail.

Following exploratory qualitative research among industry experts, we analysed 30 email marketing campaigns to identify factors associated with higher response rates; we found the following factors were associated with increased response rate: subject line, email length, incentive, number of images.

For nine of these campaigns we were able to link demographic and lifestyle data to response. Analysis of these campaigns suggests that recipients who have bought online have higher response rates. These finding are used to create an email marketing process model based on the Vriens *et al* (1998) direct mail process model.

Track: Electronic Marketing

Keywords

Electronic commerce, Internet marketing, email marketing

Email Marketing: Success Factors

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 (Pastore, 2001), predicts that spending on digital marketing initiatives such as coupons, promotions and email will surpass that of internet advertising (advertisements placed within website content such as banners, interstitials, rich media, pop ups, etc).

This paper explores the factors that affect the response rate of email marketing. In the next section we review the literature on email and permission marketing.

Email Marketing

The advantages of email marketing have been recognised by a number of authors. Jackson and DeCormier (1997) 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". Email marketing can be used for acquisition or retention; this paper focuses on acquisition email marketing, marketing designed to win rather than retain customers.

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, send the messages and receive the responses), high response rates, customisable campaigns.

The advent of HTML, audio and video email improves the scope for creativity in email marketing. Ultimately, it is conversion, rather than response rate, that will determine cost efficiency of acquisition email marketing; this will depend on the targeting, the message, and the receptivity of the recipient. 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 (Rosenspan, 2000; Di Ianni, 2000). Mehta and Sividas (1995) suggest that spam messages are unwanted, untargeted and therefore negatively perceived. 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

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	High	Very Low	Low	Very Low
	60p	£6	3p	6p	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.

recommend companies should restrict the messages they send (Wreden, 1999; Wright and Bolfing, 2001); in addition, marketers can obtain recipients' permission.

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. The consent, trust and two-way exchange of information develop the relationship between the consumer and the company.

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". In addition, the permission may be more or less explicit. In order to obtain as many permission email addresses as possible, marketers sometimes provide options that are unclear with a default 'opt-in'. A study by Cyber Dialogue found that 69 per cent of US Internet users did not know they had given their consent to inclusion on email distribution lists (Bellman *et al*, 2001).

The effectiveness of direct marketing depends on the targeting, the nature of the offer, the creative, the timing and the volume of communication (Fraser-Robinson, 1989; Stone, 1996; Roberts and Berger, 1989). Vriens *et al* (1998: 325) create a theoretical framework for the response process in direct mail, see Figure 1, distinguishing between factors that affect the three stages: opening the envelope, paying attention to the contents and the response. Figure 2 adapts Vriens *et als*' model to form a basic email marketing response process. There are three stages: opening the email, paying attention to the email and the response.

Research Agenda

The literature review, the email response model, and our exploratory qualitative research suggest the hypotheses below.

