



# Email Marketing's New Rules of Engagement

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The customer experience moves  
front and center

**Responsys**<sup>®</sup>



**Peppers & Rogers Group**  
a division of Carlson Marketing Worldwide

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When it comes to email marketing, more and more companies are putting their brands on the line when they go online. *Internet Retailer* reported recently that 80 percent of all email marketers will put their brand name in the subject line. And 95 percent of all the companies they surveyed plan to spend more money on email marketing this year than they did last year.

The current and future stake in email is staggering. Despite the exponential growth in search engine activity, blogging and music downloads, the 188 million U.S. Internet users (as of 2006) still engage with email more than any other online activity. In fact, the numbers aren't even close (see chart on page 3). More than 70 percent of Internet users use email frequently, according to Mediamark Research. By way of comparison, only 6.7 percent blog. And although search engine marketing dominates online marketing

spend, more than \$1.6 billion will be spent by email marketers this year with 2.69 trillion emails finding an inbox in 2007.

But there's one element missing from the sheer volume of momentum behind this strategy: customer experience. Email has achieved a presence that is so ubiquitous and important that it communicates as frequently and as personally as any customer-facing service rep. It has evolved from a simple marketing communications channel into an essential part of relationship strategy and a major contributor to the customer experience. As such, every email carries a code that holds loyalty and engagement success in the balance. Customer experience will either develop or destroy the potential revenue, relationships, and customer value that companies have trusted to email.

So why then have companies not emphasized what happens after the email hits the desired inbox? Why has the customer experience angle been ignored in the increasingly sophisticated approach to online marketing and relationships?

"It has always been a valuable tool in the marketing mix, but it is only at this point in email's evolution as a strategic marketing tool that companies are considering how it interacts with other channels and impacts other metrics," says Scott Olrich, chief marketing officer at Responsys. "Email, like every other customer touchpoint, creates an experience. An email from a major bank, for example, is just as important as an interaction with a loan officer or a teller. People interact with an email. They experience an email, and if the experience is positive the customer will move from a static message to a dialogue and continue the engagement through other touchpoints, usually the Web."

## >in brief

- Email's value to marketers goes far beyond simple communication. It's an underestimated contributor to the customer experience.
- Addressing differences in how customers perceive and respond to email based on their experience over time and the history of their engagements will help companies optimize email and enhance the experience.
- Email contributes to customer value growth. As an important element in the customer experience, email can increase the perceived value of a company to a customer, and in turn the email experience can increase customer lifetime value for the company.
- Companies should look to three areas to improve email effectiveness: integration with existing customer information systems and other marketing channels, testing, and awareness of new content rules.

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For an email to contribute to an optimized customer experience, marketers need to move beyond email as a communication platform and use it as a way to engage customers on an individualized basis. As a communication platform, email has been used effectively to send different kinds of promotional and editorial content to lists of customers or subscribers. As a way to engage customers however, email needs to be experienced as a relevant opportunity for customers not just to receive a message, but to respond and maintain a value-building relationship. To deliver email as a relevant opportunity, companies need to understand the status of their customers within their overall experience (or lack thereof) with their brand.

### Think in terms of the customer lifecycle

Traditional customer relationship strategy differentiates customers by demographics, segments, lifetime value, RFM (recency, frequency, monetary) models, and other marketer-driven tactics. An “individualized lifecycle marketing” approach, as Responsys terms it, combines a traditional approach with a more real-time, customer-driven approach. It takes into consideration the current state of the customer relationship, as well as customer events and behaviors observed over time and across channels, to drive more relevant, individualized marketing communications.

Email can deliver the most relevant and

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## Top Online Activities of Internet Users

Data from Mediamark Research Inc. (MRI) for shows that adult Internet users engage with email more often than any other application.

