**Chapter 7**

**Email Marketing to Build Consumer and Business Relationships**

**Learning Objectives:**

By the time students complete this chapter they should be able to:

* Discuss reasons for the growing importance of email marketing.
* Describe the various levels of permission.
* List the steps involved in developing an email marketing campaign.
* Identify the basic steps in developing an email marketing program.
* Learn the basics of an email design.
* Recognize key provisions of CAN-SPAM laws in the U.S. and Europe.

**Email Marketing Slides 2-9**

This chapter covers email marketing as one of the first tools to really take off on the Internet and something that people use on fairly frequent basis. Slide 2 reiterates what the book states: most people begin their day with email. Although email is one of the most used interactive techniques, the younger students might think it is old-fashioned so it will be up to you to explain the benefits. You should indicate to students that email is covered also Chapter 11 on relationship marketing. Email is a key relationship technique these days, but discussion of the mechanics fit better here. We will return to it in the context of relationship strategy in chapter 11.

Email is cheaper, faster and more effective than direct mail (Slide 3, Figure 3.1) and also has some benefits versus other retention channels as well.

The advantages of email (“direct mail on steroids”) are important. They can be described as:

* Creates a true one-to-one channel
* Can be developed quickly
* Content is flexible, including HTML, rich media, and video
* Distribution is controllable by marketer
* Can be tested and revised for effectiveness
* Can be personalized
* Well-suited to retention
* Broad direct and indirect reach
* Measurable
* Inexpensive

You may find other advantages crop up in class discussion.

Email has evolved from broadcast SPAM to customer engagement and dialogue. The emphasis on “No Spam” is important to any discussion of email marketing. It is critical when the discussion focuses on using email as an acquisition technique (which is not really recommended).

The Scott’s Turf Builder example indicates how a company can use detailed customer information to create a relevant, personalized dialogue with customers. The case also shows the integration of email and social media. I recommend going to the Scott’s site on Facebook, as we were denied permission to use it in the book.

The Johnston & Murphy example is also a strong cross-media example and the ExactTarget website has other good examples. You might see if the Pew Foundation has updated their SPAM study as the last one available at print was 2009. Email usage continues to grow in marketing, but there is some indication that things are slowing down and the full impact of mobile marketing on email marketing is not yet known.

The Dreamfield’s Pasta Example is a good example of permission-based marketing and a good transition into the next section. It is important that the company offered an incentive to obtain a good email list, a $1 off thank you coupon. Consumers expect something for giving up their information. I would go on the Facebook page or website and look for current offers and not just use the information in the text. The Penne and Chicken with Garlic Cream Sauce looks great!

**Levels of Permission Marketing Slides 10-13**

Permission can be illustrated by discussion of the term SPAM from a Monty Python skit in Slide 10 and students may not realize the origin of the term in terms of an annoying communication and not necessarily disgusting substances. Slide 9 describes the elements of permission email marketing as described by marketing guru Seth Godin <http://www.sethgodin.com/sg/books.asp>. His book *Permission Marketing* is considered a classic and you might ask if students have read it, as some may.

The issue of good lists is important. Any major list broker has email lists for rent these days. The cost is high and the quality is suspect. Why would any marketer rent their prized list? Few do, and that leads to a strong recommendation that the marketer should build an opt-in list over time. He can run special programs with the aim of capturing addresses as well as creating reasons for visitors to register and provide email addresses on the site. The list continues to grow in size and value over time. Response rates will be higher on permission-based list the company has compiled versus an email list purchased from a broker. Slide 13 indicates how permission increases the more we ask the customer to do.

In order not to be considered a spammer, the marketer must obtain permission from the customer or prospect before sending email. There are four levels of permission:

1. **Opt-out** means that the visitor *did not* refuse to receive further communications from the marketer. This is an improvement over spam, but it does not represent a high level of commitment on the part of the visitor. Usually there is just a check box that needs to be unchecked to opt-out.

Opt-out email addresses are often collected via online registration forms or other methods, even face-to-face. The point is to make consumers take some explicit action in order *not* to receive further communications. The theory behind opt-out seems to be that people may not bother to take the action, or be unaware that they could take it, and will therefore, almost by default, become members of the list. This is often operationalized by an already-checked box saying in effect, “Please send me email.” Even if the choice is made to pre-check the box, the accompanying statement must be clear about what the visitor is agreeing to. The statement should be unambiguous and it should be located in a visible place. Under the CAN-SPAM law (described in detail at the end of the chapter), all emails must have a clear option to unsubscribe.

Opt-out represents, at best, passive agreement to receiving email, but at present, it represents the minimum acceptable standard. Opt-in is the preferred method by many marketers and observers of the field.

