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How to use e-mail marketing to build customer relationships

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HOW TO USE E-MAIL MARKETING

TO BUILD CUSTOMER RELATIONSHIPS

by
Joseph J. Delmar, Sr.

A Thesis

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Professor

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ABSTRACT

Joseph J. Delmar, Sr.
How to Use E-mail Marketing to Build Customer Relationships
2000
Dr. Donald Bagin
Public Relations

The purpose of this study was to identify popular techniques used to create successful e-mail marketing campaigns and how companies can use e-mail marketing to build customer relationships.

Related research indicated e-mail's popularity continues to grow and it is changing how companies market themselves. A content analysis of e-mail newsletters from the top 50 online advertisers was conducted. The research indicated many companies are still learning how to use e-mail marketing. Twenty-one companies failed to respond while others abused the customer relationship by sending unsolicited third party advertising and/or sponsorships with their e-mail.

Research findings also revealed that e-mail marketing offers the customer choices with many companies offering more than one newsletter. Others let the customer decide the format, frequency and information received. Forty-eight percent offered more than one e-mail newsletter, with each offering a varying degree of information. Another 29 percent let the customer choice the frequency.

In addition, ease of use was examined when customers' opt-in to an e-mail subscription. Related research indicated many customers end the relationship if opting-in is difficult and time consuming. Thirty-nine percent let customers opt-in by providing a direct link off the home page of their Web site. Another 28 percent required only an e-mail address to begin the subscription.

MINI-ABSTRACT

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The purpose of this study was to identify popular techniques used to create

successful e-mail marketing campaigns and how companies can use e-mail marketing to

build customer relationships.

A content analysis indicated many companies are still learning how to use e-mail

marketing. E-mail options, including format, frequency and ease of use, were examined.

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ACKNOWLEDGEMENTS

To Dr. Donald Bagin

For answering my incessant phone calls…your reputation does not do you justice.

To my parents

For encouraging me to be myself…I am who I am today because of you.

To my wife Laurel

For believing in me when no one else would…including myself.

To my son Joey

For answering the meaning of life…with a smile and a laugh.

CHAPTER 1

INTRODUCTION

The Problem

Recruiting customers has become increasingly expensive for businesses. In addition to increased competition, many customers are loyal to the brand they have used for years and see no benefit in switching products or services.

Instead of increasing their market share, many companies are now focusing on this customer loyalty and how they can maintain their current customer base. To do this, many companies are concentrating on relationship marketing and building one-on-one relationships with each customer. However, "...the overwhelming clutter in the marketplace has made traditional advertising almost worthless for most marketers."[1]

"It wasn't until the Internet came along that companies could effectively aim their messages at their desired targets...with the advent of electronic mail- perhaps the digital age's ultimate killer ap (application)- marketers can now execute the most direct of direct marketing campaigns..."[2] Yet, many marketers fail to recognize e-mail as an effective marketing tool while others abuse it by sending customers unsolicited e-mail.

The most successful e-mail marketers allow customers to opt-in or sign up to receive e-mail. By opting-in, customers give companies permission to market to them. They want to listen to what a company has to say. In return, companies are offering not only information but also discounts and contests to keep the customer relationship going.

E-mail is changing how companies market themselves. Compared to other marketing tools, it is very cost efficient. In the past, relationship building was commonly

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[1] Godin, Seth. (1999). Permission Marketing. New York: Simon & Schuster. p. 21.
[2] Cheng, Kipp. (1999, May 24). Nailing the bullseye. Brandweek, 40. p. 52-56.

done through direct mail. Today, the same message can be sent without incurring printing and postage costs. In addition, delivery is almost immediate and the message does not get lost in the clutter of other messages often found in one's mailbox. Communicating has never been easier or cheaper.

E-mail's popularity continues to grow. "According to Pricewaterhouse Cooper's 1999 Consumer Technology Survey, by a margin of 48 percent to 28 percent, Americans cited e-mail over research as the primary reason for going online."[3] E-mail is also one of the fastest growing marketing tools. "According to Forester Research, more than three billion pieces of (opt-in) commercial e-mail messages were sent in 1997 and the number of pieces sent will grow to 250 billion by 2002, creating a one billion dollar market in just four years."[4]

Since it is a relatively new marketing tool, many marketers are falling behind and do not understand how e-mail marketing works and how it can successfully build customer relationships. Ironically, they are jeopardizing the relationships they have with their own customers because "…results are hard to ignore and make direct e-mail a very attractive proposition- clients, when they catch wind of this, are eager, even desperate, to try anything with e-mail."[5] If a marketer does not know how to execute an e-mail campaign, his or her customers will shift their loyalty to someone who can.

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[3] (1999, October 4). E-mail More Popular Than Research. http://www.emarketer.com. (Accessed 1999, October 22).
[4] (1998, December). Email's marketing potential grows. Direct Marketing, 61. p. 7
[5] Meskauskas, Jim. (1999, November 2). What's In An E-mail? http://www.clickz.com. (Accessed 1999, November 3).

