

Email Marketing

Benchmark Guide 2006

310 Charts & Eyetracking Heatmaps

Note: This is an authorized excerpt from the full Email Marketing Benchmark Guide.
To download the entire Guide, go to: <http://www.SherpaStore.com> or call 877-895-1717

Publisher's Letter

Four years ago, we decided to start publishing this annual Benchmark Guide in order to help the working marketer with useful data for budgeting, forecasts, results comparisons, and tactical decisions.

At the time, I was fed up with the lack of practical data available for marketers. Other studies either plugged a vendor's services, targeted Wall Street investors, lumped B-to-B data in with consumer marketing data, or were based on tiny samplings of self-reported data from a small group of people.

This Guide is a result of years of research and email tests by literally thousands of professionals. You'll find:

- Real-life data as reported by 1,927 marketers to MarketingSherpa in our official annual Email Benchmark Survey, conducted October 2005.
- More real-life data as reported by thousands more marketers in other MarketingSherpa studies of various niches, including affiliate marketing, AD:TECH attendees, and high technology b-to-b marketers.
- 11 commissioned private studies conducted by MarketingSherpa in conjunction with top email service providers with real-life aggregate data across hundreds of clients.
- "Best of" data from published third party studies and other researchers such as comScore, The Radicati Group and Osterman Research.
- New eyetracking laboratory results (aka "heatmaps") from a series of test email campaigns we created to determine how the human eye actually interacts with and perceives emails and which design formats might work best.

As you use this year's Guide, please keep two things in mind:

#1. You *can* do better than average (even with a smaller than average budget.)

I speak with marketers using email nearly every day, which adds up to hundreds of marketers every year. I've never, ever met a single marketer who was 100% satisfied with their current programs and campaigns. No one. All admit that they could be doing better "if only..."

In past years that "if only" often was, "if only I could convince the CEO to let us use best practices in permission." These days it's more likely to be, "if only I had more time in the day to devote to testing and improving our campaigns."

But, no one's perfect.

Sometimes they've been putting off a template redesign, or they need to do a few more A/B tests, sometimes they just need to raise their head from the daily grind of getting another campaign out on schedule and seek inspiration, sometimes a new reader survey could help them create more pertinent newsletter issues... Everyone has something they admit they could do better.

If you're willing and able to do a better job than average, your results will show it. Email may be increasingly competitive, but it's not impossible for your campaigns to stand out in the inbox. Strong writing skills, better graphic design, an obsession with permission, and a

willingness to test regularly will mean higher response rates. Yes, even if your budget is tiny compared to competitors.

Email success is still, for the most part, more about marketing brains than it is about technology. Great technology can help (especially for segmented and auto-triggered campaigns) but your own skills and passion are what really counts.

#2. Sometimes it's ok to do *worse* than average.

Don't immediately fall into a blue funk if you see your results are below average as reported in this Guide. Sometimes, given the offer, the frequency, and the list, a 10% open rate may be great. Sometimes 50% may be lousy.

Each list, each campaign, really is unique. Perhaps your marketplace loves reading your headlines in their in-boxes but only clicks through once in a blue moon when they're ready to make an annual purchase. High frequency, in particular, can depress apparent per-broadcast results even while, if your content is really great, you're ultimately building a stronger lifetime brand relationship.

Or, perhaps segments of your list are over-performing, but since your results reports are not segmenting by recency of last purchase (or other name-value indicators such as newness-to-file) the campaign appears to have stunk overall.

If your results are far below what you think you should be getting compared to your peers, as reported in this Guide, we recommend your next step is an email program audit. Delve into lifetime value per name, average name lifetime, creative test results, database practices, etc. You may find you're doing better than expected.

Last but not least, please do contact us if you have a question about anything in this Guide, or if you have ideas for data you'd like us to research for next year's edition. Our research team is extremely interested in your input (because, after all, they work for you.) You can contact us at Feedback@MarketingSherpa.com, and, yes, live human beings reply to that email address every business day!

My best wishes for your email programs,

A handwritten signature in black ink that reads "Anne Holland". The signature is written in a cursive, flowing style.

Anne Holland
President, MarketingSherpa Inc.

Executive Summary: 4 Key Email Marketing Alerts for 2006

Before you dive into the 310 charts and tables included in MarketingSherpa's *Email Marketing Benchmark Guide: 2006 Edition*, here's our quick overview of the most important (and sometimes surprising) lessons from the research, which included our survey of 1,927 responding marketers, our lab tests, and dozens of private and public studies conducted over the past year.

