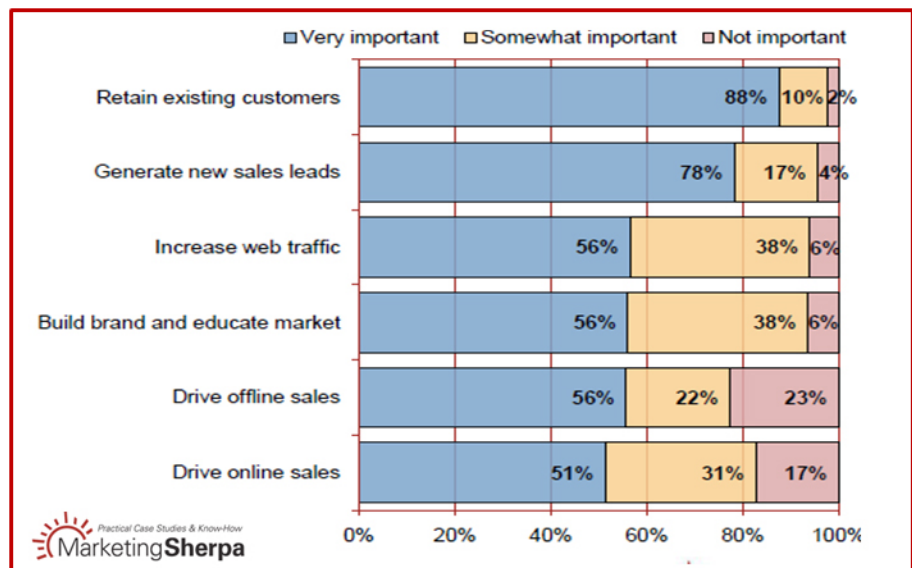# MARKETING EXPERIMENTS

MarketingExperiments Journal

Optimize your Email in Three Steps: How one marketer tripled revenue from their house list

It is far less expensive to retain a current customer than to find and acquire a new one. So before companies drain their marketing budget in a hunt for the ever-elusive net new customer, they are intensifying efforts to maximize revenue from their house email list.
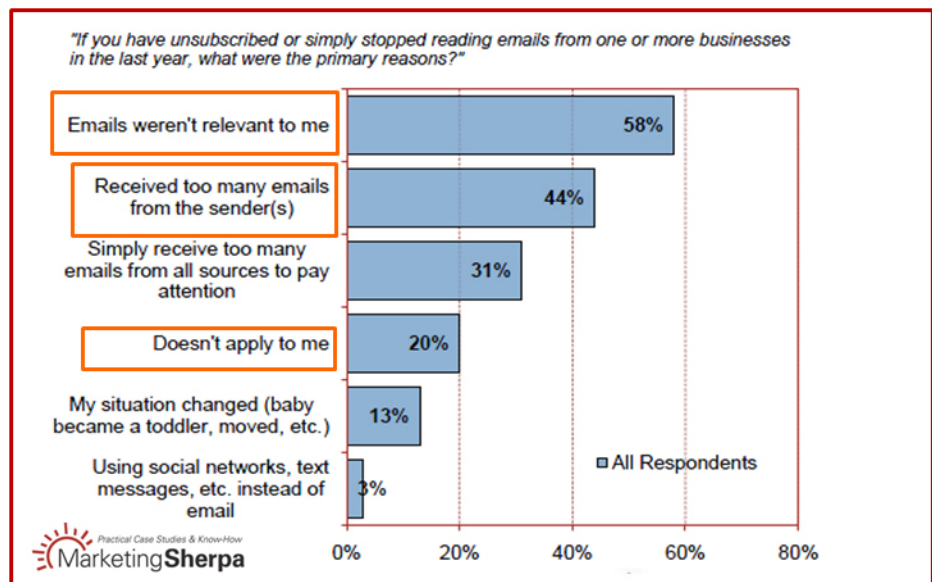
According to the MarketingSherpa 2010 Email Marketing Benchmark Report, retaining existing customers is your peers' most important email marketing concern:

How important are these email marketing objectives to your organization?

Retention, especially list retention, is a major challenge with that unsubscribe link just a click away. So why might you lose a customer? If your email messages are not relevant, too frequent, or simply don't apply:

"If you have unsubscribed or simply stopped reading emails from one or more businesses in the last year, what were the primary reasons?"

Reason	All Respondents
Emails weren't relevant to me	58%
Received too many emails from the sender(s)	44%
Simply receive too many emails from all sources to pay attention	31%
Doesn't apply to me	20%
My situation changed (baby became a toddler, moved, etc.)	13%
Using social networks, text messages, etc. instead of email	3%

This issue of the MarketingExperiments Journal will look at research and tactics that can help you keep your customers and maximize revenue by addressing:

- Relevance – *"What to say"*
- Frequency – *"When to say it"*

And to ensure you are moving the needle, we'll delve into the third element of successful email campaigns:

- Metrics – *"How to listen"*

RELEVANCE

"People don't read advertising per se. They read what interests them. And sometimes it's an ad." – Howard Gossage, copywriter

Relevance is the basis of all good marketing, not just email, and you may think it is almost too obvious to discuss – especially in a science-driven journal such as this one.

Yet, in real-world practice, relevance can easily be overlooked. It would have been far too easy to include samples of irrelevant marketing because they are everywhere. Likewise, it would not be fair to the samples we displayed since the team at MarketingExperiments has had its fair share of making this mistake at times as well. So, it's safe to say, we are all guilty.

