

E-Mail Campaign Planning Revealed

– HOW TO LEVERAGE YOUR MAILING LIST –
A GUIDE FOR RETAIL ECOMMERCE

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The Opportunity

For most businesses, there is no reason why email marketing cannot be the primary driver of revenue for your ecommerce operation.

There are only three ways to grow your email marketing channel:

- 1) Increase the list size of customers and subscribers.
- 2) Increase the order frequency of existing customers.
- 3) Increase the order value of existing customers.

The focus of this discussion is how to leverage your customer file by creating more opportunities to buy and increasing average order value.

Many of the most successful email marketers are multi-channel marketers and this is not a coincidence. They have borrowed from the science of direct mail and circular planning and applied it directly to their email campaigns.

The science of direct marketing has been refined over 100 years and you need to make it your business to borrow success strategies that are readily available to you. The primary difference between traditional direct mail and email is that print, paper and postal costs are replaced by the far more efficient use digital media. Consequently, the ROI for email programs are much easier to accomplish because delivery costs are miniscule compared to traditional direct mail and circulars. Opportunity abounds!

The Challenge

Email marketers who push the frequency of mailings are concerned about the effects of fatigue and clutter, and rightly so. According to Forrester Research Inc., U.S. retailers and wholesalers will send 158 billion marketing e-mails this year, a number likely to grow 63% to 258 billion in 2013. They also report that 77% of online consumers say they receive too many.

You may interpret this data to mean that mailers need to decrease the frequency of mailings and relieve the glut that has damaged the overall effectiveness of email marketing. On the contrary, most email marketers have not tapped the significant gains that are possible by dramatically increasing the frequency of mailings. The strategies contained herein largely deal with how to effectively deal with these issues and enable an increase in the frequency of touches to customers and subscribers.

Your primary consideration is that offers must be perceived to reflect a genuine value to your customers. Your goal is to develop a rich variety of offers that motivate your recipients to anticipate receiving the next offer. Compelling offers is the name of the game. The ability to develop a rich variety of well-tested offers and target with segmentation is the means to provide genuine value to your customers. The scale at which you develop winning offers will determine how frequently you can mail.

How frequently should you mail?

According to Internet Retailer's survey of 174 web-only retailers, chain retailers, catalogers and consumer brand manufacturers, 55.7% send 1 to 3 e-mail marketing campaigns every month. 20.7% send 4 to 5, 12.1% send 6 to 8, 5.7% send 9 to 10, 3.4% send 11 to 15, 0.6% send 16 to 20 and 1.7% send more than 20.

The bottom line is that you should mail as often as you can. The frequency ceiling is higher than you can imagine. I have worked with businesses that mail up to three times a week. That's 156 times a year. But only 2.3% of retailers mail at this level of frequency. In all likelihood, 97.7% of retailers are not maximizing frequency and are bypassing an opportunity to significantly increase sales.

How you determine your maximum frequency rate? Here are some of the considerations.

1. **Opt-out Rates**— You can't necessarily link an increase in opt-outs to frequency. You'll need to conduct a population test to determine the effect of frequency. Segment your mailings to 2 or 3 frequency rates and conduct a test of your entire population. It takes time for fatigue to set in; you may need up to six months to test.
2. **Response Degradation**— You will most likely reduce your response rates as you increase the frequency. However, in most cases, frequency will override response unless your degradation is precipitous. Numbers will provide the answer. If you have enough history, you can track back and compare similar offers by season. But again, you may need a population test.
3. **Value Proposition**— As you increase frequency, the value proposition becomes more difficult to achieve if you haven't increased your resource allocation. Value comes from expert campaign planning, talented content developers and great execution. The key to success is how well you enhance your value proposition.
4. **Anecdotal Evidence of Dissatisfaction**— Any business with a large mailing list will receive heat from customers who feel that they receive too many emails. Although you need to pay attention to your customers (and decrease the frequency of mailings to anyone who asks for it), you need to pay more attention to what they do as opposed to what they say. This is a numbers game.

What offers will work for you?

There are two primary types of emails you can present: Promotional Offers and Informative Offers.

There is a limited universe of promotional offer types that are categorized below:

- 1) Universal discount
- 2) Item category discount
- 3) Sale on select items
- 4) Bogos
- 5) Shipping
- 6) Gift
- 7) Give-away
- 8) Credit

Informative offers fall into the following categories:

- 1) New product or product line introductions
- 2) Product recommendations
- 3) Feature of existing products or product lines
- 4) Transactional and behavioral targeting
- 5) Channel directives (for multi-channel marketers)

How you develop a rich variety of winning offers will determine your success!

Most successful retailers provide a steady stream of promotional offers for two reasons:

- 1) They work
- 2) They are forced into the game by competitive pressure

This strategy may not be appropriate for your business if you've built a niche that allows you to grow without promotional offers. Some marketers do not wish to open the "Pandora's box" of creating an expectation that trains customers to wait for a promotion before finalizing a purchase,. However, most retailers need a steady stream of promotions to compete in the marketplace and the sophistication of your campaign planning is the key factor in beating the competition.

Testing

You need to develop a culture of constantly testing offers and variations of offers. If you only test occasionally, you are delaying the development of historical data that allows you to move forward at a rapid pace. You need to test every type of offer to determine how your customers will respond. Although you will find the definition of these offers are familiar, the common mistake of campaign planning is the failure to make use of the full range of available offers and then leverage offers that provide the most significant gains.

Let's return to our list of offer types to clarify the definitions.

Universal discounts apply to the entire product line, typically include a dollar or percentage off the entire order and are applied within the shopping cart. Discounts can be stepped with total order hurdles to increase order value.

Item category discounts apply to a portion of the product line (typically a department), include a dollar or percentage off and are most often applied within the shopping cart. Discounts can also be stepped with hurdles to increase order value.