Purpose of the Study

The purpose of this study is to:

1. Identify popular techniques used to create successful e-mail marketing campaigns.

2. Provide specific examples of how e-mail marketing campaigns are being successfully and unsuccessfully used to build customer relationships.

Importance of the Study

Many marketers fail to realize e-mail can be used as a marketing tool. As e-mail's popularity continues to grow, marketers need to learn how to use it effectively.

"(Our) research reveals that many marketers initially make the mistake of applying the rules of direct mail to e-mail marketing, with unfortunate results. What is accepted or at least tolerated for direct mail by most consumers is likely to provoke outrage or even retaliation in the context of e-mail. Adverse customer reaction quickly forces most marketers up the learning curve, leading them to appreciate that the rules online are truly different."[6] "...There are plenty of marketers who simply don't have a clue how to "speak" to prospects online."[7]

This study will help marketers learn how to use e-mail marketing to build customer relationships. As the cost of recruiting customers increases, more businesses will rely on their current customer base. A proactive approach must be taken to build customer relationships.

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[6] (1999). Permission E-mail: The Future of Direct Marketing. http://www.imstrategies.com. (Accessed 1999, December 10).
[7] MacPherson, Kim. (1999, December 13). Writing Compelling Copy- Part I. http://www.clickz.com. (Accessed 1999, December 13).

Definition of Terms

Click-through: the advertising version of a "hit"- when the viewer of a banner ad clicks on it; or clicking on an area of a Web page to open a link.[8]

E-service: a customer service inquiry over the Internet primarily handled via an e-mail response.

Opt-in: requested or wanted e-mail.

Spam: unsolicited or unwanted e-mail.

Spamming: the act of sending unsolicited or unwanted e-mail.

Assumptions/Limitations

This study assumed the reader has a basic understanding of the Internet, Web pages and e-mail.

This study focused on opt-in e-mail marketing. Spamming or unsolicited e-mail marketing raises a number of legal issues, which this study did not address.

This study examined popular methods of how an e-mail file may be formatted. It also examined the number of e-mail newsletters offered along with their content and frequency of distribution.

This study examined e-mail marketing's use of unsolicited, third party advertising and sponsorships

This study examined ease of use when opting-in to an e-mail list.

This study did not provide information on how to buy a preexisting e-mail list.

This study did not address nor recommend specific software that may be used to conduct an e-mail marketing campaign.

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[8] Silverstein, Barry. (1999). <u>Business-to-Business Internet Marketing</u>. Gulf Breeze, Florida: Maximum Press. p. 370

Technology is constantly changing. E-mail capabilities may change radically after this study has been completed. Many tactics discussed in this study may no longer be in practice.

Plan of Study

To identify how e-mail marketing can build customer relationships, the author used a list of the top 50 online advertisers for 1998 (the most recent available) from <u>Adweek</u>. As major online spenders, these advertisers understand the importance of using the Internet as a marketing tool.

The author examined which of these 50 companies has an opt-in e-mail list. The author then opted-in to any existing e-mail lists and conducted a content analysis of those companies who responded to his subscription request. Many companies failed to respond to the subscription request over a six-week span. These companies were contacted again. However, many still failed to respond.

CHAPTER 2

REVIEW OF RELATED LITERATURE

Literature relating to e-mail marketing was located using many sources.

Thesis research began with a search of the ABI/Inform database through the Rowan

University library. Using the keywords "electronic mail" and "marketing," a number of

periodicals were located.

Many periodicals included information on other periodicals and links to Web sites,

which had additional information on e-mail marketing. The author opted-in to receive

weekly e-mail newsletters, which contained new articles covering e-mail marketing and

related Internet marketing topics. Since e-mail marketing is a relatively new media tool

and continues to change rapidly, the author was unable to locate many books covering the

thesis topic.

This chapter provides a summary of issues related to using e-mail marketing to

build customer relationships.

The growth of e-mail

E-mail's popularity continues to grow and is the primary reason why people go

online today. The emarketer.com article "E-mail More Popular Than Research" notes that

"according to Pricewaterhouse Cooper's 1999 Consumer Technology Survey, by a

margin of 48 percent to 28 percent, Americans cited e-mail over research as the primary

reason for going online."[9]

Messagingonline.com's "1999 Third Quarter Mailbox Report" notes how the

number of electronic mailboxes has grown with "…use worldwide reaching 435 million

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[9] (1999, October 4). E-mail More Popular Than Research. http://www.emarketer.com. (Accessed 1999, October 22).

by the end of the third quarter of 1999, an increase of 125 million mailboxes since the beginning of the year and a growth rate of 66 percent since September 1998."[10] The report is quick to point out the growth in the number of mailboxes is even more incredible when you consider "…it took eight years for the commercial e-mail industry to reach its first million mailboxes. It took another five years for the industry to reach 10 million mailboxes. It then took six more years—until the end of 1995—for the industry to hit 100 million mailboxes. Two years later and it doubled to 200 million. Eighteen months later, it has more than doubled again."[11]