1. **Opt-in** means that visitors have actively chosen to receive further communications, usually by checking a box on a registration form. It represents active acquiescence, if not enthusiasm, about receiving future communications from the marketer. Consequently, members of opt-in lists should be more receptive to messages.
2. **Double opt-in**is a technique by which visitors agree to receive further communications, probably by checking an opt-in box on a site, and are then sent an email asking them to confirm their consent by replying to the email. The visitor has taken two actions, first indicating willingness to accept email, then actively confirming it by replying to the confirmation. This response should indicate an interested, potentially well-qualified prospect.
3. **Confirmed opt-in** is somewhere in between opt-in and double opt-in. The visitor actively acquiesces to receiving email, again probably by checking a box. She is then sent a follow-up email confirming the permission, but no reply is required.

I often draw a check box on the board and show that opt-in means you have to check the box and opt-out means you uncheck the box. Ask the students what they do when they come across a new website. Do they remember to uncheck the boxes? Even if a customer has checked a box if he or she does not remember and/or the information is not relevant the communication may be viewed as SPAM.

**Developing an Email Marketing Campaign Slides 14-23**

This is a good time to talk about the types of uses for emails. Slide 14 lists some examples from the text and elsewhere. You can ask the students what types of emails they have received for what purpose and this is a good time to show some emails, either live or as screen captures. The good ones make the opt-in and opt-out issues very clear. If you’ve signed up for one recently, you may have a double opt-in or confirmation that you can show. Figures 7.10 and 7.11 have two examples. The example in Figure 7.10 has a clear offer but no time deadline. However, it makes a good use of the pre-header and the golden triangle and most information is “above the fold.” Figure 7.11 has an email offer with a clear time deadline. Can you or the students find one that integrates more information?

The Peppers and Rogers model (Figure 7.8) is based on their competency in relationship marketing, but it summarizes the whole information-driven process well. They emphasize:

* Gather customer data
* Derive insight from the data
* Suggest proactive action
* Evaluate response

These steps incorporate both analysis and action, and that is the perspective that makes email (and any other technique, for that matter) effective.

One of the most important aspects of an email campaign is “evaluate response.” This chapter is a nice way to get the students started on analytics, which will be covered in Chapter 14 and the Search Chapter, 8, which follows. Email analytics tend to be fairly straightforward, unless you are trying to attribute response from other channels or social media. Hence, the students can see the responses to a real-life email on Slide 23 and see everything that the modern marketer has available on their email “dashboard.”

This perspective is given in more detail in the steps for developing an email marketing program, Table 7.1, Slide 25. The steps are:

1. Build or obtain an email list

a. Build a permission-based list

b. Rent email lists

2. Profile and segment the list

3. Establish a communications schedule

4. Develop specific program objectives

5. Write compelling copy

6. Structure your email to be received and opened

7. Create links to further information

8. Make it easy for viewers to take action

9. Test and revise the email

10. Measure results

11. Integrate learning into next email program

The similarity to direct mail marketing is once again apparent and many of the concepts in Chapter 4 are reinforced here. The list is important. So is copy, but the opportunity to link to in-depth information is a key feature of email. Measurement and testing is essential. So is learning/becoming better from every program.

Other aspects of email design are outlined in Table 7.2 and include:

|  |  |
| --- | --- |
| **Email Element** | **Recommended Approach** |
| Preheader | Link to online version of email, reminder of relationship, restates offer |
| Subject line | Short, include brand, call to action, urgency |
| Offer or call to action | Specific, clear, and meaningful |
| Time deadline, sense of urgency | Not only what should the customer do, but by when? |
| Web design principles | Above the fold, golden triangle |
| CAN-SPAM | Include reply-to, unsubscribe, and otherwise be compliant |
| Viral marketing | Include forward to a friend as well as social media links |
| Social media | Integrate with popular sites on social media |

Students may not realize preheaders, a short text blurb located below the subject line, are important in email marketing. However, the offer is most important and we take the approach of using direct mail techniques well-applied to email marketing as bringing the best results. Figure 7.9, Slide 19 also emphasizes the publishing idea of “above the fold” as being important in email marketing because consumers do not like to scroll down to look at offers. The email allows us to use many links to further information and these links can be used to draw the customer into the communication and increase engagement.

This also a good time to go live to the site of one of the many good email providers to show what services they offer their customers. Table 7.3 explains the advantages of email service providers in aiding in tracking and measurement. One additional key reason to use an Email Service Provider is also to keep compliant with the CAN-SPAM act, discussed later. A few are SilverPop, Exact Target, and Yesmail are listed in Table 7.4 and there are many others.

