

E-Mail Marketing:

Strategies, Stats, Techniques &
Tools

August 2002



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Welcome to eMarketer

Dear Reader:

Welcome to the latest edition of eMarketer's *E-Mail Marketing Report*.™ This compendium of data, research, and analysis is designed as an invaluable reference tool for tracking, forecasting, and comprehending the entire e-mail marketing universe—its size and growth trends, as well as strategic issues, the e-mail process, consumer attitudes and industry best practices.

The report will help you develop business and marketing plans, create presentations, answer questions from clients or management, and make critical decisions about ventures in the rapidly growing field of e-mail marketing.

Like all eMarketer reports, the *E-Mail Marketing Report*™ presents statistical information aggregated from a broad range of authoritative research sources. The pages ahead provide business, marketing, media, and advertising agency professionals with the answers they need, in an easy-to-search format.

If you have any questions or comments concerning eMarketer or any of the material in this report, please call, fax or e-mail us.

David Hallerman
Senior Analyst

Written by David Hallerman

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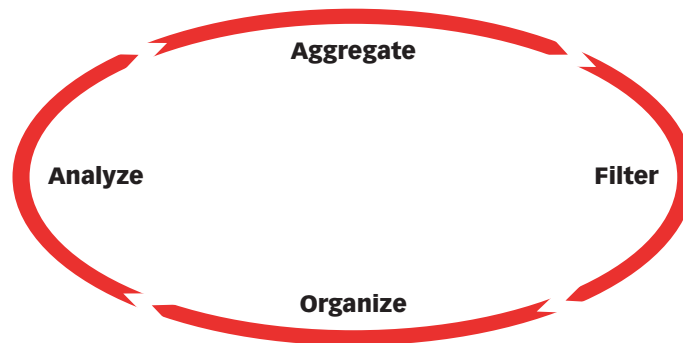
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eMarketer's approach to market research is founded on a philosophy of aggregating data from as many different sources as possible. Why? Because there is no such thing as a perfect research study and no single research source can have all the answers. Moreover, a careful evaluation and weighting of multiple sources will inevitably yield a more accurate picture than any single source could possibly provide.

The eMarketer Difference

eMarketer does not conduct primary research. Neither a research firm nor a consultancy, eMarketer has no testing technique to defend, no research bias and no client contracts to protect.

eMarketer prepares each market report using a four-step process of aggregating, filtering, organizing and analyzing data from leading research sources worldwide.



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Using the internet and accessing a library of electronically-filed research reports and studies, the eMarketer research team first aggregates publicly available e-business data from hundreds of global research and consultancy firms. This comparative source information is then filtered and organized into tables, charts and graphs. Finally, eMarketer analysts provide concise and insightful analysis of the facts and figures along with their own estimates and projections. As a result, each set of findings reflects the collected wisdom of numerous research firms and industry analysts.

"I think eMarketer reports are extremely useful and set the highest standards for high quality, objective compilation of often wildly disparate sources of data. I rely on eMarketer's research reports as a solid and trusted source."

— Professor Donna L. Hoffman, Co-Director, eLab, Vanderbilt University

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The Benefits of eMarketer's Aggregation Approach

Objective: information is more objective than that provided by any single research source

Comprehensive: gathered from the world's leading research firms, consultancies and news organizations

Authoritative: quoted in leading news publications, academic studies and government reports

All in one place: easy to locate, evaluate and compare

Readily accessible: so you can make quick, better-informed business decisions

Above the hype: accurate projections that business people can use with confidence

Time saving: there's no faster way to find internet and e-business stats, online or off

Money saving: more information, for less, than any other source in the world

"Benchmarking" and Projections

Until recently, anyone trying to determine which researcher was most accurate in predicting the future of any particular aspect of the internet did not have a definitive source with which to do this. For instance, over 10 firms predicted e-commerce revenues for the fourth quarter 1998 online holiday shopping season, and yet no single source could be identified after the fact as having the "correct" number. In the Spring of 1999, however, the US Commerce Department finally began measuring e-commerce B2C activity so business people and others could have a benchmark with which they could compare and evaluate projections.

eMarketer has adapted its methodology to recognize that certain government and other respected, impartial sources are beginning to provide reliable numbers that can be consistently tracked over time. Most of these established sources, however, only measure past results; typically, they do not make predictions.

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Today, eMarketer formulates its Essential E-Business Numbers by first identifying the most established, reputable source for a given sector being measured and then adopting that organization's figures as *benchmarks* for the historical/current period. For instance, eMarketer's US internet user figures will be based on a combination of the most recent data from the US Census Bureau and the International Telecommunication Union. Using this data as the benchmark for 2000 and 2001, eMarketer will make projections for subsequent years based on the following factors:

- a comparative analysis of user growth rates compiled from other research firms
- additional benchmark data from internet rating firms, e.g., Nielsen//NetRatings and Jupiter Media Metrix, which use panels to measure internet user activity on a weekly and monthly basis
- an analysis of broader economic, cultural and technological trends in the US

Similarly, US e-commerce revenues are being "benchmarked" using historical data from the US Department of Commerce, and broadband household and penetration rate forecasts are being built off baseline data from the Organization for Economic Cooperation and Development (OECD).

Through this benchmarking process, eMarketer will be holding itself – and our projections – accountable.

"When I need the latest trends and stats on e-business, I turn to eMarketer. eMarketer cuts through the hype and turns an overabundance of data into concise information that is sound and dependable."

— Mark Selleck, Business Unit Executive, DISU e-business Solutions, IBM

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When it comes to interactive marketing, e-mail's evolution is both obscure and obvious. Obscure? Consider this: In the US, e-mail consumed only 3% of the total interactive advertising spending during both 2000 and 2001. Compared to alternative vehicles, it appears pretty low-profile.

US Online Advertising Spending, by Vehicle, 2000-2001 (as a % of total spending)

Banners



Sponsorships



Classified



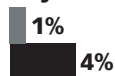
Slotting fees



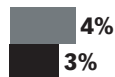
Other



Keyword search



Interstitials



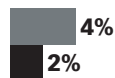
E-Mail



Rich media



Referrals



■ 2000

■ 2001

*Note: total spending for 2000=\$8.23 billion; for 2001=\$7.21 billion
Source: Interactive Advertising Bureau (IAB), PricewaterhouseCoopers (PwC), June 2002*

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Translate those percentages into dollars, and the \$216.6 million spent on e-mail advertising in 2001 falls far short of slotting fees, at \$559.0 million, let alone billion-dollar powerhouse formats such as banner or classified ads.

US Online Advertising Spending, by Vehicle, 2000 & 2001 (in millions)

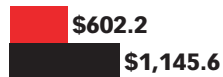
Banners



Sponsorships



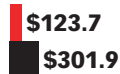
Classifieds



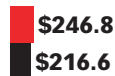
Slotting fees



Keyword search



E-Mail



Interstitials



Rich media



Referrals



Other



Total



2000

2001

Note: figures may not add exactly to total due to rounding

Source: Interactive Advertising Bureau (IAB), PricewaterhouseCoopers (PWC), June 2002

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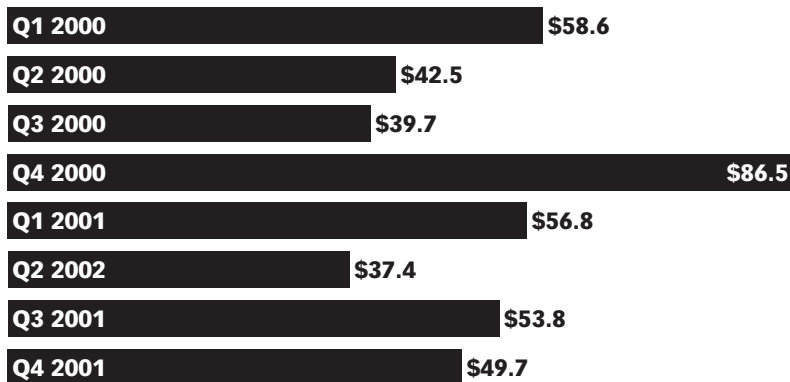
“People have been a little myopic about online advertising—only looking at the fact that the dollars are smaller. It’s not about the numbers. It’s about how the internet is reinventing advertising.”

– Patrick Keane, senior analyst, Jupiter Media Metrix

Of course, advertising is only one component of e-mail marketing. So when you weigh the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) e-mail ad spending numbers against Forrester Research’s e-mail marketing spending below, you’ll discover a wide gap. In 2001, for instance, as spending for e-mail advertising dropped to \$216.6 million (IAB/PwC’s research), total e-mail marketing came to \$1.3 billion (Forrester’s estimate). If you accept both figures together, that makes advertising 17% of the total commercial e-mail spending.

Note, though, that the IAB/PwC figures represent only the revenues from ads sold and then embedded into e-mails. The Forrester numbers, in contrast, include all aspects of e-mail marketing. Besides advertising, that covers the costs of creating and distributing e-mails, outsourcing, list rental and other components of the entire marketing process.

Online E-Mail Ad Spending in the US, Q1 2000-Q4 2001 (in millions)



Note: total for 2000=\$246.8; total for 2001=\$216.6

Source: Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC), 2000 & 2001

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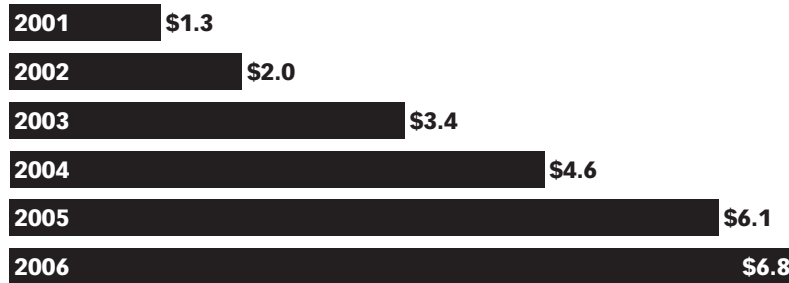
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US E-Mail Marketing Services Spending, 2001-2006 (in billions)



Source: Forrester Research, August 2001

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Compared to the IAB/PwC statistics, GartnerG2's projections for US e-mail advertising revenue indicate substantially higher figures—a slow but steady rise from \$0.9 billion last year to \$1.5 billion by 2005. The variance is due to differing definitions of e-mail marketing and methodologies.

E-Mail Marketing Advertising Revenue in the US, 2001, 2002 & 2005 (in billions)



Source: GartnerG2, January 2002

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A. Spending, Costs, and Budgets

In fact, all the varying definitions of e-mail marketing and advertising turn spending estimates and projections into moving-target events. Looking back to 2000, IMT Strategies concentrated on e-mail marketing spending by the largest corporations (the Global 2000). The marketing consulting firm estimated that each company spent an average of about \$1.8 million—totaling \$3.68 billion—to support e-mail marketing programs.

“Most of these external costs were spent purchasing names, campaign management software and outsourced fulfillment of very large e-mail campaigns,” according to IMT. In addition, for every \$1 spent with outside service providers, corporations laid out another \$2 on internal support for e-mail. “Many of these are ‘hidden costs’ associated with campaign management, content development, channel programs, permission policy management and database development.”

Total US Corporate Spending on E-Mail Marketing, 2000 (in millions)

Name acquisition	\$1,260
E-Mail infrastructure and solutions	\$1,156
Campaign execution	\$866
Process management and policy administration	\$400
Total	\$3,682

Note: based on spending by Global 2000 companies

Source: IMT Strategies, September 2001

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Take a quick look at the same Forrester spending data cited above, along with the firm’s figures on the number of marketing e-mails, as shown below. Together they indicate that while there’s been an upsurge in e-mail marketing volume, spending is seeing an even greater gain.

The forecast of \$6.8 billion spending by 2006 represents a significant 423% gain for the six years shown. In contrast, the volume growth from 289 billion marketing e-mails in 2001 to 939 billion in 2006 translates to a 224.9% increase.

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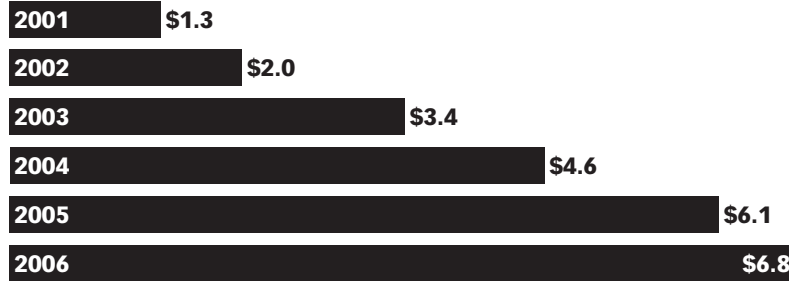
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However, the Forrester projections detail lower spending for e-mail marketing than IMT's estimates, reaching the mid-\$3 billion range not two years ago (as from IMT) but in 2003.

US E-Mail Marketing Services Spending, 2001-2006 (in billions)

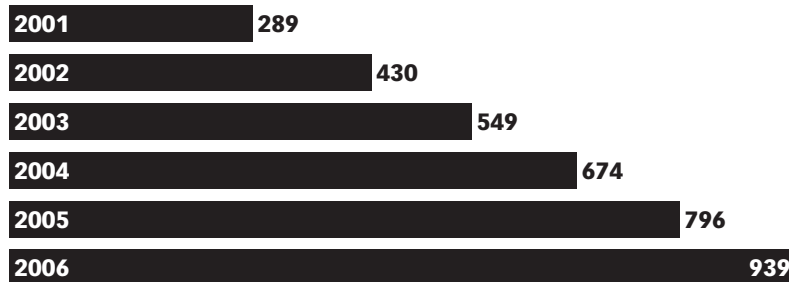


Source: Forrester Research, August 2001

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Number of E-Mail Marketing E-Mails Sent in the US, 2001-2006 (in billions)



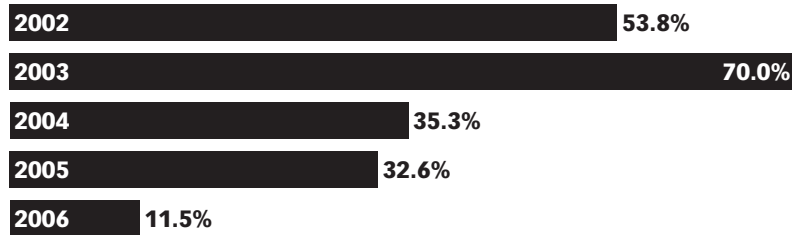
Source: Forrester Research, August 2001

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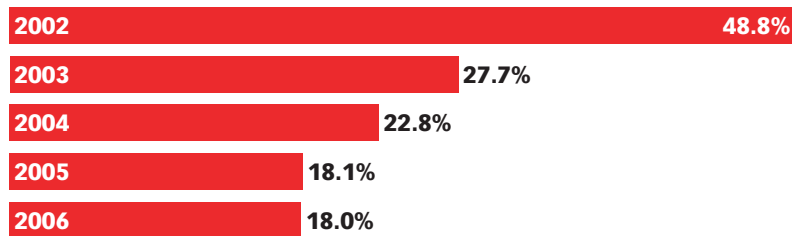
Massaging that same Forrester data on a percentage basis highlights the greater growth in e-mail spending than in volume. For example, forecasts for 2003 show a spending increase of 70.0%, while the number of e-mails will rise by 27.7%. The sharper uptick in spending over quantity reflects increased use of e-mail newsletters and of elements like rich media, both of which are more expensive to create than pure sales-oriented, or plain HTML, posts.

US E-Mail Marketing Services Spending, 2002-2006 (as a % increase vs. prior year)

Source: Forrester Research, August 2001

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Number of E-Mail Marketing E-Mails Sent in the US, 2002-2006 (as a % increase vs. prior year)

Source: Forrester Research, August 2001

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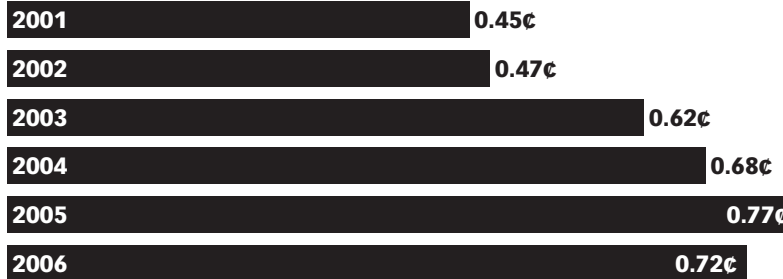
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E-Mail Costs

Take Forrester's numbers for 2002: 430 billion marketing e-mails sent in the US at a cost of \$2.0 billion. Then narrow those figures to the average cost a single e-mail—less than a half-cent per post. Even as the more costly newsletter and rich media e-mails increase, the unit cost is projected to remain under a penny per, reaching 0.72¢ by 2006.

Average Cost per Marketing E-Mail Sent in the US, 2001-2006 (in cents)



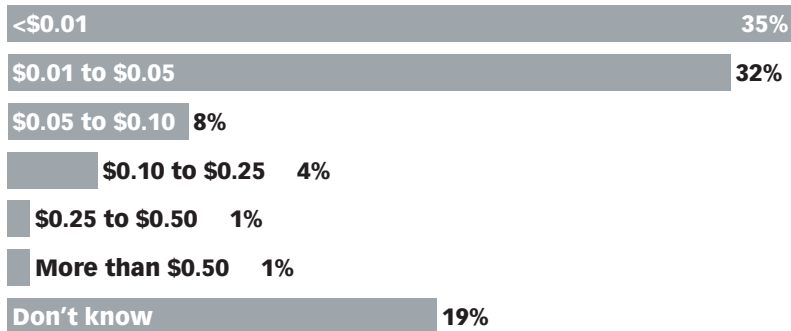
Source: Forrester Research, August 2001; extrapolated by eMarketer, June 2002

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Another take on the cost of a single e-mail comes from a recent study by the Association for Interactive Marketing (AIM). While 35% of respondents agree with Forrester's less-than-a-cent estimate, 32% believe it costs between 1¢ and 5¢. And 14% of respondents pegged the unit e-mail cost at 5¢ or more. Note that AIM surveyed a limited sample of marketers, only 110, and many from smaller companies.

Cost to Send a Single B2C E-Mail in the US, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns; average cost per e-mail of \$0.05

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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In its cost comparison below, GartnerG2 concurs with the Forrester numbers for unit costs, pegging e-mail at 0.50¢ to 0.70¢ per post. Notably, costs for direct (paper) mail run 100 times more—even at the low end, estimates come in at \$0.50 per piece. No wonder marketing e-mails are booming.

Costs for E-Mail vs. Direct Mail in the US, 2002 (per thousand)

E-Mail	\$5 to \$7
Direct mail	\$500 to \$700

Source: GartnerG2, March 2002

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“Direct mail has reached its peak and will account for less than 50% of mail received by U.S. households by 2005, down from 65% in 2001. As e-mail use, familiarity and trust increase, consumers will become more comfortable with accepting advertisements through their computer.”

– Denise Garcia, research director, GartnerG2

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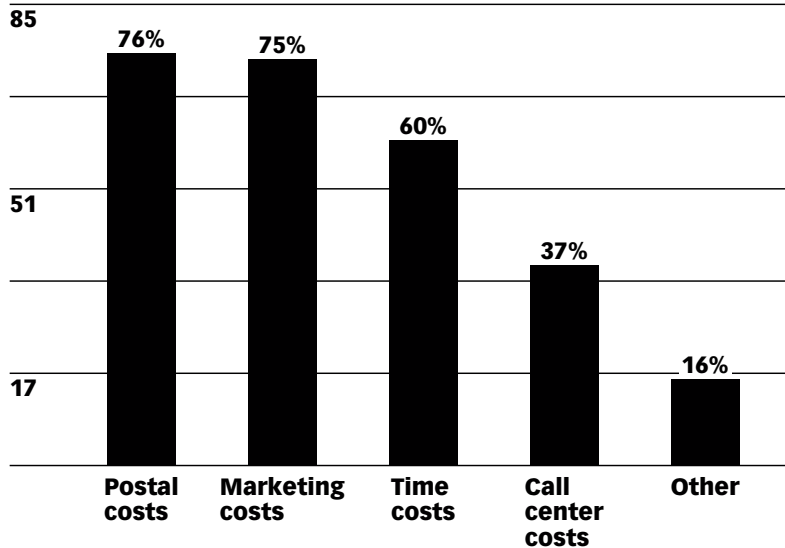
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Not only are individual e-mail costs low, they cut costs too. In the Association for Interactive Marketing survey, 76% of respondents said e-mail reduces postal costs, nearly the same as the 75% saying it cuts marketing costs. Time, too, is a major cost reduction, according to 60% of the AIM member companies that conduct e-mail campaigns.

Cost Savings Due to E-Mail Usage among US Companies, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns; multiple responses allowed

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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“Think of it as almost an enlightened self-interest. Good marketers share knowledge with their customers so their customers can enjoy the benefits.”

– Tim Sanders, chief solutions officer, Yahoo!

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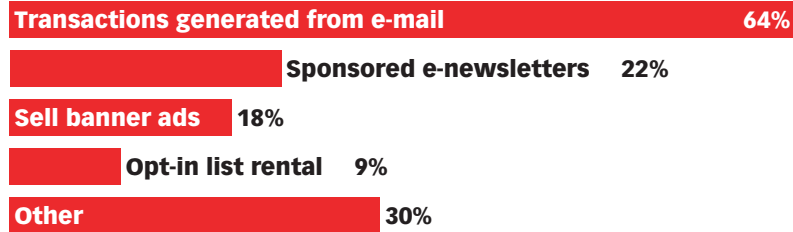
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Besides cutting costs, the main way all these e-mails increase the bottom line is through transactions generated by the messages, according to 64% of the AIM member companies. Advertising as part of the e-mail is another key revenue source for 40%, with 22% sending sponsored newsletters and 18% selling banner ads.

Revenue Generated through E-Mail Usage among US Companies, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns; multiple responses allowed

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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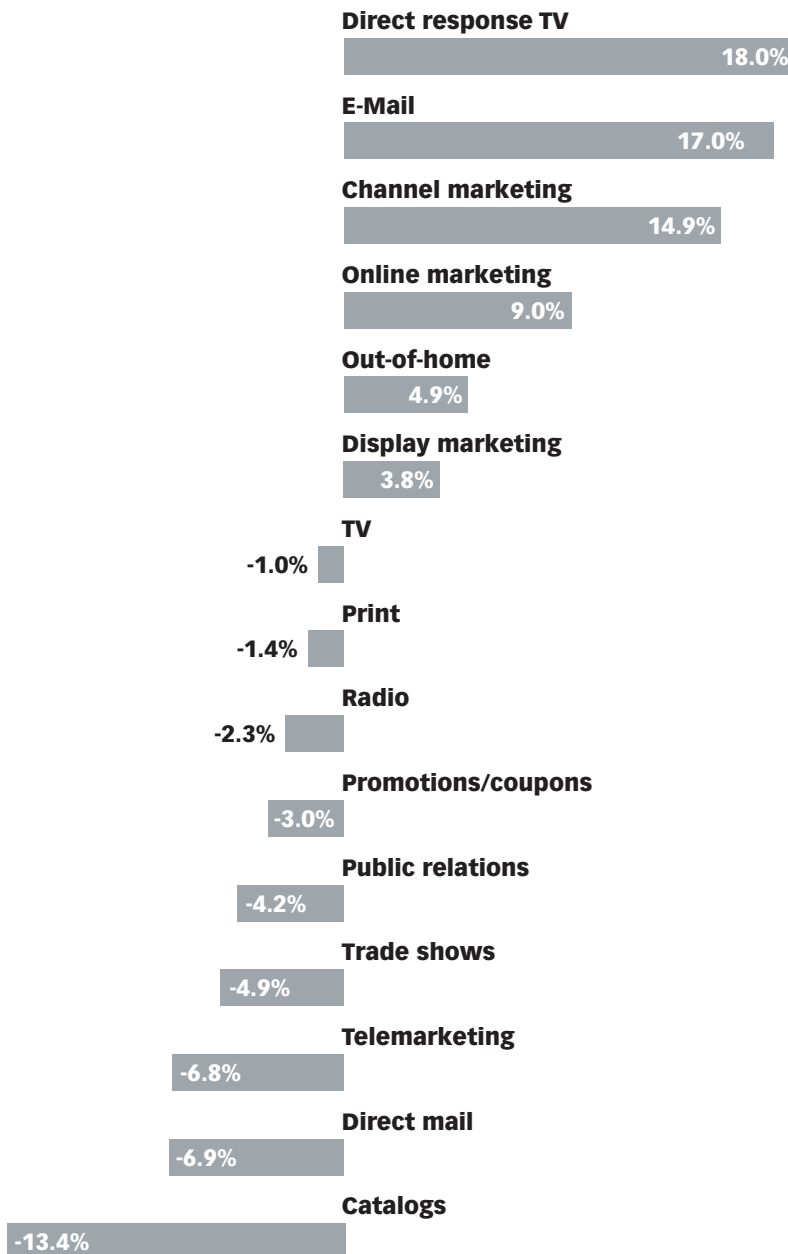
But since branding and customer loyalty are as much a part of the e-mail marketing equation as direct response transactions and selling ads, how e-mail generates revenues isn't the only worthy gauge.

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Budget Growth

The multiple uses for e-mail marketing and its fairly low costs contribute to its increase in budget allocations among US marketers, when compared with both traditional and interactive channels. According to DoubleClick projections, e-mail marketing budgets will increase by 17.0% in 2002—greater than online marketing excluding e-mail (at a 9.0% gain) or TV, print, and radio (all expected to decrease).

US Marketer Budget Allocation, by Channel, 2002 (as a % increase/ decrease vs. prior year)



Note: n=190

Source: DoubleClick, June 2002

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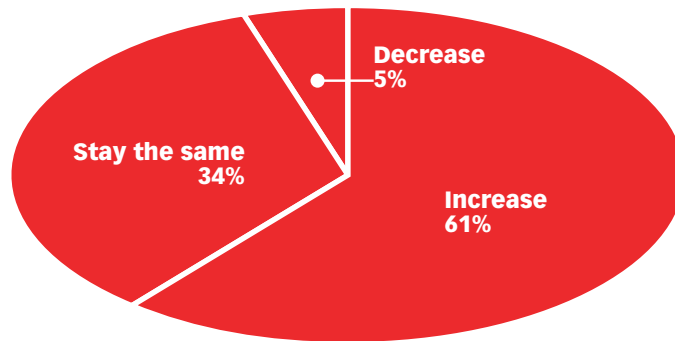
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DoubleClick also reports that 61% of marketers plan to increase their e-mail marketing budget in 2002, with only 5% intending to decrease it.

E-Mail Marketing Budget Growth among US Marketers, 2002 vs. 2001 (as a % of respondents)



Note: n=190

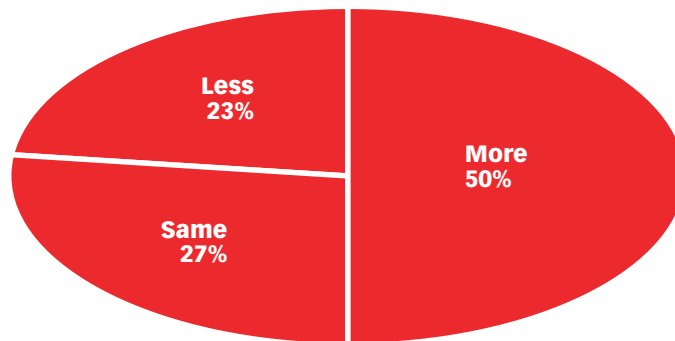
Source: DoubleClick, June 2002

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From the same DoubleClick study, compare that 61% e-mail increase with a 50% increase for US marketing budgets in general, both online and offline. This offers further evidence for the rising adoption of e-mail marketing.

Marketing Budget Growth among US Marketers, 2002 vs. 2001 (as a % of respondents)



Note: n=190

Source: DoubleClick, June 2002

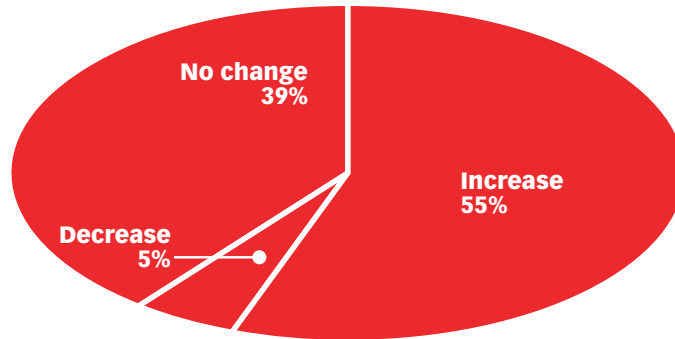
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Research from e-Dialog backs up the DoubleClick data, with 55% saying their companies will increase the e-mail marketing budget this year.

Change in E-Mail Marketing Budget among US Marketers, 2001 vs. 2002 (as a % of respondents)



Note: n=302

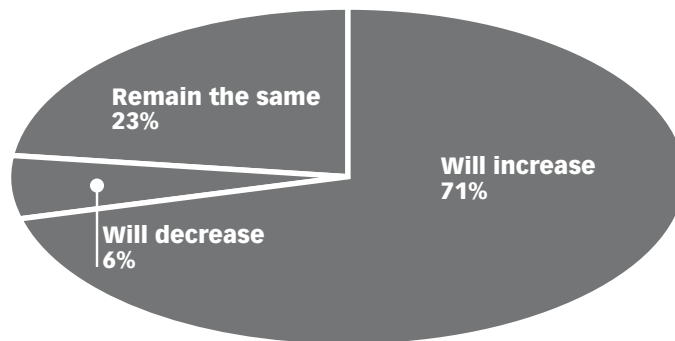
Source: e-Dialog, Inc., April 2002

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Marketers responding to a survey from the Association for Interactive Marketing—which looks not at spending per se, but at e-mail volume and frequency—are also optimistic, with 71% declaring they will increase e-mail communications with their customers in 2002. With a sample of 110 respondents, however, the AIM data represents a small universe.

Forecast for US B2C E-Mail Communications, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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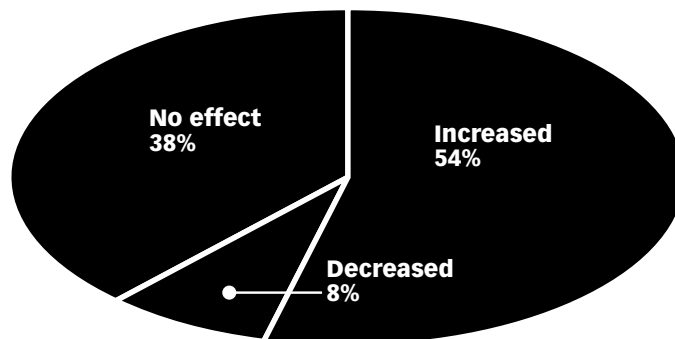
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"I know that this time last year everyone was talking about cutting budgets. This year everyone is talking about increasing budgets. Every one of our clients is spending more or talking about spending more. It's very encouraging."

– Clark M. Kokich, president, Avenue A

Even in the current down economy, 54% of respondents to e-Dialog's survey say they will increase their use of e-mail marketing this year. It's likely that relatively low costs of e-mail marketing trigger increase use in response to the current recession, as marketers seek cost-effective channels for their messages.

Effects of Down Economy on Use of E-Mail Marketing, 2002 (as a % of respondents)



Note: n=302

Source: e-Dialog, Inc., April 2002

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Another perspective from e-Dialog on US marketing budgets shows that in 2002, paper mail and e-mail garner the largest share of US marketing budgets, at 25.2% and 24.3%, respectively. And according to this source, a provider of e-mail marketing products, e-mail is the only marketing vehicle to increase its budget share from 2001 to 2002.

US Marketing Budgets, by Marketing Vehicle, 2001 & 2002 (as a % of overall budget)**Direct mail****E-Mail****Offline broadcast advertising (tv, radio, etc.)****Internet advertising (not e-mail)****Telemarketing****Other (events, sponsorships, etc.)**

■ 2001

■ 2002

Source: e-Dialog, Inc., April 2002

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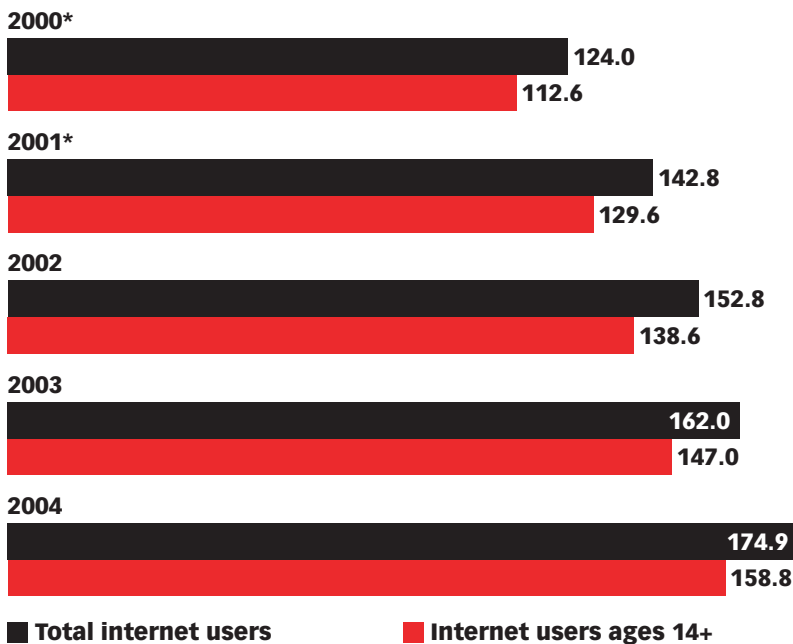
B. Users and Accounts

Despite the relative paucity of spending, e-mail is ubiquitous. First off, advertising is simply one component of marketing. In that light, however, e-mail offers the most malleable device in the online marketing toolbox. Companies send e-mails for direct-response goals and for branding campaigns, for one-time offers and for staying in touch, for event notifications and for detailed newsletters.