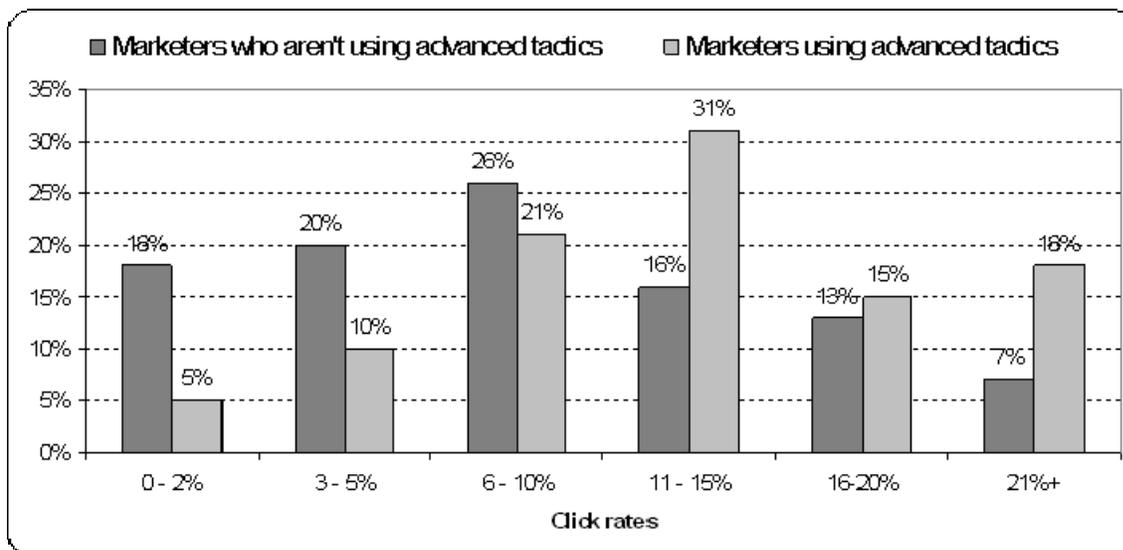
Alert #1. Getting bad results? Don't blame email marketing, blame your execution

"Email marketing is dead!" is a revolutionary cry we've heard at far too many trade shows and from trade show journal headlines. It's not. Email results, year in and year out, have been remarkably steady, especially for permission mailers who have taken educated steps to avoid filters.

Plus, the previously much-derided email-as-an-acquisition-tool is now enjoying a renaissance among the most experienced marketers. Email list rentals are predicted to go up slightly in 2006. Email ad sales are rising even more strongly — and have sold out in certain niches. Plus, co-registration can only be described as enjoying rocketing growth.

So, why are a portion of marketers moaning about their email response rates? Is email just too old-fashioned and boring compared to sexier online advertising tactics?

Turns out, when you examine the data, emailers break down into two camps. Those who complain about declining responses... but who do very little to arrest the drop. And those who enjoy high response rates and work hard for them. The problem isn't the tactic, it's the work involved. Email isn't a no-brainer home run.



Source: MarketingSherpa Email Marketing Benchmark Survey, October 2005

Marketers with highest open and response rates are more likely than their peers to focus on A/B offer tests (as opposed to A/B creative tests). Marketers with the lowest response rates are more likely not to test — and there are more of them than you might think. In fact, a Socketware survey of more than 100 email marketers this August showed that 23% do not test anything at all. That's an appallingly high number for a direct response medium.

As you can see from the chart below, marketers who segment their lists to send the right offer or newsletter to the names who are most likely to be interested in it, get results substantially (or even astronomically) higher than those who don't.

| Promotional Campaigns | | | | |
|------------------------------|------------------|---------------|----------------------|---------------|
| Audience Size | Segmented | | Not Segmented | |
| | Opens | Clicks | Opens | Clicks |
| < 5K | 50.50% | 11.70% | 5.60% | 0.60% |
| 5K–10K | 48.80% | 9.00% | 3.90% | 0.30% |
| 10K–50K | 28.50% | 7.60% | 4.00% | 0.50% |
| 50K–100K | 13.40% | 4.00% | 3.70% | 0.80% |
| > 100K | 13.10% | 1.10% | 3.50% | 0.20% |
| Averages | 30.86% | 6.68% | 4.14% | 0.48% |

Source: Topica for MarketingSherpa, October 2005

What's most fascinating here is that the benefits of segmentation are not limited to just big lists which one might assume have a variety of members. Segmentation can have dramatic results impact for small lists with fewer than 5,000 names. In short, no matter how small your list is, segmentation is probably worth the extra work.

Alert #2. Human eyes read more text when email includes pictures



Source: MarketingSherpa & Eyetools, October 2005

You'd think that text-only emails would win the number-of-words-read sweepstakes, if only because there are no distractions from the text. MarketingSherpa's new eyetracking laboratory tests prove the reverse is true.