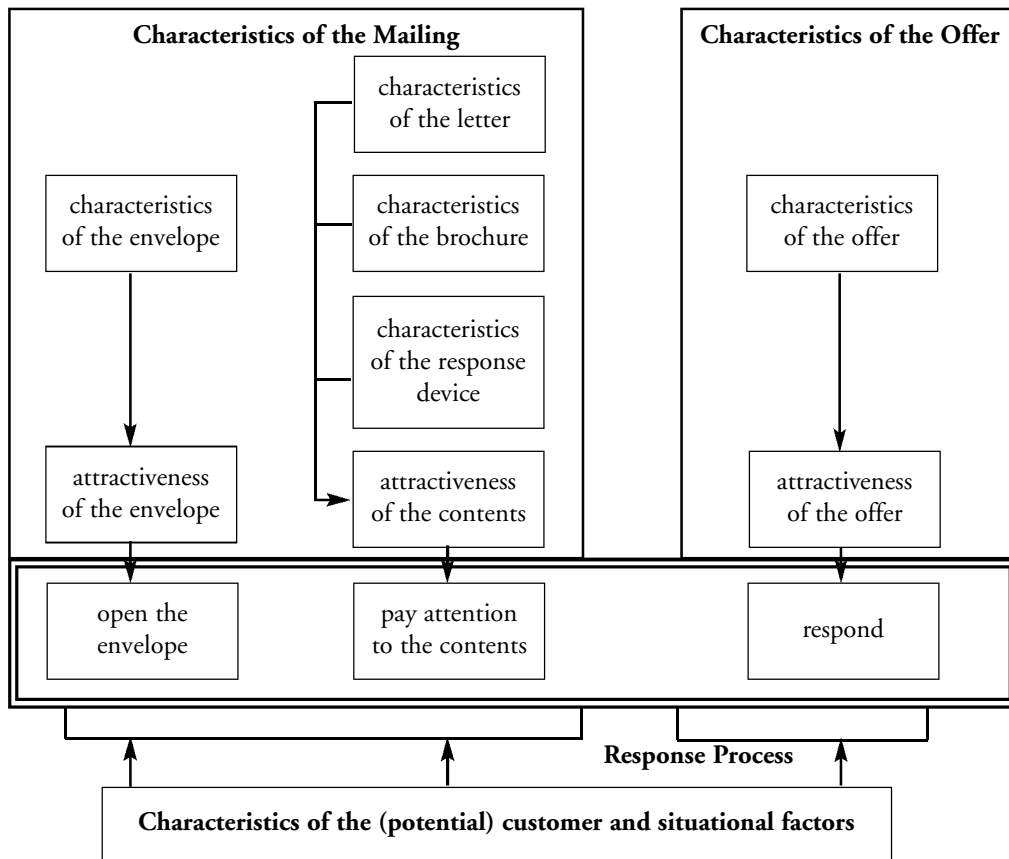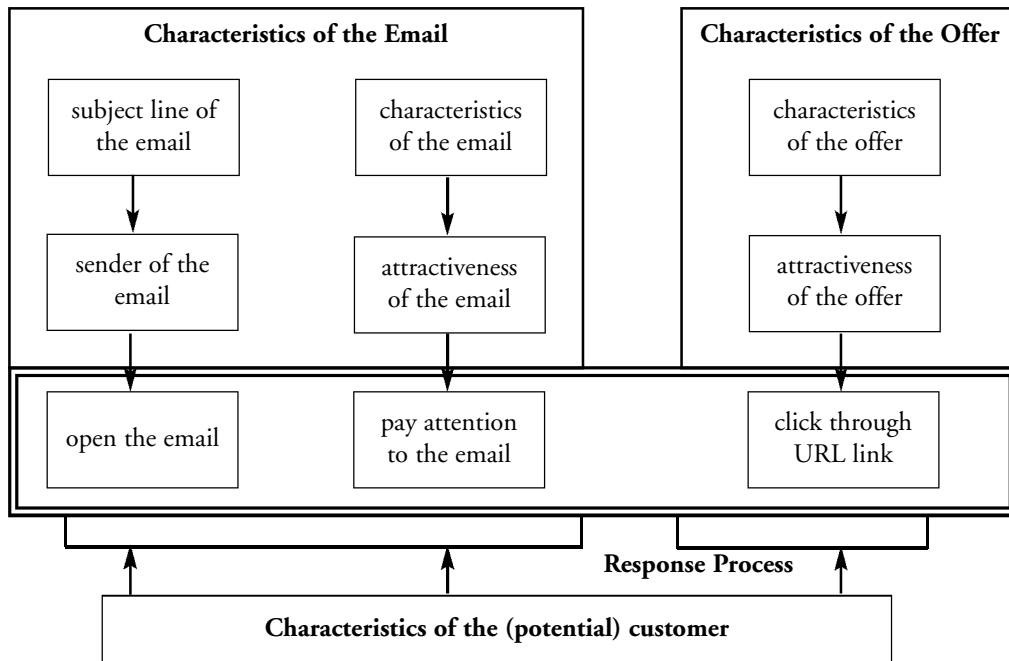**Figure 1: Direct Mail Response Process** (Vriens *et al* (1998))