Secondly, because e-mail is fairly inexpensive compared to banner ads or sponsorships, for instance, the dollars spent on e-mail advertising and marketing understate its widespread use and impact. Actually, e-mail can be called the stealth vehicle of interactive marketing. Everyone uses it, marketers and consumers alike, but spending alone is an inadequate tool for measuring its magnitude.

The reasons for e-mail's rise are well known, but let's look at a few basics first. With the steady increase of US internet users, the penetration rate for the 14-plus group is expected to rise from 58.1% of that population slice in 2001 to 68.9% by 2004. That means nearly 160 million internet users will be available (if not always ready) for marketing by e-mail.

Total US Internet Users and Internet Users Ages 14+, 2000-2004 (in millions)



*Note: *eMarketer's year 2000 and 2001 baselines are from the International Telecommunication Union's estimate of internet users aged 2 years and older, who have accessed the internet within the previous 30 days; the age 14+ group represents roughly 90.75% of all US users according to the August 2000 US Department of Commerce survey*
Source: eMarketer, May 2002

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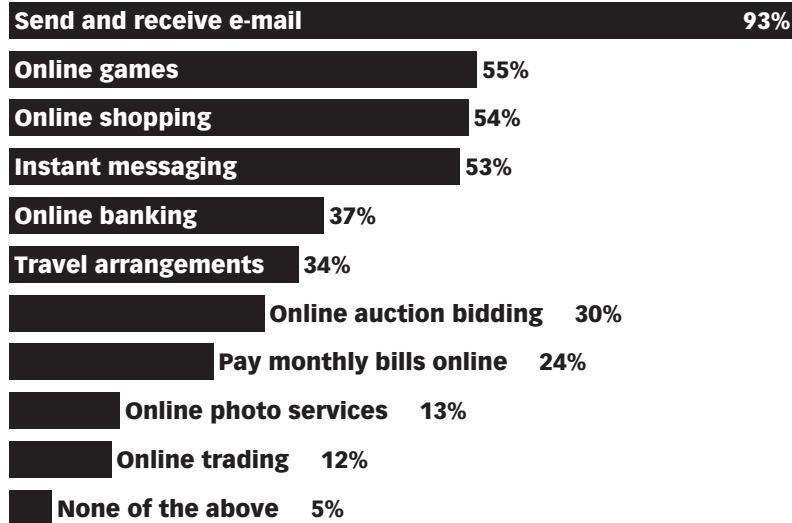
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E-mail's widespread application in marketing is predictable, since e-mail remains the single most popular activity online, it is the most likely e-place to connect with customers and prospects. According to the Yankee Group, 93% of US internet users at home sent and received e-mail weekly in 2001.

Weekly Online Activities of US Home Internet Users, 2001 (as a % of respondents)



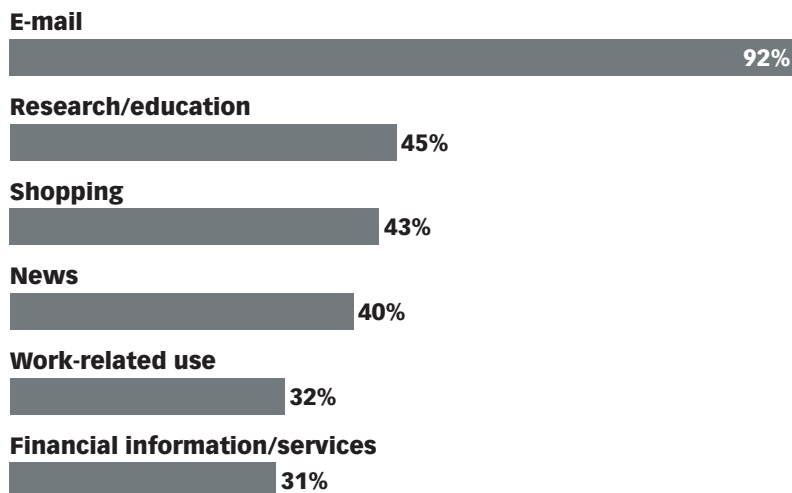
Source: Yankee Group, October 2001

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Another take on top online activities among US internet users in 2001 — this one from Scarborough Research—points to convergence, with 92% of US internet users e-mailing regularly.

Top 20 Internet Activities of US Internet Users, 2001 (as a % of internet users)



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Games



Local information



Purchase item or service



Sports scores/updates



Automobile information



Medical services/information



Other use



Job/employment search



Read a newspaper



Chat or community site



Listen to audio programming/radio station



Newspaper site



Real estate listings



Radio station site



Source: Scarborough Research, 2001

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One more study of most frequent online activities also puts e-mail on top, done by 84.0% of internet users ages 3-plus, according to the US Department of Commerce.

Top Five Activities of Americans Online, 2001 (as a % of internet users ages 3+)

E-mail	84.0%
Product/service information search	67.3%
News, weather, sports	61.8%
Playing games	42.1%
Product/service purchases	39.1%

Source: US Department of Commerce, February 2002

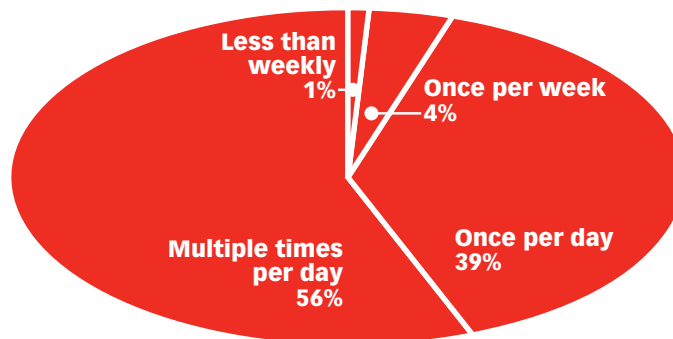
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E-mail's popularity extends beyond reach to frequency. Recent research from Pew Internet and American Life Project indicates that 52% of US internet users check e-mail each day (using a search engine, the second highest activity in terms of frequency, is done daily by 29% of Americans).

Internet users around the world also check their e-mail regularly, with 56% logging into their mailboxes several times each day, according to Opt-In News. When you factor in the once-per-day segment (at 39%), that means 95% of all e-mail users check their mailbox at least daily.

Frequency that Internet Users Worldwide Check E-Mail, Q1 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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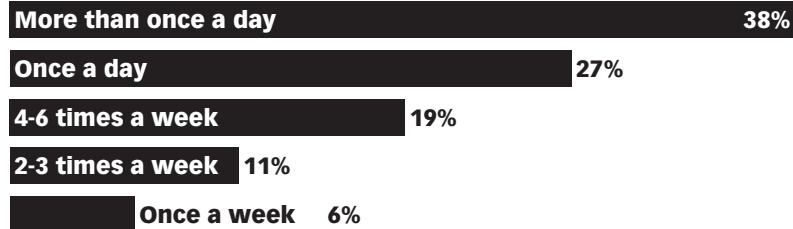
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Parallel research from IMT Strategies about e-mail usage, but just in the US, shows strong but lower frequency than the Opt-In News poll. According to IMT, 65% of users check their e-mail at least daily (since nearly all web users check e-mail as part of their online activities).

Frequency of Web and E-Mail Usage among US Internet Users, 2001 (as a % of respondents)



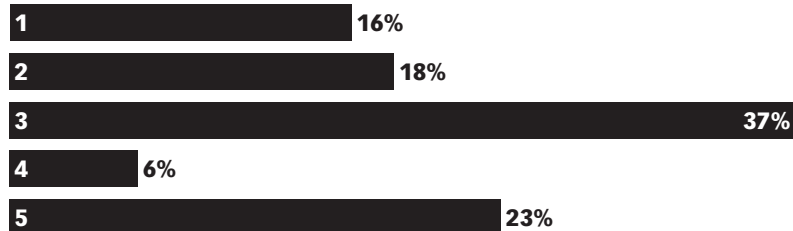
Source: IMT Strategies, September 2001

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Which account gets checked is another question. Some people use one e-mail address for their commercial contacts, and another for their personal posts. The same Opt-In News survey shows that 84% of internet users have two or more e-mail addresses, with the largest segment (at 37%) having three e-mail addresses—and a strong 66% have three or more addresses.

Number of E-Mail Addresses Held by Internet Users Worldwide, Q1 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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Another survey on number of e-mail addresses from Valentine Radford (a Kansas City advertising agency) and limited to the US shows that 45% of internet users have three or more addresses. The multiplicity of contact points creates a moving target for marketers.

Number of E-Mail Addresses Held by US Internet Users, 2002 (as a % of respondents)



Note: n=18,000

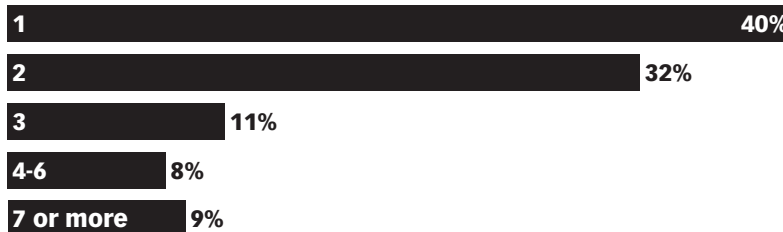
Source: Valentine Radford, April 2002

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A third survey from IMT Strategies indicates that 28% of US internet users have three or more active e-mail accounts. Perhaps IMT's lesser figure compared to those from Opt-In News and Valentine Radford is due to the "active" accounts in its description.

Number of Active E-Mail Accounts per US Internet User, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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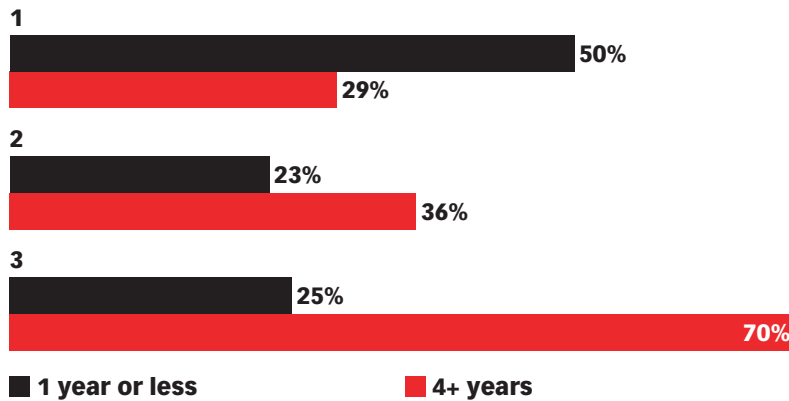
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Furthermore, the longer an internet user has been e-mailing, the more likely you'll find multiple addresses. For example, 70% of those who have been e-mailing for four or more years have three mailboxes, which is true for only 25% of those e-mailing for one year.

Number of E-Mail Addresses Held by US Internet Users, by Length of E-Mail Usage, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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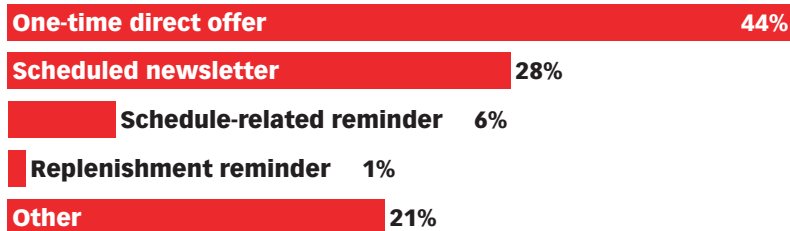
With multiple e-mail addresses, these long-time internet users may be moving targets for e-mail marketing, but they're also prime targets. These online old-timers tend to have higher incomes than the general population. In addition, they find greater comfort with making purchases online and are more receptive to well-crafted electronic appeals.

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C. E-Mail Marketing Models

One-time direct offers are the most common type of e-mail marketing model, 44% of US internet marketers told IMT Strategies last year. The recurring contact of a scheduled newsletter comes next on the list, at 28%, while 21% of those surveyed mentioned the ever-flexible “other” category. Those marketing e-mails include even common shipping notifications from e-commerce and direct-mail companies, simple branding tools that positively position a company in the consumer’s mind.

Types of E-Mail Marketing Campaign Models Used by US Marketers, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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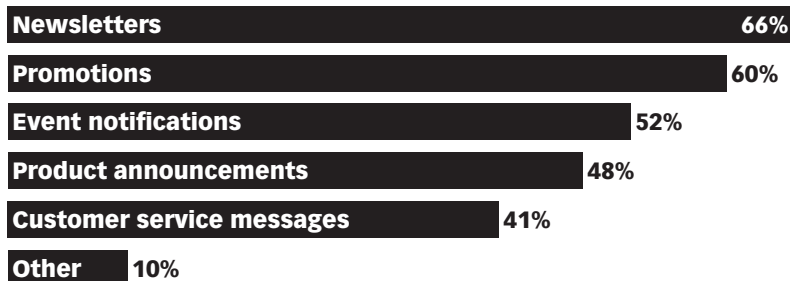
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“The [e-mail] newsletter is a relationship tool.”

– Bill M. Bass, senior vice president, Lands’ End (former analyst, Forrester Research)

Some more recent research, from e-Dialog, points to newsletters as the most common type of e-mail marketing, according to 66% of respondents. Promotions (which are typically one-time direct offers) are nearly as common at 60%.

Types of E-Mail Marketing Campaigns Used by US Marketers, 2002 (as a % of respondents)



Source: e-Dialog, Inc., April 2002

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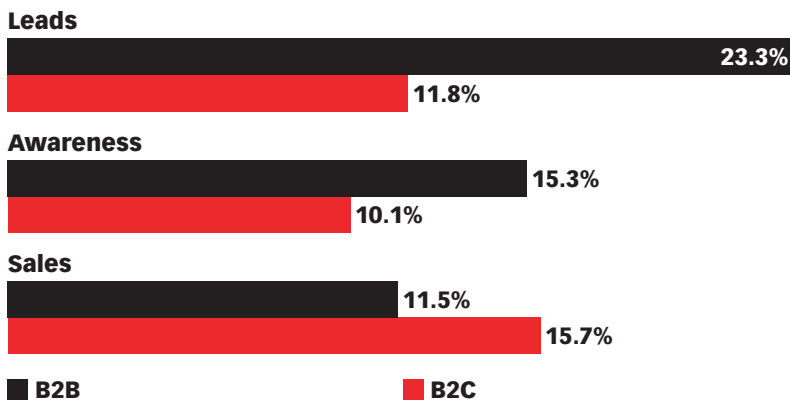
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D. Marketing Objectives

The objectives of those commercial e-mails vary by the intended segment. For instance, for business-to-business (B2B) purposes, fishing for leads (23.3%) and customer awareness (15.3%) are more viable campaign rationales than sales. The emphasis reverses for business-to-consumer (B2C) marketing e-mails, with the largest focus (15.7%) on sales. One reason for that is that a higher proportion of B2B sales—which occur typically over a longer time span than B2C sales and are for larger amounts of money—tend to occur offline.

Target Audience of US E-Mail Marketing Campaigns, by Campaign Objective, 2001 (as a % of respondents)



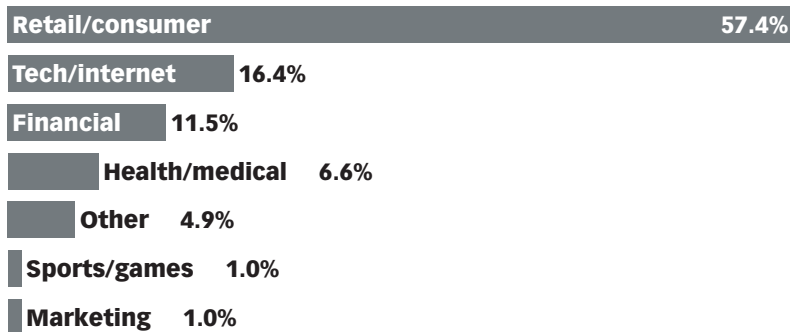
Source: IMT Strategies, September 2001

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Another take on e-mail marketing audiences comes from Opt-In News and Keaton Communications, which surveyed advertisers in the 4th quarter of 2001. The main focus of campaigns is the retail/consumer segment—far more than the other six segments combined.

Focus of US E-Mail Marketing Campaigns, by Industry, Q4 2001 (as a % of advertisers surveyed)



Source: Opt-in News, Keaton Communications, January 2002

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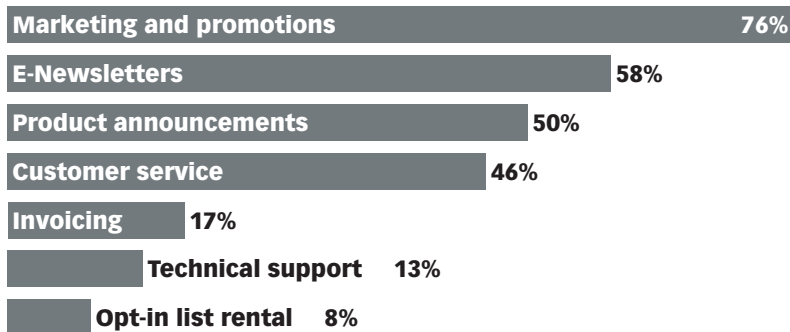
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“E-mail will drop as an acquisition tool, but it will become an important loyalty tool—a way to keep customer relationships growing deeper. If a brand holds up its end of the bargain by delivering value to its customers, those people will throw open their mailboxes. I think the power of e-mail is still very much untapped.”

– Laurie Coots, chief marketing officer, TBWA\Chiat\Day

In a survey from AIM, the more generalized category of “marketing and promotions” is cited by 76% of respondents as the main reason why their company sends e-mails to consumers. That could include the loyalty, acquisition and sales goals mentioned in the previous e-Dialog chart. Electronic newsletters, a prime e-mail tool for those same three goals, were the second-most cited reason (58%) for sending commercial e-mails.

Reasons US Companies Send B2C E-Mail, 2002 (as a % of respondents)


Note: n=110; responses from AIM member companies that conduct e-mail campaigns; multiple responses allowed
Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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E. Consumer Attitudes

However, when it comes to consumer attitudes toward commercial e-mails, time is not on the side of e-mail marketers—at least according to one Forrester Research study. Comparing figures from 2000 to 2001, you can see that for all the statements an e-mail marketer would consider positive (such as, “E-mail is a great way to find out about new products or promotions”), consumers agreed less in 2001 than in 2000. And for all statements an e-mail marketer abhors (such as, “I delete most e-mail ads without reading them”), consumer agreement grew from year to year.

That trend rings true both for e-mail newbies (online for less than one year) and old-timers (online four years or more).

US Consumer Attitudes towards E-Mail Marketing, by Length of Time Online, 2000 & 2001 (as a % of respondents)

	2000	2001
Consumers online for less than one year		
E-mail is a great way to find out about new products or promotions	54%	43%
I receive too many e-mail offers and promotions	33%	54%
Most e-mail ads I receive don't offer anything that interests me	36%	51%
I wish it were easier to unregister from e-mail offers	31%	44%
I read most e-mail ads just in case something catches my eye	60%	46%
I delete most e-mail ads without reading them	21%	36%
I often buy things advertised to me through e-mail	18%	6%
Consumers online four years or more		
E-mail is a great way to find out about new products or promotions	44%	34%
I receive too many e-mail offers and promotions	53%	64%
Most e-mail ads I receive don't offer anything that interests me	53%	64%
I wish it were easier to unregister from e-mail offers	45%	52%
I read most e-mail ads just in case something catches my eye	38%	35%
I delete most e-mail ads without reading them	39%	49%
I often buy things advertised to me through e-mail	15%	8%

Source: Forrester Research, October 2001

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In fact, when the same data is viewed through a different light, evaluating newbies versus old-timers in 2001 alone rather than year-to-year, you can see that the longer consumers go online, the less receptive they are to e-mail marketing. That disparity is true except in one category—buying things advertised through e-mail—and then only by a small 2-point margin.

US Consumer Attitudes towards E-Mail Marketing, by Length of Time Online, 2001 (as a % of respondents)

E-mail is a great way to find out about new products or promotions



I receive too many e-mail offers and promotions



Most e-mail ads I receive don't offer anything that interests me



I wish it were easier to unregister from e-mail offers



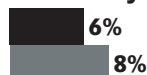
I read most e-mail ads just in case something catches my eye



I delete most e-mail ads without reading them



I often buy things advertised to me through e-mail



■ Less than one year

■ Four years or more

Source: Forrester Research, October 2001

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With all that, it's still instructive to remember that 43% of new online users think e-mail is a great way to find out about new products and services, and even one-third of experienced users feel the same way—both significant numbers.

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F. Why E-Mail? (Marketer Attitudes)

Why e-mail? Simply, it's inexpensive and effective.

Even with the fall-off of interest among more experienced users, the 50 US marketing managers interviewed by Forrester Research in 2001 believe e-mail to customers is the most effective marketing vehicle for driving customers to their websites—more so than direct mail, TV or radio. (Note that the least effective technique, e-mail to opt-in lists, refers to non-customers.)

Effectiveness* of Marketing Techniques Used by US Marketers, 2001 (as a % of respondents**)

E-mail to customers	4.1
Affiliate programs	3.8
Direct mail	3.4
Television	3.2
Public relations	3.1
Banners	2.8
Magazines	2.7
Sponsorships	2.7
Radio	2.6
Newspapers	2.6
E-mail to opt-in lists	2.5

*Note: *Respondents answered this question according to their definition of effectiveness - some track click-throughs, others track impressions or purchases. Effectiveness ratings represent average scores based on a scale of 1(poor) to 5(great); **50 marketing managers interviewed in 2001*
Source: Forrester Research, March 2001

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E-mail marketing effectiveness remains on top in 2002, at least according to 82% of respondents to the survey from e-Dialog (remember: a provider of e-mail marketing products). In contrast, internet advertising is considered least effective, at 42%—even less so than the scourge of the offline world, telemarketing.

Effectiveness of Marketing Vehicles for US Marketers, 2002 (as a % of respondents)

E-mail marketing

82%

Direct mail

80%

Other (e.g., sponsorships, events, etc.)

64%

Telemarketing

53%

Offline broadcast advertising (TV, radio, etc.)

49%

Internet advertising (not e-mail)

42%

Note: n=302; marketing vehicles ranked in top three for effectiveness by respondents

Source: e-Dialog, Inc., April 2002

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With such a strong upside to e-mail—by e-Dialog's lights, at least—you would think the majority of US marketers surveyed would find it a mainstream marketing vehicle. While true for 48% of respondents, a nearly equal amount (44%) are still testing whether e-mail should flow into the mainstream. (Note again e-mail marketing's universality: only 7% haven't tried it.)

US Marketers' Opinions Regarding E-Mail Marketing, April 2002

Mainstream marketing vehicle

48%

Still testing to see if it should be a mainstream marketing vehicle

44%

Not a mainstream marketing vehicle because tests did not work

1%

Still have not tried any e-mail marketing

7%

Source: e-Dialog, Inc., April 2002

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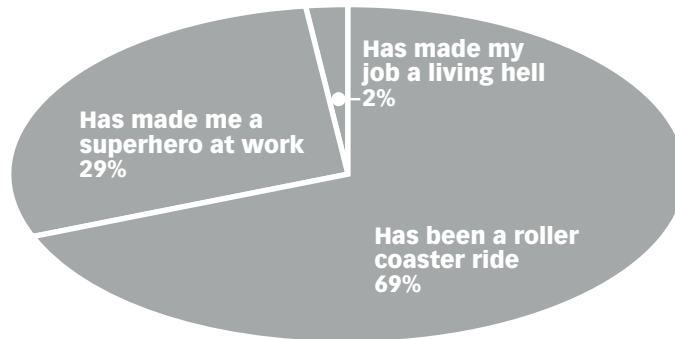
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In the end, the split between acceptance and testing reveals itself in how US marketers describe their e-mail marketing experience—a clear majority of 69% call it a “roller coaster ride.”

E-Mail Marketing Experience among US Marketers, 2002 (as a % of respondents)



Note: n=302

Source: e-Dialog, Inc., April 2002

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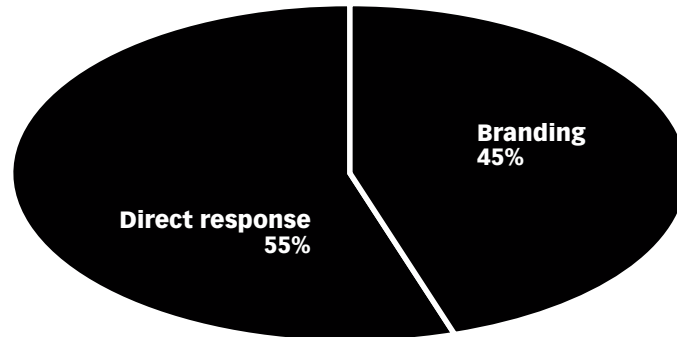
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According to the Direct Marketing Association (DMA), the primary objective of all advertising in the US is direct response, at 55% of spending, compared to branding at 45%. Not to say that the DMA analysis is incorrect, but consider the source. And consider, too, that while the initial push for internet advertising was for direct response, the current online trend is toward branding.

US Advertising Spending, by Marketing Objective, 2001



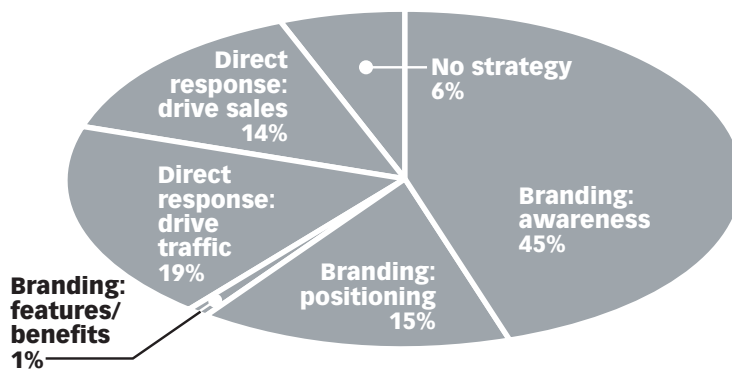
Source: Direct Marketing Association, September 2001

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The move toward branding online comes up in research from AdRelevance, which shows 61% of marketing executive respondents mentioning some aspect of branding as their main online advertising strategy. That figure breaks down to 45% saying “branding awareness,” 15% mentioning “branding positioning,” and 1% “branding features/benefits.” In contrast, 33% said that some form of direct response was the point of their online advertising, with driving traffic to a website at 19% and driving sales at 14%.

Advertising Strategies among Online Marketers: Branding vs. Direct Marketing, 2001



Source: AdRelevance, 2001

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“E-mail is the dye in the bloodstream that teaches us that our e-marketing, online marketing, or marketing processes in general are screwed up. Because it’s easy, ubiquitous, and it flows through all the units, e-mail is almost an analogy for what we might call multi-channel marketing processes.”

– Stephen Diorio, president, IMT Strategies

When the universe expands from advertising alone to marketing, but contracts from all vehicles to e-mail alone, the direct-response/branding balance shifts to a classic multiple-choice answer: all of the above. That is, US marketers consistently ranked e-mail marketing high for reaching all marketing goals, whether direct response’s new leads (65%) or branding’s awareness (55%).

E-Mail Marketing Objectives among US Marketers, 2002 (as a % of respondents)

New leads	65%
Information	55%
Retention	55%
Awareness	55%
Immediate sales	53%
Upselling	51%

Note: n=190; multiple responses allowed

Source: DoubleClick, June 2002

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That online marketing can play either a branding or direct-response game is no longer truly a question. How best to use e-mail for your company’s marketing goals, however, remains a question for many.

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A. Direct Response

The three kings of direct response are acquisition, retention and conversion. When US direct marketers look at interactive media, the main benefit they see, according to 61% of respondents, is acquisition—the ability to reach new customers or customer segments. The DMA's fifth annual "State of the E-Commerce Industry Report" also shows that the desire for greater visibility (47%) and new business opportunities (46%) are two more benefits seen for digital media.

Benefits of Interactive Media for US Companies, 2001 (as a % of respondents)

Ability to reach new members/segments

61%

Greater visibility

47%

New business opportunities

46%

Cost savings

43%

Better customer service

41%

Increased revenues

31%

Learning/education

23%

Access to new business information

23%

Time savings

22%

Business systems integration (accounting, fulfillment, etc.)

8%

More competitive bids among vendors

4%

*Note: n=117**Source: Direct Marketing Association, April 2002*

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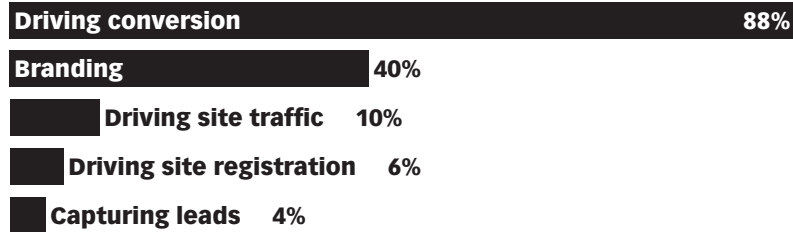
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While acquisition may be digital marketing's main benefit, the bottom line is the main line of US digital marketing campaigns, according to Forrester Research. In a poll completed last fall, 88% of respondents cited driving conversion as their goal. In contrast, branding was mentioned as a goal by 40% of the marketers surveyed.

Goals of US Digital Marketing Campaigns, 2001 (as a % of respondents*)



Note: *based on the responses of 50 US marketers (multiple responses accepted)

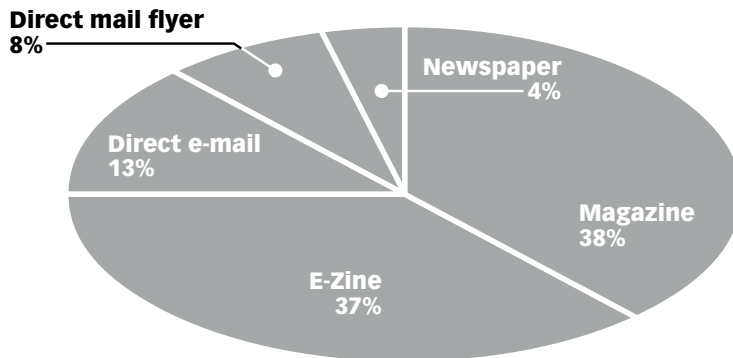
Source: Forrester Research, October 2001

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The marketing media most employed to increase online conversions are magazines and e-zines (or e-mail newsletters), at 38% and 37% of respondents respectively, according to Opt-In News. Next to the higher engagement of targeted publications, direct e-mail (at 13%) or direct paper-mail flyers (at 8%) are less used media.

Marketing Media Used to Increase Consumer Purchasing of Products or Services Online Worldwide, 2001 (as a % of respondents)



Source: Opt-In News, May 2002

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Two steps toward conversion are getting new customers and then keeping them. The top three online tools US direct marketers find effective for acquisition include search engine positioning (94%); reciprocal ads, links and the like (91%); and referral or viral-marketing programs (85%). Advertorials, at 82%, were another highly cited acquisition tool. Note that the content of many e-mail newsletters could be seen as a form of advertorial.

Customer retention demands different tools. That's where e-mail marketing shines, according to the DMA, with 63% of the respondents making it the main online media choice for keeping customers.

Online Marketing Methods US Companies Have Used and Found Effective for Customer Acquisition and/or Retention, 2001 (as a % of respondents)

	Acquisition	Retention
Search engine positioning	94%	6%
Reciprocal ads, links/static banner ads, links	91%	9%
Referral/viral programs	85%	15%
Online PR	74%	26%
Affiliate programs/sponsorships	75%	25%
Advertorials	82%	18%
Incentive programs	51%	49%
E-Mail marketing	37%	63%

Note: n=247

Source: Direct Marketing Association, April 2002

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"On average, it is five times more expensive to acquire a new customer than retain an existing customer."

