

The E-mail Marketing Paradox:

Addressing the Disparity Between E-mail Marketing ROI and Executive Perception

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Think for a moment what life would be like as a marketer if suddenly there were no e-mail. Scary, isn't it? E-mail has quietly become a business-critical marketing communications tool, producing the highest ROI of any marketing channel. What's more, it is the only channel that can consistently deliver on the promise of one-to-one marketing because of its ability to custom publish specific content and data that is relevant to each recipient.

According to the DMA's recent report, *The Power of Direct Marketing*, in 2007 e-mail delivered \$48.56 for every dollar spent on programs – and yet, it continues to be overlooked by executives as a marketing channel that is deserving of more investment, in both budget and resources. It receives only a fraction of the budget allocated towards other channels, such as television or print advertising, even though it demonstrates a tremendous return that is also measurable, unlike most other channels. In comparison, banner ads, which according to research from Shop.org generate \$20.67 for every dollar spent, are allocated five times the amount spent on e-mail by the average direct marketer.

In a recent poll of our clients, we sought to learn if this paradox was affecting their marketing plans, and from the responses, we saw that marketers were in fact experiencing roadblocks in their efforts to optimize their e-mail marketing, for reasons including limited resources and attention from management. To help clients address this paradox and discover how to raise the profile of e-mail marketing within their organizations and move it to the top of the marketing agenda, we put together a panel of experts to discuss the e-mail paradox at e-Dialog's 4th annual Client Summit in September, 2007. The following is a summary of their advice on getting the attention e-mail marketing deserves in your organization's boardroom.

¹ Shar VanBoskirk, principal analyst, Forrester Research; David Slavick, Sr. Director of CRM, American Eagle Outfitters; Erick Goss, VP Marketing, Magazines.com; and e-Dialog's CEO John Rizzi; David Daniels, Research Director, JupiterResearch moderated.

Think like a CEO

Help executives understand the true benefits of e-mail when it comes to building profitable, long-term relationships. As an e-mail marketer, your goal must be two-fold: measure e-mail success in numbers that executives cannot ignore, such as conversions and revenue generated, and leverage your available data to increase the relevance of e-mail programs.

In our survey, one-third of respondents confirmed that e-mail marketing generates “much better” ROI than other marketing channels. Yet the same number of respondents could not say how the ROI of e-mail compares to other marketing channels. E-mail marketers do agree on one important point: e-mail works. It’s time to let the executives know why. So, how do you figure out what you need to communicate to the corner office in order to get executive support for your programs?

Measure meaningful metrics

Communicate the impact e-mail can have on profitability by identifying and measuring key performance indicators (KPIs). In our recent survey, e-Dialog learned that nearly 100 percent of clients who responded have metrics in place to measure e-mail success. However, less than half are monitoring revenue-oriented numbers (e.g., conversions and gross revenue generated) and instead are measuring e-mail success at only a basic level (e.g., opens and click-throughs). If e-mail is to be recognized as a channel that can increase customer retention and acquisition, drive Web traffic, and boost brand awareness – all chief goals identified by our survey respondents – marketers must have the revenue-oriented numbers to support it. Only through thoughtful measurement of the impact of current e-mail marketing programs can strategies be put in place for future improvements.

Identify actionable data

Use KPIs to identify the high-value customers in your database. Measure the value of loyal online customers and compare them to customers not as engaged with your brand. This will help get a commitment from executives to recognize and reward top customers, while showing how important it is to create programs to convert more customers to this coveted group. For example, knowing that customers who shop using your Web site spend twice as much as catalog customers can build a case for asking catalog-only customers for their e-mail address when they call your customer service center to place an order, converting them to a more profitable channel.

Test and implement elements of relevance

Studies show that compared to undifferentiated “blast” e-mails, messages that incorporate targeted tactics such as personalization, segmentation, or lifecycle management generate five times more revenue.² Take a look at your current available customer data to see what you can leverage. Even basic data such as customer first name can be a starting point. Develop test campaigns comparing the performance of a “control” customer list against “targeted” lists to find out which elements of relevance work best for your organization. Focus on the value your customers get from e-mail and align your program with what they want and when they want to hear from you. If possible, create automated programs based on lifecycle, such as abandoned shopping cart triggers, that can be set up once, but continue to generate revenue over time.

Market your program internally

Find the influencers in your organization and make your case. E-mail can be a valuable cog in the multi-channel marketing machine. Findings from JupiterResearch show that “marketers using e-mail as a hub for other direct marketing spokes are more successful than are marketers using e-mail in a silo.”³ This can help get buy-in from other departments or groups who feel e-mail may cannibalize profits from their efforts. Instead, show them how they contribute to the bottom line by supporting e-mail marketing.

Focus on long-term growth

Make the commitment to be e-mail’s champion, and you can get the resources and attention needed for e-mail to pay dividends, for you and your organization, making the e-mail paradox a problem of the past. Changing the perception of e-mail marketing in the boardroom will not happen overnight. It takes patience to gather the right metrics and to be able to illustrate the impact of e-mail over time. It also takes time and resources to test programs, analyze data, and integrate results into your programs in order to create more relevant e-mail. By following a step-by-step process of evaluating and improving the relevance of your e-mails, you can present irrefutable evidence of the power and potential of e-mail marketing to increase revenue, which can not be ignored in the upper echelons.

² *The ROI of Email Relevance*, JupiterResearch, 2005

³ *The Road to Relevance*, JupiterResearch, 2007