Characteristics of the Mailing		Characteristics of the Offer
characteristics of the envelope	characteristics of the letter	characteristics of the offer
	characteristics of the brochure	
	characteristics of the response device	
attractiveness of the envelope	attractiveness of the contents	attractiveness of the offer
open the envelope	pay attention to the contents	respond

Response Process

Characteristics of the (potential) customer and situational factors

Figure 2: Basic Email Marketing Response Process

Characteristics of the Email		Characteristics of the Offer
subject line of the email	characteristics of the email	characteristics of the offer
sender of the email	attractiveness of the email	attractiveness of the offer
open the email	pay attention to the email	click through URL link

Response Process

Characteristics of the (potential) customer

Opening the Email

Due to the prevalence of spam, the first hurdle is to persuade the recipient to open the message rather than delete it, so the sender and subject line promise should be important, hence:

> H_1 Higher response rates will correlate with more appealing email subject lines

Paying Attention to the Email

If the email is too long recipients will not be bothered to read it:

> H_2 Response rate will be inversely related to the length of the email

If the email is attractive respondents are more likely to read it; more attractive emails will have more images and will be in HTML, hence:

> H_3 Higher response rate will correlate with more images

Response

In line with other direct marketing, response will depend on the appeal of the offer, therefore:

> H_4 Higher response rates will correlate with more appealing incentives

Methodology

Preliminary qualitative research consisted of four depth interviews with industry experts: an interactive agency consultant, an email list sales director, an email transmission bureau consultant and a director of a leading UK direct mail company. Respondents were asked to identify key factors for effective email marketing campaigns.

The hypotheses above, derived from these interviews and the literature review, were then evaluated in quantitative analysis of 30 acquisition permission email-marketing campaigns run by Claritas (UK) Ltd, a leading UK direct marketing agency. The email addresses were derived from partner companies' registration sites where consumers had opted-in to third party mailings (permission pool model (Krishnamurthy, 2001)).
The data consisted of two separate datasets.

> (i) Examples of each email despatched, together with delivery and response rates.
>
> From these a consolidated dataset was created including the email and response characteristics, ie subject line, incentive, email length (in terms of the number of scrolls on a 15" screen), number of links, number of images, response rate, delivery rate, and click-through rate. The incentive in each email was coded from 1-4 as follows: '4': competition with a major prize, eg a holiday abroad; '3': competition with a small

prize, eg a weekend in the UK; '2': a voucher redeemable against purchase or a special discount; '1': no incentive. The subject line was coded similarly according to the incentive, if any, suggested by the subject line of the email.

(ii)   The Claritas file of 371,072 individuals with email addresses, appended with demographics, lifestyle and email response (each URL is tagged so that responses can be identified).

Analysis

Our analysis was in two stages:

1.   Analysis of 30 campaigns examining the correlation between email type (length of email, number of links, number of images, nature of incentive, subject line and click-through rate). The summary statistics for these campaigns are in Table 2.

2.   For nine campaigns we had sufficient data to combine demographic and lifestyle with email and response data. These nine campaigns included 136,189 delivered emails with a 3 per cent average click-through rate. Demographic and lifestyle data consisted of 16 attributes: gender, marital status, number of children, occupation, home ownership, age, lifestage, income, bingo, eating out, fishing, foreign travel, quality news readership, mid-market news readership, popular news readership, and buy products online. The demographic and lifestyle response profiles were biased by the original targeting applied in selecting recipients for the campaign, for example, a campaign for mobile phone services is biased by the selection criterion, eg 'age under 35, income over £15,000'. It is therefore not meaningful to combine responses for the nine campaigns. We used an index to normalise the effect of targeting for each campaign by calculating the response rate for each attribute (eg male) as an index of the average response rate. Thus, an index of 176 reflects a 76 per cent above average incidence of response for that profile.

Table 2: Summary Statistics for the 30 Campaigns	
No of emails sent	352, 265
Percentage delivered	83%
Percentage click-through	4%
Average number of scrolls	1.9
Average number of images	1.7
Average number of links	3.4

Results

1. Analysis of 30 Campaigns

Upon first review the data was checked for skewness (a statistic which measures the lack of symmetry in a distribution of data); this showed a high level of skewness at 2.173; removal of three outliers reduced skewness to 0.629, which is within the acceptable range. Using Kendall's Tau non-parametric correlation test (because we had a small data set with a large number of tied ranks), we found that click through percentage was significantly related to subject line, length of email (inverse relationship), number of images and number of click-through, as seen in Table 3.