– Harry Watkins, analyst, Aberdeen Group

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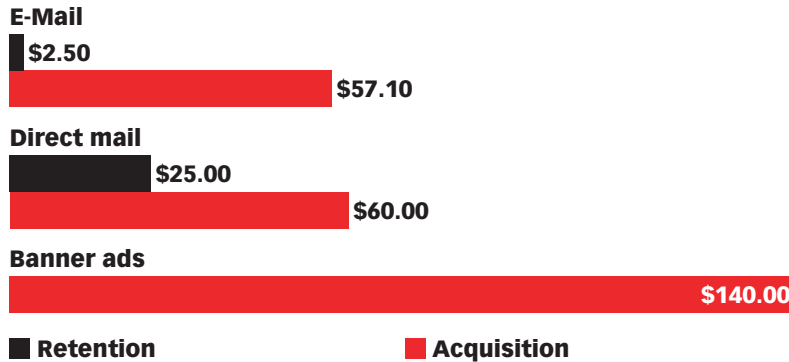
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The costs for conversion vary considerably by vehicle and by focus, depending on whether the goal is retention (using in-house lists) or acquisition (using third-party lists). According to research from IMT Strategies, e-mail conversion costs are substantially cheaper for retention purposes (\$2.50) than acquisition (\$57.10). And e-mail is more cost effective than paper direct mail for either purpose.

US Advertising Conversion Costs for Retention and Acquisition Goals, by Online and Offline Media, 2001



Source: IMT Strategies, September 2001

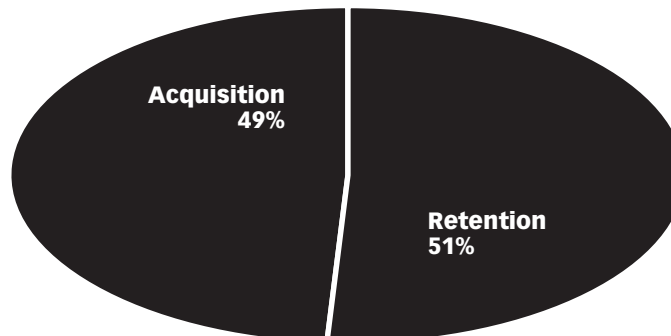
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E-Mail for Direct Response

The personal, one-to-one nature of e-mail lends itself well to direct response. The campaign focus splits almost evenly between retaining existing customers and acquiring new prospects, at 51% to 49%, respectively, according to a study from IMT Strategies last year.

US E-Mail Marketing Campaign Goals, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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In fact, when compared to offline direct-response vehicles such as telemarketing and self-mailers, e-mail is the medium marketers prefer for both retention (at 90% of respondents) and prospecting (or acquisition, at 52%), according to *Direct Magazine*.

Medium Direct Marketers* are Using for Retention and Prospecting, 2001

E-Mail



Telemarketing



Postcards and self-mailers



■ Retention

■ Prospecting

Note: *Based on the response of direct marketers who are cutting back on standard 'A' mail.

Source: *Direct Magazine*, November 2001

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Budgetary allocations among US marketers may (or may not) back up those e-mail-focused responses. According to e-Dialog, while 38% plan to devote 26% or more of their budgets to e-mail marketing in 2002, 41% look to spend the same budgetary proportions on direct-mail marketing.

Percent of US Marketers' Budgets Allocated to Direct Mail and E-Mail Marketing, 2002 (as a % of respondents)

Percent of marketing budget	Direct Mail		E-Mail	
	2001	2002	2001	2002
Less than 1%	20%	21%	19%	9%
1%-10%	10%	11%	24%	21%
11%-25%	27%	27%	32%	32%
26%-50%	20%	21%	11%	20%
51%-75%	14%	14%	9%	12%
76%-100%	9%	6%	5%	6%

Note: n=302

Source: *e-Dialog, Inc.*, April 2002

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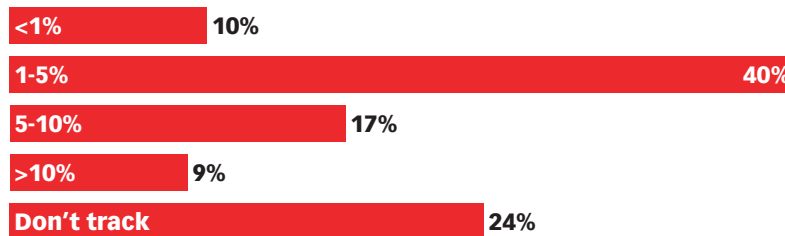
Meanwhile, the e-Dialog survey indicates that the average conversion rate for e-mail marketing campaigns in the US hovers from 1% to 5% (for 40% of respondents), less than 1% (for 10%), or are 5% or greater (for 26%). Amazingly, nearly one-quarter of respondents don't bother to track their conversion rates.

“E-mail has made direct marketing a better, faster and cheaper way for marketers to do business. I think in terms of response rate, the jury is still out. E-mail has been a great way to get leads in the door, but less effective in getting people to make a purchase.”

– Rosalind Resnick, former CEO, NetCreations

Note, too, that for e-mail marketing, “conversion” refers to getting the targeted individual to take some kind action with the e-mail. In this context, action could mean filling out a registration form, signing up for a newsletter, or—the ultimate conversion—making a sale.

Average Conversion Rate for E-Mail Marketing Campaigns in the US, 2002 (as a % of respondents)



Source: e-Dialog, Inc., April 2002

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When conversion is defined as registration, rather than the all-encompassing average rate shown above, the numbers increase. According to 46% of the respondents in the Opt-In News study, the conversion rate runs from 6% up to 25% when registration is the e-mail marketing goal.

B2C Conversion Rate for a Registration from an E-Mail Marketing Campaign in the US, 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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As might be expected, rates drop when purchase is conversion's goal. Again from the Opt-In News survey, 86% of respondents say the conversion rate for e-mail marketing purchases is between 1% and 5%. With purchases as the ultimate (and therefore most difficult) conversion, it would have been more useful to see that 5-point conversion rate broken out point-by-point.

B2C Conversion Rate for a Purchase from an E-Mail Marketing Campaign in the US, 2002 (as a % of respondents)



Source: *Opt-In News*, May 2002

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"The days of the e-mail hyperlink quickie sale are severely numbered."

—Laurie Coots, chief marketing officer, TBWA\Chiat\Day

When the conversion rate focuses on existing customers, for retention campaigns to in-house lists, the average figure for e-mail is only 3.7%, according to 50 e-mail marketing managers surveyed by Forrester Research last year.

North American E-Mail Marketing vs Direct Mail Retention Costs, 2001

	Cost per thousand (CPM)	Click-through rate (CTR)	Conversion rate	Cost per sale
E-mail to in-house list	\$5	15%	3.7%	\$1
Direct mail to in-house list	\$761	N/A	3.9%	\$20

Source: *Forrester Research*, August 2001

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From the consumer point of view, three key factors induce them to respond to an e-mail offer: knowledge and trust, relevancy, and good prices. Most important is knowing and trusting the company that sent the e-mail. This points to the importance of permission-based e-mail marketing.

Top Reason Why US Internet Users Respond to E-Mail Offers, 2001 (as a % of respondents)

Know and trust

34%

Relevant

20%

Good price

19%

Friend recommended

13%

Price/coupon/reward

5%

Timely

3%

Compelling subject

2%

Entertaining

1%

Source: IMT Strategies, September 2001

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Another factor that induces e-mail users to convert by purchasing is broadband access. Among US broadband users, 46% responded to an e-mail promotion in the six-month period prior to March 2002, according to BroadJump and Mindwave Research.

Percent of US Broadband Users that Purchased a Product Following a Promotion in the Past Six Months, by Channel, 2001

E-mail

46%

Direct mail

34%

Internet ad pop-up

11%

Telephone

8%

None

44%

Note: n=1046

Source: BroadJump/Mindwave Research, March 2002

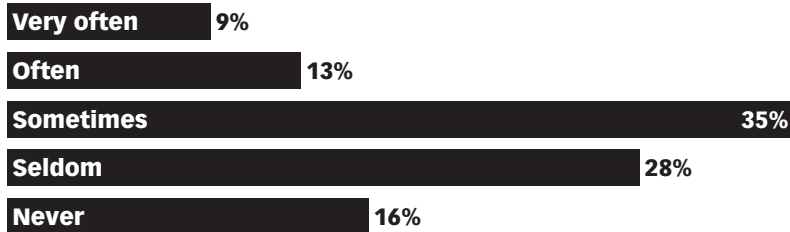
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Still another e-mail conversion tool, one that typically combines online with offline, is coupons. Targeting is important here—matching need and timing with the customer—which is probably why a low (but reasonable) 22% of consumers use coupons often or very often, according to Valentine Radford, a Kansas City-based ad agency.

Use of Coupons Received via E-Mail Marketing in the US, 2002 (as a % of respondents)



Note: n=18,000

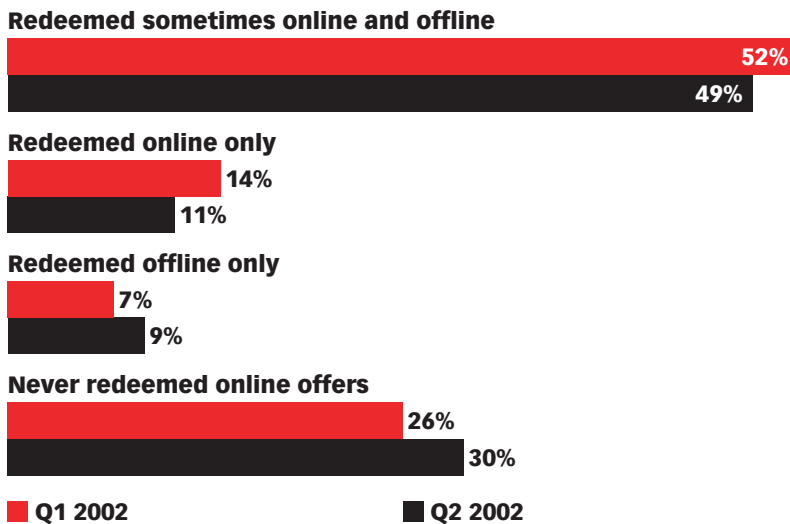
Source: Valentine Radford, April 2002

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With the majority of online offers redeemed sometimes online, sometime offline, e-mail coupons work well in a cross-channel marketing strategy, since such offers often drive consumers to a website or retail store.

How US Consumers Redeem Coupons Received Online, 2002 (as a % of respondents)



Note: Numbers may not add up to 100% due to rounding

Source: Valentine Radford, July 2002

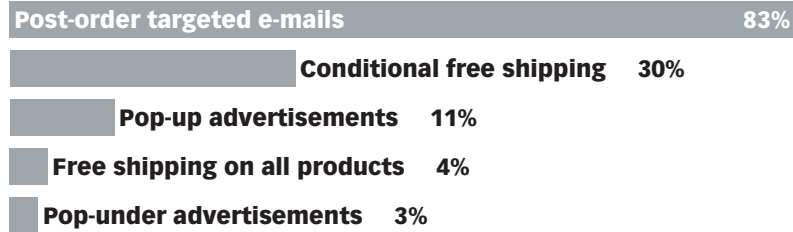
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Still another retail website promotional strategy employs post-order targeted e-mails, done by 83% of the sites surveyed by the DMA's e-tailing group. At this point, direct response and branding goals start to blend, since such targeted e-mails might include a special offer, but might also just connect with the consumer and reinforce the brand's message.

US Retail Websites' Promotional Strategies, Q4 2001 (as a % of websites surveyed*)



Note: *100 websites surveyed; multiple responses allowed

Source: Direct Marketing Association/the e-tailing group, January 2002

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Finally, another reason e-mail is winning a place over traditional direct mail is speed: a 3-day response time compared to 3 to 6 weeks, according to compiled data from the DMA, Forrester and Gartner.

Response Time and Cost per Unit, E-Mail vs. Direct Mail in the US, 2002

	E-Mail	Direct mail
Response time	3 days	3 to 6 weeks
Cost per unit	\$0.25	\$1.25

Source: Direct Marketing Association, Forrester Research, Gartner Group, 2002

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The Right Target: Segmentation & Personalization

Without proper targeting, direct response e-mail turns scattershot, wasting money and reducing the ROI. BusinessWeek Online reports that according to AMR Research, “finely targeted e-mail marketing campaigns can garner 7 to 12 times the response rate of comparable snail-mail direct-marketing efforts. At times, the response rate can be sky-high.”

Part of “finely targeted e-mail marketing campaigns” lies in developing a strong permission marketing program. It just makes sense. When you communicate with people who have already expressed interest in what you have to say, they have identified themselves as proper targets—self-segmented so to speak—and you will see a higher response rate and return on your investment.

Following detailed measurement standards, more reliable targeting was next-most cited as an important method for increasing online advertising’s effectiveness, mentioned by 63% of US advertisers surveyed by I/PRO.

US Advertisers' Suggested Methods for Increasing the Effectiveness of Online Advertising, 2001 (as a % of respondents)

Measurement standards

72%

More reliable targeting

63%

Improved advertising formats

48%

Greater trust in the information provided by websites to advertisers

44%

Lower costs

27%

Greater internet traffic

11%

Source: I/PRO, January 2002

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Direct marketers see purchase history as the key segmentation factor for customers online and off, at 62% and 72%, respectively. E-mails from Amazon.com to its customers deftly use purchase history when they say things like, “Since you bought a novel by Stephen King, you might want to buy a new thriller by Dean Koontz.”

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To target online customers, US direct marketers use segmentation by location (using zip codes) and by demographics (such as income and age) nearly as much as they do purchase history.

US Companies Who Use Segmentation Techniques on their Customer Files for Online and Offline Customers, 2001 (as a % of respondents)

Segmentation factor	Online customers	Offline customers
Purchase history	62%	72%
Location/zip code	60%	68%
Demographics (e.g., income and age)	58%	65%
Lifestyle/hobbies/interests	37%	35%

Note: n=151

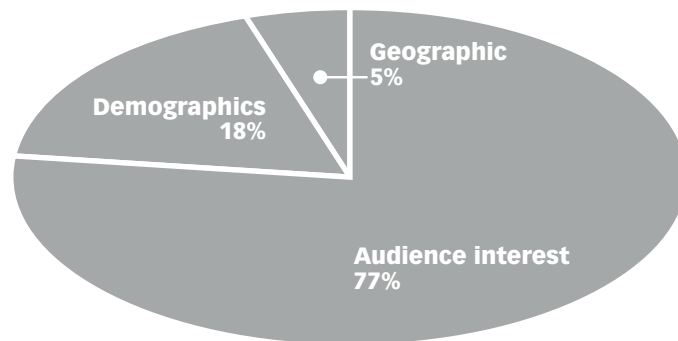
Source: Direct Marketing Association, April 2002

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Narrowing the focus to e-mail marketing campaigns, the main way B2C marketers profile consumers is by audience interest (which could include purchase history), cited by 77% of the respondents to an Opt-In News survey. Location and demographics are applied far less frequently, according to this data.

Profiling Methods Used for B2C E-Mail Marketing Campaigns by US Media Buyers, Q1 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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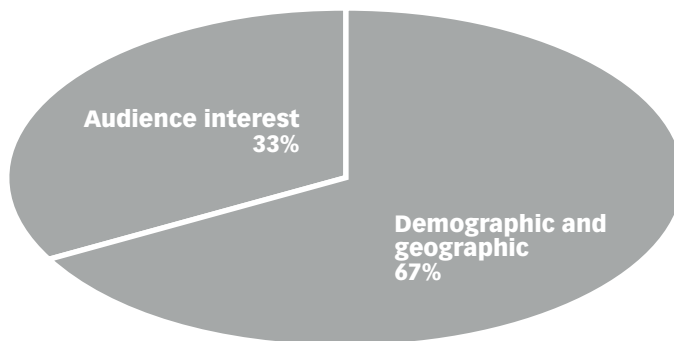
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However, when the e-mail marketing audience switches to other businesses, the profile method most used is a combination of demographics and location, according to 67% of respondents.

Profiling Methods Used for B2B E-Mail Marketing Campaigns by US Media Buyers, Q1 2002 (as a % of respondents)



Source: *Opt-In News*, May 2002

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Nearly one-half of US e-mail marketers currently use geographics and basic demographics for targeting, at 47% and 48% of respondents, respectively. However, the IMT Strategies research indicates that only about one-third (32%) make account history part of their targeting quiver.

Personalization and Targeting Capabilities Used by US E-Mail Marketers, 2001 (as a % of respondents)

Click-stream analyses



Account history



Scheduled events



Customer-triggered events



Geographics



Basic Demographics



■ Plan to use

■ Currently use

Source: IMT Strategies, September 2001

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After the accurate audience is segmented from the whole, personalization techniques more finely tune the approach to the target. "Personalization now includes anything from a simple mail merge to extending specific sales and promotional offers based on extensive customer profiling," according to CRM Daily. "That broad definition, at the very least, can confuse corporate decision-makers. Still, the lure of personalization is undeniable."

**"People think relevance is personalization.
Relevance is also timing and sequencing."**

– Stephen Diorio, president, IMT Strategies

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Positive views of personalization among internet users contribute to the sharp uptick in the worldwide market, growing from about half a billion in 2001 to more than \$2 billion by 2006, according to Datamonitor.

Personalization Market Worldwide, 2001 & 2006 (in billions)

2001	\$0.524
2006	\$2.1

Source: Datamonitor, August 2001

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Taking a quick look at personalization by vertical markets, among US consumer goods companies, the most-used e-business application in 2002 is personalization, according to 32% of the respondents to a Cap Gemini Ernst & Young survey. And when you add projections for 2003 and 2004, personalization remains top priority.

US Consumer Goods Companies' Planned Deployment of E-Business Applications, 2002-2004 (as a % of respondents)

Personalization for customers and employees



Web-enabled order/shipment status checking



Exception-based processing, messaging and workflow



Transportation management system



Real-time integration of website with ERP and WMS



Near real-time inventory available/capable to promise



Decision support/executive information systems



Supplier relationship management and private web linkages



Advanced warehouse management (AWMS)



Collaborative planning, forecasting and replenishment (CPFR)



■ 2002

■ 2003/2004

Source: Cap Gemini Ernst & Young, 2001

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Specific research indicates that US e-mail users like personalization. When they tell their side of the story, all forms of personalization come out generally positive, or at worst neutral, as shown in the two 5-point ratings charts (with 5 as “very positive” or “strongly like”) below.

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According to Quris—a self-described “e-mail solutions agency”—the most popular personalization model is customizable content (4.2).

US E-Mail Users' Preferred E-Mail Marketing Personalization Models, Q1 2002 (based on a 5-point scale*)

Customizable content	4.2
Personalized name	3.9
Demographic targeting	3.7
Reminders	3.6
Human sales representatives	3.5
Geographic targeting	3.5
Account summary	3.4
Targeted by site purchase history	3.3
Targeted by content history	3.3

Note: n=1,256; *preference rated on five-point scale where 5 is “very positive” and 1 is “very negative”

Source: Quris/Executive Summary Consulting, May 2002

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The similar chart from IMT Strategies also points to the preference for customizable content and name recognition (both at 3.54). However, the top preference of communication control (3.70) can be seen as a warning flag. US e-mail users want to decide issues such as when and how often they’ll receive messages from companies. Give them that choice, and you’ll likely establish better relations.

US E-Mail User Personalization Preferences, 2001 (average score on a 5-point scale*)

Communication control	3.70
Self-select content	3.54
Name recognition	3.54
Account history	3.47
Geography	3.26
Purchasing behavior	3.25
Personal events	2.91
Lifestyle	2.90

Note: *rated on 5-point scale, with 1 as “strongly dislike” and 5 as “strongly like”

Source: IMT Strategies, September 2001

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Those US consumers who value personalization (called “personalizers” in the Cyber Dialogue chart below) are more likely to spend more money online and pay for online subscriptions than do those who don’t value personalization (called “non-personalizers”).

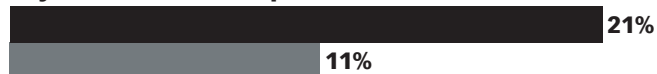
While 28% of personalizers spent more than \$2,000 online in 2000, only 18% of non-personalizers did. And personalizers are nearly twice as willing to pay for online subscriptions.

Online Spending Habits of US Consumers Who Value Personalization Features, March 2001 (as a % of consumers surveyed)

Spent more than \$2,000 online in 2000



Pay for online subscriptions



■ 'Personalizers'

■ 'Non-personalizers'

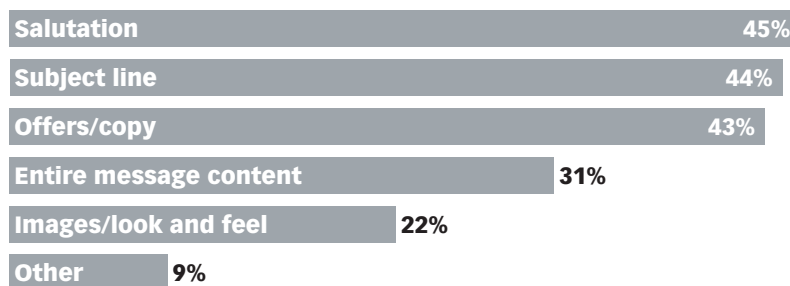
Source: *Cyber Dialogue, The Personalization Consortium, 2001*

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From the marketer perspective, name recognition, variable subject lines and special offers are the three main paths to personalizing an e-mail marketing campaign. However, only 31% of respondents to an e-Dialog survey offer something consumers consider important: self-selected (customized) message content.

How US Marketers Personalize E-Mail Marketing Campaign Messages, 2002 (as a % of respondents)



Source: *e-Dialog, Inc., April 2002*

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The targeting aspect of personalization varies depending on form. The chart below from IMT Strategies suggests that e-mails personalized using geographic factors produce higher click-through rates relative to other forms. And when conversion is the goal, marketers get higher rates using account history for personalization.

Response Rates for US E-Mail Marketing Campaigns, by Personalization Features, 2001 (as a % of respondents)

Geography



Click-stream analysis



Customer-triggered events



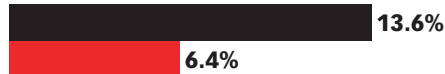
Demographics



Account History



Scheduled events



■ Click-through

■ Conversion

Source: IMT Strategies, September 2001

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And among US retail websites that proffer personalization features, e-mail newsletters or updates are highly popular, offered by 91% of the 100 sites reviewed.

US Retail Websites that Offer Personalized Features, Q4 2001 (as a % of websites reviewed*)

Offer some degree of personalized 'My Account' features	92%
E-Mail/newsletter updates	91%
Exclusive sales/offers	80%
Order history/status	78%

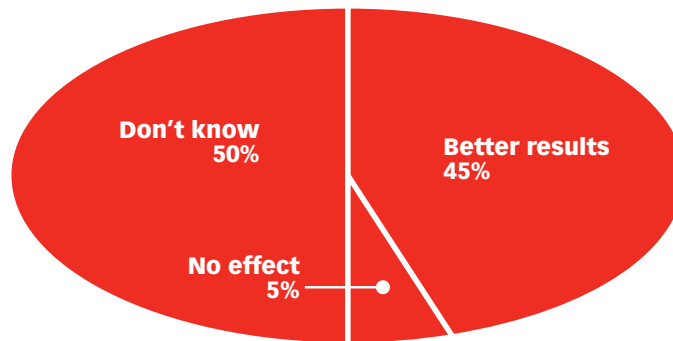
*Note: *100 retail websites reviewed; multiple responses allowed
Source: the e-tailing group, November 2001*

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The same survey cited above from e-Dialog offers unexpected results about how marketers view the effects of personalization on e-mail campaigns. No one thought it gave worse results, while 45% perceived better results. Still, with 50% of respondents unsure, that is an indicator that e-mail marketers are failing to fully measure their marketing.

Effects of Personalization on E-Mail Marketing Campaign Results, 2002 (as a % of respondents)



*Note: n=302
Source: e-Dialog, Inc., April 2002*

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Finally, recent data from Yesmail, an e-mail services company, points directly to those better results. The analysis of more than 90 million messages indicates that the more personalization elements embedded into a marketing e-mail, the greater the response rate. Such elements include name, purchase history with the company and other details. Responses include actions such as click-throughs, registration and purchases.

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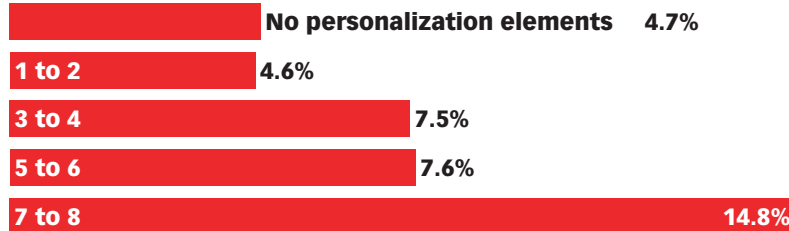
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According to Yesmail, while 3 to 6 personalization elements will elevate the response rate from 4.7% to the 7.5% to 7.6% range, upping the elements to 7 or 8 will nearly double the rate to 14.8%.

E-Mail Marketing Response Rates, by Number of Personalization Elements, 2002



*Note: based on analysis of more than 90 million messages
Source: Yesmail, July 2002*

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The push-pull between segmentation and personalization is a case of marketers knowing they need to target but not always knowing how selective that targeting must be. Eric Schmitt, a senior analyst at Forrester Research, “believes that many businesses would benefit greatly from focusing on segmentation, rather than the complexities of personalization,” reports CRM Daily. “Personalization can include long sets of rules that ‘are not comprehensible to mere mortals,’ Schmitt said. ‘For a lot of companies, segmentation would be a win. Eighty percent of value comes from breaking the base down to 10 segments, instead of an infinite number of segments.’”

And yet, combine a finely honed permission-based e-mail database with the near universally appreciated nature of personalization among US consumers, and the potential for strong response rates rises accordingly.

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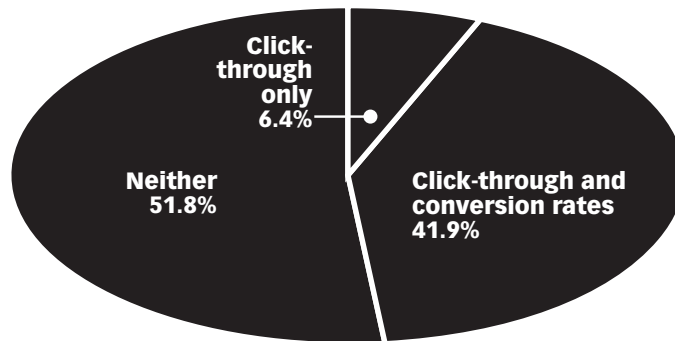
Measuring Direct Response

Without both the tools and the initiative to measure a direct-response e-mail campaign's results, all the acquisition, retention and conversion in the world is much like the a three-legged horse galloping—moving forward but stumbling at the same time.

How effective was the campaign? How much did it cost? How much did you make? These questions are basic to much of marketing both online and offline.

And yet, as was noted above, 50% of marketers don't know the effect of personalization on their e-mail campaigns, according to e-Dialog. Furthermore, that's why the following chart is very scary. With 51.8% of US marketers not able to report any e-mail campaign performance metrics, IMT Strategies writes how those "findings indicate that marketers [are] not taking advantage of a wide range of measurement tools that provide detailed tracking and measurement for e-mail campaigns within hours of execution."

US Marketer Ability to Report E-Mail Campaign Performance Metrics, 2001 (as a % of respondents)



Note: figures total more than 100% due to rounding

Source: IMT Strategies, September 2001

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"Advertisers are prisoners of their metrics."

– Nick Nyhan, president, Dynamic Logic

Only 34% of US direct marketers measure the effectiveness of interactive media, according to DMA's data.

US Direct Marketers Who Measure the Effectiveness of Their Interactive Media Campaigns, 2001 (as a % of respondents)

Measure effectiveness	34%
Do not measure effectiveness	66%

Note: n=235

Source: Direct Marketing Association, April 2002

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In a cross-channel survey by DoubleClick, it appears that US e-mail marketers measure results more often than other online marketers. That is, 60% of e-mail marketers use some kind of measurement tools, while that's true for 56% of other online marketers. The e-mail figure beats out such established marketing media as print, direct mail, radio and catalogs.

Channels for Which US Marketers Have Measurement Tools in Place, 2002 (as a % of respondents)

TV	65%
Promotions	63%
Direct response TV	63%
E-Mail	60%
Print	59%
Online (excluding e-mail)	56%
Telemarketing	55%
Direct mail	55%
Channel marketing	49%
Out-of-home	46%
Trade shows	46%
Radio	43%
Catalogs	41%
Retail displays	40%
Public relations	30%

Note: n=190

Source: DoubleClick, June 2002

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Those who do measure results appear classically minded. That is, sales generated is considered by direct marketers the most effective way to gauge the success of interactive media. Leads generated is seen as second-most effective, with e-mail addresses collected as fourth-most useful.

Top Criteria Used by US Direct Marketers for Measuring the Effectiveness of Interactive Media, 2001 (based on a 1-9 scale*)

Sales generated	1.9
Leads generated	2.9
Hits on designated/unique URLs	4.0
E-Mail addresses collected	4.1
"Hits" on home page	4.6
Cost per site - customer	5.0
Cost per site - visitor	5.3
Learning/education	5.8
Other measures	7.6

*Note: n=80; *scores are based on a scale of "1" to "9" where "1" would be the most effective and "9" would be the least effective*
Source: Direct Marketing Association, April 2002

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And that e-mail marketers don't always measure campaign success is a particular waste, since among those US marketers who have measurement tools in place, e-mail is among the most effective channels, garnering a 4.46 rating (on a 5-point scale) according to DoubleClick.

Effectiveness of Measurement Tools Rated by US Marketers, by Channel, 2002 (based on a scale of 1-5)

Promotions/coupons	4.48
E-Mail	4.46
TV	4.45
Online (excluding e-mail)	4.33
Trade shows	4.25
Print advertising	4.24
Direct mail	4.23

Note: rated among respondents who have measurement tools in place
Source: DoubleClick, June 2002

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Two recent surveys evaluate how US direct marketers track and measure the effectiveness of their commercial e-mails. The first, from e-Dialog, shows that 64% of respondents find click-through rates (CTRs) their main way to measure e-mail marketing effectiveness. Close behind, at 61%, are unsubscribe rates (although that “no” from consumers may not directly reflect the e-mail campaign’s effectiveness, per se, since simply being burned out from too many e-mails is one key reason people unsubscribe).

How US Marketers Measure the Effectiveness of E-Mail Marketing Campaigns, 2002 (as a % of respondents)

Total click-through rates



Unsubscribe rates



Open rates



Conversion rates-website only



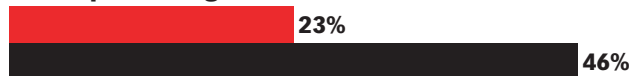
Unique click-through rates



Direct revenue



E-Mail pass along or forward rates



Conversion rates-other channels



Brand recognition



■ Currently measuring

■ Not currently measuring, but want to measure

Source: e-Dialog, Inc., April 2002

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The second study, from the DMA, also places click-throughs as the most commonly employed metric for measuring e-mail campaigns, with 66% of US direct marketers mentioning its use.

How US Companies Track E-Mail Effectiveness, 2001 (as a % of respondents)

Direct clickthroughs

66%

Unique links

54%

Embedded HTML code

40%

Unsubscribe from targeted e-mailing lists vs. non-targeted

29%

Coupon codes

27%

Banner ads

14%

Note: n=149

Source: Direct Marketing Association, April 2002

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E-Mail CTRs

Actually, when it comes to interactive direct marketing, the classic click-through rate (CTR) rules—even though it creaks and groans and can occasionally mislead. Just because an e-mail's reader fails to click at all, that does not necessarily indicate an ineffective message. According to DoubleClick, nearly one-fifth of Americans who purchased online in 2001 failed to click on a marketing e-mail.

Proportion of US Online Shoppers Who Made a Purchase After Clicking Through an E-Mail, 2000 & 2001 (as a % of respondents who have purchased online in the last year)

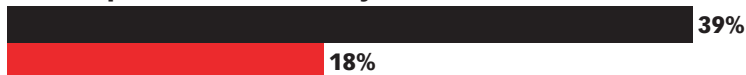
Click through and purchased immediately



Clicked through for information and purchased later



Haven't purchased in this way



■ 2000

■ 2001

Source: DoubleClick/NFO WorldGroup, October 2001

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Still, because click-throughs are both easy to measure and very familiar (dating back to the early days of online advertising), a plethora of charts explore CTRs. And when it comes to e-mail marketing, that's not bad. Compared to most other online advertising formats, e-mail garners the highest CTRs.