The incredible growth of e-mail has led to its growing use as a marketing tool, according to the Direct Marketing article "E-mail's marketing potential grows." While spamming has led many to frown upon e-mail marketing, others have taken advantage of its ability to reach targeted audiences who opt-in to hear your marketing message. The article highlights that "according to Forester Research, more than three billion pieces of (opt-in) commercial e-mail messages were sent in 1997 and the number of pieces sent will grow to 250 billion by 2002, creating a one billion dollar market in just four years."[12]

E-mail users who opt-in are favorable to this marketing vehicle. IMT Strategies' recent study "Permission E-mail: The Future of Direct Marketing" surveyed over 400 adult e-mail users. "More than half of all e-mail users feel positive (sic) about permission e-mail marketing…nearly three-quarters of all respondents report having responded to permission e-mails with some frequency."[13]

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[10] (1999, November 29). Messaging Online's Third Quarter Mailbox Report. http://www.messagingonline.com. (Accessed 1999, December 8).
[11] Messaging Online's Third Quarter Mailbox Report.
[12] Direct Marketing, 61. p. 7
[13] Permission E-mail: The Future of Direct Marketing

Click-through rates and return on investment

According to Seth Godin in his book, Permission Marketing, "...it's estimated that the average consumer sees about one million marketing messages a year- about 3,000 a day."[14] With all of these messages, it is very difficult to determine what messages a consumer has seen. Godin goes on to explain "...the overwhelming clutter in the marketplace has made traditional advertising almost worthless for most marketers."[15]

E-mail marketing offers companies an excellent return on their investment. Companies know they are reaching their target audience because customers have opted-in to receive the e-mail message.

The Sales and Marketing Management article "Point, Click, Sell" notes that "...studies show that roughly 80 percent of Internet users respond to e-mail within 36 hours."[16] Response rates are driving e-mail marketing's popularity and outperforming click-through rates on banner ads.

Online direct marketer Kim MacPherson noted in a recent clickz.com article "It IS Rocket Science" that "Jupiter's latest research reports e-mail ad response rates currently averaging between five and 15 percent. Compare that to the struggling banner ad, which is still falling, on average, at well below one percent."[17] Others are quick to point out e-mail's growing click-through rate versus banner ads. Regina Brady of Acxiom/Direct Media Inc., an electronic marketing firm, stated in Sales and Marketing Management that

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[14] Godin, Seth. p. 29
[15] Godin, Seth. p. 21
[16] Winchester, Jay. (1998, November) Point, click, sell. Sales and Marketing Management, 150. p. 100
[17] MacPherson, Kim. (1999, November 8). It IS Rocket Science. http://www.clickz.com. (Accessed 1999, November 8).

"...click-throughs for ad banners have dropped to below one percent, while the click-through rate for e-mail is running around 20 percent..."[18] for many of her clients.

Response rates and the return on investment are even more astronomical when compared to other direct marketing vehicles such as telemarketing and direct mail. The added costs of staff, postage and other resources make e-mail marketing a popular choice for marketers. According to Godin "Marketing messages are going to continue to get cheaper as the number of media channels increases. The cost of printing will continue to become less important as electronic media use increases."[19]

William Greene, vice president of Internet development for American Target Advertising, issues a weekly e-mail newsletter on Internet marketing and related topics called I-Advertising. A recent newsletter focused on the return on investment for one of his clients using e-mail and more traditional direct mail. The same promotional offer was made via e-mail and direct mail. However, the results were far from similar with "...a two percent response rate in our direct mail campaign, and a 20 percent response rate in our online campaign. The return on investment for the direct mail campaign was approximately 90 percent, while the return on investment for the online campaign was approximately 7500 percent."[20]

Target Marketing also focused on e-mail's return on investment in Kelly J. Andrews' article "Warming up to E-mail marketing." Harvard Business School Publishing promoted a new subscription service via e-mail "...and generated a 5000

[18] Winchester, Jay. p. 100
[19] Godin, Seth. p. 130
[20] Green, William. (1999, July 8). I-Advertising. (Accessed 1999, July 8)

percent return on investment, and a response rate four times that of fax and six times that of post."[21]

E-mail marketing's return on investment can be measured qualitatively too. A Direct Marketing article, "Internet users paid to read e-mail," interviewed a husband and wife team in Britain who run the htmail.com Web site. The Web site allows advertisers to target their audience for a small fee. In addition to receiving e-mail messages, consumers have the opportunity to provide feedback to a company. Consumers can comment on the e-mail message's content including the type of promotional offer made. They can also measure ease of use allowing companies to reformat their e-mails if needed. "The advertiser pays full price only (sic) for those people that read his e-mail, or view his Web site."[22]

Money is not the only thing saved by using e-mail marketing. Countless hours are no longer needed to test a marketing campaign or track response rates. Godin believes there are numerous benefits including:

"1. Stamps are free.