We are professional marketers, why do we occasionally lose sight of something so obvious? Perhaps it's human nature to "drink the Kool-Aid" of the products you market and believe that changes to their features and functions really matter to the audience. After all, how could you dedicate years of your life energy to market something you did not passionately believe in?

But it is crucial to look at the products and services you sell with a critical eye. The post-modern consumer has been inundated with marketing messages their entire life and they are not only skeptical, but cynical…even suspicious. A benefit that seems obvious to a marketer may mean nothing to them.

Beyond taking an outsider's look at your efforts, how can you decide what really matters to your customers? Let's take a look at an experiment…

Experiment ID: *Americangreetings.com*
Location: MarketingSherpa Research Library
Test Protocol Number: C531165

Research Notes:

Background: Subscription-based ecard provider
Goal: To increase ecard purchases and annual subscriptions
Primary research question: Which email message content will yield the most sales?
Secondary research question: Will emails more relevant to the user's personal tastes generate more sales?

Segmenting lists can prove challenging for subscription-based sites with lots of content and no marketing database. American Greetings, the world's largest publicly traded greeting card company, was working with an unqualified list for its subscription-based ecards without any segments. It had to get creative to find meaningful segments.

Defining segments:

The marketing team combed through transactional data to try to find meaningful differentiation in its non-subscriber list. One datapoint that stuck out to them was the tone of ecards sent. By looking at the nature (traditional or humorous) of ecards previously sent by subscribers, they were able to segment the email list into two distinct groups:

Email List

Sends Traditional Ecards

Sends Humorous Ecards

Customer-specific emails:

They then sent targeted email messages with copy and graphics that were relevant to each group. Here is an example from St. Patrick's Day:

Traditional Ecard

Humorous Ecard
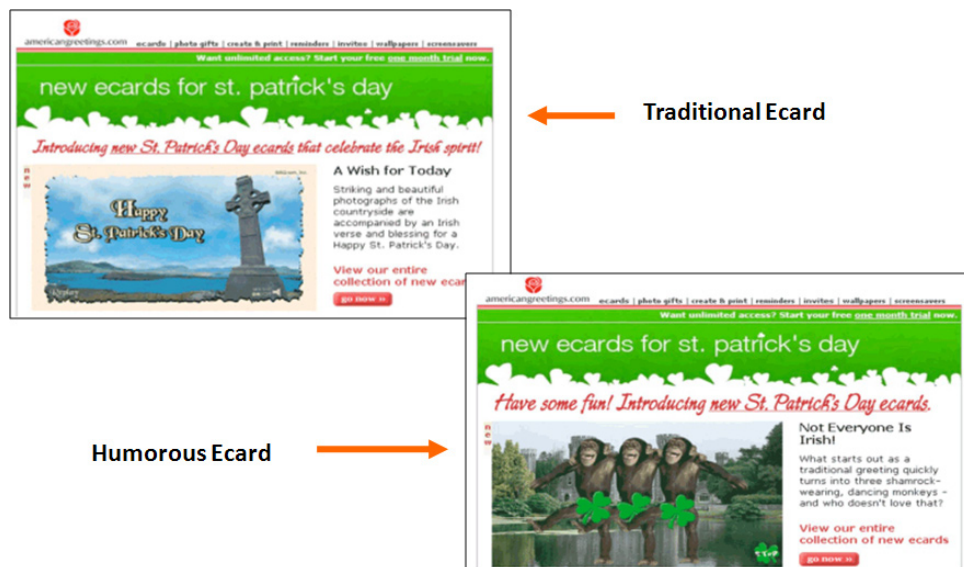
Results:

"We're getting more of them to come to the site and then take us up on that offer because they're seeing an offer that's incredibly relevant to them." – Kathy Hecht, AmericanGreetings.com

70% Increase in Conversion
The relevant emails outperformed generic ones by 70%

At first glance you may attribute this gain to people that really, really love silly looking monkeys. And you'd be partly right.

What you need to understand: American Greetings saw a 70% lift in conversions from the relevant emails as compared to the generic send. At first glance you may attribute this gain to people that really, really love silly looking monkeys. And you'd be partly right. But it's also because some people want to share a warm wish with a friend.

And that's the beauty of segmenting your list, sending the most relevant emails, and testing to see what works best for each group.

By segmenting based on psychographics, you are able to determine key aspects of the value your subscribers seek from your email sends, and you can tailor your messages to give them what they want. And in doing so, you will get what you want – higher conversion and increased revenue.

This experiment also illustrates the importance of testing. It can be difficult to guess what is most relevant to each segment even with excellent psychographic data. In other words, people that like silly looking monkeys may not be amused by an MC Hammer impersonator dressed as Santa Claus and singing "Can't Wrap This."

How relevant is relevance?
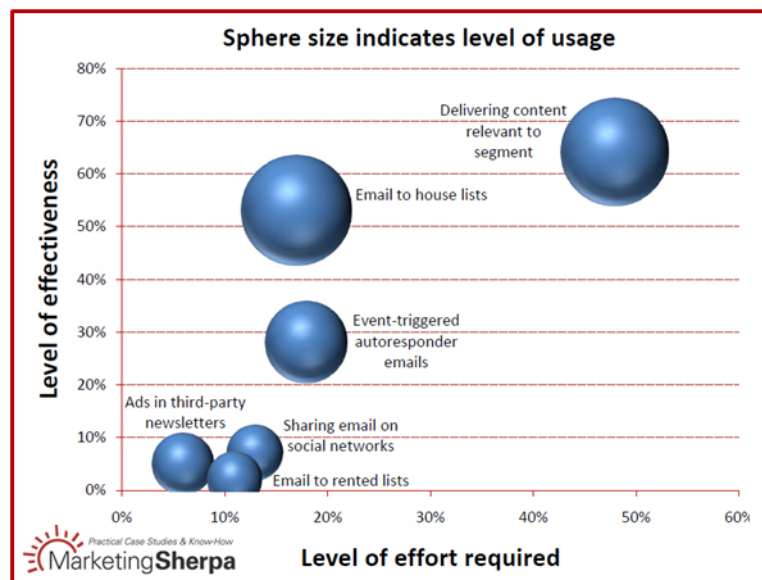
The MarketingSherpa 2010 Email Marketing Benchmark Report shows that your peers would agree that relevance is a key to successful email marketing. However, according to this same survey, many marketers find being relevant very difficult. With many marketing departments understaffed and overburdened, are there simple ways to deliver relevant content?