Note, though, that eMarketer's rate of 1.8% for 2002 is both an average and a falling figure (coming down from 3.2% in 2001). Note, too, that for e-mails, CTR refers to clicking on a link that typically takes the user to the sender's or advertiser's website. It's not the same as the e-mail open rate, which simply indicates what percentage of e-mails have been opened and not immediately trashed.

"The problem is that the click-through is not really a good measure. People won't click unless they have a real need at that moment. But even if you do not click, you still see the message. So we've found that branding is really the essence of advertising."

—Hairong Li, editor, *Journal of Interactive Advertising*

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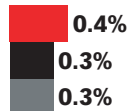
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Furthermore, that 1.8% rate in 2002 is for both opt-in and opt-out e-mails. And even the opt-in variety includes the broadest definition of the species. For the moment, let's define opt-in at two extremes: One is "direct double opt-in," where the consumer overtly says he wants to receive your company's e-mail, and confirms that request. Two might be termed "indirect opt-in," where when registering for some online function, the consumer did not uncheck the box that said "I would like to receive e-mails from partner companies" or something like that, and then that list is sold to a third party, who considers e-mails sent to that list as opt-in.

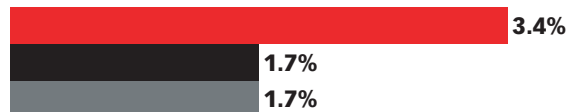
The consumer, however, might very well deem that third-party e-mail as opt-out and trash it. Clearly, direct opt-in e-mails tend to get higher CTRs than the indirect opt-in variety, with opt-out e-mails sent by companies prospecting for new customers trailing in the CTR race.

US Click-Through Rates, by Online Marketing Format, 1999-2002

Banners



Rich media



E-Mail*



■ 1999 ■ 2001 ■ 2002

*Note: *e-mail click-through rates include both opt-in and opt-out e-mails*
Source: eMarketer, July 2002

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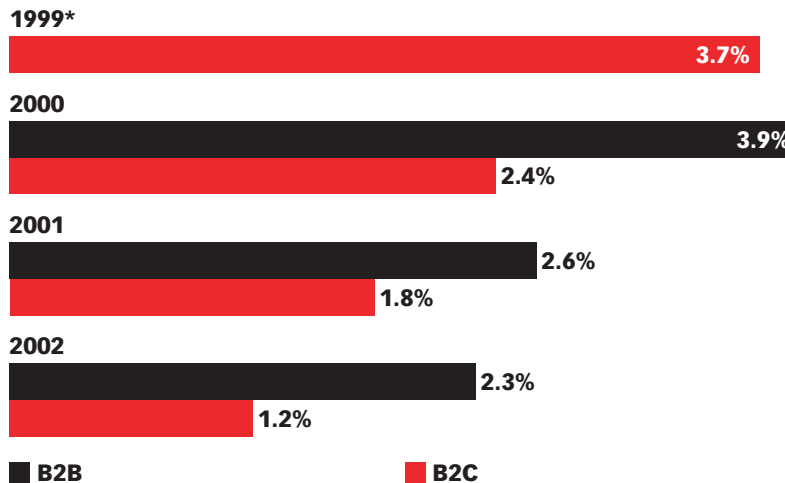
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Average e-mail CTRs from Opt-In News also show falling figures. For B2C e-mails, they've dropped from 2.4% in 2000 to 1.2% in 2002. However, B2B marketing e-mails, while also decreasing, get higher CTRs than consumer e-mails. One cause for this difference goes back previously discussed data that shows how "know and trust" is the main reason US internet users respond to e-mail offers. In the case of business-to-business marketing, an ongoing, trusting relationship is often more a part of the equation than with business-to-consumer.

Average Click-Through Rate (CTR) for B2C & B2B Direct E-Mail Marketing Campaigns in the US, 1999-2002



*Note: *Opt-in News did not research B2B click-through rates in 1999*
Source: Opt-In News, May 2002

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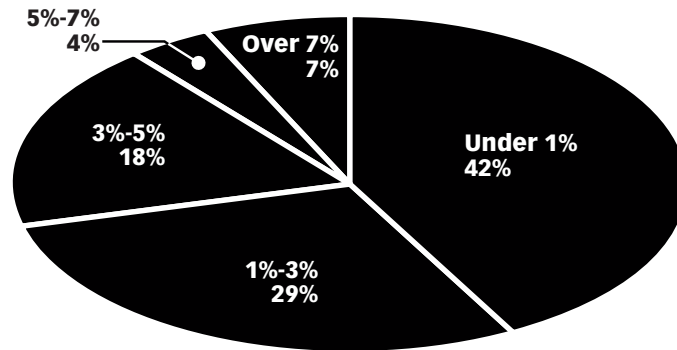
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Opening up Opt-In News's 2002 data for B2C e-mails alone, you can see how the average CTR of 1.2% is just that—an average. For example, 18% of US media buyers of permission-based e-mail marketing find CTRs between 3% and 5%, significantly higher.

B2C Direct E-Mail Click-Through Rate (CTR) in the US, Q1 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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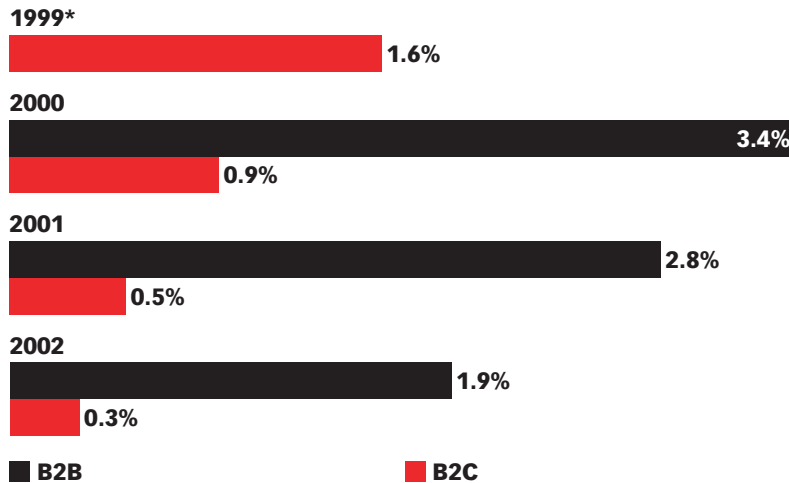
When it comes to newsletters, B2B e-mails also average a higher CTR than the B2C variety—but again, as in the Opt-In News chart above, the rates are dropping over time for both categories. For example, while B2B e-mail newsletters averaged a 3.4% CTR in 2000 and a 1.9% CTR in 2002, B2C's figures for the same two years are 0.9% and 0.3%, respectively.

In addition, direct marketing e-mails tend to get higher CTRs than e-mail newsletters do, whether targeted for B2B or B2C. Take 2002, with the B2B direct marketing CTR at 2.3% (above), but the B2B newsletter CTR is 1.9% (below). A similar CTR variance holds true for B2C e-mails: 1.2% for sales, 0.3% for newsletters.

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At first lower CTRs for e-mail newsletters compared to direct marketing messages may appear surprising, since those newsletters are more popular among recipients than sales pitches. However, one key use for e-mail newsletters is simply staying in touch—a branding mechanism—and may not call for a response as a sales-oriented e-mail would.

Average Click-Through Rate (CTR) for B2C & B2B E-Mail Newsletters in the US, 1999-2002



Note: *Opt-in News did not research B2B click-through rates in 1999

Source: Opt-In News, May 2002

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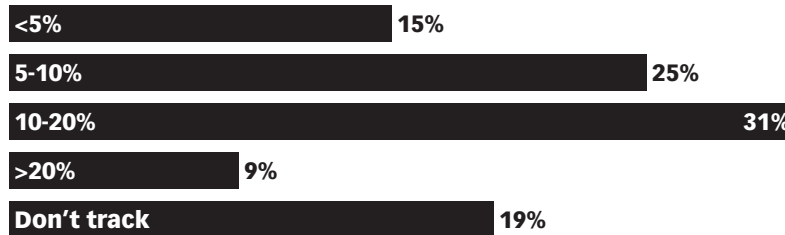
Another set of average e-mail marketing CTRs for 2002 comes from e-Dialog, which shows appreciably higher numbers. For instance, 40% of respondents claim click-throughs of 10% or more. (And nearly one-fifth claim not to track e-mail CTRs at all.) The company explains that such significantly higher rates are undoubtedly due to the nature of the survey: self-reported click-through numbers. There was no delineation between acquisition or retention purposes, for instance, or between opt-in or opt-out lists.

Furthermore, no distinction was made between the types of clicks: gross and unique. That is, gross clicks-throughs measure the total clicks, even if a dozen clicks came from the same person. Unique click-throughs are a lesser—although more accurate—rate, since they calculate only how many individuals clicked, even if each person clicked multiple times.

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This distinction is one to keep in mind not only for e-Dialog's statistics but for any click-through rates.

Average Click-Through Rate for E-Mail Marketing Campaigns in the US, 2002 (as a % of respondents)



Source: e-Dialog, Inc., April 2002

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Aligned with e-Dialog on the high end of CTRs is IMT Strategies, which reports a 17.8% rate for US e-mail marketing campaigns in 2001—a rate any e-mail marketer would be delighted to average. These elevated click-through results were determined by a benchmark survey of 313 companies experienced in e-mail marketing, which were asked to report on the characteristics and responses of just one e-mail campaign, the most recent one they had conducted.

“In particular,” IMT reports, “the study results indicate that e-mail campaign response rates (click-through and conversion rates) are highest for smaller organizations [with annual sales of under \$100 million] and for campaigns focused on customer service objectives, such as account status updates and transaction confirmations.” This points to how click-throughs occur more often when direct sales are not the objective, and when the e-mail comes not from a large, impersonal corporation but from a smaller operation which may have a stronger relationship with the recipient.

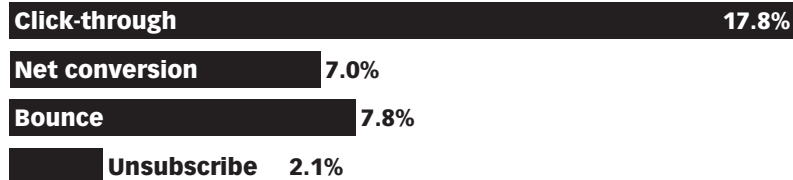
“I certainly don’t believe that click-throughs are on their way out—that’s too extreme. The click will never die. It is a really interesting metric, just overblown in terms of its relative marketing importance.”

– Nick Nyhan, president, Dynamic Logic

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In addition, IMT says that the bulk of the campaigns surveyed “were highly targeted using in-house lists that the marketers had compiled themselves through direct permission relationships with customers and prospects.” As you’ll continue to see in the permission section below, there’s nothing like a direct connection with a customer to boost the response rate.

Click-Through and Conversion Rates of US E-Mail Marketing Campaigns, 2001 (as a % of respondents)



Source: *IMT Strategies*, September 2001

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Based on raw numbers from its own servers, DoubleClick recently came out with some fascinating e-mail CTR data. The first chart below shows radically elevated rates for both marketers and publishers, ranging from a low of 4.52% for e-newsletter publishers in the 4th quarter of 2001 to a high of 9.73% for US marketers in the 1st quarter of 2001.

Perhaps more importantly, marketers gained higher CTRs than publishers in three of the five quarters shown. And as an average across the period, the CTR for marketers was 7.22%, but nearly one point less, 6.35%, for publishers.

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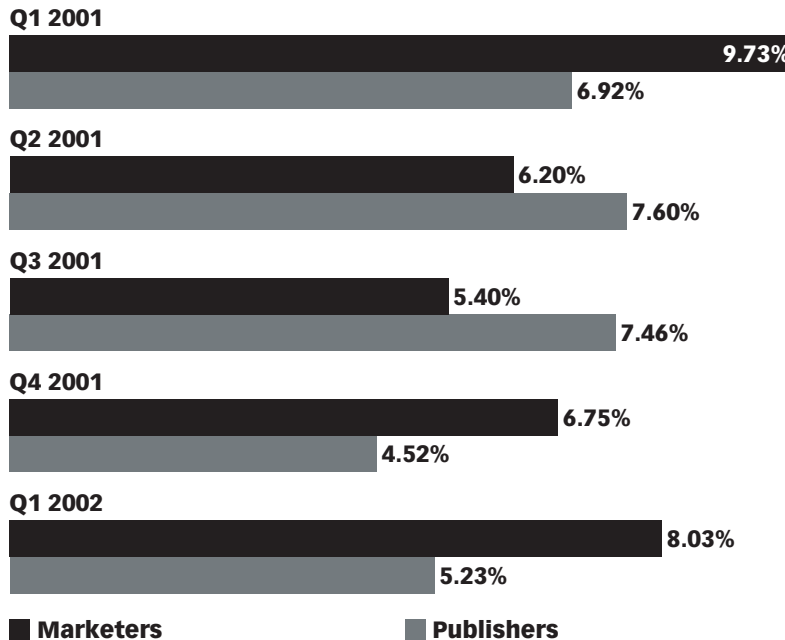
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Again, when it comes to CTRs, direct response beats out newsletters for the same reason as in the pair of Opt-In News charts above: e-mail newsletters tend to orient more toward branding than sales, and therefore click-throughs are not necessarily the best metric. However, whether for marketing or publishing, DoubleClick finds those rates much higher than does Opt-In News. The advertising network and serving company's analysis of the greater CTRs is that the recipients were entirely permission-based.

E-Mail Click-Through Rates (CTRs) for US Marketers and Publishers, Q1 2001-Q1 2002



Source: DoubleClick, June 2002

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Another part of the DoubleClick analysis of e-mail campaign data points to a higher response to marketers' mailings on Sundays, Mondays and Tuesdays. In contrast, publishers' posts of e-mail newsletters (along with their embedded advertising) receive greater click-through attention on Fridays, Saturdays and Sundays.

"Furthermore, both marketers and publishers should take advantage of knowing that consumers have varying preferences for when they read their e-mails, and should build on their customer relationships accordingly."

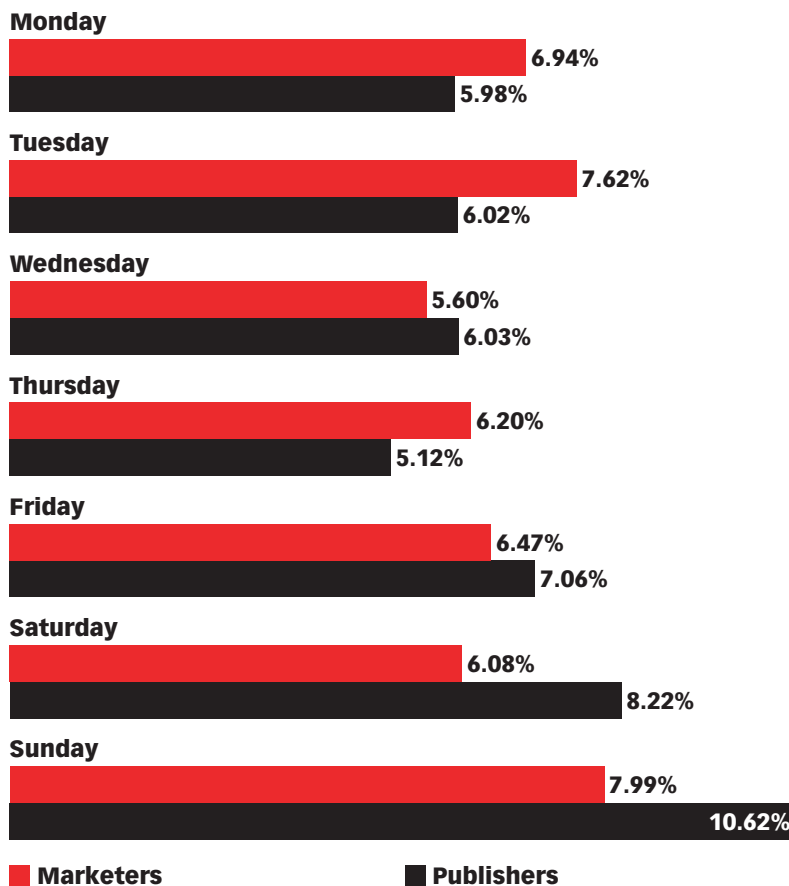
– Genevieve Mallgrave, vice president for direct marketing, DoubleClick

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That the CTR for publisher e-mails averages 9.42% on weekends is probably due to the recipients' having more time for reading. That the CTR for marketer e-mails is higher during the early part of the week is probably due to the mull-it-over-on-the-weekend-and-then-act-at-work-where-the-connection-speed-is-typically-higher syndrome.

And that the average CTR for each group's top three days is higher for publishers than for marketers, at 8.63% versus 7.52%, respectively, seems to contradict the data from the two charts directly above. However, the more likely implication is that when e-mail newsletter readers are engaged, they're very engaged.

E-Mail Click-Through Rates (CTRs) for US Marketers and Publishers, by Day of the Week, 2002



Source: DoubleClick, June 2002

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Finally, the DoubleClick research looks at six selected US industries and three rates: click-through, pass-along and bounce-back. It appears that retailers and catalog marketers use e-mail well, with CTRs higher than the 6.95% average across all industries.

E-Mail Click-Through, Pass-Along and Bounce-Back Rates for Selected US Industries, 2002

	Click-through	Pass-along	Bounce-back
Catalog	9.5%	0.4%	7.0%
Retail	9.1%	0.6%	9.9%
Entertainment	6.2%	0.3%	8.9%
Financial services	6.0%	0.4%	7.9%
B2B	4.6%	0.2%	18.4%
Hospitality	4.4%	0.2%	7.6%
Average	6.95%	0.37%	9.40%

Source: DoubleClick, June 2002

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“However, the findings might also point to the benefits of e-mail list enhancement practices like e-mail append, a controversial process used most often by cross-channel retailers and catalog marketers,” according to the IAR.com.

E-mail appending is a technique where marketers add an e-mail address to a customer’s record in the company’s existing mailing list. Because e-mail appending requires third-party lists to work, some consumers and companies find it invasive, and therefore controversial. (See *Chapter IV for more on e-mail appending.*)

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B. Branding

Online branding's evolution is due to several factors. One, the sheer growth among internet users in the US and their upscale nature make them prime targets for brand marketers. Two, more and more research shows that online advertising—both by itself, but more so when combined with other media—works to increase the four prime branding metrics: awareness, message recall, favorability and purchase intent.

The shift among US marketers toward branding online shows clearly in the DoubleClick data below. More than any other objective, building brand awareness is the prime goal for online advertising, cited by 75% of respondents. At 59%, the second-most cited objective—acquiring new leads, registrants, customers or clients—can be either a branding or direct-response goal. It's not until items three and four—driving sales and retention, respectively—do pure direct-response objectives come into play.

Online Advertising Objectives among US Marketers, 2002 (as a % of respondents)

Building brand awareness

75%

Acquiring new leads/registrants/customers/clients

59%

Driving immediate sales

43%

Driving retention

40%

Building stronger relationships with existing customers/clients

40%

Providing company or product information

38%

Upselling to existing customers/clients

28%

*Note: n=190**Source: DoubleClick, June 2002*

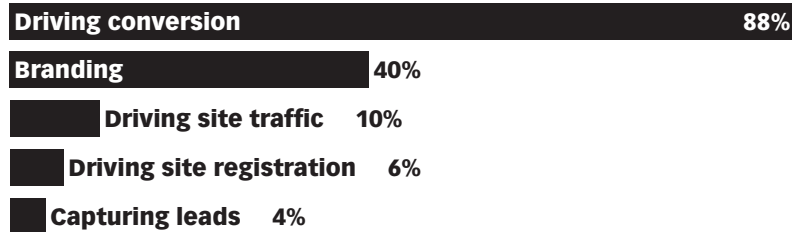
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As shown above, data from Forrester Research—while a bit more dated—contradicts the DoubleClick findings, with branding cited second to the direct-response goal of driving conversion. Perhaps one reason for the disparity are the sample sizes: 50 marketers for Forrester, 190 for DoubleClick. Another reason might be the ongoing online shift toward branding.

Goals of US Digital Marketing Campaigns, 2001 (as a % of respondents*)



Note: *based on the responses of 50 US marketers (multiple responses accepted)

Source: Forrester Research, October 2001

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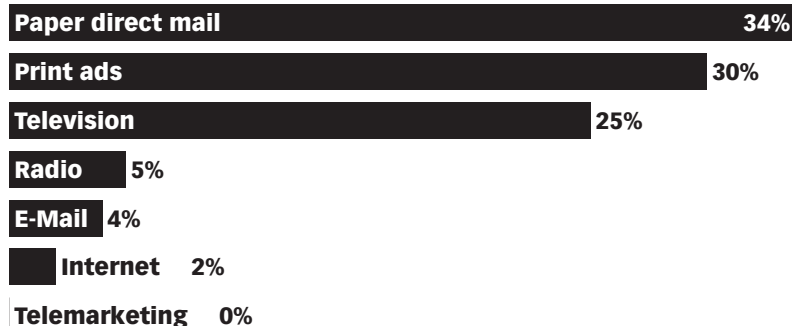
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"It used to be that online ads were defined by click-through rates. Now, they're being evaluated on mind share and audience reach."

– Nick Nyhan, president, Dynamic Logic

Branding's aim of maintaining customer relationships may not be best done by e-mail, however—at least if you believe the respondents to a Pitney Bowes survey done last year. The company, known best for postage meters and other mailing tools, found that 34% of respondents believe paper direct mail is the most effective advertising media for sustaining customer relationships, while only 4% thought the same about e-mail.

Most Effective Advertising Media for Maintaining Customer Relationships in the US, 2001 (based on a % of survey responses)



Source: Pitney Bowes, August 2001

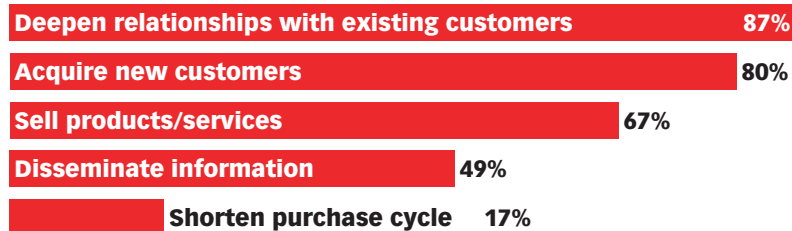
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Of course, that's the perspective from a company with a large stake in traditional, offline media. For the converse, look at this chart from e-Dialog, a provider of e-mail marketing products. Whatever the target, the primary goal of e-mail marketing is a branding element—loyalty, according to 87% of respondents. Nearly as important, at 80%, is getting new customers (a branding and direct-response goal). In that light, sales—while still important among 67% of US marketers—is not the top e-mail marketing objective.

Primary E-Mail Marketing Goals for US Marketers, 2002 (as a % of respondents)



Note: n=302; primary goals ranked in top three by respondents
Source: e-Dialog, Inc., April 2002

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E-Mail for Branding

While e-mail is used more widely for direct-response marketing than for branding, certain types of e-mails work exceptionally well to position a brand and enforce the four steps of the AIDA marketing process: awareness...interest...desire...action.

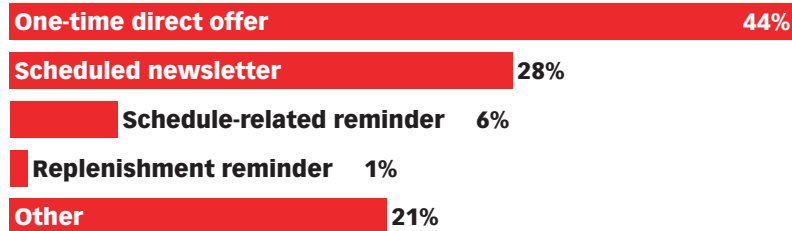
"Consumers have all the power now, and they want more from a brand relationship. Consumers only allow a small repertoire of brands into their lives, and they want the relationships with those brands to be meaningful. The stakes are a lot higher for marketers now."

—Laurie Coots, chief marketing officer, TBWA\Chiat\Day

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As you saw in two charts earlier (repeated below), newsletters are used more and more for e-mail marketing, cited by 28% last year in the IMT Strategies survey and by 66% this year in the e-Dialog poll. Regular e-mail newsletters contribute greatly to branding goals, as they consistently keep a company's name in the eye of the consumer and, by giving the reader something of value, increasing customer loyalty. Consistency and loyalty both boost the AIDA process.

Types of E-Mail Marketing Campaign Models Used by US Marketers, 2001 (as a % of respondents)

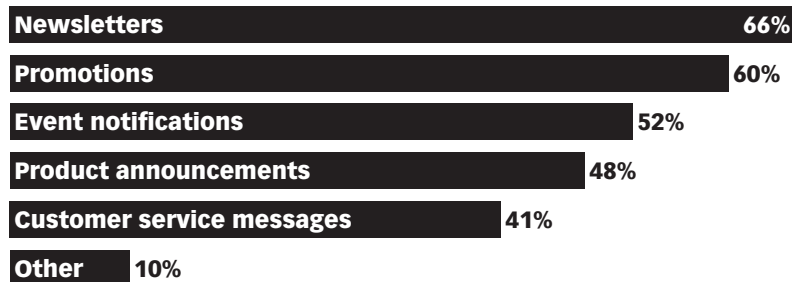


Source: IMT Strategies, September 2001

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Types of E-Mail Marketing Campaigns Used by US Marketers, 2002 (as a % of respondents)



Source: e-Dialog, Inc., April 2002

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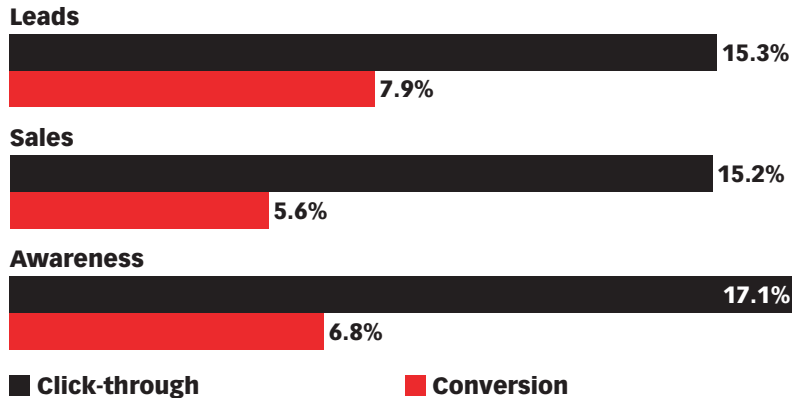
"Today, the average American receives more than 3,000 marketing messages a day, and I would argue that advertising has never been more relevant. As people's attention spans shorten, there's an even greater need for an enduring brand."

– Dawn Hudson, senior vice president for strategy and marketing, Pepsi-Cola North America

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The IMT Strategies chart below reveals one way e-mail's strength may lean more toward branding than direct response. When the objective of an e-mail marketing campaign is simply awareness, the CTR of 17.1% is higher than when leads or sales are the goal. And the awareness conversion rate (6.8%)—which might show in an action such as registering for a newsletter—is greater than that for sales at 5.6%.

US E-Mail Marketing Campaign Response Rates, by Campaign Objective, 2001 (as a % of respondents)



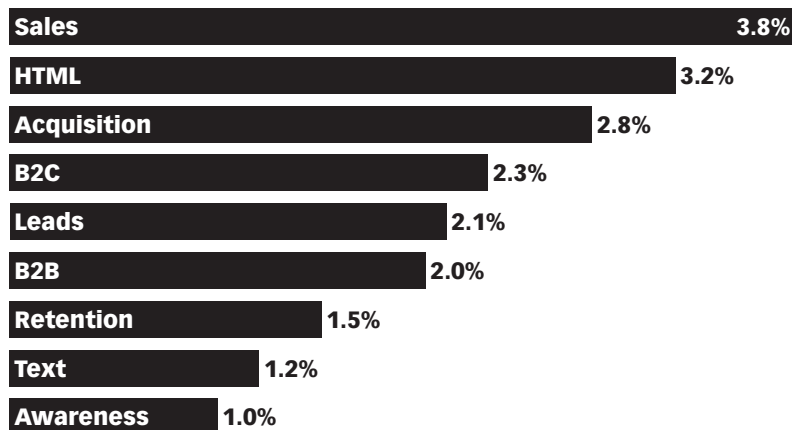
Source: IMT Strategies, September 2001

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The same IMT survey shows that when e-mail marketing looks toward direct-response goals such as sales and acquisition, consumers drop out at rates of 3.8% and 2.8%, respectively. But when the aim is branding, with characteristics such as awareness, the unsubscribe rate falls to 1.0%.

Unsubscribe Rates of US E-Mail Marketing Campaigns, by Campaign Characteristics, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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Tools for assessing e-mail branding effectiveness are less common than for direct response, and therefore are more desired. Look at the last pair of bars in the e-Dialog chart below. While only 9% of respondents currently measure brand recognition in their e-mail campaigns, 45% want to measure that area of effectiveness. At 46%, only e-mail forward rate measures are more greatly desired (and as a potential part of viral marketing, those metrics can fall under branding goals as well).

How US Marketers Measure the Effectiveness of E-Mail Marketing Campaigns, 2002 (as a % of respondents)

Total click-through rates



Unsubscribe rates



Open rates



Conversion rates-website only



Unique click-through rates



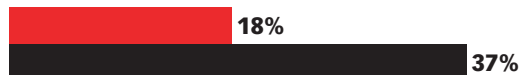
Direct revenue



E-Mail pass along or forward rates



Conversion rates-other channels



Brand recognition



■ Currently measuring

■ Not currently measuring, but want to measure

Source: e-Dialog, Inc., April 2002

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While at this point marketers have fewer tools for measuring e-mail branding than they do for direct response, help is on the horizon. For instance, Dynamic Logic recently introduced AdIndex Email, an e-mail version of its core product for evaluating branding effectiveness. According to *Media* magazine, the Dynamic Logic research will be done in the familiar control-group/exposed-group format. HTML format e-mails make the tool work, since users are tracked with cookies. Through traditional branding metrics such as awareness, recall, purchase intent and message association, AdIndex Email will evaluate how an e-mail campaign affects consumer loyalty, likeliness to buy additional products and services, awareness of what a brand stands for and other questions familiar to brand marketers in the offline world.

Viral Marketing Via E-Mail

While e-mail viral marketing can fall under either the branding or direct response tent, it tends to be used more for branding, as a means to get the word out about a company or particular product. In fact, whether called word of mouth, referrals, message from a friend or peer-to-peer pass-along, viral marketing acts as a sidekick for the rest of an e-mail campaign. A newsletter publisher might ask readers to forward the newsletter to friends who may not be receiving it, for example. To sweeten such suggestions, a bonus may be given to the original reader, such as a white paper or a discount on future purchases.

“Buzz marketing’s been around forever, right? Word of mouth, buzz marketing, viral marketing—they’re all flavors of the same idea—it’s people talking to people, people believing other people because they’re human.... What the internet’s done is it’s allowed us to structure and accelerate word-of-mouth marketing.”

– Tim Sanders, chief solutions officer, Yahoo!

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When IMT Strategies asked US internet users about their familiarity with various e-mail campaign models (giving them layman's descriptions rather than jargon such as "UCE"), 81% were most familiar with a message from a friend—the heart of viral marketing.

US Internet User Familiarity with E-Mail Marketing Campaign Models, 2001 (as a % of respondents)

Message from a friend	81%
Permission announcement	81%
UCE*	71%
Corporate newsletter	59%
Partner co-marketing	49%
Commercial reminder	44%
List rental	44%
Independent newsletter	36%
Discussion group	20%

Note: *Unsolicited Commercial E-Mail
Source: IMT Strategies, September 2001

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"If you receive something from a friend it's more welcomed communication, as opposed to spam."

– Trent Ricker, principal, 23airmail (affiliate of Linhart McClain Finlon Public Relations)

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IMT stated the obvious when it wrote, “Customers prefer e-mails from friends rather than corporations.” The data backs up the common sense notion that messages from friends are rated the most popular form of e-mail marketing.

Popularity of E-Mail Models among US Internet Users, 2001 (average score on a 5-point scale*)



Note: *rated on 5-point scale, with 5 as most popular
Source: IMT Strategies, September 2001

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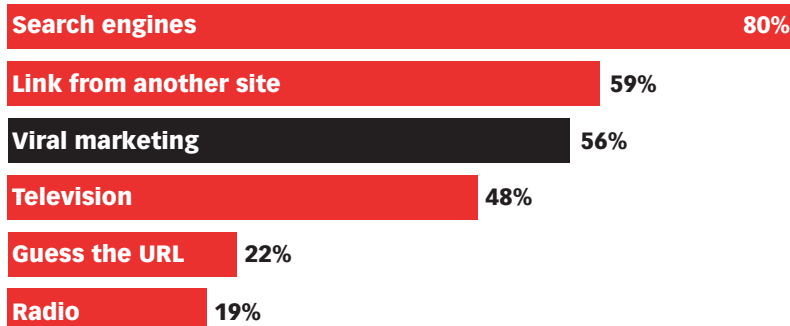
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“Well for starters, the old refer-a-friend idea is...old. It’s like getting someone to opt-in to an e-mail list without a good reason—no incentive, no thanks.”