RANK	ACTIVITY	INTERNET USERS	% CHG vs. 2005	% CHG vs. 2002
1	Used e-mail	70.5%	1.6%	9.7%
2	Obtained the latest news/current events	40.2	-4.6	12.3
3	Made a purchase online for personal use	34.2	5.7	57.7
4	Paid bills online	30.7	NA	NA
5	Used instant messenger	26.8	20.6	NA
6	Obtained financial information	24.8	-5.2	21.4
7	Obtained sports news/information	23.8	-7.0	15.1
8	Played games online	22.4	-1.3	22.4
9	Made personal or business travel plans	19.8	-0.5	24.9
10	Obtained medical information	17.4	-2.5	26.2
11	Downloaded music	15.7	23.3	NA
12	Visited a TV network's or TV show's website	14.1	-1.7	35.1
13	Tracked investments*	13.2	NA	NA
14	Obtained information about real estate	12.3	-8.3	36.6
15	Looked for employment	12.1	-7.7	11.3
16	Watched video online	11.4	123.7	NA
17	Listened to radio on the Internet	10.9	3.8	25.6
18	Made a purchase for business use	10.7	2.4	51.5
19	Obtained information for new car purchase	10.0	-12.1	-2.7
20	Visited blogs	6.7	163.9	NA
21	Made a phone call online	2.6	197.7	NA
22	Used online gambling site	2.2	NA	NA

Source: Mediamark Research, Inc. via eMarketer, October 2006. \*Includes traded stocks, bonds or mutual funds.

valuable customer experience through automated processes and new integrated strategies. The connection requires a deep understanding of the differences in marketing objectives and tactics at different stages of the customer lifecycle. Customers are prospective, new, active, loyal, or returning. The marketing approach for each kind of customer must be different in order for the email communication to be customized and relevant. If it is not, a customer that has never opened a company's email will get the same invitation to new products or services that a loyal customer gets. For the loyal customer, an email that sees his place in the lifecycle as a prospective customer is irrelevant. It is evidence that the company does not know him. The customer is not engaged and the email destroys value rather than create it.

An automotive dealer, for example, would define the lifecycle of a customer by the initial visit (beginning) and then time spent between initial visit, auto purchase, need for service, and need for a new vehicle. The dealer would not treat an initial visitor as if he just bought a new car. Likewise, a customer who just bought a car would not expect an email inviting him for a test drive.

This approach of individualized lifecycle marketing, in which marketing is highly integrated and automated (for greater relevance through timing), can address the experience and engagement issues. It considers the overall customer lifecycle, from "new" customer to "loyal" customer and even to "inactive" customer, as a framework for planning email and multichannel marketing programs. Customer engagement and experience, though, depend on more intimate customer knowledge.

In the automotive example, the dealer would treat customers who bought new and used cars differently. And while, the new car purchaser is a more profitable customer initially, the used

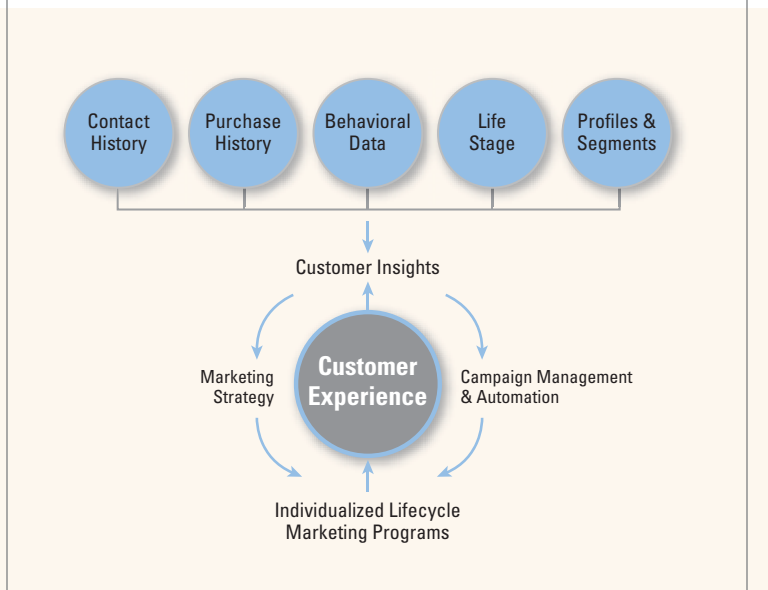
car purchaser may have a higher lifetime value due to more frequent service visits. Armed with greater customer knowledge, the dealer would message to each differently, but now at on a more individualized basis.

