



## The Case for Permission-based Email Marketing

According to an October, 2003 Forrester Research Group study, entitled, "Searching for Digital Marketing's Growth", online spending is increasingly shifting to email and search engine marketing with roughly half being spent on each. "As internet use continues to grow at a rapid pace, two forms of interactive marketing have emerged as the clear winners in the customer acquisition space: Search Engine Marketing and Email Marketing", said the study. The study also revealed that in 2003, almost 80% of U.S. consumers specifically gave permission to receive email from online marketers. Despite an increasingly spam-conscious online environment, the study found that open and click-through rates for permission-based email stayed steady in 2003, and concluded that businesses should "stick with email marketing in 2004, concentrating on building deep relationships with a core of valuable email subscribers".

Permission-based email marketing is an important channel in today's marketplace. It remains a very cost-effective method to market your products and/or services to both existing and new customers. Even more important, study after study consistently shows email marketing to be highly effective—both in terms of cost, and response rate. According to a recent DoubleClick survey, around 69 percent of American email users have made purchases online after receiving permission-based email. In 2003, the average response rate for permission-based email was nearly 11%, some ten times the industry average for direct mail and other traditional marketing strategies. Finally, a new study by The Winterberry Group, a New York-based research and consulting group showed that permission-based email marketing brings in \$15.50 per campaign dollar spent—roughly 17% more than in direct-mail campaigns and 73% more than telemarketing campaigns. The study concluded by predicting that the coming year will see email sales rise to \$16.70 per dollar.

## Permission-based Email

Spam, the bane of the electronic age, has, in many ways, tarnished email marketing in the eyes of prospective marketers. The thought process seems logical on first impression. What business would want to be associated with sending thousands of unsolicited emails in the hopes of selling a product or service? From the marketer standpoint, these messages would be detrimental to reputation, untargeted, and thus, highly ineffective. True. However, the difference between spam and legitimate email marketing is summed up in one word: permission. Much like it does with other forms of marketing, permission-based marketing turns email marketing into a highly effective marketing strategy. The idea is simple, and time-tested. Deliver highly relevant and personalized email messages to customers and prospects. Looked at another way, while spam delivers random messages to random customers/prospects at random times, legitimate permission-based email marketing delivers the right messages to the right customers/prospects at the right time.

## Opt-In Email Lists

Opt-in email lists are simply email addresses from people who voluntarily elect to receive messages on certain topics. With the pervasiveness of spam, however, do people actually volunteer, or opt-in to receive emails? The resounding answer: Yes. A February 2004 study by Harte-Hanks found that 74 percent of business and technology manager respondents have opted in to at least one e-mail list during the past 24 months. Of that figure, 14 percent have opted in to 10 or more lists, and 39 percent have opted in to between five lists and nine lists

Such lists can be built from the ground up via an existing website (often done on a contact form, or checkout page), or, much like direct-mail address lists, they can be obtained from list providers, the most reputable of which offer double opt-in email lists. Such lists add an extra level of insurance by sending an email to the opt-in addressee asking that person to confirm that he or she did indeed sign up to receive promotional email on topics of interest. Then, and only then is the name added to the list. This is the highest and most effective form of email permission marketing. Double



opt-in email list providers are compliant with state and federal privacy, permission, and anti-spam legislation and are members of the Email Services Provider Coalition of the NAI (National Advertising Initiative), and the Internet Alliance ([www.internetalliance.org](http://www.internetalliance.org)), an advocacy organization of Internet policy professionals representing the online industry in all 50 states.

## List planning and research

Online researcher eMarketer reports that well-executed permission-based email marketing campaigns can have a positive impact on consumer attitudes towards the companies they are receiving email from. This is according to a recent survey from Quris which found that a large number of consumers believe that the quality of email permission campaigns influence their opinions about the companies sending them. The study found that 67 percent of US consumers said they liked companies who, in their opinion, did a good job with permission email marketing. Around 58 percent of consumers said they opened those companies' emails, while 53 percent said that such emails affected their personal buying decisions.

The key here is targeting the correct recipients and this comes down to list planning and research. Simply making use of an opt-in permission email list will not guarantee acceptable response rates. Instead, when planning the permission-based email marketing campaign, leveraging data such as demographic, geographic, purchase history, personal interests and message frequency preference can generate significant campaign response rates.

## Targeting existing customers

Perhaps the best example of successful permission-based email marketing is online giant Amazon.com. Through sophisticated mining of their own databases, Amazon.com is able to devise highly relevant and customized email messages targeting their existing customer base. The retailer is able to anticipate what types of products their customers are likely to want to purchase by sending emails announcing the availability, or offering discounts on such products.