Sale on select items is the most common approach where sale items are listed with promotional pricing on the email and landing page.

Bogus (Buy one, get one) can be formulated in a number of ways, i.e. "Buy 2 get the 3rd free", "Buy 1, get the 2nd at half price". This is more often than not an order value strategy.

Shipping offers are the most frequently used promotion because they almost always provide the greatest gains in response. They include free or discounted shipping for ground, 2nd Day and overnight delivery. Minimum order values are frequently required to maintain profitability.

Free gifts include premiums, services and information. Premiums are frequently low-cost imported items with a high perceived value and universal appeal. Services may include gift-wrapping and extended warranties. Information may include white papers, pamphlets and on-line seminars.

Give-Aways fall under the category of contests and sweepstakes. This is a highly regulated endeavor and you may need to consult with specialists before proceeding.

Credit offers may include in-store credits, deferred billing and financing.

These informative offers may be combined with the promotional offers listed above:

New product or product line introductions can be particularly effective because they include the magic word “new” and bring exposure to new products that may get lost in the maze of your product offering.

Product recommendations are effective if you have segmented lists based on purchase history or sign-up processes that allow users to indicate preferences.

Feature of existing products or product lines typically point to departments and tell a story based on the benefits.

Channel directives point to events such as a store opening, catalog mailing, blog content or social media opportunities.

Behavioral targeting typically relies on tracking user behavior and responding to events such as click-throughs, abandoned carts, time spent on the site, etc. These are triggered responses that are automatically generated from data feeds.

Your goal will be to develop a promotions cycle for the entire year (similar to the science developed by retail circular marketers). Your promotions cycle is a continuous process that is refined by building a history of tests that includes key performance indicators and a measurement of ROI. When you categorize your mailings and apply history to those categories, you be in a better position to communicate your findings to everyone who is involved in the campaign planning process.

The effectiveness of your ROI measurements and the ability to communicate results throughout your organization cannot be overstated. Everyone knows that

promotions can eat away at your margin and you may face criticism that you are “giving away the store”. That is why you should determine a “gain needed” before launching your tests. Some promotions may not be able to achieve profitability because the improvement in response and/or order value cannot make up for the additional cost. The difference between a 15% and \$15 discount can be significant. The same promotions with a \$0 minimum purchase and \$100 minimum purchase (the hurdle) can be the difference between success and failure. Marketers who do their homework are in the best position to override opinions and attitudes that can deter effective campaigns.

When you test a large number of promotions, testing can be quite complicated and you will need to prioritize how you test until your campaign analysis has achieved a level of maturity. Prioritize in the following manner:

- 1) **Offer vs. Offer**
- 2) **Offer formulations** (For instance: What is the discount? What is the hurdle?)
- 3) **Copy and design** elements

This prioritization is based on starting with tests that provide the greatest impact.

The ability to develop a rich variety of well-tested offers and target with segmentation is the means to provide genuine value to your customers. You need to be driven by numbers— not gut feelings and coin flips. The scale at which you develop winning offers will determine how frequently you can mail.

Segmentation

Despite the well-known benefits of segmentation, a significant percentage of retailers ignore it altogether. According to Internet Retailer's October 2008 survey, "55.2% of retailers segment their e-mail marketing lists, but 44.8% do not. The 55.2% of survey respondents who do segment their e-mail lists break down as follows: 31.6% slice their lists into 2 to 4 segments, 13.8% into 5 to 7, 5.7% into 8 to 10, 0.6% into 11 to 15, 0.6% into 16 to 20 and 4% into more than 20."

Even the most basic segmentation can dramatically improve results. More importantly, segmentation enables you to send emails that are relevant to the users needs and desires and provides the genuine value necessary to increase frequency. The net effect is that you will bring overall volume down as you weed out irrelevant mailings.

Here are 4 methods to segment your lists:

- 1) **Site behavior** such as click-throughs, abandoned carts and exit pages.
- 2) **Purchase behavior** across all channels. This is primarily used to generate product recommendations or target item selections for promotions.
- 3) **User-generated** preferences are built by users checking-off preferences from forms submitted during the sign-up process or campaigns designed to solicit the data from existing customers.
- 4) **Demographics** such as sex and geographic regions are common to most databases.

Many forms of segmentation may not be necessary for all businesses. If you are in a tight vertical market with a shallow product line, most segmentation may be difficult to justify. Traditional RFM segmentation (Recency, Frequency, Monetary) usually does not apply to email marketing because the low cost of delivery overrides the equation. However, segmentation by site behavior and user generated preferences can improve results for any business model.

Summary

The strategy of increasing frequency and order value is a tested and proven best practice. But as always, the devil is in the details. The philosophy of direct marketing needs to permeate every single recommendation, decision and action on your part. The delivery of emails is a relationship of trust– the abuse of that trust with untimely and unwanted messaging is the formula for failure.

The ability to develop a rich variety of well-tested offers and target with segmentation is the means to provide genuine value to your customers. The scale at which you develop winning offers will determine how frequently you can mail. Marketers who have long history of testing have a leg up on the competition. However, any business can get on fast track by working with email marketing professionals who have been through the marketing wars and can quickly achieve productive results and leverage successes.

About MarketPlanB Email Marketing

MarketPlanB is a complete, one-stop solution for campaign planning, creative development and delivery of email promotions and newsletters.

Although all services are available ala carte, the primary benefit of MarketPlanB is to eliminate the burden of orchestrating the multiple skill sets required for effective email marketing campaigns.

The result? A one-stop solution that produces steadily improved results and delivers on-time every time. The overriding philosophy at MarketPlanB is to deliver content that is of genuine value to your customers and to leverage metrics and testing to deliver incremental improvements.

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