Intensifying Relevance:

Before answering that question, let's consider how relevance to the consumer plays into effective email messaging. Here is one of the MarketingExperiments Email Messaging Heuristics:

$$eme = rv(of + i) - (f + a) \text{ }^©$$

eme = email messaging effectiveness index
rv = relevance to the consumer
of = offer value (why)
i = incentive to take action
f = friction elements of process
a = anxiety about entering information

While we teach an entire email marketing course about applying this heuristic, at a very high level we can see just how important relevance is. It essentially acts as a multiplier to your other email marketing efforts.

Internal and External Relevance:

Up until now we've discussed this topic without a clear definition. For our purposes in the MarketingExperiments Journal, we define relevance as *the compatibility of the email message with the recipient's motivations*.

There are two aspects of relevance that you can intensify – internal relevance and external relevance. Internal relevance is applied through segmentation (as we saw in Experiment #1), while external relevance is applied across segments.

Internal Relevance:

Relevant email messages can tie to the motivations that are internal to the recipient (like silly monkeys):

- Personal interests
- Psychographics
- Demographics
- Shopping habits
- Personality
- Communication styles
- Level of engagement

External Relevance:

Relevant email messages can tie to the motivations that come from events external to the recipient (by the way, on the release date of this Journal, there are only 16 shopping days left until Christmas):

- Seasonality
- Special discounts
- Limited-time offers
- News events
- Competitive initiatives

Real-world Example:

Since this issue of the MarketingExperiments Journal was published on December 9th, with only a couple of weeks left in the biggest selling season of the year, we would be remiss if we didn't share an example of how you can launch a last-minute effort to utilize internal and external relevance.

our festive, seasonal designs

FESTIVE DESIGNS TO FIT ANY OCCASION
Choose from our many unique and festive designs perfect for any occasion.

pick a design

In December 2008 we were optimizing landing pages for a social-networking site that allows users to buy gifts for others. During this process, we broached the subject of improving the relevance of the Research Partner's email sends. While we didn't have time to run an official experiment, we did not want our Research Partner to lose the opportunity to improve its holiday season sales.

Segmentation:

Current Subscriber		Current Subscriber
Never Gifted		Has Gifted

Lapsed Subscriber	Lapsed Subscriber	Never a Subscriber
Never Gifted	Has Gifted	Has Gifted
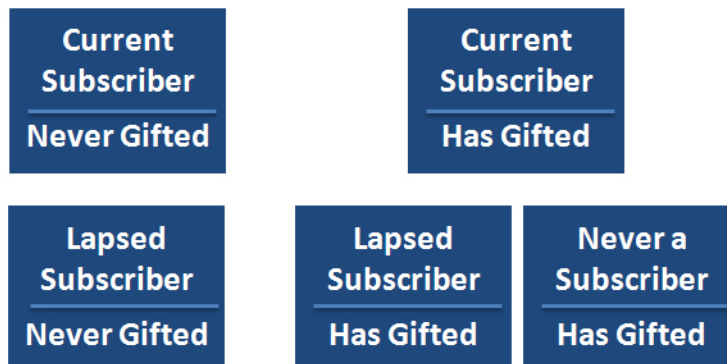
We segmented the house list into five distinct groups (as seen above) and sent targeted email messages that were relevant to each group. Below are some examples to help you see how you can use internal and external relevance in your own campaigns:

"Current Subscriber, Has Gifted" Segment:
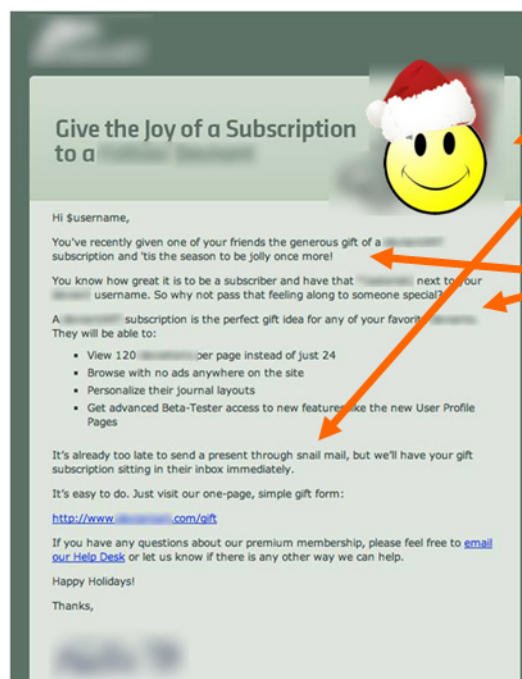
External Relevance:
Uses the holiday season to motivate recipients – "It's already too late to send through snail mail…"

Internal Relevance:
Messaging ties into previous actions of the recipient – "You've recently given one of your friends…" as well as appealing to personality – "You know how great it is to be a subscriber…"