How can this be accomplished in your business? Realize that it is not necessary to be an online retailer in order to reap the benefits of permission-based email marketing. In fact one does not necessarily need to be in the business of selling product at all. For example, an email newsletter sent monthly to your customer-base is a great way to inform your customers of new or discounted services while at the same time providing interesting and valuable industry-related news and information. The newsletter accomplishes two goals, then. Not only does it introduce new or discounted services or products relevant to your customers, but it also helps establish, or confirm your company as a knowledgeable industry leader. The point is, your clients want to hear from you—it lets them know that you're still around, that your business is still alive. Permission-based email is the perfect way to keep your business in the forefront of your customer's mind. Thus, it is vital that your business constantly build its own double opt-in email list. In fact, a 2004 study by NOP World Research entitled, "Consumers Appear to Appreciate Email Marketing", found that 86 percent of all adults, and 94 percent of all adults who currently subscribe or have received a permission-based email in the last 3 months, said they made a purchase from at least one of the retailers referenced in the study. The study further found that those who made a purchase from a retailer and then received a follow-up permission-based email were more likely to make another purchase and recommend the retailer to others versus those who made a purchase and then did not receive a follow-up permission-based email. In other words, targeting your existing customer-base through permission-based email marketing actually works to build trust, loyalty, and repeat business.



## Targeting new prospects

As discussed above, businesses should develop their own permission-based double opt-in email lists in order to engage in customer retention strategies. However, permission-based email marketing is also extremely effective when the goal is customer acquisition.

Indeed, a recent, widely discussed research release by Gartner's G2 research unit makes it clear that permission-based email marketing has all but "overthrown" direct postal mail as the preferred direct marketing vehicle for both customer acquisition and retention objectives. The research release stated that permission-based email "will continue to be amongst the most cost-efficient means of customer acquisition and retention available. Furthermore, many expect that the future availability of more accurate, richer subscriber data, larger and more highly-targetable email lists, multi-list de-duplication capabilities, improved subscriber segmentation technologies, and the like will lead to further, incremental increases in direct email marketing ROI".

Acquiring new customers through permission-based email marketing should involve both in-house permission-based double opt-in email lists of prospects as well as the use of commercially available double opt-in email lists from reputable email service providers.

## Create a dialogue with prospects and customers through e-mail

The email marketer's goal is to maximize customer value through an ongoing dialog based on an understanding of customer needs. In other words, it is necessary to devise a relevant and personalized message, whether to existing customers or new prospects.

According to the DoubleClick survey cited earlier, the major factors contributing to the conversion of the reader of an email into a customer are: the content of the email, the subject line of the email, and the address from which the email is sent.

## Message customization

The key then to developing potent permission-based email is to deliver customized messages directly to the recipient's desktop. This is done by segmenting your subscriber list and tailoring content, according to the detailed interests and demographics of your subscribers, to meet the needs of the individual recipients. How is this accomplished?

Dynamic message assembly is an email marketing technology that automates the personalization and production aspects of permission-based email marketing campaigns. At its core, it entails segmenting your email list. For example, a book retailer may want to segment based on the types of books customers buy. A travel site might segment based on vacation destination interests and an apparel site might segment based on sex and past purchase habits. The key to determining how you want to segment your customers is to assess how actionable the segmentation categories are. In other words, do you have the information, resources, and content/merchandise/services needed to actually deliver relevant emails to each of your segments?

Consider for a moment an online organic food retailer that simply asks, "Would you like to receive periodic emails containing recipes of your favorite organic food items?" on its checkout page. By doing so, the retailer is easily able to build an in-house database of opt-in subscribers. By confirming their permission, it becomes a powerful double opt-in list. On a monthly basis, this retailer compiles recipes that utilize their most popular food items. They then provide these recipes to an Internet technology partner, like netStride, who is able to utilize their customer database to



automatically send highly customized emails, showcasing the recipes most likely to be of interest to individual subscribers. In other words, subscribers who previously purchased fresh organic herbs would see recipes involving organic herbs first in the email, while those who purchased organic meat would first see recipes involving organic meat. The recipes would have links directly to the product-specific pages on the website for the ingredients available from this online retailer. Talk about powerful! Think about it—the email is coming from a company the subscriber has previously done business with and trusts. Further, the subscriber previously gave permission to receive emails (and confirmed their permission separately), and, finally, the email is highly targeted, and of interest to the subscriber. This is truly the beauty of permission-based email marketing, and the email “open and read” rate for such a scenario is impressive: fully 70% of respondents of this kind of highly targeted email from a trusted source will open and read the email in its entirety.