The presence of an image — even a fairly dull one such as the San Francisco clip art we used for this test — can have a huge impact in how much time people's eyes spend reading the copy of an ad. What's interesting is most people looking at this email didn't actually spend a lot of that time on the picture itself. The picture was such a frequently-seen image they could register it in almost peripheral attention mode. However, its presence raised their engagement level with the email, and their willingness to read much more of the copy.

That said, our other eyetracking email tests (we conducted seven in all) showed that the design and layout of the email — including the size of the image, the number of images, the use of human images, where the image lays in relation to the fold, and what copy was closest to that image — was as important to results as the mere fact of an image being present.

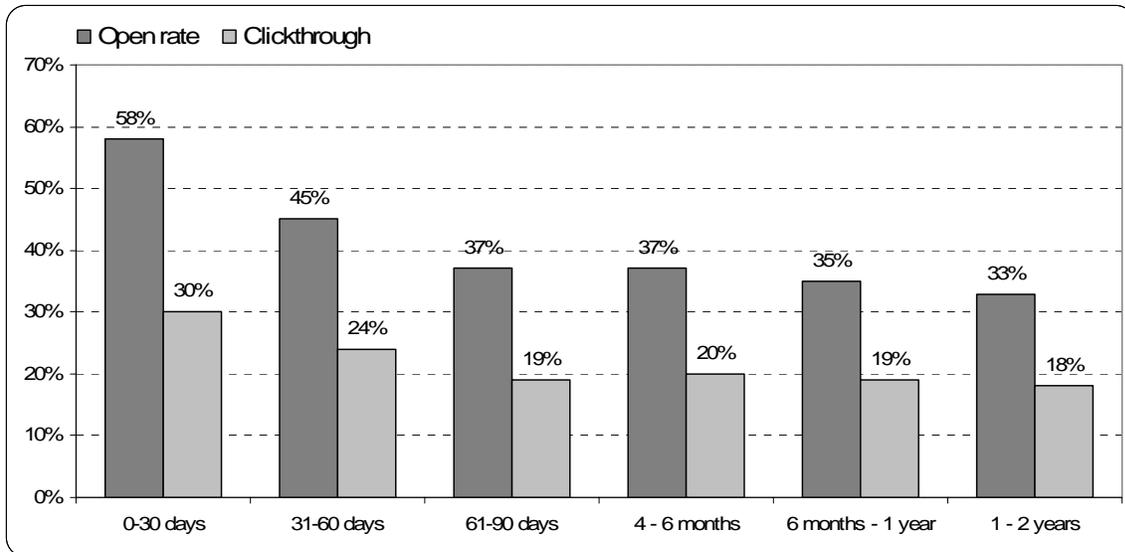
It seems that marketers might be better served worrying about how the email design works as a whole in relation to the monitor screen, rather than being 'creative' or pretty. These aren't broadcast or print magazine ads where people like their eyes to be entertained; email recipients assume there will be copy to read and a decision presented that they need consider acting on.

They've made the decision to open your email based on your "from" and "subject" lines. Now you're on step two of the process. Recipients want to know quickly that they've made the right decision to view your email — that it's relevant to them. And next they want to know what the reply request is. Sometimes high design can interfere with that.

Alert #3. The Arc of Attention — Email Opt-in Recency

The postal direct mail community has known for decades that the length of time a name has been on a list directly impacts response rates. In fact, when you rent postal mail direct response-generated lists, for an extra fee you can request just "new to file" names. That fee is often worth it, because the newer names respond so much better.

We at MarketingSherpa have long suspected the same factor would come into play for email responses. So, we've spent the past year working with vendors to dig into aggregate data to discover if our theory was correct.



Source: Informz, October 2005

Here, in new data gathered on our behalf by Informz, you can see what we call the Newbie Response Plummet. New names to your file are far more likely to open and click on emails for the first 30 days. Then response rates plummet. The next drop is around the 60-day mark, and, from then on, response seems to steady out.

Although this particular data focuses on B-to-B email newsletters, we have ample additional evidence in this edition of the Email Marketing Benchmark Guide that the pattern carries through for B-to-C campaigns as well.

Our advice: Segment your file and send special messages (perhaps a whole 'Welcome' series) to those new-to-list names for their first 60 days. You'll need to test whether these messages should supplement routine mail the entire list or segment receives, or if it should supplant (replace) it entirely.

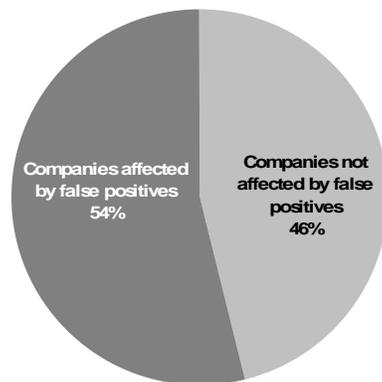
Highly sophisticated marketers such as Travelocity have been testing these "welcome series" for years. It's now time for the rest of the email world to join them.