2. The speed of testing is one hundred times faster.

3. Response rates are fifteen times higher.

4. You can implement curriculum marketing in text and on the Web.

5. Frequency is free- you can identify and efficiently talk with individuals over and over again.

6. Printing is free."[23]

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[21] Andrews, Kelly J. (1999, May). Warming up to E-mail marketing. Target Marketing, 22. p. 67-70

[22] (1997, July). Internet users paid to read e-mail. Direct Marketing, 60. p. 10-11

[23] Godin, Seth. p. 156

E-mail Newsletters

E-mail newsletters are the most popular form of e-mail marketing. Like a regular (post mailed) newsletter, an e-mail newsletter provides the subscriber with pertinent information that will build the customer relationship. In the online article <u>Marketing Via E-Mail Newsletters and Mailing Lists</u>, author Dr. Ralph F. Wilson believes e-mail newsletters can be effectively used to:

"1. Remind former visitors with brief information about new articles, products, and features on their Web site.

2. Inform with a regular newsletter containing helpful content along with information about one's business. Often such newsletters are also archived on a Web site, creating an increasingly valuable information resource.

3. Enhance a reputation through occasional articles of interest.

4. Nurture potential customers during the gestation period until they are ready to purchase or sign a contract.

5. Support existing customers with on-going information.

6. Solicit paid subscriptions for newsletters with proprietary information not readily available elsewhere.

7. Earn revenue from paid sponsors of the newsletter."[24]

Maintaining customer relationships is important for both consumer and business-to-business marketers. While many consumers subscribe to e-mail newsletters, more business-to-business newsletters exist. In the <u>Folio: The Magazine for Magazine Management</u> article "Extend the brand with e-mail newsletters" written by Joanna

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[24] Wilson, Dr. Ralph F. (1996, July 13). Marketing via E-mail Newsletters and Mailing Lists. http://www.wilsonweb.com. (Accessed 1999, July 2).

Lowenstein, John Funk, founder and chairman of Infobeat Inc., a Denver based e-mail newsletter service, bases the business-to-business popularity on the simple fact that "…business e-mails have been collected faster than home e-mails."[25]

Funk also believes business-to-business subscribers "…pay more attention to the e-mails and frequent the site more to update themselves."[26] Many vendors use e-mail newsletters to keep subscribers informed about new products or upgrades that may be necessary to maintain a valuable competitive edge.

As e-mail newsletters continue to grow in importance, so do their costs with many now charging a small fee like a traditional magazine or newsletter. E-mail Publishing President and CEO Andrew Currie believes it is a natural progression since "…all Web sites used to be free, but now publishers are starting to charge readers to view special services on the site. The same will happen with e-mail because publishers are quickly realizing that their e-mail newsletters are a much-needed commodity in this new computer age."[27]

Guidelines for effective e-mail marketing

E-mail marketing is a relatively new marketing vehicle. As it continues to grow, marketers must learn how it can effectively be used to build customer relationships. Ironically, many marketers are jeopardizing the relationships they have with their own customers because "…results are hard to ignore and make direct e-mail a very attractive proposition…clients, when they catch wind of this, are eager, even desperate, to try

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[25] Lowenstein, Joanna. (1999). Extend the brand with e-mail newsletters. Folio: The Magazine for Magazine Management, 27. p. 205-206.
[26] Lowenstein, Joanna. p. 205-206
[27] Lowenstein, Joanna. p. 205-206

anything with e-mail"[28] says Jim Meskauskas in his online article "What's in an e-mail?" If a marketer does not know how to execute an e-mail campaign, his or her customers will shift their loyalty to someone who can.

While some marketers do execute e-mail marketing campaigns, others abuse the medium through spamming. Though some legal standards are now being set, no formal ethical standards exist for e-mail marketing. In his online article "Loving E-mail: Let Me Count the Ways," Barry Silverstein stresses that "...e-mail isn't sexy or glitzy, so it gets a lot less attention than it should. But you know what? When used ethically and sensibly, it works."[29]

When used properly, e-mail marketing can effectively build customer relationships. Silverstein explains "...customers tend to be more receptive to e-mail marketing, especially if the e-mail is used to give them advance notice or an "inside track" on new product developments or late-breaking news. As such, e-mail can be a very effective way to pre-announce products or upgrades to customers, send a news flash about a product update or a problem, inform customers about changes in service, announce important news about the company, invite them to a customer-only event...and so on."[30]

Like any marketing message, the e-mail message should urge the customer to take action. But why should a customer take the time to read your pitch? Personalization is the key. Thanks to newer software programs and elaborate databases, companies can now include not only your name but also your past buying history in an e-mail message. Yet, this may not be enough according to Rosalind Resnick president of NetCreations, Inc., an

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[28] Meskauskas, Jim. What's In An E-mail?
[29] Silverstein, Barry. (1999, February 12). Loving E-mail: Let Me Count the Ways. http://www.clickz.com. (Accessed 1999, July 2).
[30] Silverstein, Barry. Loving E-mail: Let Me Count the Ways.