"Focusing on the customer lifecycle can help identify potential communication gaps in the total customer experience. If those gaps are closed the customer will be more consistently engaged and at a deeper level," says Olrich. "But the real key to engagement is relevant information at the right times, and the best way to deliver customer relevancy is to fully integrate your customer data into your overall marketing plan and leverage it at every touchpoint throughout the customer lifecycle. Email is an ideal medium for delivering those highly 'individualized' messages and starting a lifelong dialogue across channels, one that builds value for both the business and the customer."

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### Customer Lifecycle Management

Solutions such as Responsys Interact leverage interest data and observed data to automate email marketing processes.



Source: Responsys, Inc.

## From Engagement to the Ideal Experience

Customer engagement can mean many things depending on the marketing discipline being considered. For media departments, it might mean responding to a call to action in a print ad. For an ad agency, it may be defined as the visceral response to a 30-second TV spot. For email marketers, it means the recipient responds to the message and acts on it accordingly. To achieve this level of engagement, a marketer must first enter into a dialogue with his customers in order to gather information that leads to more relevant messaging. Companies can provide information about products, services, and marketing programs but engagement only occurs when the customer receives relevant information and is inspired to give information back over time. That information can be as simple as an opened message or as complete as registration for a loyalty program and an online purchase. As each party learns more about the other, a deeper relationship results.

As an important element in the customer experience, email can increase a company's value to a customer and in turn the email experience can increase customer value. Both depend on engagement. Entering an email dialogue is the point at which customers move from an email address on a list to an "engaged customer." As companies continue their quest for the holy grail of customer loyalty, marketers must understand that only an engaged customer will impart enough information to enable improved customer experiences.

"While open rates are still important, engagement is truly about touching the customer and allowing them to let you, the marketer, into their lives," says Doug Rozen, interactive marketing VP, Carlson Marketing. "Marketing objectives and messages are different based on the stage of the relationship. Overall engagement begins when the customer reaches out and continues throughout the entire marketing lifecycle. Involving the customer from that first interaction is the biggest

step to overall engagement, which will lead to ever-improving customer experiences and overall loyalty. One thing to remember during the engagement period is that email is not just one-directional "direct" marketing – it is a valuable tool for creating and sustaining dialogues and managing interactions with the customer."

### Email 101

Sometimes the basics of email marketing need to be re-examined if a company is looking for a new start or an upgrade for their email campaigns. Here are **10 Focus Areas** for optimizing your email program.

1. **Timing:** Map out the customer or user experience in order to fully understand the process from the customer experience point of view.
2. **Volume:** Have an opt-in email database and leverage every touch-point to encourage customers to sign up to receive your emails.
3. **Relevance:** Only collect data that you can use and make the process as easy and efficient as it can be for the customer. Offer more options for different lists and expand the list of preferences to help increase overall opt-ins.
4. **Engagement:** The first email a customer receives is the one most likely to get opened and read, which means that any untargeted, irrelevant messaging will result in a faster decline in engagement. A good first impression is a necessity.
5. **Lift:** Each email campaign must work toward best practices for creative such as subject lines, layout, header, CTA's, direct response, standard templates, custom landing pages, etc.
6. **Learn:** Gain a full view of your overall program by understanding your objectives and having the ability to report on those metrics.
7. **Integrate:** Integrate your campaign across all marketing channels including email, print, mobile, and in-store promotions.
8. **Automate:** Increase engagement by setting up personalized emails to be triggered by events such as point levels for a loyalty program, anniversaries, last time shopped at the store, etc.
9. **Optimize:** Continuous testing allows for constant optimization of your program. There could be hundreds of factors to test ranging from subject lines to including strike-outs.
10. **Scale:** Understand your full email process in order to streamline large and small campaigns.

## Three Rules to Follow

In order to optimize the email customer experience through lifecycle management and engagement, companies need to employ three key principles.

**Integration:** According to JupiterResearch's recent report "The Road to Relevance," the future of email marketing will involve its coordination and integration with other data and channels. "Marketers using email as a hub for other direct marketing spokes are more successful than marketers using email in a silo," the report says. Mailings that integrate with other data and use targeting tactics are four times more effective and efficient than mailings that use broadcast tactics." This reinforces the concept of engagement. "By integrating email marketing with other channels, the marketing organization can create more relevant and engaging interactions because it's receiving customer insight from every touchpoint – not just from email marketing initiatives. That's how you lock in loyalty," adds Rozen.