The following hypotheses are supported:

H1   Higher response rates will correlate with more attractive email subject lines
H2   Higher response rates will correlate with more attractive incentives
H3   Response rates will be inversely related to the length of the email.
H4   Higher response rates will correlate with more images

We also found a significant correlation between the number of links in an email and the click-through rate; this is probably because the number of links is correlated with the number of images. A partial correlation, controlling for number of images, found no independent significant relationship.

To take the analysis one stage further the metric variables - length of email, number of images and number of links - entered into stepwise linear regression with click-through rate as the dependent variable. This regression produced a model explaining 54% of the variance in click-through ($R2 = 0.537$); the number of images accounted for 29% of the variance, with the number of scrolls accounting for a further 25%. Adding the number of links to this model did not produce a significant improvement. These results support hypotheses H2 and H3.

Table 3: Kendall's Tau Correlation		
Response rate correlation with	**Correlation Coefficients**	**Significance (1 tailed)**
Subject Line	0.398	0.009**
Incentive	0.291	0.053
Number of scrolls	-0.331	0.015*
Number of images	0.361	0.007**
Number of links	0.360	0.006**
Base = 27	*p<0.5, **p<0.1	

2.   Demographic and Lifestyle Analysis of 9 Campaigns

Examination of the indices for the nine campaigns shows that 'having bought online' is well above average for all campaigns with an average index of 174. Indices are generally accepted as significant if over 120 or under 80. Table 4 shows the attributes that were high for most campaigns and their average indices. Gender shows a slight tendency to be more male than female. 'Bingo', and 'read popular newspapers' show the majority of indices below 100, compared with 'foreign travel' and 'eating-out' with most indices slightly over 100. This, together with the bias to higher incomes, suggests an upmarket bias in response rate.

Research Limitations

This research is limited by the number of campaigns, and their variation in terms of targeting and email contents. Demographic and lifestyle profiles are biased for each campaign in three ways:

(i)   the original targeting applied in selecting recipients for the campaign
(ii)   the nature of the product category
(iii)   the incentive offered.

For example, a campaign for mobile phone services is biased by the selection criterion, eg 'income over £15,000' and then further bias is introduced by the offer, ie mobile phone services and the incentive (eg a free phone), which have a different appeal to different segments. The indices we used normalise the bias of targeting. However, it was not possible to normalise the differential appeal of product category and incentive.

Table 4: Highest Attributes and Average Indices		
Variable description	Number of campaigns out of 9	Average Index
Gender, male	4/5 §	104
Never married	7/9	119
No children at home	7/9	111
Office/clerical	7/9	117
Professional/senior management	7/9	107
Age 30 - 34	7/9	133*
Income over £35,000	7/9	138*
Foreign travel	7/9	105
Eat out, yes	7/9	101
Read popular newspapers	7/9	90
Bingo	7/9	92
Bought online any category	9/9	174*
§ Two campaigns exclusively female		*p<0.5

Further Research

The literature, the email response framework, and our exploratory qualitative research suggest several hypotheses that were not testable from our data.

Opening the Email

Recipients are more likely to open emails from known senders, hence:

> H5   Higher response rates will correlate with email sent by well-known brands

Recipients are more likely to open emails where they have given permission , so:

> H6   Permission email will have higher response rates

Spam and the volume of email received is a situational characteristic that may affect response, therefore:

> H7   Response rates will be higher for respondents who receive less email.

Paying Attention to the Email

More attractive emails will be in HTML, therefore:

> H8   Response rate will be higher for HTML than text messages.

As nearly all our emails were sent in HTML we were unable to test this. Investigation of this issue is also complicated, because some emails are sent using both HTML and text, allowing the recipient to choose, while others use 'sniffer' technology, which detects whether the recipient email client can read HTML and sends the appropriate version.