e-mail marketing list supplier. In her <u>Target Marketing</u> article "Dos and don'ts of e-mail marketing," Resnick points out that "...on the Internet, people want information and they want it now. That's why short, snappy pitches pull better than long-winded appeals...if your message exceeds one screen of text, go back and edit it until it fits (on screen)."[31]

Kathleen Burke also stresses the same point in her online article "Top 10 Tips for Writing E-mail That Sells" by noting recent research by Jupiter Communications that "...only 15 percent of web users read all e-mail messages in their entirety. More than half (51.2 percent) read the first few sentences and then decide whether or not to continue. Forcing your customer to wade through paragraphs of superfluous information is the quickest route to the delete key and to the death of a sale."[32]

To encourage customers to read your e-mail, they must believe they are receiving something valuable in return. Resnick adds that "Discounts, free samples and limited-time offers are all powerful incentives to get people to respond."[33] Godin agrees "you have to offer an explicit award- information, education, entertainment, or even cold hard cash- to get the customer to opt in to the message."[34]

In addition to incentives, an e-mail's format can also dictate its response rate. Many e-mail marketing campaigns still use a text format, which does not include graphics. However, recent software innovations now allow e-mails to be formatted in HTML, the most popular computer language for designing Web pages. With HTML, e-mails are now looking more and more like Web pages including different colors, fonts and graphics.

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[31] Resnick, Rosalind. (1998, January). Dos & don'ts of e-mail marketing. <u>Target Marketing, 21</u>. p. S8
[32] Burke, Kathleen. (1999, April 7). Top 10 Tips to Writing E-mail That Sells. <u>http://www.clickz.com</u>. (Accessed 1999, October 26).
[33] Resnick, Rosalind. p. S8
[34] Godin, Seth. p. 136

Shannon Oberndorf provided a number of examples of higher response rates for HTML e-mail versus non-HTML e-mails in her Catalog Age article "Opting in to Offers." One example included "FreeShop.com...(which) found HTML e-mail is up to 30 percent more effective at enticing subscribers to click on the link bringing them to the company's Web catalog."[35]

It is still common practice to offer e-mail marketing campaigns in both text and HTML formats. Depending on the age of a customer's Web browser, they may not be able to open the HTML file. The customer should be given the option to choose the format when he or she opts-in to the mailing list(s).

E-service

Even before the 1999 holiday shopping season, many companies could not handle customer service requests sent to them via e-mail. Tom Kuegler's online article "The Brutal Truth About Online Support – Part I" highlighted "...a study conducted by Jupiter Communications in which 46 percent of the leading e-commerce sites failed to display a support e-mail address, took five or more days to respond, or never responded to support inquiries."[36] Many e-commerce sites are growing so quickly they do not have the manpower to handle the inquiries, explains Kuegler. "I know one e-tailer (who didn't want to be named) who receives 12,000 support e-mails per day and only has a staff of three support personnel to respond."[37]

In her online article "Use E-mail To Energize Your Customer Service," lack of service is one reason why people take their business elsewhere, says author Kimberly

[35] Oberndorf, Shannon. (1999, May). Opting in to offers. Catalog Age, 16. p. 69-70.
[36] Kuegler, Tom (1999, December 10). The Brutal Truth About Online Support. http://www.clickz.com. (Accessed 1999, December 11).
[37] Kuegler, Tom. The Brutal Truth About Online Support.

Williams. "After two or three days without a response, they (customers) often give up and move on to another company with better customer service."[38]

A personalized response may not always be needed. Williams adds that a variety of software programs allow e-mail customer service inquiries to be automated. The programs categorize the message "by 'reading' through the text, the auto-response system can look for frequently asked questions and keywords that will identify the type of response required." [39]

E-mail customer service is not always reactive. By taking a proactive approach, you can repeat sales. In the online article "Driving Repeat Sales With Loyalty E-mail," Gail F. Goodman promotes the idea of "sending announcements of new merchandise to customers who have purchased related products ensures that the message will be received as a value-added service and that the audience will be well qualified as potential buyers."[40]

Godin adds that "...the single best way to improve your business is not by finding more clients, but by selling more stuff to the people who have given you permission already."[41] Amazon.com does this successfully by routinely sending out e-mails that suggest additional products based on your past buying history. Goodman notes "Amazon.com reports more than 65 percent of revenues are due to repeat sales."[42]

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[38] Williams, Kimberly. (1999, December 14). Use E-mail To Energize Your Customer Service. http://www.ecommercetimes.com. (Accessed 1999, December 15).
[39] Williams, Kimberly. Use E-mail To Energize Your Customer Service.
[40] Goodman, Gail F. (1999, December 14). Driving Repeat Sales With Loyalty E-mail. http://www.ecommercetimes.com (Accessed 1999, December 15).
[41] Godin, Seth. p. 123
[42] Goodman, Gail F. Driving Repeat Sales With Loyalty E-mail.

