



Pentathlon: Promotional E-mail Frequency

Anna Quintero walked out of the monthly Product Department Director meeting feeling pummeled. In her new role as the director of digital marketing for Pentathlon, a leading European sporting goods retailer, Quintero had argued that e-mail access to customers had to be carefully restricted to make sure that customers wanted to continue receiving promotional e-mails from the company. But the department directors just weren't convinced.

Each department director at Pentathlon, oversaw one of the seven major product categories sold at Pentathlon: Endurance (e.g., running, cycling), Strength and Fitness (e.g., gymnastics, yoga), Water Sports (e.g., sailing, kayaking), Team Sports (e.g., soccer, basketball, rugby), Backcountry (e.g., hiking, climbing), Winter Sports (e.g., skiing, snowboarding), and Racquet (e.g., tennis, squash). Before Quintero joined Pentathlon, digital marketing had been under the control of the product department directors. This included promotional e-mails, the most important communication channel to existing customers. Because decisions about promotional e-mails were completely decentralized in the organization, no department knew what promotional e-mails customers had received from other departments. When Quintero began her job she suspected that customers were e-mailed too frequently. An audit of promotional e-mail activity to customers across all departments suggested to her that she had good reasons for concern: On average, customers received 3.8 e-mails per week from Pentathlon, significantly higher than the rate of 1 to as most 3 emails per week that was standard in her experience. In Quintero's opinion, the company had to impose a strict limit on how many promotional e-mails each customer received per week.

To strengthen her case, Quintero sent out a short survey to customers who had recently purchased online from Pentathlon. The survey asked customers whether they received too few, just the right amount, or too many promotional e-mails from Pentathlon. Anna sent the survey to a random sample of 85,336 customers who had made an online purchase from Pentathlon during the last year. She received 3,642 responses. The response rate of 4.27% was high for such a survey.

After analyzing the data Anna decided to include four pieces of evidence in a memo to the department directors and the CMO, who had the final authority on the matter.

The survey suggested that among all customers who had recently purchased, 72% thought they were receiving too many promotional e-mails from Pentathlon:

All consumers	Result
"I receive too many promotional e-mails from Pentathlon"	72%
"I receive just the right amount of promotional e-mails from Pentathlon"	21%
"I receive too few promotional e-mails from Pentathlon"	7%

To counter the argument that not all consumers are equally valuable to the company, Quintero also reported the result for Pentathlon's most profitable customer group, the 30-44 age group. Here the results were even slightly stronger:

Consumers in 30-44 age group (30.33% of total consumers)	
"I receive too many promotional e-mails from Pentathlon"	74%
"I receive just the right amount of promotional e-mails from Pentathlon"	23%
"I receive too few promotional e-mails from Pentathlon"	3%

Another way to see whether valuable customers were affected was to sort consumers by total euro sales volume. Again, it seemed that that valuable customers felt that they were contacted too often with promotional e-mails:

Consumers who are among top 25% total euro sales (last 12 months)	
"I receive too many promotional e-mails from Pentathlon"	87%
"I receive just the right amount of promotional e-mails from Pentathlon"	10%
"I receive too few promotional e-mails from Pentathlon"	3%

As a final piece of survey evidence, Quintero also looked at the less desirable customers, namely those in the bottom 25% in sales volume:

Consumers who are among bottom 25% total euro sales (last 12 months)	
"I receive too many promotional e-mails from Pentathlon"	52%
"I receive just the right amount of promotional e-mails from Pentathlon"	31%
"I receive too few promotional e-mails from Pentathlon"	17%

The comparison of the last two tables was particularly telling: Those customers who were most valuable to Pentathlon felt most abused by its excessive e-mail frequency. Based on this evidence and on her past experience, Quintero ended the memo by endorsing a company-wide limit of two promotional e-mails per week for each customer.

The reaction of the department directors to the proposed e-mail limit was mostly negative. They were convinced that the new policy forced them to forego sales opportunities, and that

Quintero's fears of alienating customers were overblown. In addition, the limit would force the departments to coordinate their promotional e-mail activities with each other.

François Cabret, the department head of Endurance Sports decided to prepare an argument in favor of the status quo of leaving e-mail frequency unregulated. He asked a team to examine historical purchase data for evidence that would support his argument. In particular, he wanted to see evidence of how e-mail frequency related to key indicators of customer value, in particular, number of orders placed by customers during the last 12 months, and total dollar sales during the last 12 months.

In order not to be accused to be comparing apples to oranges, Cabret instructed his team to start with the same 85,336 customers who had been surveyed by Anna Quintero, i.e. the random sample of customers who had made an online purchase from Pentathlon during the last year. The team started by splitting consumers into three bins by their average weekly e-mail frequency: 1 to 2.9, 3 to 4.9, and 5 and more. These cut-offs placed roughly one third of consumers in each bin. Next, for each bin, the team calculated the average number of orders placed by customers during the last 12 months, and the average total dollar sales during the last 12 months.

The results were dramatic: First, it seemed clear that consumers who received more promotional e-mails placed many more orders than those who had received fewer e-mails. A statistical test confirmed that all the differences were statistically significant. In other words, the results were clearly not due to chance.

	Number of orders during last 12 months
Average weekly e-mail frequency: 1 - 2.9	3.5
Average weekly e-mail frequency: 3 - 4.9	9.9
Average weekly e-mail frequency: 5 or more	17.3

Second, total sales volume mirrored the order frequency result. More promotional e-mails seemed to make customers order more during a 12 month period. Moreover, if one divided total euro sales by number of orders, it seemed that order size also increased with e-mails.

	Total euro sales during last 12 months
Average weekly e-mail frequency: 1 - 2.9	€ 41.64
Average weekly e-mail frequency: 3 - 4.9	€ 210.40
Average weekly e-mail frequency: 5 or more	€ 498.12

Moreover, if one divided total euro sales by number of orders, it seemed that average order size also increased with e-mails.

	Average order size during last 12 months
Average weekly e-mail frequency: 1 - 2.9	€ 10.92
Average weekly e-mail frequency: 3 - 4.9	€ 19.97
Average weekly e-mail frequency: 5 or more	€ 27.50

François Cabret was delighted. He felt that his evidence was strong enough to counter the survey evidence produced by Anna Quintero. He didn't doubt that respondents had said on Quintero's survey that they received too many promotional e-mails. Still, that did not mean that

sending out a high number of e-mails was not profit-maximizing. After all, how many consumers liked advertising? Nonetheless, it was effective and firms kept doing it.

After receiving the evidence presented by his director of digital marketing and the department head of Endurance Sports, Colin Starke, the CMO for Pentathlon was not looking forward to tomorrow's department director meeting. Not only would he have to make a decision about whether Pentathlon should limit promotional e-mails, he would also have to do it in a way that had credibility in the eyes of everyone involved. How could he reconcile the contradictory evidence and get to the right answer?

Preparation questions:

Put yourself in the shoes of Colin Starke, the CMO of Pentathlon.

1. How do you reconcile the evidence?
2. Given the evidence, would you impose a limit on promotional e-mail activity?