— Joseph Jaffe, director of interactive media, TBWA\Chiat\Day

Another focus for viral marketing is making the public aware of a new or revamped website. According to a study from Forrester Research in 2000, after search engines and links, word of mouth (at 56%) is the most common way that surfers discover websites.

How US Surfers Discover Websites They Visit, 2000



Note: Multiple responses accepted
Source: Forrester Research, June 2000

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IMT's study from last year also puts search engines on top as the path to new websites, but finds that pass-along e-mails from friends (18%) are more commonly used than links (13%).

How US Internet Users Learn about New Websites, 2001 (as a % of respondents)

Search engine

29%

E-Mail from a friend

18%

Link from another site

13%

Newspaper or magazine ad

12%

Banner or other web ad

4%

Personal conversion

3%

TV

2%

Radio

2%

Paper catalog

2%

E-Mail from a company

1%

Offer by postal mail

1%

E-Mail newsletter

1%

Source: IMT Strategies, September 2001

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Besides letting friends and co-workers know about new websites, what other types of messages get passed on most often? None of the three types of messages listed, at least in the workplace, according to 48.3% of the respondents to a 2000 Vault.com survey. Commercially speaking, they mentioned only merchandise deals and promotions, and that by just 12.3% of respondents.

Type of Viral Marketing Message Most Likely to Be Passed On in the US Workplace, 2000

Which type of viral marketing message are you most likely to pass on?

Merchandise deals and promotions

12.3%

Social/political messages and petitions

12.6%

Warnings and advisories (e.g. about scams/viruses/etc.)

26.8%

None of these

48.3%

Source: Vault.com, May 2000

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When putting together your own company's viral edition of its e-mail marketing campaign, keep in mind that the main factor motivating US internet users to forward e-mails is relevancy, according to 41% of respondents in the IMT Strategies survey. Funny e-mails get the pass-along treatment, too (at 35%); but more traditional marketing—such as prizes, coupons, or rewards—barely make the word-of-mouth meter, with only 1% of users saying those are factors.

“Word of mouth is most powerful when it’s seen as genuine, and it’s not powerful when it’s seen as hype. How do you use the medium uniquely to attract the people you want to attract and get them to the product you want to sell to them? Viral marketing is far from a science. It’s still in the realm of alchemy.”

– Bennett McClellan, director of entertainment and media practice,
PricewaterhouseCoopers

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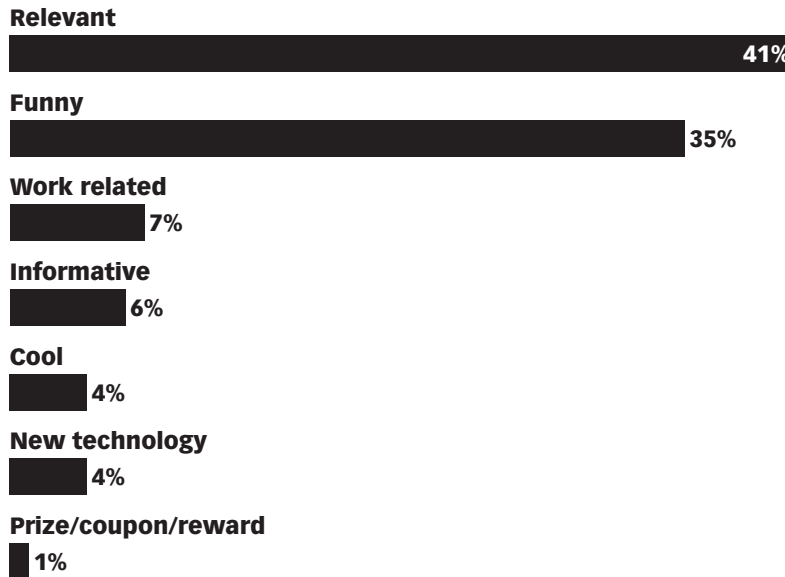
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In fact, prizes, coupons and rewards are typically direct-response elements, while relevancy and humor fit better into the branding scheme. Consider that when looking to add viral marketing to your e-mail campaign.

Factors Motivating US Internet Users to Forward E-Mails, 2001 (as a % of respondents)



Source: *IMT Strategies, September 2001*

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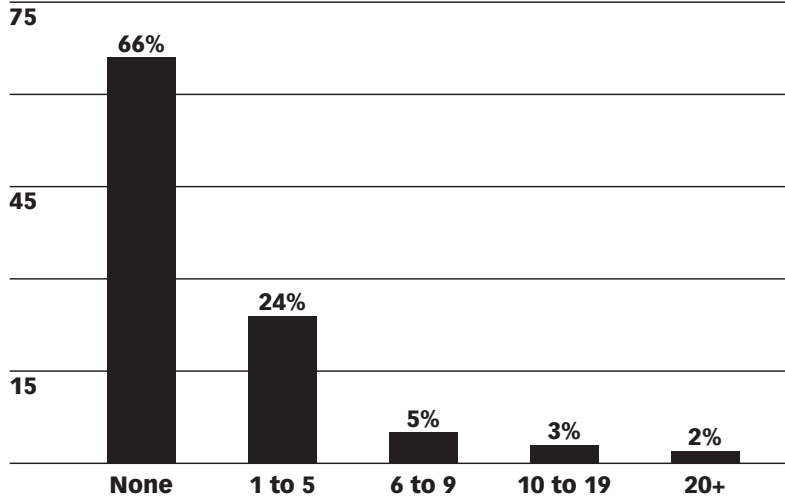
So if viral marketing relies on word of mouth among friends and acquaintances, and if messages from friends are the most wanted type of e-mail, why don't marketers employ this tool more often?

First off, it's hard—hard to motivate strangers (customers, perhaps, but strangers nonetheless) to forward your company's e-mail, hard to craft a series of e-mails that will so engage the recipients that they will be encouraged to pass them along to friends.

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In fact, 66% of respondents to the IMT Strategies poll said they don't forward e-mails in a given month. The more significant group for viral marketing approaches are the 24% of internet users who forward 1 to 5 e-mails each month—significant because those who forward too many e-mails to friends, co-workers, and family tend to get ignored more than those who forward once in a while. (No stats on that, but think of your own experience, or remember the boy who cried wolf.)

Number of Commercial E-Mails Forwarded Monthly by US Internet Users, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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"Advertising isn't a science. It's persuasion. And persuasion is an art."

– William Bernbach, co-founder of Doyle Dane Bernbach

When US marketers were asked directly, 26% told IMT that the key obstacle to viral marketing is that it's more art than science. The other main obstacle, according to 18% of respondents, is the lack of segmentation in viral marketing—you can't target the group.

Key Obstacles to Viral Marketing among Marketers in the US, 2001



Source: IMT Strategies, September 2001

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The continued use of e-mail pass-along depends greatly on what's being marketed. Less likely used by established brands, viral marketing more probably will find its place when it's part of an e-mail campaign for new brands or smaller companies.

Finally, look at viral program's place in marketing. While 85% of the respondents to a Direct Marketing Association survey used viral marketing for acquiring new customers and have found it effective, only 15% think it's suitable for retention.

Online Marketing Methods US Companies Have Used and Found Effective for Customer Acquisition and/or Retention, 2001 (as a % of respondents)

	Acquisition	Retention
Search engine positioning	94%	6%
Reciprocal ads, links/static banner ads, links	91%	9%
Referral/viral programs	85%	15%
Online PR	74%	26%
Affiliate programs/sponsorships	75%	25%
Advertorials	82%	18%
Incentive programs	51%	49%
E-Mail marketing	37%	63%

Note: n=247

Source: Direct Marketing Association, April 2002

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The e-mail marketing process consists of three elements: format choices, outsourcing versus homegrown, and the pros and cons of list rental.

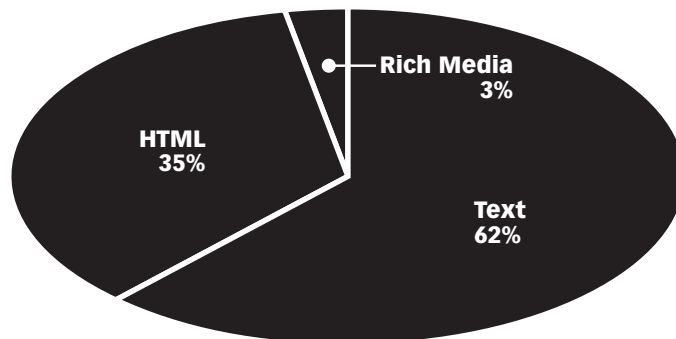
- **Format choices:** Should e-mail marketers employ the flash found in HTML and rich media, or can plain text still make it?
- **Outsource vs. do-it-yourself:** Does it make sense to hire others for an e-mail marketing campaign, keep it in-house or split some elements between the two?
- **Rent lists or grow your own:** How viable are e-mail lists rented from outside sources when compared to the slower method of building and maintaining your own?

A. Which Format?

Questions of e-mail format stir up a flurry of interest among online marketers. In addition, how marketers wish to send e-mails may vary considerably from what consumers want.

Commercial e-mails have come a long way since the days of text-only missives. Even so, plain text is the most preferred e-mail ad format globally, according to 62% of consumers in an Opt-In News survey. The more dynamic nature of HTML-based e-mail, in formats akin to web pages, is next-most preferred by 35% of respondents. And the higher bandwidth required by rich media is probably the reason that only 3% in the survey say that's their preferred format.

Consumers' Preferred E-Mail Advertisement Formats Worldwide, Q1 2002 (as a % of respondents receiving commercial e-mail)



Source: Opt-In News, May 2002

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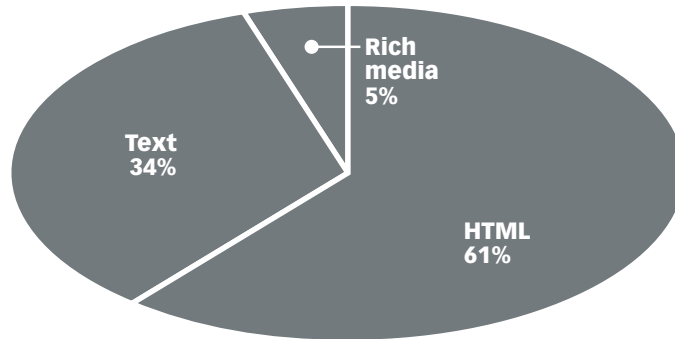
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In contrast, try on this varying Opt-In News data from last autumn, which is a virtual reversal of the consumer preferences charted above. Here, US marketers use HTML 60% of the time, with plain text at 34%.

E-Mail Marketing Formats Used Most by US E-Mail Marketers during Holiday Season, 2001



Source: *Opt-in News*, October 2001

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Is the Opt-In News take on consumer e-mail format desires on target? Being more recent, it might very well be. Nevertheless, an online survey from Valentine Radford (an advertising agency) points to a more positive consumer attitude about HTML and rich media e-mails. For example, 60% of US internet users preferred HTML over plain-text e-mail in 2001, a reversal of the Opt-In News consumer data above.

US Internet User Attitudes toward Commercial E-Mail Formats, 2001 (as a % of respondents)

Enjoy rich media e-mail



Prefer HTML e-mail over text



Would rather receive a link to rich media



■ Agree

■ Disagree

Source: *Valentine Radford*, March 2001

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Preference and experience also diverge among recipients of marketing e-mails. According to the IMT Strategies customer opinion survey last year, 57% of respondents have received HTML-formatted e-mails and even more (61%) have found rich media commercial e-mails in their inbox. Some marketers try to solve low-bandwidth concerns by attaching the rich media animation (at 82%), instead of embedding it.

Types of Marketing E-Mail Formats Received by US Internet Users, 2001 (as a % of respondents)



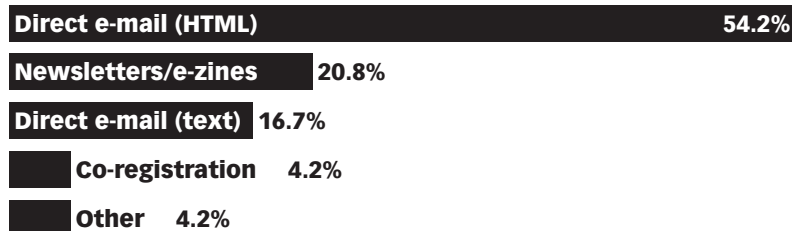
Source: IMT Strategies, September 2001

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Even with marketing e-mails where the customer has opted-in—and therefore probably has a positive view of the sender—the main format marketers used in the 4th quarter of 2001 was an HTML-formatted e-mail, according to 54.2% of advertisers surveyed by Opt-In News. Text e-mails, sent by 16.7% of respondents, were far less used.

Opt-in E-Mail Marketing Methods Used Most by US Advertisers, Q4 2001 (as a % of advertisers surveyed)



Source: Opt-in News, Keaton Communications, January 2002

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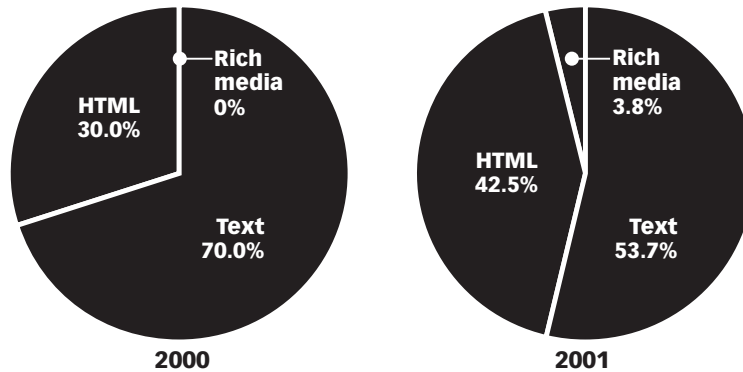
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Further contrast to the consumer point of view appears in this next chart from IMT Strategies, which shows reasonable convergence with the Opt-In News consumer preference data above. That is, the format used by US marketers for nearly 54% of e-mail campaigns in 2001 is plain text. Web-style HTML e-mails are the second most commonly used format, at 42.5% of respondents.

Format of E-Mail Marketing Campaigns Used in the US, 2000 & 2001 (as a % of respondents)



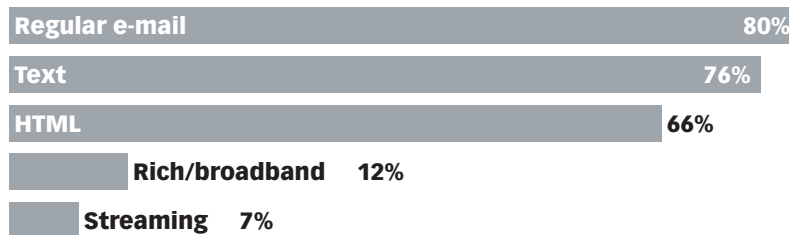
Source: IMT Strategies, September 2001

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Narrowing the focus to e-mail promotions, rather than campaigns in general, the DMA sees a higher proportion of HTML e-mails used in 2001. More broadband-based rich media is also being employed.

E-Mail Based Promotions Used by US Companies, 2001 (as a % of respondents)



Note: n=163

Source: Direct Marketing Association, April 2002

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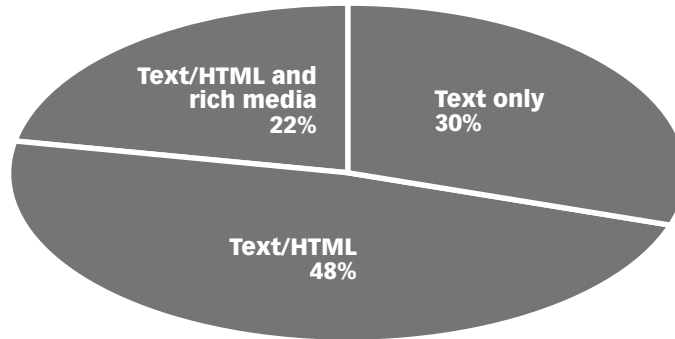
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However, a survey by the Association for Interactive Marketing of member companies that conduct e-mail campaigns reveals a different choice of e-mail formats. The type of e-mail sent most to US consumers is text with HTML, at 48% of respondents. The addition of rich media is relatively popular, too, at 22%. And the text-only format is a format used less than one-third of the time.

B2C E-Mail Formats Used by US Companies, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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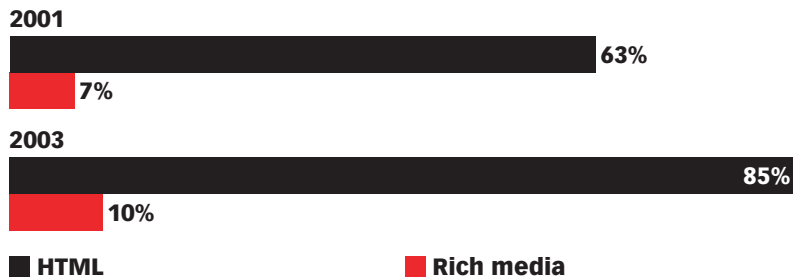
“As bandwidth becomes less of an issue, we see more rich media e-mail—which would include HTML and other flash-type e-mails—and that’s where it’s really picked up.”

– Trent Ricker, principal, 23airmail (affiliate of Linhart McClain Finlon Public Relations)

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Then, a pair of related charts from Forrester Research shows that in 2001, 63% of e-mails sent by North American e-mail marketers used HTML, with projections to 85% by next year. These figures are, of course, much higher than in any of the previous charts.

Percent of E-Mails Sent by North American Marketers that Use HTML or Rich Media, 2001 & 2003 (as a % of respondents)



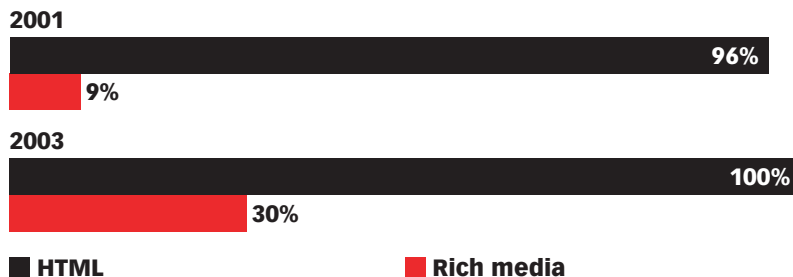
Source: Forrester Research, August 2001

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And when full marketing campaigns (and not just individual e-mails) are researched, you can see that the use of HTML jumps from nearly universal in 2001 to entirely universal in 2003.

Use of HTML and Rich Media in E-Mail Marketing Campaigns among North American Marketers, 2001 & 2003 (as a % of respondents)



Source: Forrester Research, August 2001

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The question remains why a marketer would want to employ one e-mail format over another—or even if the marketer needs to make such a choice. The virtues of text over HTML appear plain in the IMT Strategies survey results below, which show text-only e-mails having higher click-through and conversion rates and lower bounce and unsubscribe rates.

Response Rates of US E-Mail Marketing Campaigns, by Campaign Format, 2001 (as a % of respondents)

Click-through



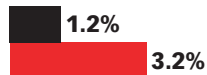
Conversion



Bounce



Unsubscribe



■ Text

■ HTML

Source: IMT Strategies, September 2001

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Still, marketers who e-mail newsletters to support branding and direct response goals appreciate how HTML formatting lets them insert images such as their company logo and product pictures. And publishers of e-newsletters also like HTML, especially when they're sending e-mails longer than a couple of pages, because they can bold headlines and sections or use varying font sizes to make the publication more readable.

However, as several charts above show, consumers tend to dislike HTML (and its rich media offspring) because those larger e-mails tend to clog their inboxes and slow downloads. In addition, HTML e-mails more and more look like spam. "In fact, just 18 months ago, when the marketing newsletter Iconocast switched from text to HTML, publisher Michael Tchong [said], 'People are flaming us.' And he saw a small-but-painful wave of unsubscribes," according to MarketingSherpa. "One of the reasons Iconocast's switch to HTML drew so much reader rage was that there was no way for people who preferred text-only to switch back to it."

The answer, then, appears simple: marketers should always offer readers the choice between text-only and HTML e-mails. And even the HTML e-mails need to be carefully crafted (from a tech side), since not all e-mail software reads HTML e-mails alike. Making such distinctions means more work, but the traps avoided can mean the difference between e-mail fiasco and e-mail success.

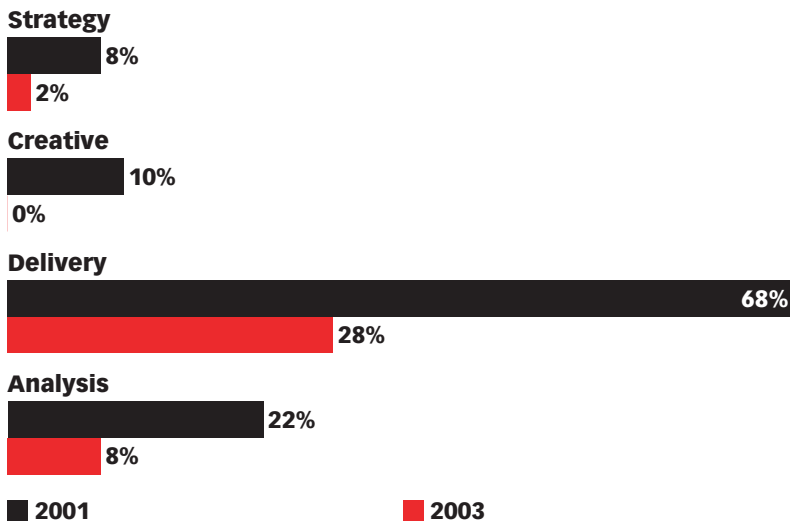
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B. Outsource vs. Do-It-Yourself

No matter which e-mail format a company chooses, it first needs to decide between outsourcing and do-it-yourself. That's no absolute choice, either, since some aspects of e-mail marketing may best be done in-house (such as building a list), while other details are handled by third parties (such as coding the HTML e-mails and sending them).

Actually, delivery is the single-most outsourced element of an e-mail marketing campaign, according to 68% of the respondents to a Forrester Research survey. Next most outsourced in 2001 was analysis of the results, at 22%. Most revealing, however, is how outsourcing of each of the four elements in the chart below is projected to decrease by 2003.

Outsourced E-Mail Marketing Campaigns By North American E-Mail Marketers, 2001 (as a % of respondents)



Source: Forrester Research, August 2001

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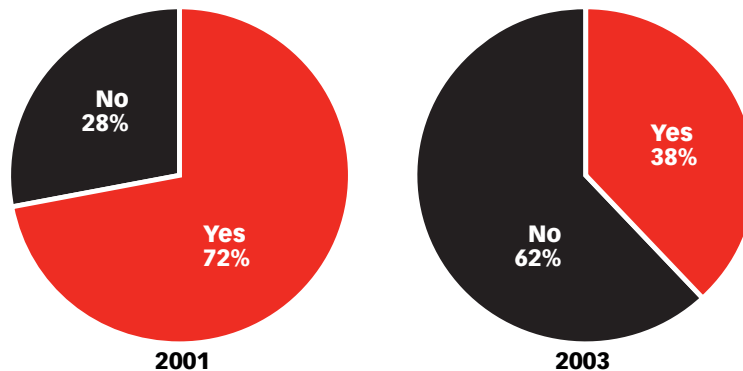
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The same Forrester survey, based on interviews with 50 e-mail marketing managers, shows the trend away from outsourcing in an overview. In 2001, 72% of respondents said they worked with e-mail outsourcers, but that “yes” group plummets to 38% by 2003.

North American E-Mail Marketers Who Work with E-Mail Outsourcers, 2001 & 2003 (as a % of respondents)



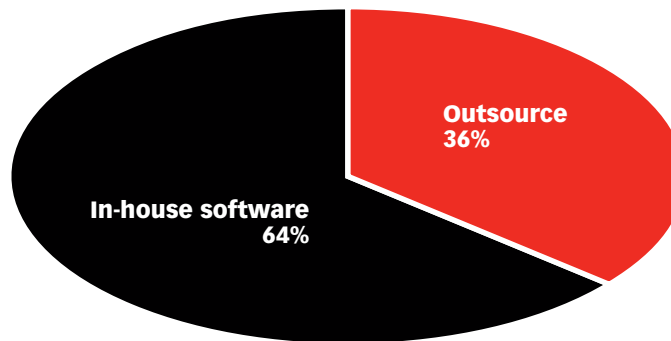
Source: Forrester Research, August 2001

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In parallel with the Forrester data for 2003 is the Association for Interactive Marketing take on delivery methods for B2C e-mails in 2002, where outsourcing is embraced by a similar 36% of respondents. (Both AIM for 2002 and Forrester for 2003 reverse the 2001 figures from Forrester.)

B2C E-Mail Delivery Methods Used by US Companies, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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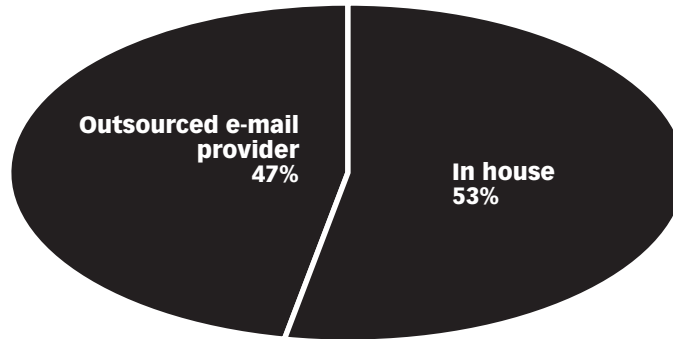
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Victoria James Executive Search also puts the balance on in-house over outsourcing, but on a much closer basis.

How US Direct Marketers Execute Their E-Mail Marketing Programs, 2002 (as a % of respondents)



Source: Victoria James Executive Search, January 2002

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In fact, the technological choice of how to implement e-mail marketing campaigns typically depends on the size of the company. However, the split seems counterintuitive, at least according to a survey by e-Dialog. That is, larger companies (with revenues over \$100 million) are more likely to outsource the process than smaller companies, at 34% versus 16%, respectively. However, the greater outsourcing by larger companies might be simply because they have the money to spend.

How US Marketers Implement an E-Mail Marketing Campaign, by Revenues, 2002 (as a % of respondents)

	Revenues under \$100 million	Revenues over \$100 million
Doing it in-house on a homegrown system	35%	27%
Doing it in-house through an ASP	27%	24%
Doing it in-house with installed software	22%	15%
Outsourcing to an e-mail marketing specialist	14%	21%
Outsourcing to an advertising/ interactive agency	2%	13%

Note: n=302

Source: e-Dialog, Inc., April 2002

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The e-mail service and solution industry has grown to \$1.4 billion but remains fragmented and specialized, according to IMT Strategies. The majority of outsourced spending concentrates on acquiring names (31.5% of total) and hitting up prospects through distribution networks (26.7%).

US Corporate Spending on Third-Party E-Mail Service Providers and Solutions, 2001 (in millions)

List brokers	\$451.3
E-Mail network	\$383.2
Software	\$273.6
Service bureaus	\$204.2
Agencies	\$120.4
Total	\$1,432.7

Source: IMT Strategies, September 2001

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In summary, no matter the researcher, the tendency for e-mail marketers is to take the job in-house, since it's less costly that way and it's a relatively simple technological job. Also, in-house gives the company more control.

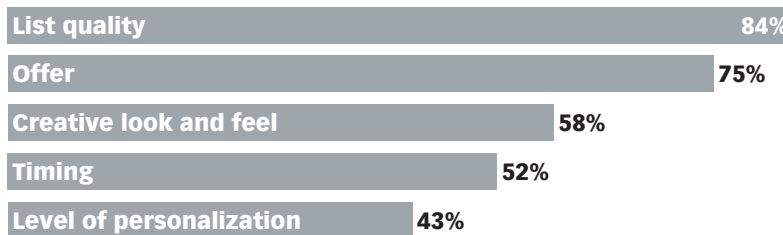
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C. Lists: Grow, Manage, Rent

For those still in the starting stage, let's first state the obvious. Without the right list—containing the right targets with the right addresses who are willing to receive your company's messages—even the most elegantly crafted e-mail campaign pitching the world's coolest product or service will most likely fail to make a dent in the market.

Respondents to e-Dialog's 2002 survey agree, with 84% saying that list quality is the single most important element in the success of e-mail campaigns. Although what's being offered counts, too, according to 75% of respondents.

Most Successful Elements in E-Mail Marketing Campaigns, 2002 (as a % of respondents)



Note: n=302; successful elements ranked in top three by respondents
Source: e-Dialog, Inc., April 2002

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However, few marketers can claim much success in the pursuit of a high-quality e-mail list. On average, few traditional marketers possess e-mail addresses for more than 10% of their customer database, according to Ian Oxman, vice president for e-mail consulting at RappDigital Innovyx. Raising the question on most marketers minds—"How can I quickly grow my meager e-mail database without breaking my budget?"—Oxman offers a five-step strategy toward meeting that goal:

- **Step 1. Set realistic expectations.** You will not achieve 100% e-mail coverage on your database. Why? Roughly 50% of American adult consumers do not have an e-mail address and about 25% of the business marketplace [doesn't either]. Add to this those people that possess e-mail but are unwilling to give the address to you. Remember, e-mail marketing requires permission, and many people never provide companies permission for commercial purposes. A realistic goal for collecting consumer e-mail addresses falls around 40% and roughly 60% for B2B marketers.

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- **Step 2. Build a list with e-mail appending.** So, let's say you currently have e-mail addresses for 10% of your customer database and you set a realistic goal of 40%, how do you get there quickly and cost effectively? Start with an e-mail append (a method of matching an e-mail address from a rented list with a name from the company's database). Expect anywhere from 5% to 20% append rate at a cost of roughly 50¢ per e-mail address appended.
- **Step 3. Employ analytics for further growth.** Now, let's assume the e-mail append process supplied you with 15% additional e-mail addresses. Hence, your e-mail coverage increased from 10% to 25%. But you still lack e-mail addresses for 75% of your database. You set your realistic expectation to gain e-mail coverage on 40% of your customers. So, of the remaining 75% you need to collect e-mail from 15%. Attempting offline targeting of all 75% would be ridiculously expensive and unproductive. How can you best pre-identify this 15% subset? The answer lies in analytics, [which] can be cost effectively applied to predict those customers most likely, and most unlikely, to provide e-mail permission.
- **Step 4. Use the least expensive offline contact method.** Once the model identifies the best target audience, utilize the least costly offline contact method possible. Whether it is a postcard mailing, a billing stuffer, or an inbound customer service call depends on your situation. Don't forget, like any good direct marketing, you need an offer, a reason for your customer to opt-in. The reason could be discount promotions available only through e-mail. Often, white papers make the best offers as they cost little while immediately demonstrating that you use e-mail to send not spam, but valuable and relevant information.
- **Step 5. Keep a permission audit trail.** Absolutely, positively, maintain a database log on how you obtained the customer's permission, when you obtained it, as well as any steps you took to confirm the permission. Given the increasing legal implications to e-mail marketing, you should document every step. Maintain proof that you used only permission and ethical techniques in building your e-mail database. The inability to prove this point could overnight undo all your e-mail database efforts if a customer contacts the authorities accusing your company of spamming.

"There has to be payoff. If they're giving you information or taking action on your behalf, you need to give the consumer a reason to do that."

– Deborah Korono, director, DDB Worldwide/Tribal DDB (regarding commercial e-mail)

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With all that, perhaps the emphasis on the right list is not obvious enough. When the Association for Interactive Marketing surveyed 110 member companies that conduct e-mail campaigns, 40% of the respondents say their companies' commercial databases contain e-mail addresses for 25% or less of their customers—matching the Oxman estimates above.

However, he was talking about traditional marketers. The AIM 40% already market interactively. How much higher might the number go for companies that don't currently conduct e-mail campaigns—but are thinking of it?

Percent of Total US Commercial Databases that Contain Customer E-Mail Addresses, 2002

% of total database	Companies
<25%	5%
25%	35%
50%	21%
75%	20%
100%	19%

Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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The AIM survey went on to ask the same group about how much their companies spend each year to clean up their e-mail databases. With more than half (55%) of the respondents saying less than \$10,000 is budgeted, that either means they don't do very much database hygiene or that it is a low-cost procedure.