"Current Subscriber, Never Gifted" Segment:
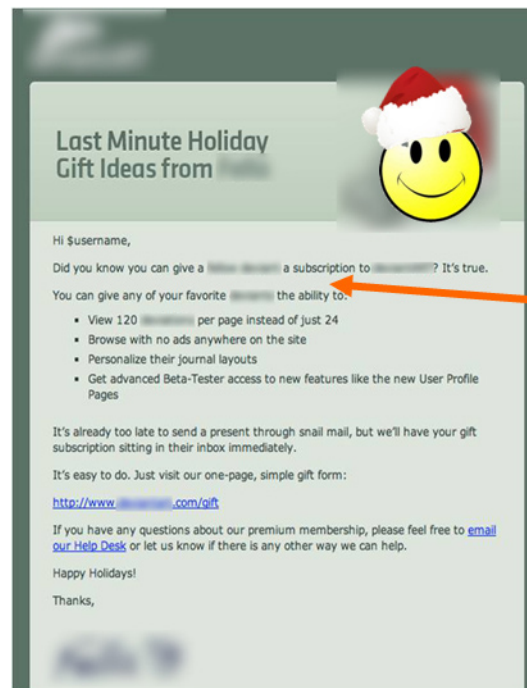
External Relevance: As before, this email uses the holiday season to motivate recipients.

Internal Relevance: Messaging speaks more to the subscriber who hasn't sent a gift to anyone before – "Did you know you can give a… a subscription to…."

Relevance as a Foundation:

Impact on Frequency and Metrics: Relevance informs decisions about the timing of your email sends and how to measure their effectiveness. External and internal factors influence frequency decisions like send occasions and the correct frequency for different demographics and psychographics. And without relevance-based segmentation, aggregate metrics are not meaningful or helpful in optimization efforts.

So it is important to get relevance right before moving on to frequency and metrics. Without relevance, the others have no traction.

FREQUENCY

"Vote early and vote often." – Al Capone, gangster

Once your email campaigns are relevant, now it the time to optimize for frequency to get the most value from each customer. Email marketers that aren't already optimized for frequency may think about this issue in two ways.

Either they worry they'll be looked at like a Chicago gangster trying to get away with as much as they can and don't want to push their luck with customers. Or they have no specific metrics and testing protocol in place, and just send based on gut feeling, intuition, or the consensus of the marketing group.

Perhaps it is better to think of frequency the way you think of pricing. If you don't optimize your frequency and test to discover the most valuable cadence for sending, you may be leaving money on the table. To explore just how valuable an optimized frequency might be, and how far we could push email sends before taking a revenue hit, we ran the following experiment with a Research Partner that was sending relevant emails…

Experiment ID: *(Protected)*
Location: MarketingExperiments Research Library

Research Notes:

Background: Large ecommerce company with strong online presence that sells well-known, inexpensive, perishable products.
Goal: To find the optimal send frequency for a segment of their email list.
Primary research question: Which email frequency will generate the most revenue without increasing the rate of unsubscription?
**Approach:** Single-factorial A/B email frequency test ran over a period of 60 days.

This Research Partner had a strong brand and wanted to conduct testing to find the optimal send frequency that would generate the most revenue from a loyal segment of their list. Current send rates varied from once a week to multiple times a day. But what was the optimal frequency?

Here is how the relationship between email send frequency and net revenue looks, according to conventional wisdom:

However, it is important to monitor unsubscribes and have a firm understanding of the lifetime value of a customer to ensure that you are not sacrificing long-term profit for short-term gain.
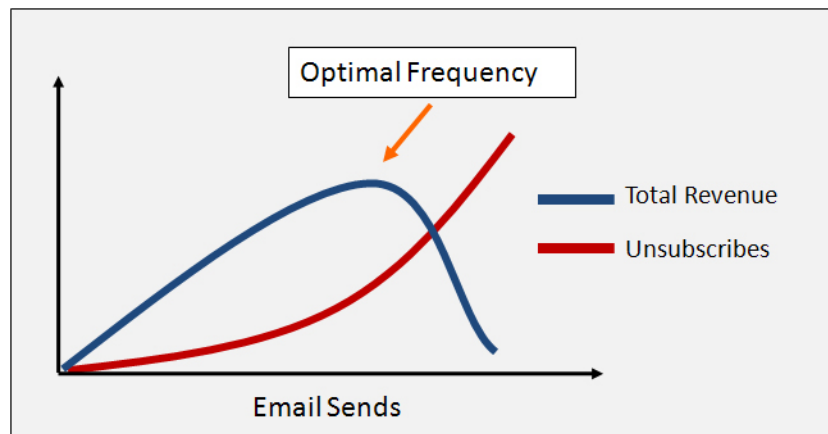
When testing for frequency, you are essentially trying to answer these three questions:

- What is the optimal frequency for my company?
- What are the factors that determine this relationship?
- And what, if anything, can I do to alter the shape of this curve to my advantage?

This admittedly simplistic chart is meant to give you an idea of what you may encounter when you test for optimal frequency. Your optimal frequency is met when your total revenue reaches the peak. However, it is important to monitor unsubscribes and have a firm understanding of the lifetime value of a customer to ensure that you are not sacrificing long-term profit for short-term gain.