You do not have to spend a lot of money to get a service that produces perfectly good HTML emails and has all the back end services including checking for compliance with CAN-SPAM. Seeing the sites and the services they offer makes it much clearer to students how all of this gets done. There is also some discussion of the best time to send emails in the text and some figures given. In general, consumers open email on the weekend and those selling to business customers should avoid Monday morning. When to send really depends on your customer. There are many blogs that are worth following if you are especially interested in email and they often discuss this issue.

Deliverability calculations are dependent on understanding the difference between hard and soft bounces and the text and Figure 7.12 (Slide 23) gives good illustrations of how to calculate open, bounce, and click-through rates from a real life example. Here is a simple example I often use to get things started:

* 100 Emails Sent; 10 Emails Bounced
* 40 Opened: Open Rate is 44% (40/90)
* 10 users Click on Requested Action: Click-Through Rate is 20% (10/40)

Definitions are as follows:

**bounce rate** – number of bounces divided by number of emails sent.

**click-through rate** – number of clicks divided by number of opens.

**hard bounce** – undeliverable, usually due to a bad email address.  
**open rate** – number of opens divided by number of emails delivered (sent minus bounces).

**soft bounce** – temporarily undeliverable, usually due to a system problem.

Just use the number of total bounces, hard and soft, for the bounce rate. Usually you check your hard bounces and request an update from the customer or remove from your list, which reduces the bounce rate.

The requested action in an email can be anything from buying a product to downloading a whitepaper or accessing a coupon. The important thing is that the customer clicks on the required action. The number of opens is less important than the click-through rate (CTR). The CTR varies widely depending on industry. I have seen CTR as high as 10% in targeted, permission-based email to engineering and technical folks that wanted the information. Remember, SPAM is in the eye of the beholder and the goal is “mail worth opening.” Average open rate at this writing appears at 22%. Click-through rate varies but the average is 3.5%. No industry suffers from more than an average 0.85% unsubscribe rate.

You can check the latest figures when you are teaching on emarketer.com or another reputable source: [http://www.marketinginprogress.com/2011/01/10/stats-on-email-open-rates](http://www.marketinginprogress.com/2011/01/10/stats-on-email-open-rates/).

All these figures are dependent on how many emails are sent, how well they are designed, the subject, audience, etc. Remember, SPAM is in the eye of the beholder. I might go weeks without responding to an offer and then respond to three in one day!

Figure 7.13 (Slide 23) illustrates that Open Rates decline rapidly after 48-72 hours. Those who are familiar with direct mail understand the dramatic difference in waiting for response and the speed now requires by marketers in responding to their customers.

**The Golden Rs of Email Marketing and Targeting, Personalization, and Customization** **Slides 24-25**

There are three terms the text mentions here that are mentioned elsewhere, most notably in Chapters 11 and 12:

* *Targeting* refers to directing marketing communications to individuals or businesses that have been identified as valid prospects for acquisition or retention for the good or service. Targeting can be visible, as when a marketer sends an email newsletter with personalized content to a customer who has given permission for this type of communication. It can be invisible to the receiver, as when targeted ads are served onto a website without the visitor’s explicit knowledge.
* *Personalization* involves the creation of specialized content for a prospect with a known profile by choosing from an array of existing content modules. In addition to the email newsletter, just described, personalization occurs when a visitor registers on a website like Yahoo! and creates a My Yahoo! page by choosing the content she wants from extensive lists presented by the site.
* *Customization* is the creation of new content, services, or even products based on the needs and wants of an individual customer—either business or consumer. Internet marketers like NikeID are offering the ability to customize products. Others like iTunes are offering customers the ability to customize their own user experience.

These terms are critical to the advancement of email marketing programs as email integration with customer databases facilitates in particular targeting and personalization. There is a lot of room for research in the area of personalization in general.

Note that Slide 25 presents a concept that is not present in so many words in the text, although it is implied. The idea owes much to Bill Nussey’s book *The Quiet Revolution in Email Marketing* and to discussions with other email marketers and Internet advertisers. The critical principles are:

* Relevance
* Respect
* Recipient control

These principles are worth applying to all Internet marketing efforts, and I’d encourage you to include this concept whether you use the PPT or not.

**Requirements of the U.S. CAN-SPAM Act Slides 26-28**

Earlier in the chapter we pointed out how much spam there is and how much consumers hate it. Some marketers think that spam has the potential to destroy the effectiveness of email marketing and that consequently legitimate marketers must do all they can to stop spam and spammers. It is one of the few areas in which the U.S. federal government has chosen to regulate activities on the Internet, another measure of its impact on the public. Telephone marketers killed that golden goose through overuse and abuse. It would be good if the marketing community could learn that lesson and protect the credibility of email. However, we already have the CAN-SPAM Act, a United States law regulating advertising and promotional emails.