CHAPTER 3

DESIGN OF THE STUDY

The methods used to compile the research in this thesis were:

1. Library database searches of books and periodicals;

2. A review of books and journals;

3. E-mail newsletters with links to Internet marketing Web sites and online periodicals;

4. Content analysis of selected e-mail marketing campaigns.

The Rowan University, Glassboro, New Jersey Web site provided access to its library databases. This led to searching the ABI/Inform database, using the keywords "electronic mail" and "marketing." Based on this search, periodicals covering e-mail marketing were located.

Upon reviewing these periodicals, the author learned of books and Internet marketing Web sites covering e-mail marketing. The author searched the Amazon.com Web site to identify additional books. Since e-mail marketing is a relatively new media tool and continues to change rapidly, the author found very few books on the topic.

Many Internet marketing Web sites allowed visitors to opt-in to a weekly newsletter. The author signed up for e-mail newsletters from the following Web sites:

1. http://www.emarketer.com

2. http://www.ecommercetimes.com

3. http://www.clickz.com

4. http://www.wilsonweb.com

Each site provided links to online articles and additional Internet marketing Web sites.

Using a list of the top 50 online advertisers for 1998 (the most recent available) from Adweek, the author conducted a content analysis of those companies who offered an e-mail newsletter. As the top online advertisers, many used a variety of popular techniques to successfully and unsuccessfully build customer relationships.

The author also examined how many of these companies lost an opportunity to build customer relationships by failing to respond to the author's subscription request over a six-week span. These companies were contacted again. However, many still failed to respond.

Based on these findings, conclusions have been drawn and recommendations made on how e-mail marketing can be used to build customer relationships. Also, suggestions for additional related research have been offered.

CHAPTER IV

RESULTS OF THE CONTENT ANALYSIS

To assist with this study, the author analyzed the e-mail marketing campaigns of the

top 50 online advertisers for 1998 (the most recent available) from <u>Adweek</u>. As major

online spenders, these advertisers understand the importance of using the Internet as a

marketing tool. Starting with the largest online advertiser in descending order, these

companies are:

1.	Microsoft	26.	Dell Computer
2.	IBM	27.	Philips Electronics
3.	Compaq Computer	28.	Egghead
4.	General Motors	29.	Fidelity Investments
5.	Excite	30.	Procter and Gamble
6.	Infoseek	31.	Women.com Networks
7.	AT&T	32.	Sprint Communications
8.	Hewlett-Packard	33.	Onsale
9.	Barnes & Noble	34.	Charles Schwab
10.	Datek Securities	35.	Get Smart
11.	3Com	36.	Preview Travel
12.	First USA	37.	Ziff-Davis
13.	Lycos	38.	Cendant
14.	Visa International	39.	CNET
15.	Netscape Communications	40.	Yahoo!
16.	Intel	41.	Verio
17.	Honda Motor	42.	Consumerinfo.com
18.	CDNOW	43.	Volvo North America
19.	Amazon.com	44.	American Express
20.	Toyota Motor Sales USA	45.	Biztravel.com
21.	Walt Disney Company	46.	Hearst
22.	Sony	47.	Internet Shopping Network
23.	CBS Sportsline USA	48.	N2K
24.	Ford Motor	49.	Sun Microsystems
25.	Ivillage	50.	Lotus Development[43]

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[43] Top 50 Online Advertisers. http://www.adweek.com. (Accessed 2000, January 22).

The author visited each company's Web site to opt-in to its e-mail marketing list. However, the author received an e-mail newsletter from only 21 companies.

Three companies did not have a current e-mail newsletter. Phillips Electronics and Hearst responded personally to the author's e-mail service question asking if an e-mail newsletter existed. The third company, Sony, noted on its Web site they did not have an e-mail newsletter currently.

Two companies limited access to their e-mail newsletters to current customers only. Fidelity Investments and First USA required a current customer account number for access, failing to capitalize on the opportunity to build relationships with new customers.

Two companies had merged with other companies on the list. Onsale merged with Egghead while Walt Disney Company's Go Network bought Infoseek.

The author could not locate an opt-in form on many sites. These companies were sent an e-mail service request asking if an e-mail newsletter existed. Sprint Communications sent an automated response thanking the author "for contacting Sprint via the Internet." However, the response failed to answer the original service request.

Ford Motor, General Motors, Get Smart, Honda Motor, Lotus Development and Charles Schwab failed to build customer relationships by not responding to the e-mail service request. Another company, Verio, went even further in failing to build a successful customer relationship: the author received a return receipt verifying his e-mail service request had been read. Yet, the author never received a formal response to his question.

Fifteen companies failed to send an e-mail newsletter after the author opted-in. After four weeks, the author opted-in again but still had not received an e-mail newsletter

six weeks later. Companies included American Express, Compaq Computer, Dell Computer and the Walt Disney Company.