Background:

This Research Partner sends more than one billion emails per year. During the low season (remember to factor in effects of seasonality during your testing), we took a highly motivated and loyal segment of their large subscriber base and, through data analysis, segmented that group into seven different email send rates to find the frequency "sweet-spot":
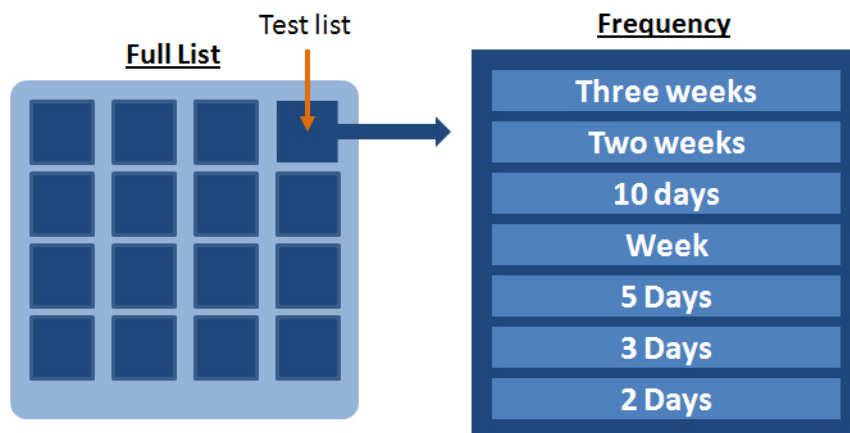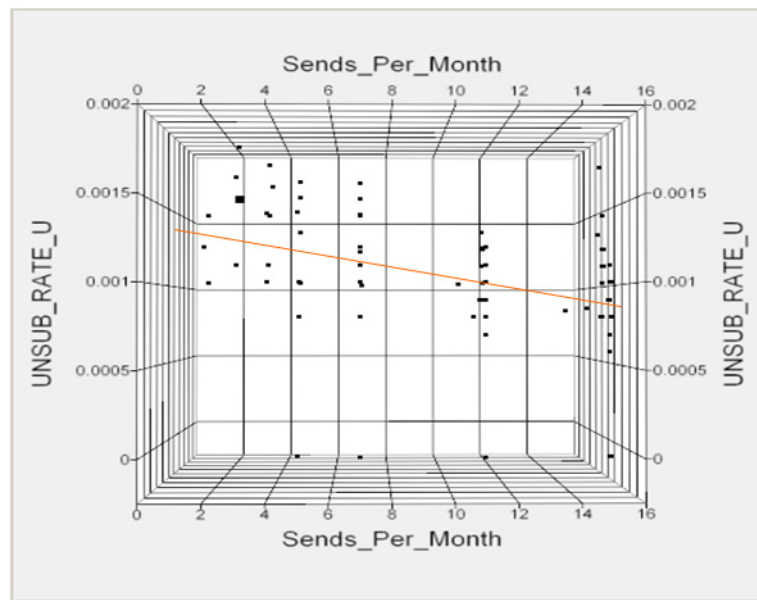

Results: Unsubscribes

At first glance, unsubcribes increased with frequency:
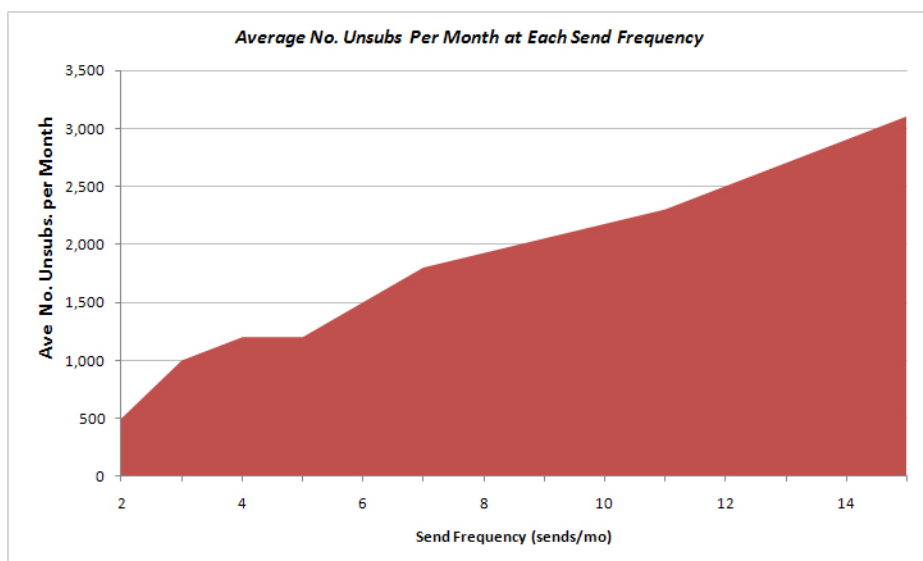
However, keep in mind that we expected this trend simply because with more messages sent there are more opportunities to unsubscribe. So we needed to take a deeper look. The more important finding is that the unsubscribe rate on a per-message basis does not rise significantly:

The linear regression shows a gentle downward slope. So we can conclude that the greater amount of unsubscribes does not suggest a greater level of irritation, but rather the increase in total unsubscribes is simply a product of unsubscribe opportunities offered at higher frequencies.