The issue is equally troubling and important in the E.U. and you should check on what has been done there when discussing the U.S. situation as they are discussing many changes.

The DMA site has an excellent description of what to look out for and how to avoid violating the CAN-SPAM Act. This did not reproduce well in Figure 7.16 but comes out fine on Slide 27.

The main things to remember about CAN-SPAM from Slide 26 are:

The Act Applies to Acquisitional or Promotional Emails and should include:

* + Valid “from” email address, valid reply
  + Street address
  + Unsubscribe
  + Label as “advertising” somewhere

Commercial email providers help us keep CAN-SPAM compliant and many folks use these providers for that reason alone. The example in Figure 7.15 is a real email that I received and the students can see it better in Slide 28. It usually takes them a minute or two to figure out what is wrong and that this is a “phishing” email, including the fact Department is misspelled!

**Summary Slide 29**

While Email Marketers continue to battle perceptions of SPAM, clogged Inboxes and uncertainly regarding the actions of the European Union, email will continue to be an important and pervasive retention tool as we will see in Chapter 11. Permission-based lists, good planning and targeting and personalization can help response rate.

**Discussion Questions**

1. **Why is email still a strong tool for Internet marketers? Do you think it will be replaced by mobile applications, such as text messaging, and in what time frame?**

Email marketing is a strong tool because it is measureable and easy to implement and has a proven track record for retention marketing. Some are saying mobile will be the death

**2. What is meant by permission marketing? Do you think it is an important concept to email marketers?**

Getting people’s permission to market to them is just what it sounds like. Doing it well is a lot harder. The marketer needs to ask in such a way that prospects will say, “Yes.” That usually means offering an incentive as in the Dreamfield’s Pasta example. Then the marketer has to decide whether the process will be:

* + Opt out—lowest acceptable level
  + Opt in—ok, but not the highest level of qualification
  + Double opt in—should produce the highest quality leads.

Recently marketers have added a fourth category not discusses in the text. Confirmed opt-in, with unsubscribe option, should increase the quality of the leads and it gives the marketer an additional, immediate opportunity to do additional selling and marketing while initial interest is still present. Permission marketing is the main defense of the legitimate marketer against being considered a spammer. For both the company and the industry, it is essential.

1. **Think about email communications from marketers, perhaps some that you receive yourself. What makes them interesting and worth your time to open and read? Do you ever take any action as a result of the emails? Why or why not?**

This stimulates an interesting discussion of when and why students open emails, of which they probably receive many, and whether they respond or not. Structural factors like identity of a trusted brand and a meaningful subject line will probably be mentioned. So will situational factors (in the market for a \_\_\_\_ right now) and personal ones—avid Internet shopper or anti-shopper also usually occur. They can be encouraged to think about how the emails can be improved and what actions marketers can take to make their email marketing better (segmented/targeted lists is one major issue).

1. **What are the main benefits of using an email service provider? Say you are the head of a student organization and you need to regularly contact members, would you consider using an email service provider if the cost were within your budget? Why or why not?**

Students should say that they would use the provider to facilitate tracking, aid delivery, manage personalization and integrate with social media, as well as keep CAN-SPAM compliant. At many schools, email users are restricted from sending ‘mass emails’ to more than fifty to one hundred people so it definitely would be worthwhile to check into your school’s rules and factor that into the decision. I would see the students making a list of pros and cons and then a recommendation.

1. **What aspects of promotional email design would you take into account if you were designing an email to invite students to a meeting of the organization mentioned in question 4? Where would you put the most important information? What would be your call to action?**

Like the Internet Exercise 4 below, students can use the promotional email checklist in Table 7.2 as well as the Figures in 7.10 and 7.11 to structure the discussion. The call to action is a great discussion point usually as students try to find something that will work for their peers. This design discussion reinforces the concept of “above the fold” and “golden triangle” which we will explore more in Chapter 12, web design. Ask the students how they would integrate, word of mouth and social media, whether in the form of links or a “forward to a friend” option. What links would they use to encourage engagement?

1. **From your perspective, is the CAN-SPAM law working? Why or why not?**

It probably is, but from our individual perspectives on our overflowing inboxes, it’s hard to see. Would we be worse off without it? Probably. Where do the activities of our ISPs fit in? They play a major role in filtering out the spam that gets onto the Internet.