Amount Budgeted Annually for E-Mail Database Hygiene among US Companies, 2002 (as a % of respondents)

Less than \$10,000

55%

\$10,000 to \$25,000

12%

\$25,000 to \$50,000

5%

\$50,000 to \$100,000

4%

\$100,000 to \$150,000

2%

\$150,000 to \$200,000

4%

\$200,000 to \$250,000

2%

More than \$250,000

1%

Don't know

15%

Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

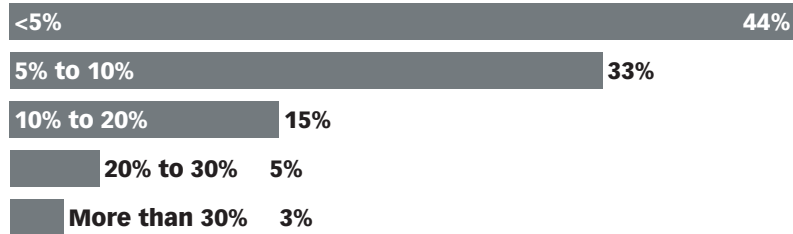
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And while low sums are budgeted to clean up corporate e-mail databases, 56% of respondents said that 5% or more of e-mails sent to consumers bounced and were undeliverable (meaning the list needed database hygiene). If it's not a disconnect, then there's a sense that marketers undervalue the right list.

Typical Undeliverable Rate for B2C E-Mail Campaigns in the US, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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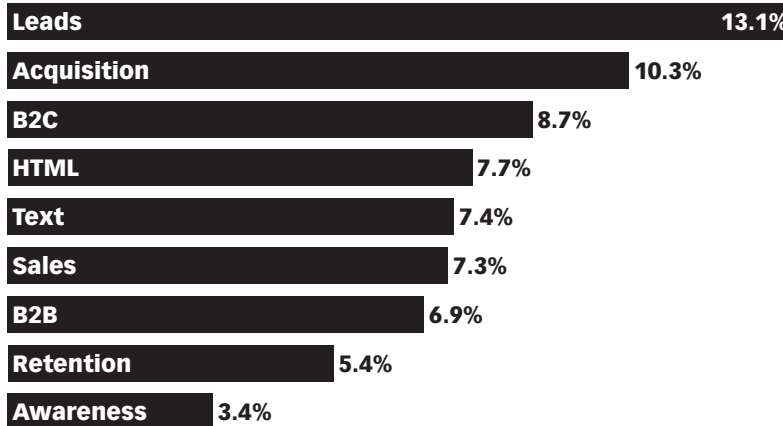
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While the AIM figures offer up average rates for undeliverable commercial e-mails, the analysis from IMT Strategies pinpoints bounce rates by the marketing campaign's characteristics. For instance, e-mail campaigns focused on lead generation had a 13.1% bounce rate and those campaigns looking for customer acquisitions bounced at a 10.3% rate. (Compare both figures to an overall survey average of 7.8%.)

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Since these types of e-mail marketing goals are the most likely to rely on third-party lists, the higher bounce rates are a logical conclusion. Such lists typically are more inaccurate than in-house lists, plus they don't offer permission relationships.

Bounce Rates* of US E-Mail Marketing Campaigns, by Campaign Characteristics, 2001 (as a % of respondents)



Note: *messages that could not be delivered to the e-mail addresses provided

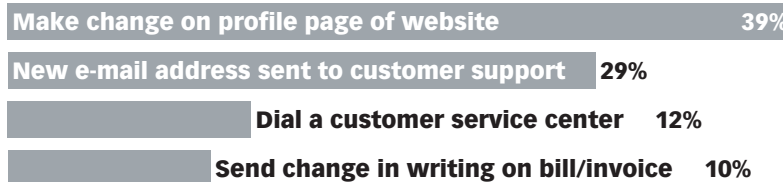
Source: IMT Strategies, September 2001

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Even though lower bounce rates occur with retention campaigns, say, which typically use in-house lists of existing customers, companies that want to keep their lists as clean as possible need to make it easy for those customers to change their e-mail addresses. And most companies comply, with 39% of respondents to the Association for Interactive Marketing survey directing customers to the web and 29% making the e-mail update as simple as sending an e-mail. But with 22% saying their customers either have to dial a customer service center (and probably go through a voice-mail maze to get there) or send the change in writing, it's evident this process must be made more painless.

Methods US Companies Use to Let Customers Update/Change Their E-Mail Addresses, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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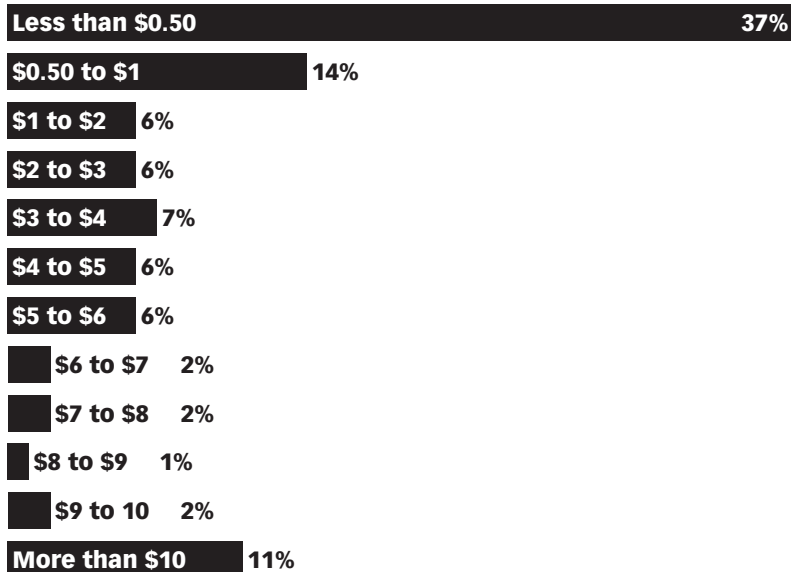
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"Marketing departments aren't talking to their own company's customer care departments."

– V.A. Shiva, CEO and founder, EchoMail

And perhaps the disconnect between high bounce rates and low budgets for list clean-up needs to shift, since the value US companies assign to a single e-mail address recovered from bounced mail splits into two main groups. While 51% of respondents to the AIM survey value a recovered address at \$1 or less, that means 49% assign a value of \$1 or higher. And 11% believe that one address might be valued at \$10 or more.

Value of Recovered Customer's E-Mail Address for US Companies, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

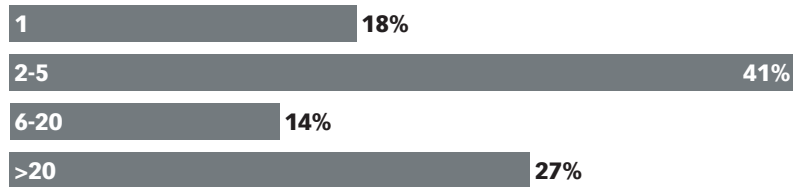
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The sharp distinctions among approaches and valuations of commercial e-mail databases lie in how different company divisions each have their own database, each with its own take on the matter. According to IMT Strategies respondents, 41% say their enterprise has between 2 and 5 separate e-mail databases, and a strong 27% indicate that 20 or more e-mail databases will be found at their firm. No wonder consistency is hard to find.

Number of Separate E-Mail Databases per US Enterprise, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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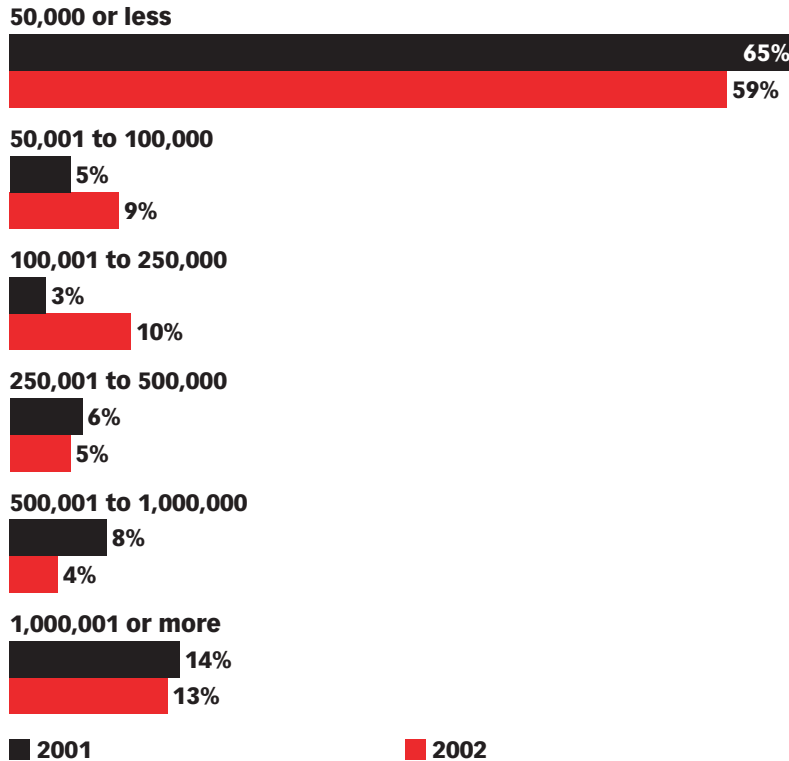
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By size alone, the number of e-mail addresses in all those B2C databases have increased from 2001 to 2002, according to the AIM survey. For example, while 3% of respondents pegged their companies' e-mail database at 100,001 to 250,000 in 2001, that percentage rose to 10% in 2002.

Number of E-Mail Addresses in B2C Databases in the US, 2001 & 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns; average e-mail database size of 321,500 (in 2001) and 621,429 (in 2002)

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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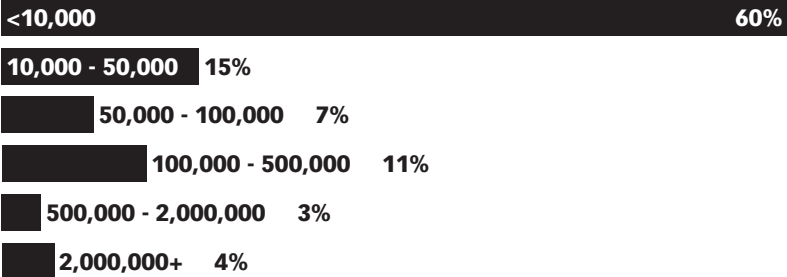
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While 60% of US companies replying to the IMT Strategies survey have permission e-mail databases with fewer than 10,000 names, the average database contains 93,000 names. And for the large “best-in-class” companies surveyed (defined as companies known for successfully marketing their products), the average e-mail database has more than 500,000 addresses.

Size of Permission E-Mail Databases among US Companies, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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A prime channel for building an e-mail list is a company's website.

According to *Direct Magazine*, next to giving out information—at 95% of US companies in 2001—55% of companies use websites to generate leads for e-mail pitches.

How US Companies Use Their Websites, 2000 & 2001 (as a % of respondents)

Give out company/product information



Generate leads for e-mail pitches



Take orders for products/services



Generate leads for telephone pitches



Generate leads for direct mail



Build/enhance database



■ 2000

■ 2001

Note: n=211 Direct Magazine subscribers; respondents identified themselves as consultants (19%), retailers (13%), publishers (9%), communications workers (7%), financial services employees (6%), manufacturers (5%) and nonprofit fundraisers (2%); the remaining 39% came from such sectors as list services, healthcare, insurance, wholesaling/distribution and data processing
Source: Direct Magazine, October 2001

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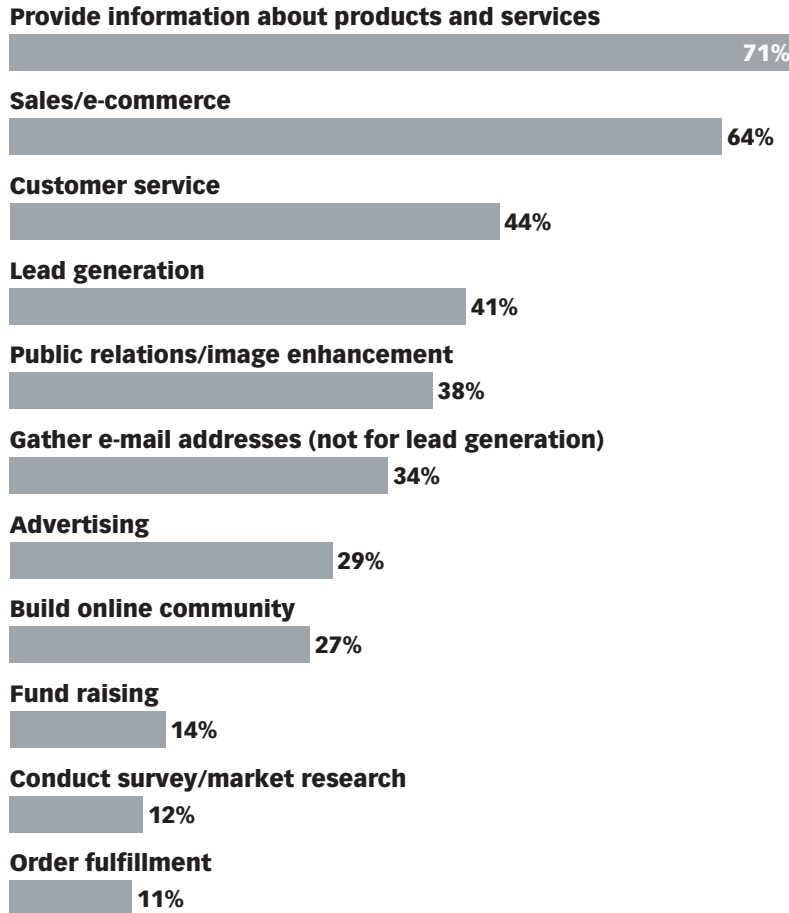
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Research from the Direct Marketing Association shows that when it comes to lead generation, size matters. That is, while small and medium-size companies are likely to use their websites to generate leads, at 66% and 62%, respectively, large companies (35%) are less likely to.

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However, when the purpose of e-mail address collection is other than for lead generation (perhaps for branding goals, such as a newsletter), company size matters far less, with small, medium, and large companies at 30%, 31%, and 27%, respectively.

Primary Purpose of US Companies' B2C Websites, 2001 (as a % of respondents)



Note: n=149

Source: Direct Marketing Association, April 2002

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When it comes to growing and maintaining a high-quality list, e-mail marketers must balance the tradeoffs between opt-in and opt-out approaches. Each offers separate benefits, as shown in research from IMT Strategies. If you want to grow a list quickly, use opt-out techniques, such as list rental or e-mail appending, indicate 78% of respondents. The same percentage says that if you want to maximize the revenue per name in the list, bring permission-based, opt-in techniques into play.

Relationship between E-Mail List Name Quality and Performance, 2001 (as a % of respondents)

Positive consent (opt-in)



Negative consent (opt-out)



Both



■ Maximizes revenue per name ■ Grows a list fast

Note: based on interviews with 30 "best-in-class" marketing executives at companies known for successfully marketing their products
Source: IMT Strategies, September 2001

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Renting Lists: Cons and Pros

It all comes down to this: A well-targeted, permission-based, low-bounce list is the Holy Grail among e-mail marketers. And like the goal of most crusades, it's more often sought than won. Still, if the quality of an e-mail list remains the most important element in a successful e-mail campaign—and if a house-grown, opt-in list has higher quality than a rented list—why rent?

One reason is the hope to build up a list quickly. Another is to reach potential customers who may not already know about your company or a specific offer. No matter what the goal, the single biggest e-mail challenge facing US marketers is finding good prospect lists, according to 67% of respondents to the e-Dialog survey. In contrast, getting e-mail addresses for current customers is easier—although still a challenge to 51%.

Biggest E-Mail Marketing Challenges for US Marketers, 2002 (as a % of respondents)

Finding good prospect lists

67%

Finding/creating good content

57%

Measuring results

55%

Getting e-mail addresses for current customers

51%

Technical challenges

41%

Handling campaign response

30%

*Note: n=302; biggest challenges ranked in top three by respondents
Source: e-Dialog, Inc., April 2002*

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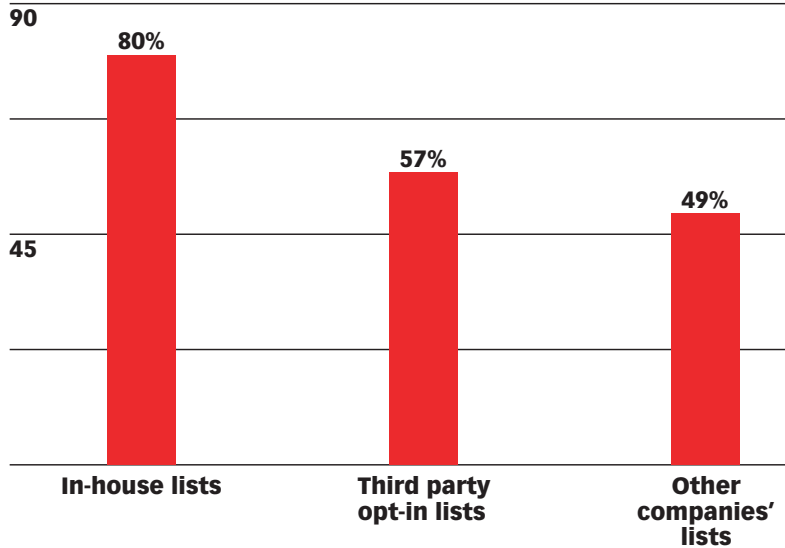
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The list balance, then, remains with the in-house variety, which 80% of US e-mail marketers employ, according to a recent survey by DoubleClick. Even so, rented lists make up a strong contingent among e-mail marketers, with 57% using third party opt-in lists and 49% using other companies' lists.

Types of E-Mail Lists Used by US Marketers, 2002 (as a % of respondents)



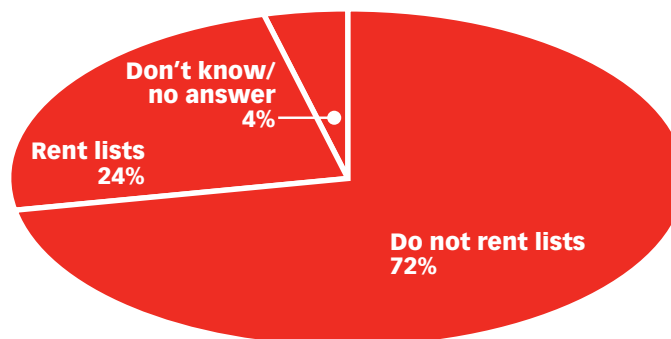
Note: n=190; multiple responses allowed
Source: DoubleClick, June 2002

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Another angle on the subject comes from *Direct Magazine*, which asked companies whether or not they bother to rent outside e-mail lists. And nearly one in four do, creating a significant market for third-party e-mail lists.

US Companies that Rent Outside E-Mail Lists, 2001 (as a % of respondents)



Note: n=211 *Direct Magazine* subscribers; respondents identified themselves as consultants (19%), retailers (13%), publishers (9%), communications workers (7%), financial services employees (6%), manufacturers (5%) and nonprofit fundraisers (2%); the remaining 39% came from such sectors as list services, healthcare, insurance, wholesaling/distribution and data processing
Source: *Direct Magazine*, October 2001

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Costs for renting e-mail lists in the US vary by type of list (target), quality of audience (demographics) and opt-in availability (permission). The most expensive lists, targeted at people involved in business or technology, top out at \$300 per thousand names, according to DoubleClick.

US E-Mail List Rental Rates, by Type, 2002 (in CPMs)

Business	\$80-\$300
Technology	\$100-\$300
Consumer	\$50-\$100

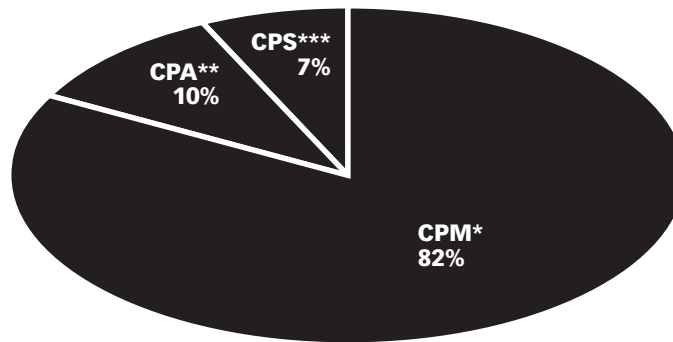
Source: DoubleClick, June 2002

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That e-mail list rental rates are based on CPM makes sense given the chart below, which finds that CPM is how e-mail lists are priced by 82% of respondents to an Opt-In News survey. That model gives the seller a sure thing, in contrast to the two other listed methods—cost per acquisition (CPA) and cost per sale (CPS)—that leave too much to the advertiser's marketing skill. A poorly done e-mail cuts down acquisition and sales, and thereby the list renter would make less.

Pricing Model Used Most by US Advertisers Last Holiday Season When Renting Opt-in E-Mail Lists, Q4 2001 (as a % of advertisers surveyed)



*Note: *Cost Per Thousand; **Cost Per Acquisition; ***Cost Per Sale*

Source: Opt-in News, Keaton Communications, January 2002

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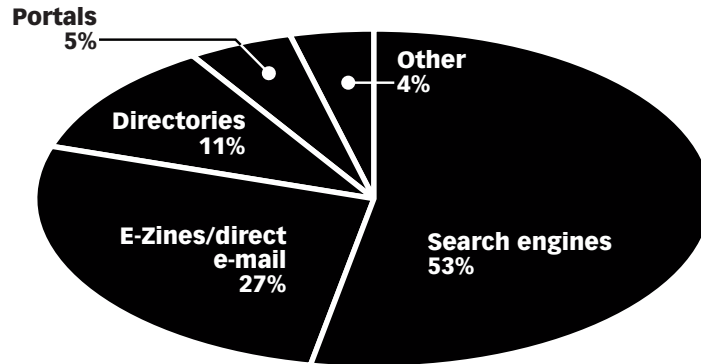
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When media buyers in the US are looking to buy third-party lists, they shop around the same way most internet users find anything online—they use search engines.

Methods Used by US Media Buyers to Locate Third-Party Lists, Q1 2002 (as a % of respondents)



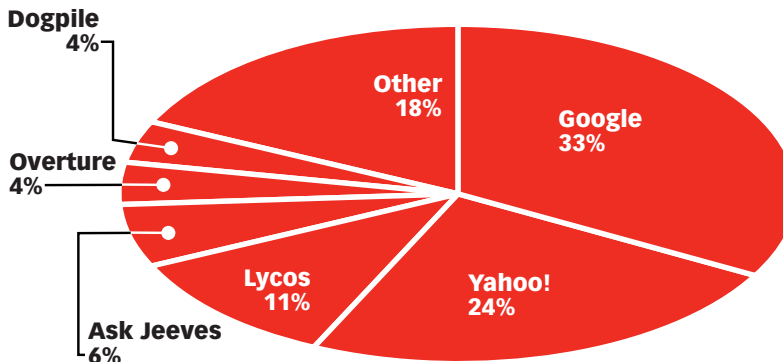
Source: Opt-In News, May 2002

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And the main search engines media buyers use are the same ones US consumers use: Google, Yahoo!, and Lycos.

Search Engines Used by US Media Buyers to Locate Third-Party Lists, Q1 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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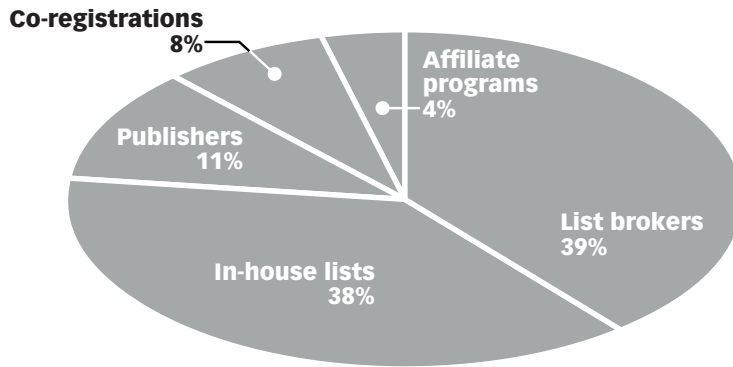
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Finally, according to Opt-In News, when media buyers find sources for e-mail marketing lists, list brokers are the traditional and key sources, according to 39% of respondents. Their own in-house lists are used nearly as much, with a 38% response.

Primary E-Mail Marketing Source for US Media Buyers, Q1 2002 (as a % of respondents)



Source: Opt-In News, May 2002

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The DMA finds a higher proportion of list renters among US direct marketers—40% of respondents rent permission-based e-mail lists from third parties for the purpose of prospecting. One problem with such lists is that the permission given is often only to the list holder, not to the renter.

E-Mail Rental and Maintenance Policies Used by US Companies, 2001 (as a % of respondents)

Include the opportunity to opt-out

96%

Rent permission based e-mail lists from third parties for the purpose of prospecting

40%

Send non-targeted e-mail to prospects

26%

Note: n=164

Source: Direct Marketing Association, April 2002

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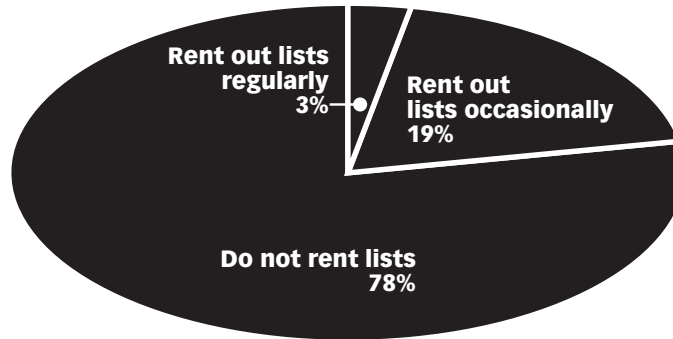
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Where the list process runs into trouble—or at least might for some US direct marketers—is when e-mail lists are rented out, something that 22% of respondents to a Victoria James Executive Search survey do occasionally or regularly.

US Direct Marketers Who Rent Out E-Mail Lists, 2002 (as a % of respondents)



Source: Victoria James Executive Search, January 2002

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Again, most customers opt-in to a specific list, and haven't given permission for further rental use. Infringing upon the permission process is, as you'll see in the section below, worse than "bad form" (as the English might say). It can undermine a company's whole e-mail list.

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Decisions made during the ongoing e-mail process—choosing an e-mail format, deciding whether or not to outsource, and building or renting a list—will affect how a company handles and relates to the two primary concerns confronting e-mail marketing today: permission and privacy.

That the hard technique of process will shape the softer issues of how a company is perceived by its customers and prospects, both now and into the future, means that e-mail process choices should be viewed through the lens of ramifications. Just as in ecology, where science has shown that everything connects with everything, so as in e-mail marketing—where choices about process lead to decisions regarding permission which lead to issues of privacy and back again to the process.

Here's how the three issues of process, permission, and privacy can link together. For example, should you outsource your e-mail list maintenance? If you do, can you be sure all the individuals on the list have given permission? If all of them haven't, will your company be seen as violating their privacy when marketing e-mails are sent to them?

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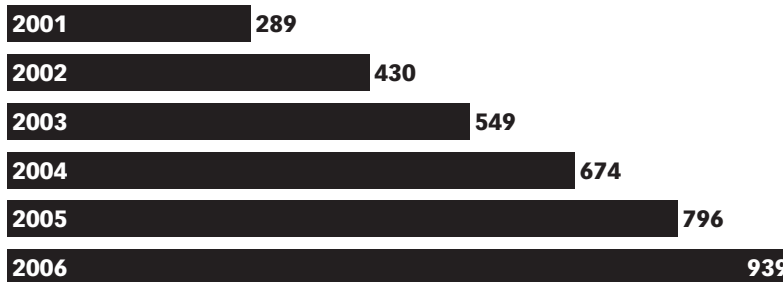
A. E-Mail Overload

In one sense, e-mail marketing's low costs, high speed, suitability for both branding and direct response, and strong penetration rate among users all sound as if e-mail is the ultimate interactive marketing vehicle. One escalating problem reduces e-mail marketing's effectiveness, and that's overload.

Too many e-mails and too much spam threaten to demoralize the e-mail Eden, inuring consumers to commercial e-mail in general and injuring their trust in e-mail marketing. The e-mail overload is due to a constellation of factors, including an upsurge of e-mails in general, both commercial and personal, at work and at home.

The boom in commercial e-mails is the sort of growth that turns a trendlet into a trend into an institution. Look again at the Forrester figures, which expect the number of marketing e-mails sent in the US to more than double from 430 billion in 2002 to 939 billion by 2006. That projection for 2006 creates an average of 2.57 billion marketing e-mails each day. Expressed as a percent increase, the largest jump in marketing e-mails will

Number of E-Mail Marketing E-Mails Sent in the US, 2001-2006 (in billions)



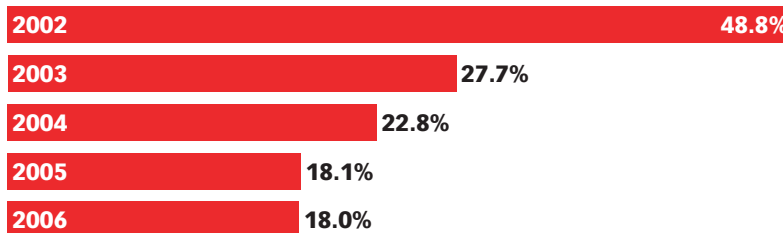
Source: Forrester Research, August 2001

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occur this year, at 48.8%. But Forrester expects growth to remain double-digit, and the total gain from 2001 to 2006 will be nearly 225%.

Number of E-Mail Marketing E-Mails Sent in the US, 2002-2006 (as a % increase vs. prior year)



Source: Forrester Research, August 2001

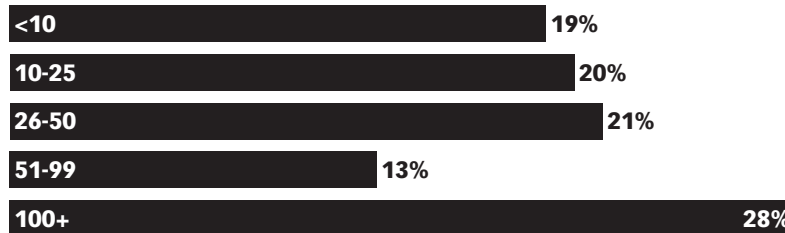
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Translated to a weekly count of all e-mails (not just the commercial variety), and it appears that 62% of US internet users receive 26 or more e-mails every seven days. Multiply that minimum 26-per-week figure by 52 weeks and you get at least 1,352 e-mails annually for nearly two-thirds of those American online. The distribution fits a classic bell curve, since many of us get more than 1,352 e-mails each week.

Weekly E-Mail Volume of US Internet Users, 2001 (as a % of respondents)



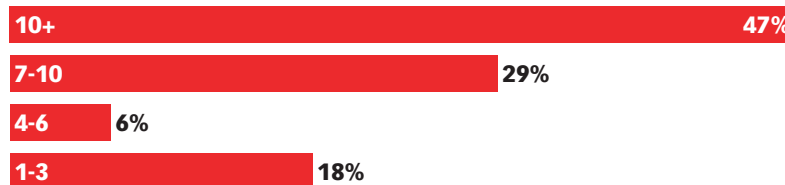
Source: IMT Strategies, September 2001

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From a global perspective (and without projections to the future), the average number of commercial e-mails consumers received daily in 2001 was significant, according to Opt-In News. Combining the top two lines in the chart below means that 76% of users got 7 or more e-mails each day.

Number of Commercial E-Mails Received Daily by Consumers Worldwide, 2001 (as a % of respondents)



Source: Opt-In News, May 2002

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“Blasting out e-mails can have a severely negative impact on e-mail marketing and customer relationships, fundamentally hurting ROI and brand awareness.”

– V.A. Shiva, CEO and founder, EchoMail

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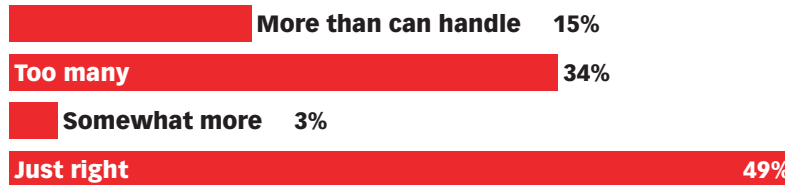
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Nobody wants to receive much more e-mail than they currently do, according to IMT research, but like Goldilocks lying on the Baby Bear's bed, the largest segment (49%) finds e-mail volume "just right." But an equal number think that e-mail volume is either too much or more than they can handle. Note that these are consumers, not business professionals who tend to get even more e-mails.

US Internet User Attitudes towards E-Mail Volume, 2001 (as a % of respondents)



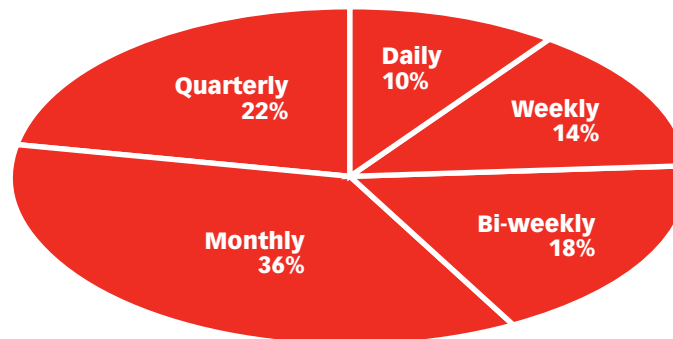
Source: IMT Strategies, September 2001

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Whether solicited or not, one source of the jump in US e-mail volume is how frequently companies send missives to their lists. That 24% of companies send commercial e-mails either daily or weekly, according to the Association for Interactive Marketing survey, points to how the e-mail river is swelling. Note, however, that the AIM survey represents a relatively small sample of 110 respondents.