Though this example involved an online retailer, it is important to note that permission-based email marketing is hardly solely for online retailers. For example, it is easy to imagine how a small B2B CPA firm might utilize email marketing to promote its service-based business. Depending on what business their clients are in, a periodic email can highlight news of interest or changes in tax laws pertaining to individual clients, and invite the client to call the office to set up an appointment. The possibilities for every other kind of business whether online, offline, service-based, or product-based are unlimited.

The two examples just cited underscore the importance of utilizing current and previous customers to build in-house double opt-in email lists. However, the two examples would also work using a third-party double opt-in list of people, who elsewhere, have agreed to receive the same such emails and who have buying habits conducive to your business.

## Measuring Response

Traditional marketing programs can take months to create and implement. Then, you wait another few months to analyze the results in order to determine success. By contrast, permission-based email marketing campaigns can be executed and analyzed almost instantaneously—in days. Technology is at a point, where the campaign can be analyzed not only by how many successful messages were delivered, but also by how many messages were opened, how long the message was opened for, how many messages were forwarded to other recipients, website action (number of new recipients that clicked on a link in the email, number of repeat recipients that clicked on a link in the email), bounce rates, and number of unsubscribe requests.

It's easy to see that permission-based email is also an ideal testing medium, offering a range of trackable events. Because it is so cost effective, you are able to test different list sources, combinations of interest categories, and creative approaches.

## Outlook or Reputable Email Service?

In order to engage in an effective, permission-based email campaign, it is not possible to work within the framework of your local email program (such as Outlook). Such software is not designed to perform critical list management functions including new subscribes, un-subscribes and bounce-backs. This, in and of itself, will cause your email marketing campaign to violate the CAN-SPAM act of 2003 (see next section). It also cannot provide statistical feedback on the campaign. Additionally, email programs such as Outlook cannot detect which email format each recipient is able to read – graphical or text-based. While sending only text-based emails will ensure that all recipients will be equipped to read the email, doing so completely eliminates the dramatic boost in response rate that graphical emails enjoy. Finally, email programs such as Outlook cannot dynamically customize email messages based on individual recipient preferences. A robust email marketing application such as Constant Contact, or netStride's own, goBuzz application,



can provide the tools necessary to develop dynamic, customized emails in multiple formats designed to appeal to the widest audience possible, and then compile detailed response data.

## **Best practices: The “Trust” factor in permission-based email**

Trust is the cornerstone of permission-based email marketing, and it is the reason why it is so effective. Thus, building and maintaining trust should always be in the forefront of each permission-based email marketing campaign. But this goes beyond only using opt-in email lists and honoring unsubscribe requests. Indeed much of what constitutes trust-building techniques in email marketing is actually mandated by law.

The CAN-SPAM act of 2003 was passed by the U.S. Senate on November 25, 2003 and signed into law on December 16, 2003. An acronym for Controlling the Assault of Non-Solicited Pornography and Marketing”, the law essentially establishes a framework of administrative, civil, and criminal tools to help America's consumers, businesses, and families combat unsolicited commercial e-mail (spam). All companies that send or otherwise initiate commercial email must comply with a number of specific requirements. Key requirements of the act include: refraining from sending any message with a misleading subject heading; including a valid return email address; including a physical postal address in the body of each message; including the option to unsubscribe (and honoring such requests within 10 business days of their receipt).

In addition to adhering to the above CAN-SPAM Act requirements, companies should take additional steps to increase and convey a greater level of trust between itself and existing customers and prospects. Consider adding a separate email policy to your website, and add a link to it from the email sign-up page. Similar to a privacy policy, an email policy provides details on how email addresses are collected, and used, as well as how, and when you communicate. Additionally, adding a profile update page on your website enables customers and subscribers to easily update their email address after they opt-in. It also provides an additional place to opt-out. Finally, if your company uses pre-checked form boxes (also known as “passive” opt-in) as the basis for permission-based email sign-up (for example, the checkbox next to “Would you like to receive periodic emails” defaults to being checked), it is recommended that you change these boxes to default to being unchecked.

Taking the permission and trust “high road” will go a long way in ensuring your permission-based email marketing campaigns remain effective.

## **A final word on Permission-based Email Marketing**

Permission-based email marketing works because it embraces today’s marketing paradigm. It’s based upon trust and personal preferences. Permission-based email marketing can provide organizations with perhaps it’s most efficient and cost-effective means of marketing and building relationships with both prospects and existing customers. By its very nature, it is quick to deploy, offers immediate highly measurable results, enables advanced segmentation and personalization and delivers a high return on investment.