Open Rate

By looking at open rate, we can determine if subscribers are simply ignoring the additional emails.
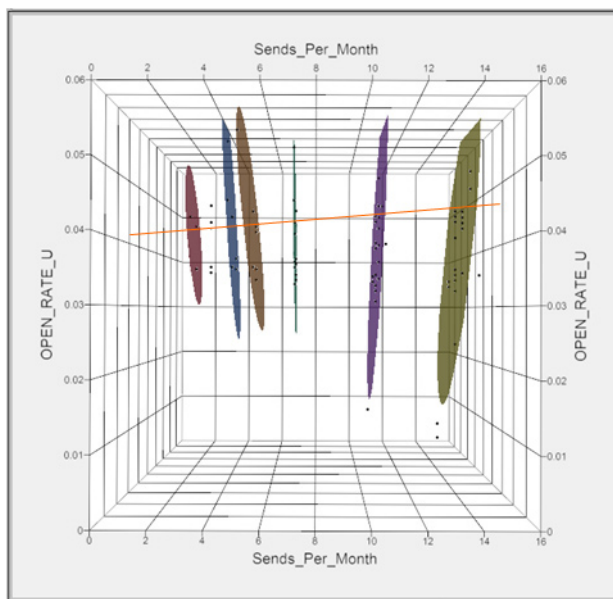
This chart displays all of the results within our test period. While there are a few outliers, we can see that 95% of our observations fall within these ellipses. This shows us the range in distribution.

Once again, the slope is very gentle and is not statistically meaningful. The correlation coefficient (r) for open rate was 0.07 which indicates that there is no significant correlation. Also, the coefficient of determination (r^2) revealed that at most 8% of the variation in open rate could be attributed to the increase in frequency.

While open rate did not appear to be significantly influenced by send rate within the range of frequencies tested in this particular experiment, please note that open rate is important to monitor during your own frequency testing.
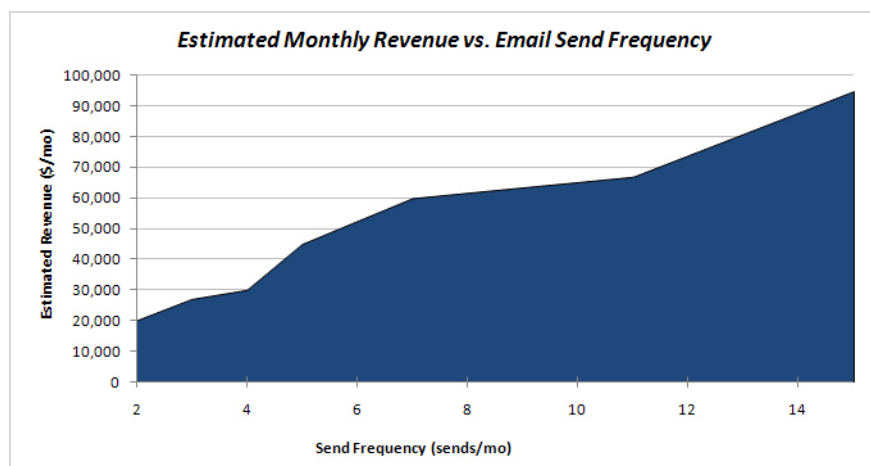
Results:

3x Increase in Projected Monthly Revenue
Increasing email frequency yields three times the projected revenue

Total Revenue

Estimated Monthly Revenue vs. Email Send Frequency

What you need to understand: The more we increased frequency, the more revenue increased. We never reached the point of diminishing returns (please note: the Research Partner did limit the maximum frequency to 15 email messages per month).

Going from four email messages per month to 15 per month month tripled this company's projected monthly revenue without any significant negative impact on unsubscribe or open rates. Put another way, when sending email at the rate of once per week this company was missing **three times the amount of revenue** it could have been making if sending once every other day.

What can we learn from this experiment?

Optimal email frequency is strongly related to the nature and quality of your relationship with the members of each individual list you have and to their personal motivations as they relate to the messages you send. In Experiment #2, the Research Partner is a well-known brand with loyal customers and tested a highly motivated segment of their large subscriber base.

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Messages with strong internal relevance to the target list members will likely enjoy higher optimum email send frequencies. The segment tested in Experiment #2 is accustomed to receiving relevant newsletters and promotional emails.

Increasing email frequency has the potential to increase your revenue, but there is no universal, one-size-fits-all "best" email send frequency. It is important to understand that the results you see here are unique to this Research Partner. The only way to determine your true optimal frequency is to test and consider a broad range of frequencies. This will help you find the ideal for your customer, as opposed to just relying on so-called "best practices" or your gut. During the live web clinic, we polled the attendees about what they thought the optimal frequency would be from this experiment. Only 6% answered correctly using their marketer's intuition:

Audience Poll

What is the optimal monthly frequency of email sends for this company?
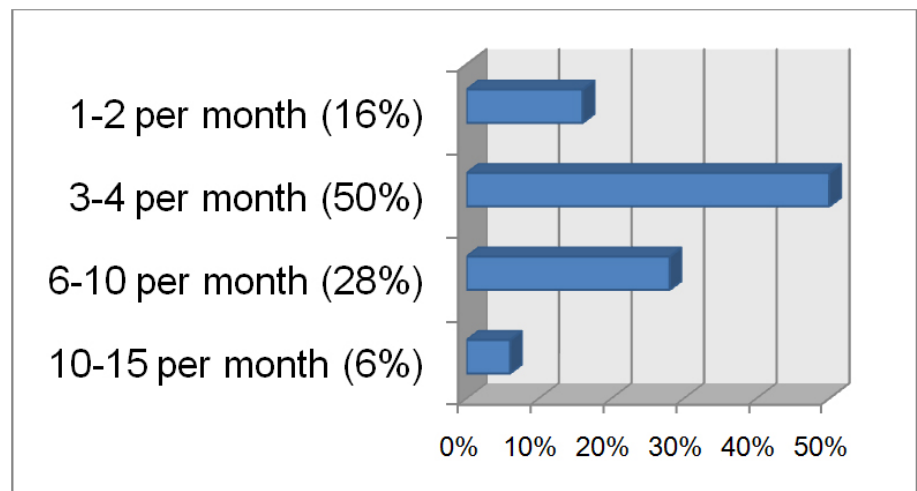
Certain factors especially lend themselves to testing for high send frequency:

- Simple, well-known, and well-defined products whose primary value proposition can be effectively expressed entirely in an email subject line
- Inexpensive, low-risk, and low-anxiety product offers
- Perishable products and those for which there is a recurring need – e.g., pharmacies, florists, greeting cards, coffee or wine clubs.