Frequency of E-Mails Sent to US Commercial E-Mail Lists, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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Take the AIM research a bit further, and you see that 50% or more of US commercial e-mail databases get actively e-mailed by 60% of the companies surveyed. And more than one-quarter of those companies e-mail the full 100% of their lists regularly.

Percent of US Commercial E-Mail Databases that Get Actively E-Mailed, 2002

% of e-mail databases	Companies
<25%	10%
25%	30%
50%	16%
75%	17%
100%	27%

Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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“As marketers we have an opportunity and a responsibility to husband e-mail as a channel of communication with enormous potential.”

– Michael Donnelly, executive vice president and co-founder, One to One Interactive

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And yet, the main way that permission-based marketers can improve their e-mail programs is less frequent messages, according to 42% of the e-mail user respondents in the recent Quris survey.

US E-Mail Users' Opinions Regarding Ways Permission Marketers Can Improve E-Mail Programs, Q1 2002 (as a % of respondents)

Less frequent messages

42%

Better prices and offers

35%

More relevant, targeted messages

24%

More control over e-mail options

18%

Time savers and convenience

18%

Exclusive e-mail offers

17%

More self-personalized content

9%

More entertaining messages

6%

More timely messages

6%

More reminders

2%

More frequent messages

1%

Note: two choices per respondent allowed

Source: Quris/Executive Summary Consulting, May 2002

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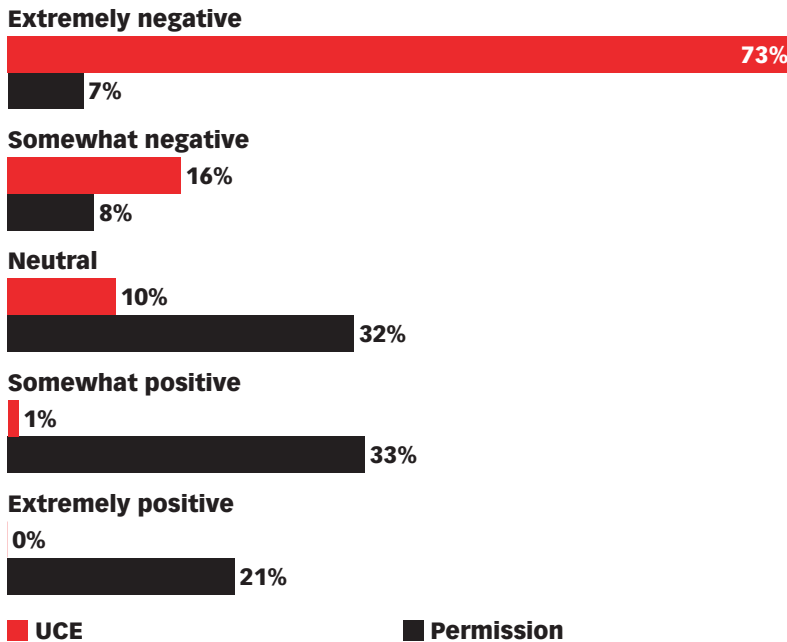
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The e-mail deluge makes the typical internet user extremely sensitive to what arrives in the inbox. As IMT Strategies writes, "The customer ultimately determines what is UCE and what is permission-based e-mail." And research backs up common sense: 89% of US internet users have some kind of negative attitude toward unsolicited commercial e-mail, while 54% have some kind of positive take on permission-based posts.

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(That the two negative/positive attitude numbers don't balance each other more closely is probably due to e-mail flooding—many users see even opt-in e-mail as too much, calling up a neutral response at best.)

US Internet User Attitudes towards Unsolicited Commercial E-Mail (UCE) vs. Permission E-Mail, 2001 (as a % of respondents)



Source: IMT Strategies, September 2001

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A continuing problem with permission-based e-mail marketing, according to IMT Strategies, is that how some “marketers [mix] opt-in and opt-out policies selectively, or [do] not distinguish between them.” Without strict internal policies and rules for outside vendors, it’s too easy to slip.

Yet the absence of permission e-mail policies among US companies is, if not surprising, disappointing. When it comes to context—making campaigns and offers relevant to customers—only 33% of companies have a policy in place. For frequency—managing message volume and customer overload—policies are even more absent, at only 20% of all companies. And yet consumers complain about too many e-mails. Do you want your e-mails to get lost in the click-trash?

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That only 24% of IMT's "best-in-class" companies have an opt-out policy points further to the primacy of permission. As in, why bother with instituting an opt-out policy when your company will never send e-mails to customers who haven't given permission?

Permission E-Mail Policies Currently Used by US Companies, 2001 (as a % of respondents)

Context



Frequency



Employee rules



Opt-out



Opt-in



■ **Best-in-class***

■ **General**

*Note: *best-in-class results based on interviews with 30 marketing executives at companies known for successfully marketing their products*
Source: IMT Strategies, September 2001

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"It's hard to untangle permission and privacy completely from one another."

– Michael Donnelly, executive vice president and co-founder, One to One Interactive

The rift between what consumers want (fewer commercial e-mails) and what marketers believe they need to succeed (more e-mail contact) creates a tension that forces e-mail senders to better understand the importance of getting permission and respecting privacy.

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B. Down with Spam

Enough with those e-mails promising to enlarge your ink-jet credit overnight while you work at home—or some such nonsense. Spam is the wart that threatens to permanently disfigure commercial e-mail. Why most people dislike spam more than unsolicited direct paper mail comes down to three basic reasons.

One, people pay to go online, and therefore pay to receive e-mail. Therefore, spam is more than just discourteous; it's a money-waster for the recipient, and a time-waster, too. Two, some spam is vulgar or unwanted in other ways—what do you do when your children receive pornography solicitations via e-mail? Three, for many people, e-mail is a personal thing, and so getting spam appears invasive and a violation of privacy.

An ancillary spam problem that aggravates some consumers—notably those with size-limited services (such as a free Hotmail account)—is how unsolicited e-mails can clog their inboxes, preventing wanted e-mail from arriving.

Furthermore, the rise of rich media might contribute more to the spam problem. As more users connect via broadband, spammers will likely add rich media elements, which creates larger-size e-mail files. Multiplied by spam's ubiquity, this could cause insidious mischief by crashing e-mail servers and causing network downtime.

“That it’s not direct mail. It’s sooooo easy to loathe spammers when you get a bucket load in your inbox and to get all hoity-toity about permission-based marketing (and God knows I can get that way).”

—Anne Holland, publisher, MarketingSherpa (when asked “What do you see to be the most annoying part of e-mail marketing?”)

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From the marketer's point of view, a major snag that comes from spam—also called unsolicited commercial e-mail (UCE) – is losing the prospective or existing customer even before you start. According to a survey from Quris, while 62% of consumers are either curious or even eager to read permission e-mail, only 13% feel the same way about e-mail from unknown senders. Perhaps more importantly, 52% simply delete UCE without opening it, and 21% are actively annoyed by such missives.

US E-Mail Users Likely Reactions to Permission E-Mail vs. E-Mail from Unknown Senders, Q1 2002 (as a % of respondents)

Eager to read



Curious to read



Indifferent



Open but annoyed



Delete without reading



■ Permission e-mail

■ E-Mail from unknown senders

Note: n=1,256; figures may not add to 100% due to rounding

Source: Quris/Executive Summary Consulting, May 2002

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"The abuse of permission marketing is deplorable. Marketers today are saying, 'If you don't explicitly deny me permission, that means I have free reign to bombard you with messages.' But consumers are getting smart and shutting that down."

– Laurie Coots, chief marketing officer, TBWA\Chiat\Day

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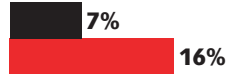
A similar survey from IMT Strategies pictures UCE with a higher delete rate of 77%, but there's a lesser open but annoyed rate of 16%. Positively speaking, a similar 61% of IMT's respondents are either eager or curious to read their permission-based e-mail.

US Consumer Reaction to Unsolicited Commercial E-Mail (UCE) versus Permission E-Mail, 2001 (as a % of consumers)

Delete without reading



Open somewhat annoyed



Indifferent



Curious to read



Eager to read



■ **Permission** ■ **UCE**

Source: IMT Strategies, September 2001

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As the ClickZ online publication succinctly put it, “Sending unsolicited e-mail is bad business if your goal is to get your e-mail opened and read.”

Basically, most consumers don’t want to be bothered by unsolicited salespeople hitting on them, whether it’s knocking at their doors (91% annoyed), ringing their phones (91%), or stuffing spam in their e-mail inbox (88%).

US Consumer Opinions Regarding the Most Annoying Forms of Unsolicited Sales Contact, 2002 (as a % of respondents)

Sales calls	91%
Telemarketing calls	91%
E-Mail	88%
Direct mail	73%
Catalogs	45%

Source: *Valentine Radford, June 2002*

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“Annoying somebody and hoping that their problem is so critical that they overcome their annoyance and buy your product is the dumbest marketing strategy I have come across so far.”

– Nari Kannan, vice president engineering, Ensenda (e-commerce technology firm)

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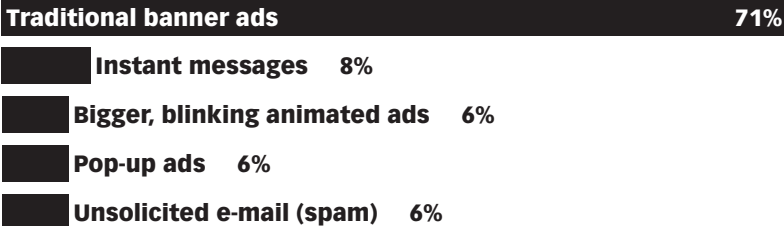
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The active distaste for spam also shows in an online poll on the Wall Street Journal.com website. People were asked, "If there were only one way for online marketers to reach you, what would it be?" Perhaps unexpectedly, traditional banner ads came out on top, with 71% of respondents favoring them. Also surprisingly, however, is that 6% of respondents would want to be spammed.

How Internet Users Want to be Reached by Online Marketers, 2001 (as a % of respondents)



Note: n=770; based on responses to an online poll asking, "If there were only one way for online marketers to reach you, what would it be?"
Source: Wall Street Journal.com, October 2001

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According to a Burson-Marsteller survey from last December (done by RoperASW), the range of reactions to UCE among active internet users include deleting the e-mail (done by 94% of respondents), asking to be removed from the mailing list (at 72%), and reporting the sender for spamming (at 35%).

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Perhaps surprisingly, 39% have visited a new website and 21% have subscribed to a newsletter. That it's not entirely ignored reveals the other side of unsolicited e-mail.

Actions US Active Internet Users Take in Response to Unsolicited E-Mail, 2001 (as a % of respondents)

Deleted the e-mail

94%

Asked to be taken off mailing list

72%

Visited a new website

39%

Reported the sender for sending spam

35%

Subscribed to a newsletter

21%

Forwarded the e-mail to other people

21%

Sent the e-mail to their company's technical people

14%

Purchased a product or service

11%

Signed a petition

11%

Blocked the sender

2%

Note: n=525; active internet users defined as the 10% of the US online population who communicate most often

Source: RoperASW, Burson-Marsteller, December 2001

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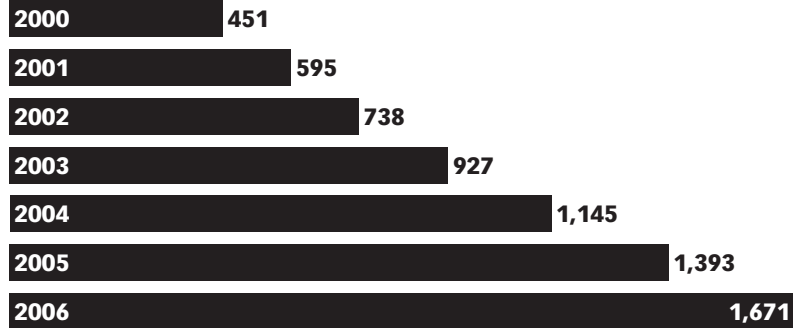
"Is spam going to be something we will all learn to live with, like increased airline security? Or will it disappear?"

– Enrique Salem, CEO, Brightmail

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And whether you camouflage it politely as UCE or call it spam, these uncalled for e-mails are increasing. According to Jupiter Media Metrix, the quantity of spam received per user in the US is 738 UCEs in 2002, with an expectation for it to more than double to 1,671 annually per person by 2006.

Spam Received per User in the US, 2000-2006



Source: Jupiter Media Metrix, Inc., 2002

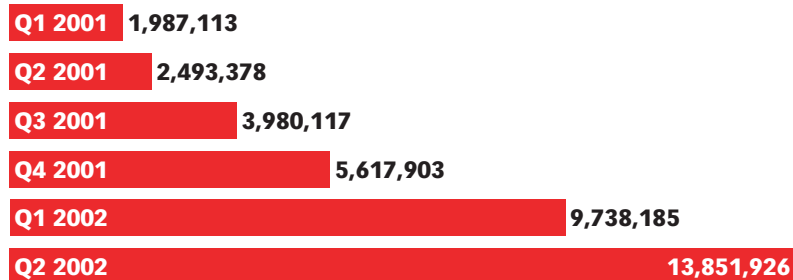
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For a different perspective on spam growth, one based on unique spam attacks in the US, data from Brightmail's network shows a disturbing upsurge of spam, jumping from less than 2 million in the 1st quarter of 2001 to over 9.7 million in the corresponding quarter of 2002—and then soaring to nearly 14 million in the 2nd quarter of 2002.

This sharp uptick is especially disturbing when you consider that each spam attack consists typically of thousands of e-mails.

Unique Spam Attacks in the US, Q1 2001-Q2 2002



Note: as measured by Brightmail's Probe Network

Source: Brightmail, July 2002

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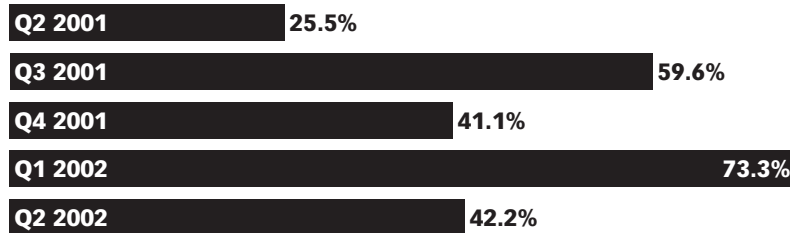
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Looked at as increases from quarter to quarter, spam attacks are a growth industry, rising regularly by double-digit rates.

Unique Spam Attacks in the US, Q2 2001-Q2 2002 (as a % increase vs. prior quarter)



*Note: as measured by Brightmail's Probe Network
Source: Brightmail, July 2002*

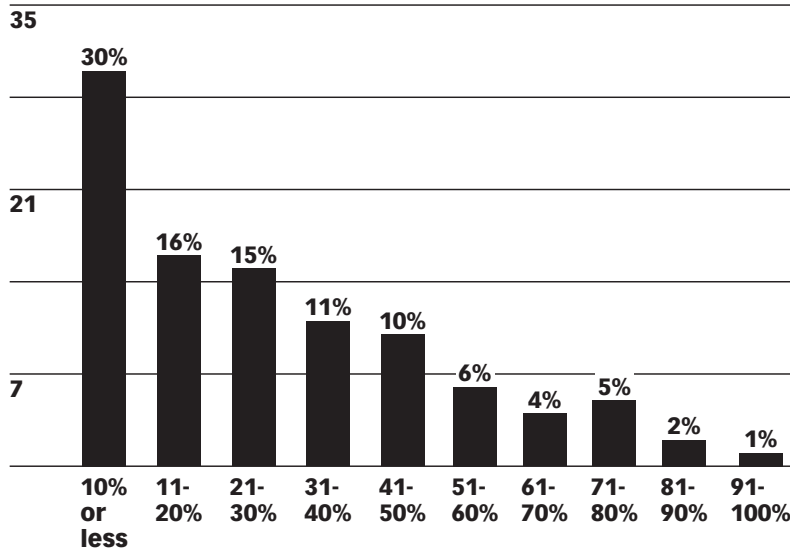
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Finally, when you compare the number of spam attacks in the first two quarters of this year with the previous year's corresponding quarters, you'll find an absurd escalation of spam. It seems that in the 1st quarter of 2002, spam grew by 390.1% from 2001's 1st quarter. And in the 2nd quarter of 2002, the same contrast shows a 455.5% growth rate.

That burgeoning development is why spam's share of all e-mail is gaining as well. Among US e-mail users surveyed by the Gallup Poll last summer, 39% consider that 31% or more of all their e-mail is spam.

Percent of E-Mail Considered Spam by US E-Mail Users, 2001



Source: Gallup Poll, July 2001

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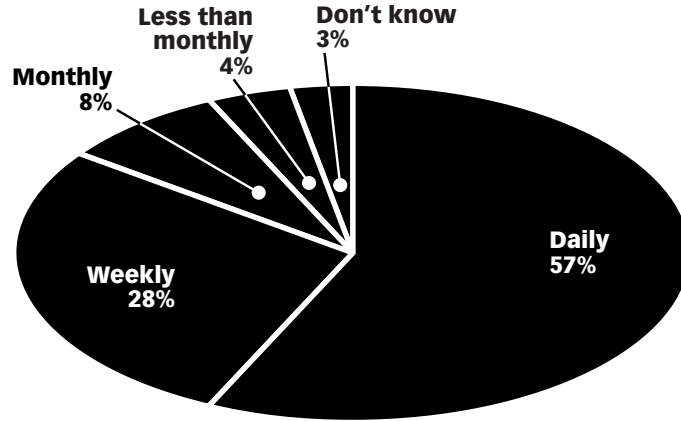
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Another take on spam frequency comes from an Ipsos-Reid survey, which shows 57% of all US online adults getting spam daily.

Frequency of Receiving Spam among US Online Adults, May 2001



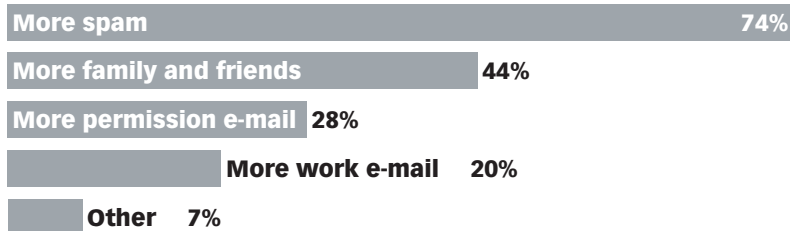
Source: Ipsos-Reid, 2001

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As more spam gets spewed, more e-mail in general shows up in users' inboxes. Then, even permission-based marketing e-mails may get lost in the flood. The juncture of increased e-mail and spam shows below in a survey from Quris. The top reason—cited by 74% of US e-mail users—for the increase in volume is more spam.

Top Reasons Cited by US E-Mail Users for Increase in E-Mail Volume over the Last Year, Q1 2002 (as a % of respondents)



Note: n=1,256; multiple responses allowed

Source: Quris/Executive Summary Consulting, May 2002

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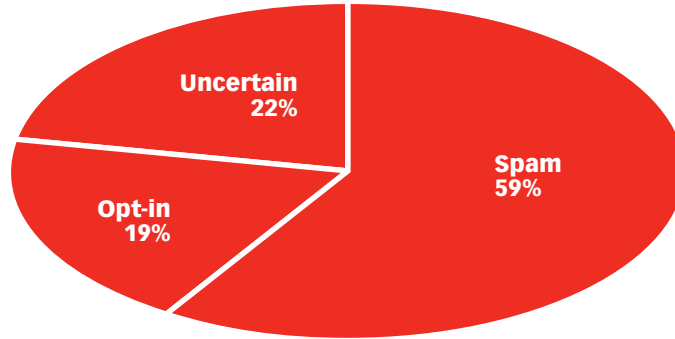
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In fact, when it comes to commercial e-mail advertisements received, spam beats out the opt-in kind, 59% to 19%, respectively, according to respondents of an Opt-In News survey.

Percent of Opt-in and Spam E-Mail Advertisements Received by Consumers Worldwide, 2001 (as a % of respondents)



Source: *Opt-In News*, May 2002

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Spam is a swiftly changing market, as the two Brightmail charts below indicate, the first one for April 2002, the second for June 2002. As an anti-spam technology firm, Brightmail regularly tracks and categorizes UCE. In the two-month interval shown, some stability shows among spam categories, with general goods and services the most common type. However, note that categories such as adult (aka, pornography) and financial (aka, money) increased—with adult rising from 7% to 8% of all US spam, and financial from 13% to 20%.

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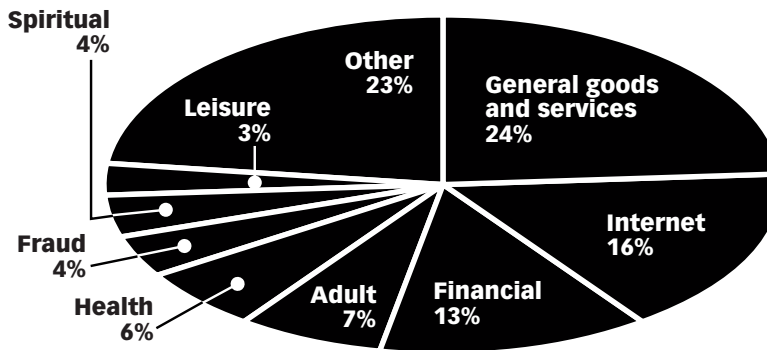
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Spam Received in the US, by Category, April 2002

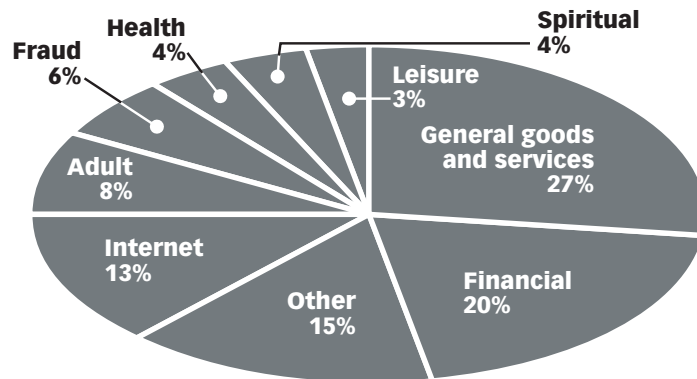


Source: Brightmail, June 2002

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Spam Received in the US, by Category, June 2002



Source: Brightmail, July 2002

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In fact, as reported by *CyberAtlas*, the jump in adult spam this June is a doubling from the 4% rate in June 2001. "Brightmail also found that adult-content spam is becoming more graphic, possibly creating a legal liability to corporations. Current solutions being utilized include mail filters and rules; software and blocking systems from anti-spam vendors; and of course, the delete key."

The delete key? That's not enough protection for many consumers.

So what's an interactive marketer to do?

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One approach considers an atypical point of view on spam versus UCE. As *MediaPost* reported in May, an Account Manager for TMP Worldwide's Directional Marketing Interactive proposed that we differentiate unsolicited commercial e-mail from spam. The manager said, "Spam is relentless and often illegal—unsubscribe features that don't work, hijacking of outbound servers and the use of invalid reply-to addresses. On the other hand, UCE is from legitimate commercial enterprises that may have gotten a person's info from third parties or even from the person himself and decided to market to him without permission. So be it. The fact is that we in the capitalist world have always had a love-hate relationship with advertising and marketing. On the one hand it's intrusive and annoying. On the other, it subsidizes costs and makes life more affordable. The internet is no exception."

The *MediaPost* article went on to ask: "Why do online marketers have to be different from telemarketers and direct marketers who don't abide by permission-based marketing rules and "spam" consumers relentlessly? Moreover, why are direct and telemarketers still around if everyone hates their tactics? Obviously, the answer is that such tactics work. Consumers respond to them."

But because users pay for e-mail, some think such a pro-UCE approach is invalid. (Note, though, that viewers pay for cable TV, too.)

Another approach believes that a federal law against unsolicited e-mail will lessen the amount of unrecognizable e-junk in people's inboxes while making things easier for legitimate, permission-based (opt-in) e-mail marketers, whose messages will actually be opened more often.

When it comes to spam versus legitimate e-marketing, the personal nature of e-mail points to the consumer's preferences more than to the marketer's. And as long as consumers see unsolicited e-mail as unwanted e-mail, it makes little sense to throw marketing dollars into UCE efforts—especially when true permission-based e-mails can be highly effective.

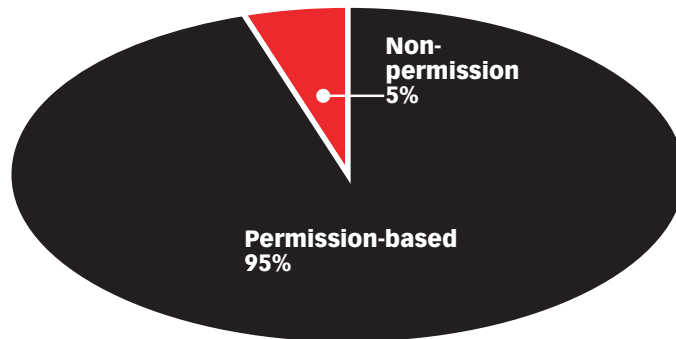
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C. The Primacy of Permission

What more and more e-marketers believe is that the main way to fight spam is to act as if they were still in the schoolyard and their mothers were watching them. That is, they play fair, sending marketing e-mails only to those recipients who've asked for them.

That preference for permission-based e-mail rings true for 95% of media buyers in the US, according to Opt-In News.

Preferred E-Mail Marketing Method among US Media Buyers, 2002 (as a % of respondents)



Source: Opt-In News, May 2002

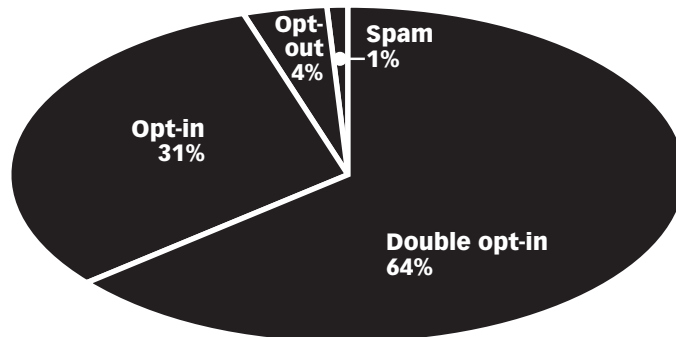
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Examining those permission-based numbers more closely, you can see how nearly two-thirds (64%) not only play nice, but they use the double opt-in process to gain permission. (A quick definition of double opt-in is when in addition to checking off on a website that you'd like to receive e-mailings, you also confirm that check-off with an e-mail reply.)

Interestingly, of the 5% who prefer non-permission e-mail marketing—whether opt-out or spam—80% of that small group follows the strict definition of UCE, sending e-mails to customers only until they “cry uncle” and opt-out.

Preferred E-Mail Marketing Method among US Media Buyers, 2002 (as a % of respondents)



Source: Opt-In News, May 2002

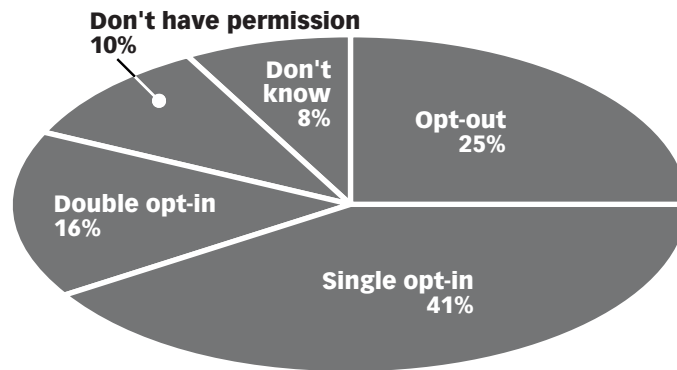
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The Association for Interactive Marketing survey presents distinctly different figures for the e-mail marketing process. Here, both opt-in numbers (single and double) add up to 57% of respondents, while those marketers willing to offend with opt-out, non-permission e-mail make up 25% of the whole. (That as many as 8% claim not to know, considering that these respondents work at "AIM member companies that conduct e-mail campaigns," is baffling.)

B2C E-Mail Permission Methods Used by US Companies, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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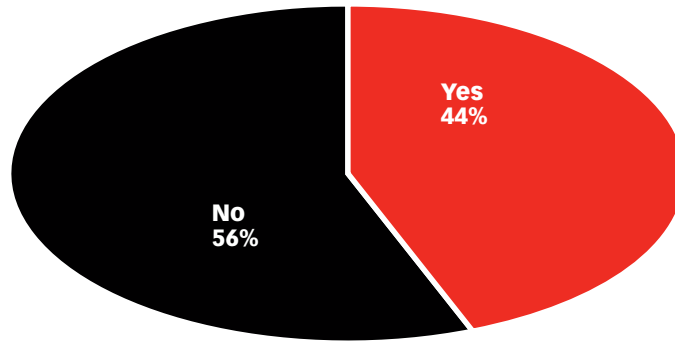
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Perhaps the different attitudes about permission between respondents to Opt-In News and AIM's survey is cause for alarm. Potential danger shouts out from the AIM chart below that shows how 56% of AIM's small survey sampling do not let their customers indicate how frequently they wish to receive commercial e-mails. Yes, they could be among the opt-in marketers as well—but a deliberate disregard of consumer desires is another way to spit in the shared e-mail marketing soup.

US Companies that Let Customers Indicate How Frequently They Wish to Receive Commercial E-Mails, 2002 (as a % of respondents)



Note: n=110; responses from AIM member companies that conduct e-mail campaigns

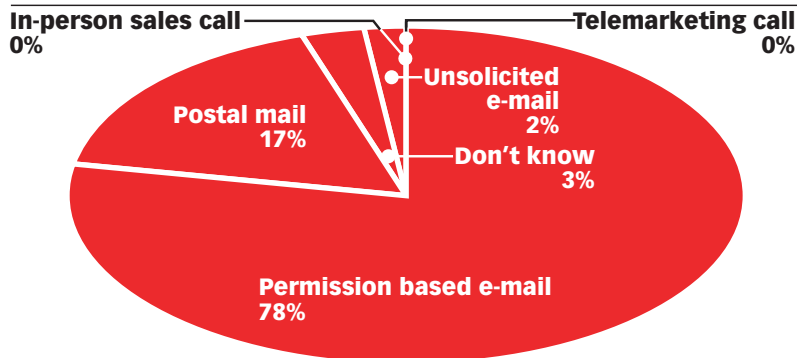
Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

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That's too bad, because far above any other channel, permission-based e-mail (at 78%) is how US consumers want to be contacted by online merchants, according to DoubleClick research. At the other end of desire is unsolicited e-mail, at 2%.

US Consumers' Preferred Method of Contact from Online Merchants, 2001



Source: DoubleClick, October 2001

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“Whenever a potential or existing client wants to travel down the opt-out or outright spam road, I spend a lot of time explaining my position as to why I think it’s the wrong way to go. I have even refused to do work if I can’t change their minds!”