Alert #4. Filter hell continues...

When MarketingSherpa was the first research firm to publish an alert about filters back in 2001, even we never guessed the problem would be so dominant a part of the landscape five years later.

And, yes, some mailers (perhaps many mailers) remain unalarmed. "I've heard there are filter problems, but our delivery reports show we get 98% of mail delivered," a B-to-B software marketer told us the other day. "We don't worry about filters; our ESP is supposed to take care of all of that for us," an ecommerce site marketer said calmly.

According to our research, both these marketers (and thousands more like them) were sadly mistaken. No mailer we've heard of gets a 98% delivery rate consistently. Not past filters. (Your so-called 'Delivery Report' is almost certainly showing messages sent minus hard bounces, and not reporting on filters at all.)



Source: Pivotal Veracity, September 2005

Also, the research contained in the Benchmark Guide proves no email service provider can completely protect you from filters unless they have 100% of control over your creative, your subject lines, and the URLs used for your message hotlinks. A great deal of mail is being stopped by filters (especially that mail being sent to at-work email addresses).

The words you use in your copy, the order of words in your subject line, the quality of your HTML code... filters look at many factors that marketers control unless they use a full-service email shop.

At-work addresses are roughly twice as likely to have hard-to-avoid filters than at-home email addresses. Unfortunately, according to MarketingSherpa research, only 12% of B-to-B marketers are investing in a deliverability service at this time (as separate from their broadcast vendor), with 13% planning to add a deliverability service to their budgets for 2006. 18% of B-to-C marketers already invest in deliverability services, with that number expected to double in 2006.

In conclusion, for email, these are **still the good old days**

Aside from correctable-troughs caused by filters, email response rates have leveled off to respectable, affordable levels for campaigns conducted intelligently.

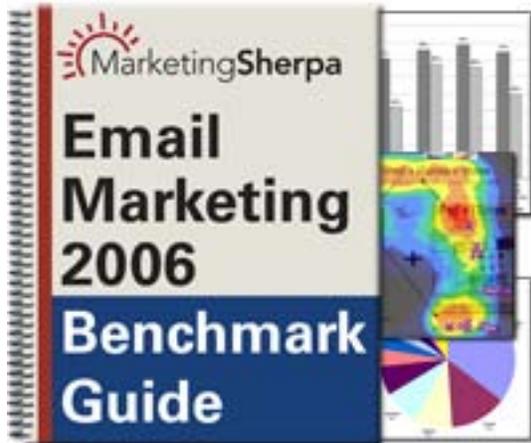
These potential improvements rely on two key things:

#1. Invest in metrics (and read your reports.) Most marketers still don't have technology to tie their email results together with their website, inbound phone, and other response device measurements. Hence the over-reliance on open and click rates as a major success indicator.

If conversions are the end-game, then for goodness sakes, figure out how to measure them! You may not need fancy technology. Some B-to-B companies we've heard of hire temps to come in monthly and compare prospect to recent buyer lists. Where's there's a measurement will, there's a way.

#2. Don't get complacent with your house email programs. So many house campaigns — such as newsletters and regular sales alerts — have become a routine part of the marketing schedule that very little new thinking goes into the creative and the content. You're very busy elsewhere and the house campaigns perform pretty well already, so why bother putting too much effort into them?

Just remember, what works can always be made to work better.



Email Marketing Benchmark Guide 2006 — 310 Charts & Eyetracking Heatmaps

- All NEW—265 pages
- 310 Charts, Tables and Heatmaps
- 7 full-color eye-tracking heatmaps
- Real-life data from 1,927 email marketers
- Published November 2005 by MarketingSherpa
- 100% satisfaction guaranteed

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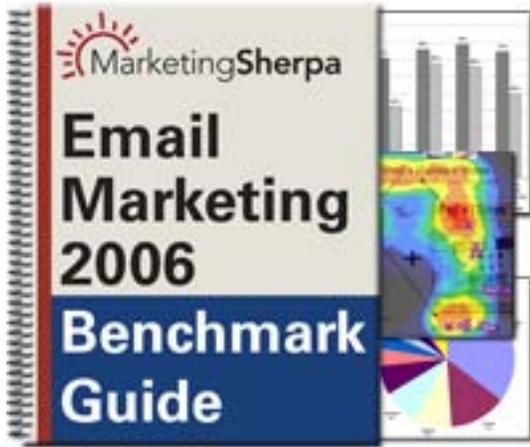
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