Keep in mind that there might be different optimal frequencies for different segments of your own house lists. Testing should be done on a segment level to customize frequency based on these different users.

Frequency vs. Spam

Key point: Know and consider anti-spam regulations and conventional practices when testing for optimal email frequency. Specifically, make sure you have answers to these three questions:

1. What does the law consider spam? Research industry- and location-specific anti-SPAM regulations. For more information about the CAN-SPAM Act, please visit MarketingExperiments.com/FTC.
2. What do ESPs (email service providers) consider spam? Gain an understanding of SPAM detection and filtering algorithms for the top ESPs in your target list.
3. What will your recipients consider spam? Factor in culture- or industry-specific natural cycles of attention and motivation, for example budget and tax seasons or weather patterns.

You can reduce the risk of running afoul of ESPs and other SPAM services, and getting "shut down" during email frequency testing, by contacting your major ESPs ahead of time and letting them know that you are testing different send frequencies and are committed to being responsible. Ask about threshold criteria and how to avoid violating them. Give the ESPs 24/7 contact information for your testing project manager and politely request that they contact that person before taking any sweeping action.

Metrics

"Half my advertising is wasted, I just don't know which half."
– John Wanamaker, retailer

Maintaining perfect relevance and optimal frequency to maximize your revenue might feel rewarding, but you can't find out how much you're really making from email without the proper metrics. According to MarketingSherpa's 2010 Email Marketing Benchmark Report, 65% of your peers say that measuring and proving the ROI of email marketing programs will increase in importance next year. And 2010 is shaping up to be another year in which marketers will have to justify every dollar they spend with measureable ROI.

Perhaps 100 years ago John Wanamaker could get away with not knowing where his marketing spend went because none of his competitors knew either, but that's not the case today. Maybe some of your marketing peers who still work in Old World media can fly blind, but you simply can't stay competitive in online marketing without having good ROI information. And that data is available, reams of it.

That may be the problem. Perhaps there's so much data, you don't know what to do with it all. So in this section, we'll provide a few key takeaways to help you answer your CFO's and CEO's favorite question – what's in it for me? But please note, we could not address every aspect of metrics in this space. So if you have additional questions, post them to our MarketingExperiments Optimization group.

Getting the most from metrics

Before we delve into some examples, please remember that the quality of your data is an important prerequisite. You cannot make accurate decisions using inaccurate data. You cannot make the right decisions using the wrong data.

That being said, measuring can give you crucial insights into the effectiveness of your email campaigns. There are two ways to think about email metrics:

- Quantifying and tracking the true value – moving beyond just open and clickthrough rates to uncover bottom-line results
- Segmenting and measuring response – learn how email traffic interacts with your site and discover what site or messaging changes you might want to test.

Quantifying Value:

You cannot measure an email campaign's effectiveness by relying solely on open rates and clickthrough. Attracting more visitors is not the same as making more sales. You must quantify the value to actions such as opens, clicks, and lead submissions. By working closely with the sales team to understand average sale amount and closure rates, you should be able to come up with some numbers like in this B2B example:
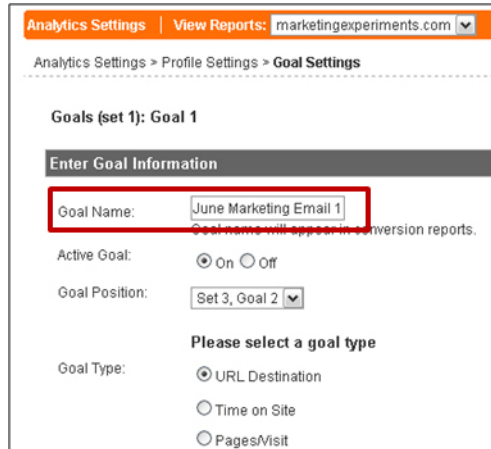
You cannot make the right decisions using the wrong data.

Average sales close rate (From email landing page form)	10%
Average Sale per lead	$50
Goal value for form submission from email	$5

For B2C sites, a better number may be average order size. Whatever numbers you decide on, make sure to continually monitor transactions and your funnel to make sure your assumptions still hold true.

Tracking Value:

Once we know how to quantify our efforts, we can start building goals with assigned values. For example, you can create a goal funnel to capture metrics from a form your email drives readers to:
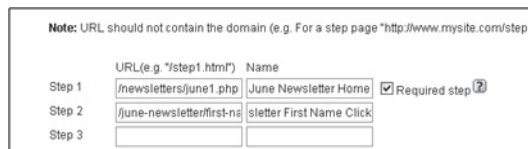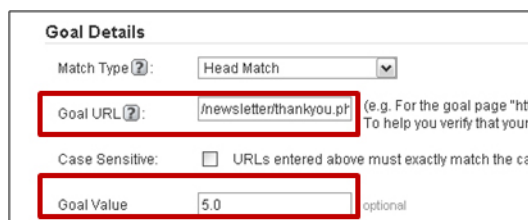

In your goal funnel, you can include intermediate steps along the way to your ultimate goal, such as clicking to a form page from an email and clicking a field in that form:

Then you can set the final destination goal URL (in this case, a "thank you for filling out the form" page) as well as a value for each time that goal is completed (the "5.0" is from the previous example where we determined a "form submission from email" was worth $5):

Editor's Note: Google Analytics is only being used as an example. You can build similar goals and reports in other metric programs like Omniture's Site Catalyst.