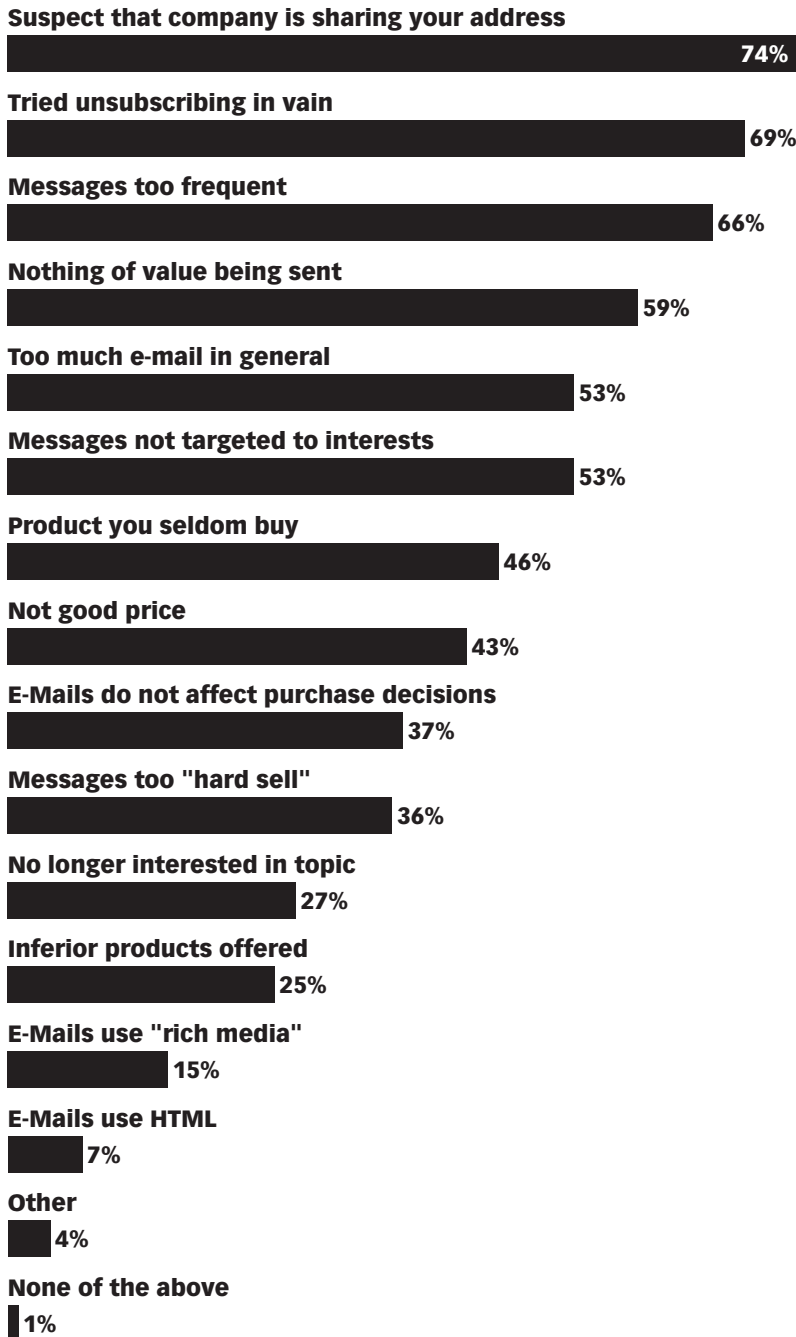
– Rob Morrow, president, 1Wizards.Net (website marketing and design firm)

The importance of following permission—and respecting its other half, privacy—is emphasized when you look at opinions regarding the most annoying features of badly done permission e-mail, as in the chart below from Quris. Among the 1,256 US e-mail user respondents, 74% suspect that the company they gave their opt-in permission to is sharing their address.

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(Considering that 22% of US companies rent out their lists either regularly or occasionally, according to the Victoria James Executive Search chart above, that suspicion is justified enough.)

US E-Mail Users' Opinions Regarding the Most Annoying Features of Badly Done Permission E-Mail, Q1 2002 (as a % of respondents)



Note: multiple responses allowed

Source: Quris/Executive Summary Consulting, May 2002

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As companies mix and match permission, renting e-mail lists of customers who have opted-in to third party offers (but who really don't know those parties), the growing concerns about privacy might put a permanent dent into e-mail marketing. According to a Harris Interactive survey late last year, 75% of US consumers are wary that companies will provide their information to other companies without permission.

US Consumers' Privacy Concerns Regarding Companies they Patronize , November 2001 (as a % of respondents)

Companies will provide their information to other companies without permission

75%

Their transactions with companies may not be secure

70%

Hackers could steal their personal data from companies

69%

*Note: *Survey conducted by Harris Interactive on behalf of Privacy & American Business, sponsored by Ernst & Young LLP and the American Institute of Certified Public Accountants (AICPA)
Source: Harris Interactive*, February 2002*

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The popularity—and therefore the probable success—of permission e-mail appears to be a blend of e-commerce routines (such as transaction confirmations with a 4.2 rating) and branding initiatives (such as scheduled corporate newsletters with a 3.3 rating).

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The Quris survey also details four types of permission e-mail with popularity ratings below the 3.0 neutral level: compiled targeted ad offers, personal e-mail from offline firms, unscheduled permission e-mails, and contests for e-mail addresses.

Popularity and Familiarity of Permission E-Mail Models among US E-Mail Users, Q1 2002 (based on a 5-point scale* and as a % of respondents)

	Popularity	Familiarity
Transaction confirmations	4.2	86%
Account status e-mails	3.8	89%
Recommendations from friends	3.5	92%
Scheduled corporate newsletters	3.3	85%
Customizable information updates	3.3	88%
Time-based reminders	3.2	71%
Rewards program	3.1	87%
E-Mail discussion groups	3.1	70%
Product updates of interest	3.1	89%
Independent media newsletters	3.0	79%
Entertainment (e.g., humor, film clips)	3.0	88%
E-Mail education series	3.0	77%
Compiled targeted ad offers**	2.7	90%
Personal e-mail from offline firms**	2.7	84%
Unscheduled permission e-mails**	2.4	90%
Contests for address**	2.2	94%

*Note: n=1,256; *popularity rated on five-point scale where 5 is "very positive" and 1 is "very negative"; **received score below neutral*
Source: Quris/Executive Summary Consulting, May 2002

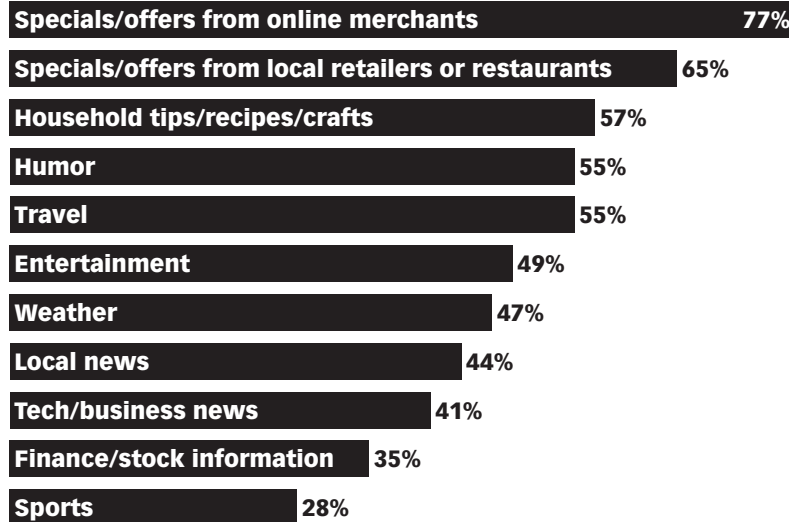
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What makes permission e-mail users happy, according to DoubleClick, is a mix of good deals, useful information, and humor. (See the first four bars in the chart below.) This should come as no surprise, since direct response e-mail works best when the recipient needs to consider a time-sensitive special offer. And branding e-mail works best when the sending creates a connection with consumers by regularly giving them something of value.

Top Interest Areas for Permission E-Mail Users in the US, 2001 (as a % of respondents)



Source: DoubleClick/NFO WorldGroup, October 2001

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Looking at the reasons why US internet users opt-out of e-mail marketing endeavors, two trends emerge. One is simply losing interest, which is the reason cited by 51% of the general online population according to IMT Strategies.

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The other is receiving e-mails too frequently, which is more true for frequent buyers (at 37%) than the general population (at 26%). Perhaps the trap that e-mail marketers can avoid is increasing the flow of messages to frequent buyers; just because they buy frequently doesn't mean they want to hear from you equally often.

Reasons Why US Internet Users Opt Out of E-Mail Marketing Campaigns, 2001 (as a % of respondents)

No longer interested



Received too frequently



No time to read



■ General population

■ Most frequent buyers

Source: IMT Strategies, September 2001

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Violating written or implicit permission e-mail rules may bring with it a viral-marketing style penalty: bad word of mouth. When Burson-Marsteller commissioned a survey of active internet users (defined as the 10% of the US online population who communicate most often), it found truth in tradition: bad news travels faster than good news. That is, when those active users have a positive experience with a company, they tell 11 other users; but when the experience is bad, 17 other users hear about it.

Number of People US Active Internet Users Communicate with in Reaction to Experiences with Companies, 2001



Note: n=525; active internet users defined as the 10% of the US online population who communicate most often

Source: RoperASW, Burson-Marsteller, December 2001

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D. Why Privacy Matters

Behind permission-based marketing's significance is the mounting focus on privacy matters among the US population. This focus is not simply an online or an e-mail phenomenon—and it's not even a "phenomenon" if that means a fad or a trend. Instead, privacy concerns represent a sea change in how people are ready to deal with corporations and government, and what they expect from those institutions in return. As the information revolution accelerates—which the internet abets with its openness and speed—that helps position privacy as a mainstream issue, not just an obsession for paranoid kooks.

Privacy is a question of trust, too, which is why permission-based interactive marketing weaves itself into that concern. And the withering trust in corporations—as seen by the waves of Enrons, Tycos, and WorldComs—makes it even more important that your company respect consumer privacy not just in word but in deed.

That companies undermine consumer trust is one reason 43% of US online users said last year that businesses have no incentive to protect consumer privacy in the internet age, according to Harris Interactive. Sound cynical? Of course it does, and yet that gives each business an opportunity to promote itself by doing things to dispel such cynicism.

US Consumer Opinion toward Privacy Protection, April & May 2001 (as a % of "online users"*)

Consumers do not have an appropriate level of control over how their personal info. is collected and used

50%

Businesses have no incentive to protect consumer privacy in the internet age

43%

Most businesses handle personal info. collect properly and confidentially

39%

Existing laws and organizational practices provide a reasonable level of consumer privacy today

30%

*Note: *Harris defines "online user" as those people who say they use the internet or world wide web either at home, at work or another location*
Source: Harris Interactive, July 2001

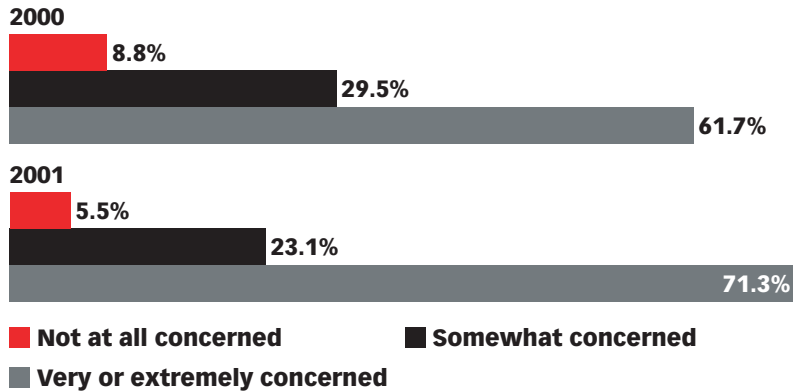
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Among US internet users, the level of concern regarding online privacy grew from 2000 to 2001. By last year, 71.3% of users were very or extremely concerned about privacy issues, according to research from the UCLA Center for Communication Policy.

US Internet Users' Level of Concern Regarding Online Privacy, 2000 & 2001 (as a % of respondents)



Source: *UCLA Center for Communication Policy, November 2001*

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The number-one privacy concern among US internet users is that companies will try to make a profit from their personal information, as indicated by 32.9% of respondents to the UCLA survey.

US Internet Users' Concerns about Businesses' Misuse of Personal Information, 2001 (as a % of respondents)

Businesses try to make a profit from personal information

32.9%

Businesses may sell personal information to others

27.7%

Businesses are not as reliable as government

8.6%

Businesses have an incentive to do what's best for themselves

12.8%

You have more control over government than you do over business

6.1%

Businesses are not as regulated as government

8.9%

Businesses can't be trusted

18.7%

Other

31.7%

Source: UCLA Center For Communication Policy, November 2001

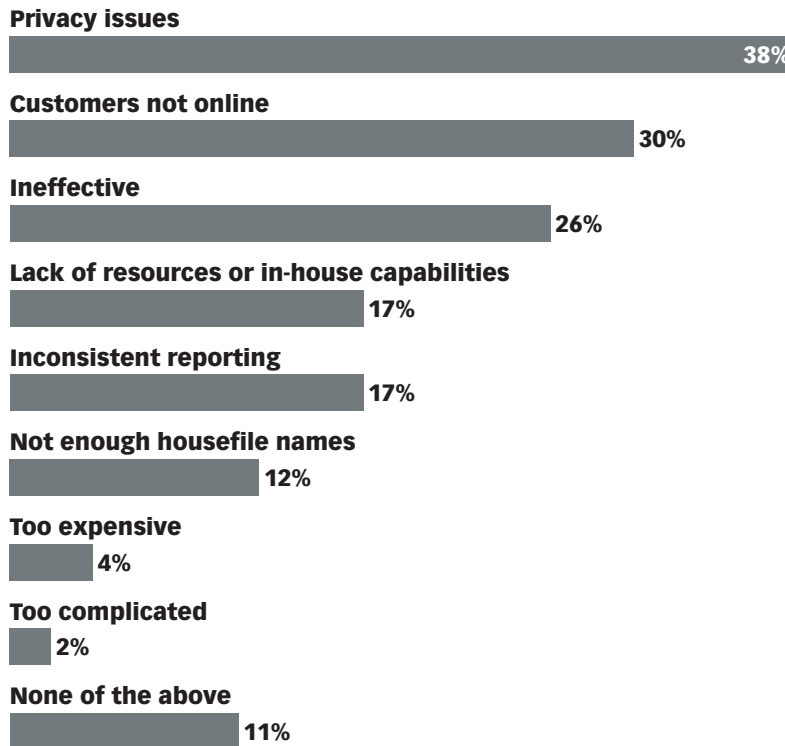
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It's no surprise, then, when it comes to increasing e-mail marketing spending, the prime barriers are privacy issues, according to 38% of US marketers surveyed this year by DoubleClick.

Barriers to Increasing E-Mail Marketing Spending among US Marketers, 2002 (as a % of respondents)



Note: n=190

Source: DoubleClick, June 2002

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So what do US consumers want? When it comes to the e-mail nexus of marketing and privacy, several conditions received a preference rating of 4 points or more (on a scale of 5 as “very positive”) in a Quris/Executive Summary Consulting survey. The freedom to opt-out easily, with an unsubscribe option in all e-mails, ranks number one at 4.7 points. Nearly equal in importance (at 4.6) is an explicit no-share-address policy, an indication that even “benign” UCE can be seen as spam, and as an abuse of privacy.

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At the negative end of the scale, e-mail users don't want companies to make assumptions about permission (at 1.5 points) or the right to share their e-mail address (at 1.4).

US E-Mail Users' Preferred E-Mail Marketing Privacy and Customer-Support Practices, Q1 2002 (based on a 5-point scale*)

Unsubscribe option in all e-mails	4.7
Explicit no-share-address policy	4.6
48-hour e-mail support answers	4.5
Editable personal preferences page	4.4
Provide phone number in e-mails	4.4
Explicit privacy policy	4.3
Double opt-in confirmation	4.2
Unchecked default opt-in box	4.1
Third party privacy seal in e-mail	3.9
Multiple opt-in e-mail products	3.3
Co-registration with ad partners**	2.9
Assumed permission by default**	1.5
Assumed right to share address**	1.4

Note: n=1,256; *preference rated on five-point scale where 5 is "very positive" and 1 is "very negative"; **received score below neutral
Source: Quris/Executive Summary Consulting, May 2002

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Is it only "paranoid kooks" who believe that the best way for companies to treat customers—by respecting their wishes, and therefore enticing them—is the same way employees of those companies would want to be treated themselves? It seems not.

"Watch out because the fuss is going to get a lot worse. Spam overload is hitting critical mass. Spam vigilantes are having a heyday setting up blacklists to take even reputable companies down. Spam filtering software is being thrust up hurriedly that will again stop even reputable e-mail on occasion. Politicians looking to please consumers are brainstorming new laws."

—Anne Holland, publisher, MarketingSherpa (when asked "Are privacy and privacy policies serious issues?")

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What, then, must US companies do both to allay consumer privacy concerns and to actively obtain information from them? According to Jupiter Media Metrix, the chief concern-calming factor is a guarantee that the information will not be misused, true for 73% of online users in 2001, up from 65% the previous two years.

And on the positive side, 48% of online users say they'd offer up personal information in exchange for eligibility to win a prize in a sweepstakes. While you'll find more on this topic of information for rewards in the second chart below, it appears Biblical in its concept: like the tale of Esau and Jacob, the bargain of swapping one's birthright of personal information for the possible pottage of a sweepstakes bonanza.

Benefits for Which Consumers Would Exchange Personal Information, 1999-2001 (as a % of online users)

Guarantee that the information will not be misused



Eligibility to win a prize in a sweepstakes



Regular e-mail updates on products and services they might be interested in



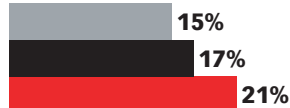
Access to more or better content/information online



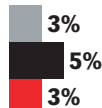
Affinity points (i.e., frequent flyer miles)



Receive targeted ads they're likely to be interested in



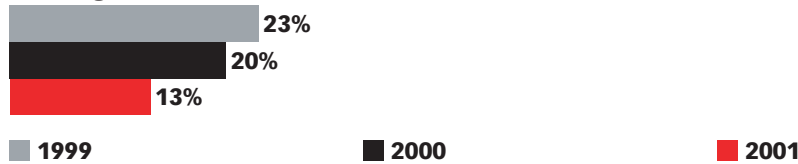
Other



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Nothing



Note: n=2,403 (May 1999); n=2,312 (May 2000); n=3,150 (May 2001)
Source: Jupiter Media Metrix, Inc., May 2001

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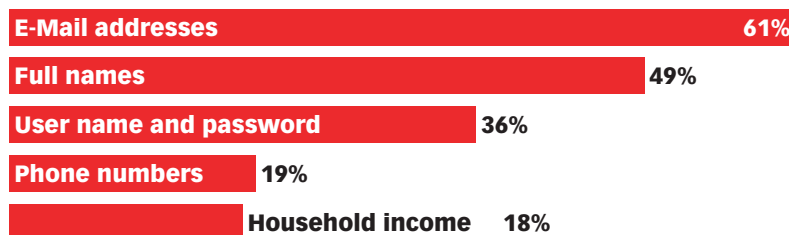
And yet, despite the warning implicit in the Esau and Jacob story, 82% of US online shoppers are willing to reveal some form of personal information to shopping websites where they have not yet made purchases...in exchange for “something as modest as a \$100 sweepstakes entry,” according to more recent research from Jupiter Media Metrix.

“Neither consumers nor businesses effectively address online privacy issues. In this increasingly complex world, even legitimate businesses will suffer when consumers’ perceptions of the control and safety of their personal information online are damaged.”

– Rob Leathern, analyst, Jupiter Research

The most likely bit of data to be swapped is an e-mail address, true for 61% of respondents in 2002. That gives e-mail marketers one tip for building their lists. And despite privacy concerns, the lure of sweepstake winnings can induce 36% of US online shoppers to reveal their user names and passwords. When you consider that Jupiter data further says 53% of internet users maintain the same user name and password wherever they go online, that willingness to disclose passwords is worrisome.

Type of Personal Information* US Shoppers Are Most Willing to Offer to Shopping Websites in Exchange for Rewards, 2002 (as a % of respondents)



Note: *information given to websites where shoppers have not yet made a purchase

Source: Jupiter Media Metrix, Inc., June 2002

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However, when the Harris Interactive results from 2001 are contrasted to Jupiter's 2002 figures, it looks like US internet users are less and less likely to divulge personal information online. For example, last year 93% of adult online users would tell their e-mail address, compared to Jupiter's 61% figure for 2002. (Caveat: comparing data from different sources is inexact.)

Personal Information US Online Users Are Willing to Reveal to Websites, 2001 (as a % of adult online users)

Name	95%
Mailing address	94%
E-Mail address	93%
Income assets	56%
Social security number	52%

Source: Harris Interactive, 2001

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According to Jupiter, "A majority of consumers seem willing to give their personal information for small benefits because it is not always clear how their information will be used or how widely it will be shared, and the extent of this behavior varies greatly among different brands, websites, and applications."

It appears, then, that one way to differentiate one's brand or company is to make clear and obvious full privacy policies, to use them as marketing tools both online and offline.

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A Harris Interactive survey from last November, done for Ernst & Young and the American Institute of Certified Public Accountants, backs up that contention. Consumers in the US want to know that companies do not release personal data without permission, according to 89% of respondents. And 84% say that access to customers' personal data should be limited.

Aspects of Privacy/Security Policies that US Consumers Would Like Companies to Verify, November 2001 (as a % of respondents)

Adequacy of security procedures

90%

Company does not release personal data without permission, unless required by law

89%

Access to customers' personal data is limited

84%

Company is only collecting information specified in privacy policy

84%

Information use or sharing is according to privacy policy

81%

*Note: *Survey conducted by Harris Interactive on behalf of Privacy & American Business, sponsored by Ernst & Young LLP and the American Institute of Certified Public Accountants (AICPA)*

Source: Harris Interactive, February 2002*

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Trust matters, too, as willingness to give out e-mail addresses increases to 46% of experienced internet users, according to IMT Strategies, if the website is one that's trusted. Note how that figure is greater than the 25% of less-experienced users who use trust as a criteria for giving out their addresses. That points to what the experienced web user learns—tell them little or nothing until they've proven their reliability. More important, it says that websites have an opportunity to build trust with their visitors, which over time will make them more comfortable giving up information.

US Customers' Willingness to Give Out E-Mail Addresses, by Length of Experience on the Internet, 2001 (as a % of respondents)

Selectively



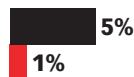
Do not give out



Sites I trust



Don't care



■ 1 year or less

■ 4+ years

Source: IMT Strategies, September 2001

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Regardless of consumer concerns about privacy, US companies will continue to gather data about their customers. Used as a marketing tool, websites are a perfect locus for collecting personal identifying information—such as name and e-mail address—which 90% of US websites do, according to the Progress & Freedom Foundation.

US Websites Collecting Personal Information*, December 2001 (as a % of sample)

Collect personal information

91%

Collect personal identifying information

90%

Collect personal identifying information other than e-mail

74%

Collect e-mail

89%

Collect non-identifying information

48%

Collect non-identifying information only

0%

*Note: n=302 randomly selected sites; *Personal information as defined by the FTC includes personal identifying information and non-identifying information. Personal identifying information refers to name, address, telephone number and/or e-mail. Non-identifying information includes demographic information such as age, gender, education and/or income; and preference information (e.g., hobbies, interests).*

Source: Progress & Freedom Foundation, March 2002

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And as companies use their e-commerce websites to gather information about consumers, they would do well to remember that 93% of US internet users consider it very important that the site display a statement of how it will use personal information.

Features US Internet Users Consider "Very Important" on Shopping Websites, January 2002 (as a % of respondents)

A statement of all fees that you will be charged for using the site, including shipping costs, transaction fees and handling fees

95%

A statement of how the site will use your name, address, credit card number and other personal information you provide

93%

An explanation of when you can expect delivery of your products or confirmation of your reservation

89%

A statement of the site's policies for returning unwanted items or canceling reservations

88%

The e-mail address, street address or telephone number where you can reach the site's staff about any problems

81%

The site's private policy

76%

Source: Princeton Survey Research Associates for Consumer WebWatch, January 2002

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Finally, if all the talk about privacy and trust doesn't ring loudly enough for you, note that of the three most important trust-building factors among US e-mail users, one is a privacy statement, while a trustworthy reputation is another.

Most Important E-Mail Marketing Trust-Building Factors among US E-Mail Users, Q1 2002 (based on a 5-point scale*)

Secure sign-up form	4.2
Privacy statement	4.2
Trustworthy reputation	4.2
I'm a loyal customer	4.0
Clear expectation setting	4.0
Well-known brand	3.8
Privacy watchdog seal	3.8
Friend recommended it	3.6
Something unique via e-mail	3.4
Trusted site referred it	3.4
Relevant offers	3.3

Note: n=1,256; *importance rated on five-point scale where 5 is "very positive" and 1 is "very negative"

Source: Quris/Executive Summary Consulting, May 2002

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Therefore, when it comes to e-mail marketing, making lists as permission-based as possible is a principal step toward building trust, which can lead to long-term relationships and a continuous stream of sales. In this light, the no-spam rule alone may not be enough. Even the more benign forms of unsolicited commercial e-mail, where the recipient is a customer but has not distinctly given permission, can be seen as poor form at best or an annoying, permanent put-off at worst.

But when privacy and trust and permission and marketing come together, things are rarely black-and-white.

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First off, 53% of US websites put the onus on the user when it comes to disclosing personal identifying information to third parties, according to a Progress & Freedom Foundation's study based on data collected by Ernst & Young in December 2001. That only 18% of sites make such disclosure permission-based can decrease trust or at least the willingness to divulge personal information to websites in general.

US Websites' Policy Regarding the Disclosure of Personal Identifying Information* to Third Parties, 2001 (as a % of sites that offer a choice)



Note: n=273; *personal identifying information refers to name, address, telephone number and/or e-mail

Source: Progress & Freedom Foundation, March 2002

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Or listen to this story from an eMarketer reader, a financial-services firm marketer who wishes to remain anonymous.

"I consider myself a privacy zealot and permission-based e-mail marketer. The unfortunate reality is that we often stumble into gray areas where obtaining opt-in permission is simply impossible or impractical from a business perspective. We've recently launched campaigns to legitimate business prospects through lists made available from an alliance partner. These campaigns included special header text such as 'You're receiving this mail as a current customer of XYZ company, with their expressed permission for this communication...if you wish to be removed from this list, use the link at the foot of this message.' In both campaigns we used this tactic, and just one recipient opted out of each. I was amazed the number wasn't higher, but our message was timely and did have legitimate value.

"Bottom line: while we try our best to never spam, it's nearly impossible to adhere to the absolute standards. The policy people at the top may believe that we never spam, but the business decision-makers have no problem giving the green light to UCE where necessary."

One way that companies attempt to skirt around the spam issue is through e-mail address appending, defined by ClickZ as "the process of adding an individual's e-mail address to that individual's record inside a marketer's existing database. This is accomplished by matching the marketer's database against a third-party, permission-based database to produce a corresponding e-mail address."

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Appending is a classic pro-and-con procedure. On the positive side, look again at the Association for Interactive Marketing research that shows how 40% of US commercial databases contain e-mail addresses for 25% or fewer customers. And, adding together the first three lines in the table below, note how 61% of company databases contain e-mail addresses for 50% or fewer customers.

That's a lot of holes to fill in, and appending is a useful trick.

Percent of Total US Commercial Databases that Contain Customer E-Mail Addresses, 2002

% of total database	Companies
<25%	5%
25%	35%
50%	21%
75%	20%
100%	19%

Note: n=110; responses from AIM member companies that conduct e-mail campaigns

Source: Association for Interactive Marketing (AIM)/Return Path, April 2002

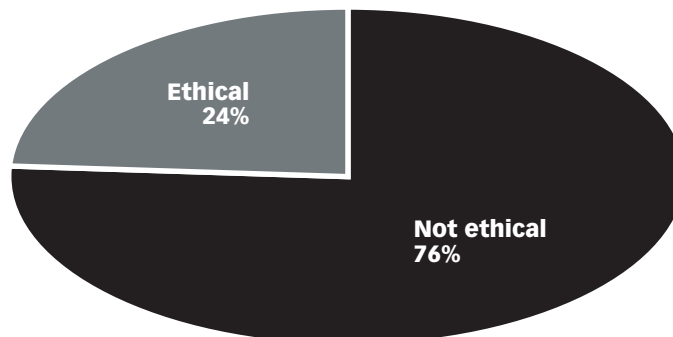
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On the down note, just because a company appends the e-mail address to an existing customer's record does not mean the customer will appreciate it. As ClickZ wrote, "To just start sending e-mail to someone who hasn't explicitly opted in (even if she is a customer) is to put your organization at risk. Once a customer or prospect perceives you're spamming, you'll be hard-pressed to change her mind."

Perhaps that is why more than three-quarters of consumers worldwide consider e-mail appending not ethical, according to an Opt-In News survey of 140 online consumers.

Consumer Opinions Regarding E-Mail Appending Worldwide, 2002 (as a % of respondents)



Source: Opt-In News, May 2002

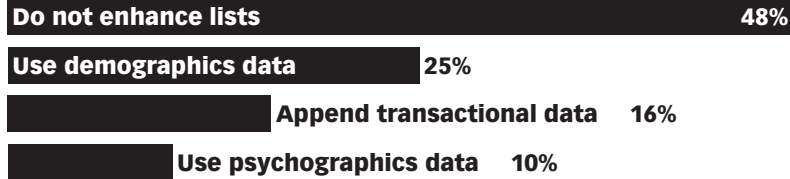
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Or perhaps that's also why 48% of US direct marketers do not enhance their e-mail lists with outside data, according to Victoria James Executive Search—although 16% of respondents report that their companies do append transactional data, such as e-mail addresses.

US Direct Marketers Who Enhance Their E-Mail Lists with Outside Data, 2002 (as a % of respondents)



Source: Victoria James Executive Search, January 2002

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If you do decide to grow your list through e-mail appending, consider what Ian Oxman from RappDigital wrote: “A couple words of caution when using an e-mail append. Never append any e-mail addresses to your database unless the append vendor first sends a permission-request e-mail to each matched customer. This permission request e-mail typically contains a subject line to the effect, ‘Company XYZ requests your permission.’ The consumer then provides permission, or not, to append their e-mail address to the marketers file. Also, send a thank-you confirmation e-mail to reconfirm their permission and redisclose your intended use of their e-mail address. This thank-you e-mail should contain an opt-out option for the customer.”

All these concerns about permission and privacy among US consumers create a call to action to protect personal privacy online. Research from the UCLA Center for Communications Policy shows that while 32.5% of internet users believe it's the government's responsibility for such guarantees, 42.7% put the onus on business.

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US Internet Users and Non-Users' Opinions about Who Should be Responsible for Guaranteeing Personal Privacy on the Internet, 2001 (as a % of respondents)

Government



Business



Government and business



Neither government nor business



■ Internet users

■ Internet non-users

Source: UCLA Center For Communication Policy, November 2001

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The penalties for encroaching upon privacy are starting to accrue. For instance, under a new Minnesota law signed by Gov. Jesse Ventura in May of this year, internet service providers (ISPs) must tell that state's consumers when they disclose personal information such as e-mail addresses or which websites users have visited. The law, which takes effect in March 2003, also requires ISPs to reveal what the personal information will be used for. And, in an attempt to control spam, the law requires companies sending unsolicited e-mails to include the letters "ADV" in the subject line—or "ADV-ADULT" for material of a sexual nature—to make it easier to filter out. The bill will let consumers sue businesses that violate the law, except for information given to law enforcement.

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“We hope that it sends a strong signal to Congress that it’s got to act on internet privacy, to ensure that consumers in all the states have the same level of protection.”

– Frank Torres, spokesman, Consumers Union

In fact, if the spam provision were universal and strictly obeyed, permission marketers would probably benefit. Their e-mails would not be burdened by the “ADV” header, and would not be automatically filtered into the trash. Less inbox clutter, more room for legitimate messages to be opened and read.

“In general, I think you have to worry about how much regulation you can expect for \$21.95 a month.”

– Stewart Baker, attorney, US Internet Service Providers Association

However, ISPs, internet content providers and online marketers say that if other states follow suit, the proliferation of potentially conflicting internet privacy laws will hinder their operations nationally. The Minnesota law says that any federal law passed on the same subject would supplant the state measure.

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E. Your Next Steps

As the eMarketer reader who works for the financial-services firm well noted, permission e-mail marketing is a gray area. Moving along that gray continuum from spam to opt-out to opt-in, marketers encounter both the problems and the promise of permission-based marketing.

For e-mail marketing today, the issues involved in what seems like the simplest of mediums, letters sent electronically, appear to be at the make-or-break stage. So, in order to avoid them, it's worth keeping in mind the 10 worst e-mail marketing mistakes, as related by the EmailDoctor website. (The site—www.EmailDoctor.info—is run by Arial Software, makers of e-mail marketing software.) These e-mail faux pas summarize well the implications of much of the data shown in the entire report.

- 1) **Spamming.** (Enough said.)
- 2) **Sending a sincere message to a spam list.** (If they didn't give YOU permission, don't bother, even if your offer is legitimate.)
- 3) **Sending messages on the wrong day.** (You want readers to have the time to see and read your message.)
- 4) **Neglecting to identify the source of the e-mail message.** (Tell readers both why they're getting the message, along with who it's from.)
- 5) **Not giving readers an obvious unsubscribe.** (Make sure there's an easy-to-use mechanism in place.)
- 6) **Neglecting to bring readers back to your website.** (The e-mail message need not do everything by itself.)
- 7) **E-mailing attachments.** (Don't steal bandwidth, don't present a virus threat, don't try to squeeze too much into one e-mail...just don't.)
- 8) **Mailing too frequently.** (Tell readers how often they'll get e-mails when they sign up, and stick to that schedule.)
- 9) **Mailing too infrequently.** (But don't take too long between e-mails, or your opt-ins may forget they gave permission—and then consider your e-mail as spam.)
- 10) **Purchasing an e-mail list from anybody.** (That's a spam list; however, you can rent a legitimate e-mail list, where you never get your hands on the actual e-mail addresses.)

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