Response

The higher response rate of those who buy online, and the upmarket bias, may reflect longer use of the Internet so a further hypothesis is:
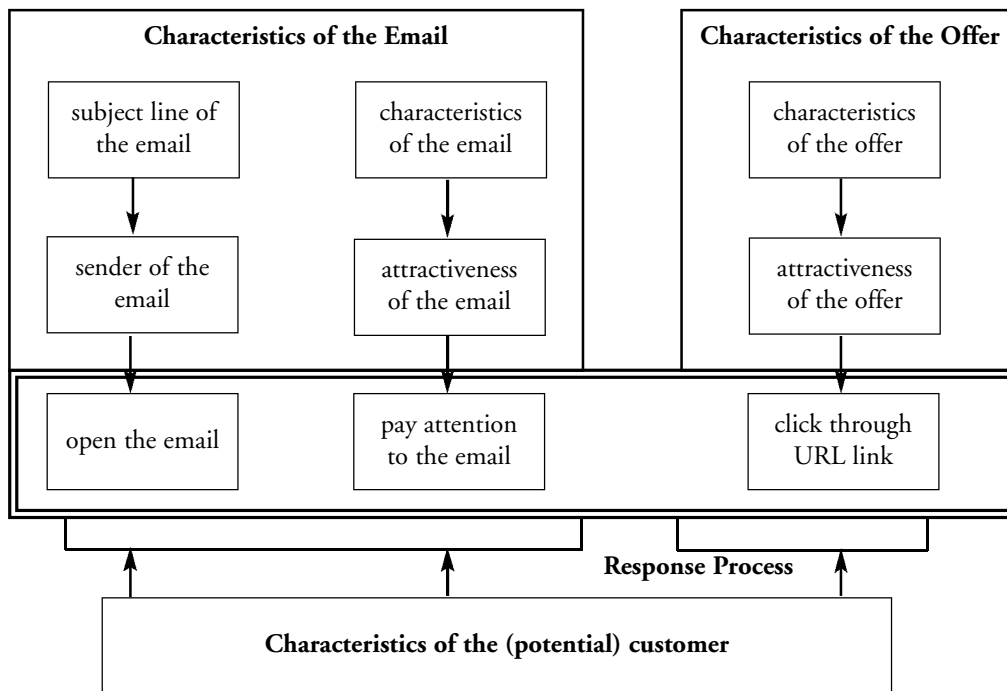
> H9   Respondents who have used the Internet for longer will be more likely to respond.

These hypotheses together with the research findings are incorporated into the email marketing response process shown in Figure 3.

Conclusions

Our qualitative research suggests that email marketing is growing rapidly and should be integrated into the overall communication mix. Interviewees also believed that email marketing would be more effective as a retention rather than as an acquisition tool, because its interactivity facilitates two-way communication. The experts interviewed also stressed the importance of

Figure 3: Email Marketing Response Process

Characteristics of the Email		Characteristics of the Offer
subject line of the email	characteristics of the email	characteristics of the offer
↓	↓	↓
sender of the email	attractiveness of the email	attractiveness of the offer
↓	↓	↓
open the email	pay attention to the email	click through URL link

Response Process

Characteristics of the (potential) customer

targeting and the use of 'permissioned' lists. As the latter varies from 'double opt in' company-specific lists to pooled 'opt out' lists, it is likely that the specificity and intensity of permission will also affect response rate.

Our response process model suggests that there are three stages in effective email marketing: getting the recipient to open the email, holding their interest and persuading them to respond. Hence, response rate should depend on the email header as shown in the in-box, the email contents and the recipient. Our quantitative research supports this model, with a significant correlation between response rate and subject line, email length, incentive, and number of images. Regression on email length and number of images accounted for 54 per cent of the variance in response rate.

Analysis of demographic and lifestyle data for nine campaigns found a higher response for respondents who had bought online, who were aged 30-34 or who had incomes over £35,000. These may relate length of Internet use to and early Internet demographics, but we were unfortunately unable to test this. Whilst this would auger well for the industry as email marketing response rate would increase with length of Internet use, the dramatic growth in 'non-permissioned' email marketing or spam may undermine the development of acquisition email marketing.

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