1. **Assume that WilyMarketer.com is running an email campaign to acquire new customers. It is considering two options: review the option choices. In either event, actual campaign management will be outsourced to an interactive agency. Which program would you recommend and why?**

* **Option A would use a high quality rental list of 100,000 email addresses. Direct costs under this option would be the rental list at $250/m and creative, program management and reporting costs will be $10,000. If the email campaign brings in 623 new customers, what is its customer acquisition cost?**
* **Option B would rely on banner advertising at $20 CPM, which has a predicted click-through rate of 1.5 percent. The campaign is designed to reach 100,000 viewers, and its creative, program management and reporting costs will be $10,000. How many customers will it bring in and what is the customer acquisition cost?**

1. 100,000 addresses @ $250 per thousand = $25,000

Agency costs 10,000

$35,000 / 623 customers acquired = $56.18

1. $20 CPM x 100 = $20,000

Agency costs = 10,000

$30,000

100,000 exposures

.015 click-through rate

1,500 responses

If they are able to capture email addresses from all of the click-throughs, which is unlikely, the cost would be $30,000 / 1,500 = $20.00.

You could add a conversion rate to the problem, which would bring up the acquisition cost on the second alternative.

Note that in both cases, acquisition cost is being defined as cost of obtaining an email address from a customer who responds to a promotion. Both Options A and B ignore the cost of converting what is really a prospect to a customer.

Clearly, the cost of Option B, with no additional parameters, is lower. Does that mean it is the better option? Not really. What is the quality of the email addresses; that is, what is the likely conversion rate and the amount of sales to each customer? What is the longer-term CLV? Those are the important questions, not just the initial costs of capturing the email address or actual customer.

**Internet Exercises**

1. **Internet Career Builder Exercise.**

As noted in the text, email marketing is a top growth opportunity. There should be no shortage of jobs to discuss, although email might be with other responsibilities. Companies like ExactTarget, that are email vendors and service providers, often have training programs.

2. If you have not already done so, sign up for an email newsletter from one or more of the sites you are following. Keep a log for the next few weeks of the email contacts that result. How many emails do you receive and how often? Pay special attention to how long it took for the site to confirm/welcome you and the nature of the confirmation communication. If you are already receiving email newsletters and other communications, keep a log of these communications.

Encouraging students to contact one or more websites, to report their initial experiences, and to track interactions over the remainder of the semester provides great material for class discussions. Some will get responses that are rapid and appropriate. Some will get automated responses that are off the mark. Some may get no response at all. Some of the firms will follow up as appropriate; some will appear to make no use of what could be a sales lead. Ask students how they would rate the website on speed and quality of response and how this would affect their attitude toward and potential future dealings with the site.

1. **Assume you are to design and send an email to invite students to attend a presentation on email marketing at your university. Using the suggested processes and tips in this chapter, create a plan for obtaining the list, sending the email and measuring the results**.

Students should be able to use the steps in Table 7.1, the Rogers and Peppers process from Figure 7.8, or other suggestions from the book to outline their approach. IT should include how they will obtain the list, the schedule for communication including day and time, and other effective and plans for testing and feedback, as well as social media integration. Obtaining student email addresses can be a sensitive issue at a University so the students might have to offer an incentive to obtain or get the list from student organizations, with the permission of the recipients.

1. **Next, design the email that you have planned to send using good email design principles. Share your design with the class and get feedback.**

The promotional email checklist in Table 7.2 as well as the Figures in 7.10 and 7.11 should help students structure their design. We use an actual email service provider for this exercise in my classes but you can have them do the design in Power Point or Word as well**.** Check for a good offer with a time deadline. Most students, at all levels, will leave these elements out the first time.

**Key Terms**

**bounce rate** number of bounces divided by number of emails sent.

**CAN-SPAM Act** U.S. law regulating advertising and promotional emails.

**click-through rate** number of clicks divided by number of opens.

**confirmed opt-in** somewhere in between opt-in and double opt-in; the visitor actively acquiesces to receiving email, again probably by another email confirmation.

**double opt-in** a technique by which visitors agree to receive further communications but must perform two actions, usually checking an opt-in box on a site, and then responding positively to a sent email asking for confirmation.

**email marketing** the process of developing customer relationships through offers and communications contained in email messages.

**hard bounce** undeliverable, usually due to a bad email address.

**open rate** number of opens divided by number of emails delivered (sent minus bounces).

**opt-in** actively choosing to receive further communications, usually by checking a box on a registration form.

**opt-out** taking an action to prevent the receipt of further communications, usually unchecking a box on a registration form.

**permission** refers to gaining the customers agreement to market to them in a certain way.

**soft bounce** temporarily undeliverable, usually due to a system problem.

**spam** unwanted email communication.