The 21 companies who responded to the author's opt-in request for an e-mail newsletter used a variety of techniques to successfully and unsuccessfully build customer relationships. Analysis was conducted as follows:

1. How many e-mail newsletters does a company offer?

Response	#	%
One	11	52
Five or more	8	38
Two-Four	2	10

A majority of companies offered only one e-mail newsletter on their Web site. Procter and Gamble offered an e-mail newsletter of corporate news releases. Product information was limited on the corporate Web site. Major Procter and Gamble brands such as Pampers had their own Web site and e-mail newsletter.

Microsoft offered 11 different e-mail newsletters on its corporate site. Like Procter and Gamble, major Microsoft brands like Word and FrontPage have their own respective Web site and e-mail newsletter. Though online bookseller Barnes and Noble offered over 70 different newsletters, one of its chief rivals, Amazon.com, offered over 120 different e-mail newsletters.

2. Is a confirmation reply needed for the subscription?

None of the 21 companies with an e-mail newsletter required a confirmation reply to begin the subscription.

3. What format is available for the e-mail newsletter?

Response	#	%
Text only	14	67
Subscriber's choice of HTML or text format	5	23
HTML only	2	10

Though HTML is now being used to format e-mail newsletters, a text format remains the most popular file format. To ensure their customer can actually read the e-mail, a majority of the companies including major computer technology companies like Hewlett-Packard, Intel and Sun Microsystems format their e-mail newsletter in text only.

3Com and Egghead offer their e-mail newsletter in HTML only. Sixty-seven percent, including Amazon.com, AT&T, CBS Sportsline USA, IBM and Microsoft, offered customers the choice of HTML or text.

4. What is the frequency of the e-mail newsletter?

Response	#	%
Subscriber's choice of frequency/ What newsletter is selected	6	29
Weekly only	6	29
When new information becomes available only	4	19
Monthly only	3	13
Daily only	1	5
Twice monthly only	1	5
Twice weekly only	0	0

Six companies, including Biztravel.com, Egghead and Women.com Networks, sent

a weekly e-mail newsletter. Another six companies, including Barnes and Noble and

Microsoft, offered the same information at various frequencies and allowed the customer

to choose how many times he or she would like to be contacted via e-mail.

5. What type of information is offered through the e-mail newsletter?

Response	#	%
Product/service information only	17	81
Combination of product/service information, news release/company information & contests	3	14
News release/company information only	1	5

The 21 e-mail newsletters offered a variety of information to build customer

relationships. Eighty-one percent used e-mail newsletters to "remind former visitors with

brief information about new articles, products, and features on their Web site."[44]

Automotive companies Toyota Motor Sales USA and Volvo North America used

e-mail to successfully build customer relationships by giving customers "...an "inside

track" on new product developments or late-breaking news"[45] as Silverman stated.

As discussed earlier, Procter and Gamble only offered news release/company

information via its corporate Web site with product/service information available through

its products' Web sites. Though Microsoft had separate e-mail newsletters for its major

brands on other sites, the e-mail newsletters on the corporate site offered a combination

of product and company information along with contests. IBM and Intel did the same.

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[44] Wilson, Ralph F. Marketing Via E-mail Newsletters and Mailing Lists.
[45] Silverstein, Barry. Loving E-mail: Let Me Count the Ways.

6. Does the e-mail newsletter contain any advertising or sponsorships for another company?

Response	#	%
No	17	81
Yes	4	19

When customers opt-in to an e-mail marketing list, they are giving an organization permission to market their respective products/services. However, Biztravel.com, CBS Sportsline USA, CNET and Ivillage used advertising or a sponsorship for another company in their e-mail newsletter.

In addition to the 21 companies who responded to the author's opt-in request for an e-mail newsletter, an additional 15 companies did not respond to the author's opt-in request. An analysis of these 36 companies was conducted as follows:

1. Where is the Web page located for opting-in to the e-mail newsletter?

Response	#	%
Direct link off home page	14	39
Had to use Web site's search engine to find subscription page	11	31
Link off other page that links to home page	11	31
Home page of Web site	0	0

None of the 36 companies offered an opt-in on the home page. However, 14 companies did provide a direct link off their home page. Companies included Compaq Computer, Ivillage, Microsoft and Netscape Communications.

Some sites linked their opt-in page to another page, which in turn directly links to the home page. However, the customer must often spend several minutes looking through numerous Web pages before they find the opt-in page. Companies such as Barnes and Noble, CDNOW and Ziff-Davis made it difficult to find the opt-in page.

Eleven companies like Cendant, Egghead and Hewlett-Packard forced the customer to use their Web site's search engine to find the opt-in page.

2. In addition to the e-mail address, what other personal information is required to begin the subscription?

Response	#	%
Only e-mail address required	10	28
Name & complete mailing address only	7	19
Name, complete mailing address & phone number only	7	19
Personal name only	5	14
Personal name & zip code	4	11
Zip code only	2	6
Name, complete mailing address, phone number & job/employer information	1	3

The content analysis indicated 28 percent of the companies requested only an e-mail address when opting-in. Companies included Amazon.com, Barnes and Noble, Visa International and Ziff-Davis.