Tracking Value

This goal funnel creation leads to actionable reports of the impact your efforts are having on the bottom line:
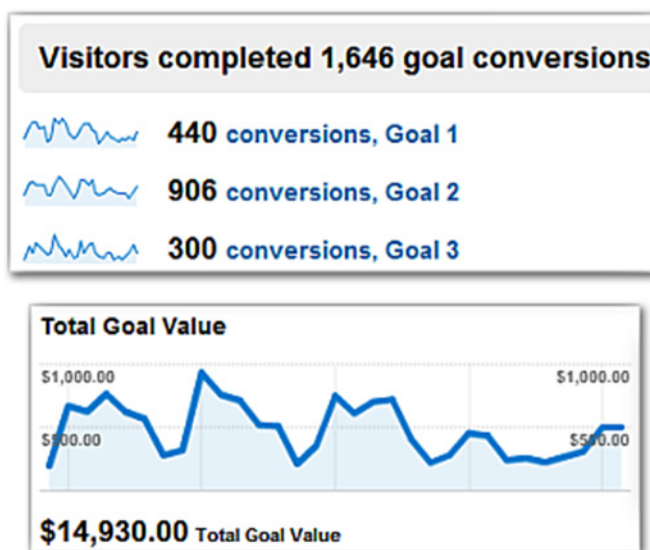
These are real metrics with bottom-line projections. With the right set of performance reports, you'll be able to make data-driven optimization decisions.

Segmenting and Measuring Response

It can also be beneficial to look at how email traffic acts on the site as a whole instead of just a specific goal. Google Analytics will scrub the data:
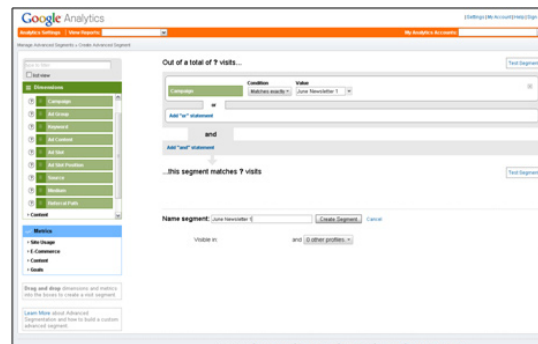
This will help you narrow down your top content. It can also help you discover the effect timing has on the success of your email sends.

What gets measured, gets done

These are only a few tips. With the data generated by online marketing and the analytical tools available, there are almost endless permutations to the way you measure email marketing. But however you decide to measure, make sure the results you generate tie directly into the goals that have been set for these efforts by your leadership team, your investors, your clients, or perhaps even yourself.

As we said in the beginning, you may have the absolute best metrics methodology, but if you're looking at the wrong data you will not make wise decisions. The same can be said for the goals you set. Make sure you know which numbers will really make you successful before you jump into these analytical programs.

BOTTOM LINE

While overall marketing budgets were down substantially in 2009, a much larger percentage of organizations increased email marketing budgets than decreased them, according to the MarketingSherpa 2010 Email Marketing Benchmark Report. What are your peers doing with these resources? According to the same report, email marketers' biggest challenge (88% find it very important) is to retain existing customers. Cost-conscious organizations are trying to offset the impact of the recession by keeping what they have.

To keep current customers, you must ensure your campaigns are relevant. Relevance is always powerful, but it doesn't always have to be difficult. Connect your emails to recipient motivations with internal relevance (based on psychographics, past behavior, and the like) and external relevance (based on seasonality, special offers, and currents events). You'll get extra bang for your buck by segmenting your lists into groups with similar preferences.

Once you've ensured you have highly relevant email campaigns, you have a great opportunity to find the optimal frequency that produces the highest total revenue – since optimal frequency is based upon your relationship with your list. By testing, you might be surprised how much revenue you're leaving on the table by just using a "best practice" instead of the best performing frequency for each segment in your lists.

You can discover the real value of your email campaigns by quantifying specific actions and segmenting recipient response. Not only will this help you justify your email marketing budget (especially if, like your peers, it increased at a time when other marketing budgets fell), but you will also be able to better understand and communicate the real bottom-line impact of your email efforts.

While marketers can sometimes be overly focused on reeling in that always-alluring net new customer, don't overlook a valuable asset that you already have. In the end, getting relevance, frequency, and metrics right can multiply the value of your house list.

In the end, getting relevance, frequency, and metrics right can multiply the value of your house list.

If you want help driving ROI for your company, you can learn more about our Research Partnerships as well as training and certification courses at **MarketingExperiments.com**.

About MarketingExperiments

MarketingExperiments is a research laboratory dedicated to discovering "what really works" in marketing. The MarketingExperiments Lab tests every conceivable methodology to determine which online strategies and tactics are the most successful at improving conversion, driving traffic, and selling product. The laboratory also conducts real-time marketing experiments with research partners such as Royal Bank of Canada, Johnson & Johnson, 1-800-Flowers, The New York Times, and Reuters Group. Scientists at MarketingExperiments have developed patent-pending methodologies which allow its partners to achieve significant conversion gains in their marketing efforts. The findings from these experiments are regularly published in the MarketingExperiments Journal and broadcast via online briefings. MarketingExperiments, along with MarketingSherpa and InTouch, is part of the MECLABS Group.

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