When thinking about email marketing initiatives, it's important to think in terms of "programs" not just "campaigns." A program is a coordinated set of interactions between a company and a customer/prospect across touchpoints. Campaigns are the specific executions of the program. From a technology perspective, email marketing systems must be fully integrated with Web analytics, sales force automation, CRM or other enterprise systems. Customer data in enterprise systems is one of the most important items and should be leveraged to individualize email/direct mail/mobile messages. Results and activity from email must be sent back to enterprise systems so the customer profile is completed and all employees (sales, support, call center, etc.) have a complete view of customers at each interaction point. Then marketers can effectively measure and plan programs, including predictive modeling.

Companies that have embraced an integrated approach can accept data from many locations

and in many formats. The integrated email company will consider recent purchase activity when creating its email messages. It will take the initial touchpoint into consideration such as a print ad, online banner, or original email. It will engage customers via the preferred platform including wireless email and text. Most importantly, data integration will produce different emails for the new prospective customer, the loyal customer and the inactive customer. A company will know whether or not this integration is effective – not through the one-way test of deliverability or open rates – but by the amount of information customers will return. Integration's final test is increased customer data and increased response rates.

**Testing:** "Companies waste too many marketing dollars and gamble with the customer experience by ignoring testing," says Olrich. "The best way to test is to do it on a consistent basis, and it should be a part of your marketing approach from the outset of any campaign. If you have a 'test and learn' approach from the beginning, you can be nothing but successful." Effective testing can be achieved by a simple A/B split test. A/B testing is simple to set up, execute, and analyze and is best used when setting up automated programs that test any piece of content at any time. Multivariate testing (testing multiple variables at once) is the next step and allows for arriving at success factors faster.

Here is an example. If a telecom company believes that its new customers might respond to an offer for additional handsets, it can carve out a subset of the "new customers" segment from its new customer lifecycle. Group A would get a subject line that touts "add your kids to your cell phone plan." Group B would test a discount on additional handsets. Group C would be a control group and receive nothing. The results from testing are critical. Not only do they provide information on the emails that will be opened, it will show the

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customer experience that will be the most relevant. If the telecom company found that discounts on the handset campaign did not test as well as the appeal to the family members, that company would have wasted money on the discount.

**New Content Rules:** Customers do not see promotional emails in the same way they see informational and editorial emails. That distinction is becoming very clear as media companies rely more on email and as commerce-based companies negotiate with a more discerning customer. The new boundaries affect basic elements from subject lines to frequency and more complex issues such as design and measurement. The customer will judge the experience of editorial emails differently than promotional emails. Relevancy will drive that experience. Relevance goes beyond traditional email “personalization” and perhaps should be referred to as “individualization” instead. Every aspect of a

marketing campaign or program marketing — including content and timing — must fit the preferences of customers. It’s critical that email marketing technology can handle constantly updating dynamic content and tightly integrate data with enterprise marketing management systems.

Companies should match the goal and function of their content with the current market conditions. If a travel company sends an offer to loyal customers for a ski vacation package, it should expect a response in accordance to the offer. That same travel company will have a much lower response rate from inactive or prospective customers. The response rate to an informational email (billing, confirmation, customer satisfaction surveys) will be different as well. Still another level of response metrics will be expected if a travel magazine sends a newsletter. Editorial information and promotional content are different in nature and should aim at different customer experiences.

## Conclusion: Customer Experience Is the Future of Email

The bottom line is that email is a competitive customer strategy. Not only is a company competing for time and attention from its customers in the world of media and marketing, it’s competing for attention in the inbox. Even the most popular and powerful brands must compete for this attention and no company will be able to compete without addressing the issue of customer experience.

This competition is bound to increase as more companies spend more dollars to send more emails. Sheer email volume will not guarantee a better customer experience or even increase key metrics such as response rates and conversions.

Customer retention, loyalty, and acquisition can only be effectively achieved by understanding that every customer has relationships or lacks relationships over time. Those relationships are defined by the kinds of engagement they have experienced. If companies use email blindly and treat each customer as just another name on a list, they will provide an experience that is irrelevant and destructive to customer value. If companies use email to engage new customers, reward loyal ones, and re-activate old ones, email can be an efficient marketing tactic and a welcome relationship platform from the customer’s perspective. ■

## Carlson Marketing

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## Responsys

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