Twenty-three companies requested the customer's name during the opt-in process. However, only 3Com, Preview Travel and Volvo North America capitalized on the opportunity to build customer relationships by personalizing their e-mail with the customer's name.

The most difficult opt-in occurred with Compaq Computer who required a name, address, phone number and employer/job information. The lengthy opt-in form made the process quite tedious and would turn off many customers. In addition, Compaq Computer was one of the companies that failed to respond to the author's opt-in request.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

This study examined the growing use of opt-in e-mail as a marketing tool to build customer relationships. Related research on e-mail marketing was reviewed. A content analysis of the top 50 online advertisers from 1998 was conducted. These companies were analyzed to identify how they are using e-mail marketing to successfully build customer relationships.

It was the premise of this study that marketers do not understand how e-mail marketing works and how it can successfully build customer relationships. Though e-mail marketing is growing in popularity, it is a relatively new marketing tool for most marketers. Research was done to identify popular techniques for establishing a successful e-mail marketing campaign.

The content analysis of the top 50 online advertisers was conducted via e-mail. After opting-in to the companies' e-mail newsletter, the author waited four weeks to receive the newsletter. However, many companies failed to build customer relationships by not responding to the author's opt-in request. These companies were contacted again with many still failing to respond six weeks later.

Conclusions

The results of the content analysis support the following:

1.   Companies are still learning how to use e-mail marketing. Many failed to respond to an e-mail request.

2.	The customer's opt-in is being violated. Unsolicited advertising and/or sponsorships are being sent with the e-mail. No companies verify the customer's opt-in subscription request.

3.	E-mail marketing lets companies reach their target audiences effectively. Many offer more than one newsletter.

4.	E-mail marketing offers the customer choices to fit their needs. Many companies let the customer decide the format, frequency and type of information received.

5.	Ease of use is important. Opting-in should be as easy as possible.

Recommendations

Based on the related literature and results of the content analysis, the following recommendations are made:

Be responsive. If a company offers an e-mail newsletter or is sent an e-mail question it should respond. Fifteen companies failed to respond after the author opted-in. Seven companies failed to respond to an e-mail service request. Lack of customer service is a main reason why customers take their business elsewhere.

Use a confirmation reply when customers opt-in. None of the 21 companies with an e-mail newsletter took the precaution of requiring a confirmation reply to begin the subscription. However, it is not uncommon for people to opt-in their friends or colleagues to an e-mail newsletter they personally enjoy.

Since the receiver did not personally opt-in, this is technically considered spam. To avoid spamming of potential customers, a company should send an e-mail to verify if a

person has opted-in. As Silverstein stated "When used ethically and sensibly, it (e-mail) works."[46]

Do not use advertising and/or sponsorships. Eighty-one percent of the companies did not accept advertising and/or sponsorships. Though the other company may offer a complimentary product or service, "permission rented is permission lost."[47] In addition, it should be remembered "...what is accepted or at least tolerated for direct mail by most customers is likely to provoke outrage or even retaliation in the context of e-mail."[48]

Offer as many e-mail newsletters possible. If a company offers a number of products and services, it can segment and effectively reach its target audience with e-mail. As Cheng stated in Brandweek, "...(with e-mail) marketers can now execute the most direct of direct marketing campaigns."[49]

Amazon.com builds successful customer relationships by offering over 120 different e-mail newsletters to target a customer's specific interest and past buying history. More importantly, "Amazon.com reports more than 65 percent of revenues are due to repeat sales."[50]

Let the customer choose the format and frequency. HTML-formatted newsletters are still relatively new. Customers may not be able to read an HTML e-mail newsletter if they have an older computer. The file may take several minutes to download and be unreadable with photos missing when actually opened. Annoyed customers may choose to opt-out of the mailing list, thus ending the relationship.

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[46] Silverstein, Barry. Loving E-mail: Let Me Count the Ways.
[47] Godin, Seth. p. 134.
[48] Permission E-mail: The Future of Direct Marketing.
[49] Cheng, Kipp. p. 52-56.
[50] Goodman, Gail F. Driving Repeat Sales With Loyalty E-mail.

The content analysis revealed 67 percent of the companies offered a text only format. Yet, more computer-efficient people may prefer the more visual HTML format. A customer will know best what format would work with his or her computer so he or she should be given a choice of HTML or text.

The content analysis indicted 29 percent used a weekly frequency while another 29 percent let the customer choose the frequency. A weekly frequency may help ensure the company name is always in front of the customer reminding them of the existing relationship. However, constant e-mail may again turn-off customers.

The customer should be allowed to choose the frequency. If the customer feels he or she is getting too much or too little information, the frequency can be changed at his or her own discretion.

Offer free or discounted items. In addition to product/service information, free or discounted items should be offered to encourage the customer relationship. According to Resnick, "Discounts, free samples and limited-time offers are all powerful incentives to get people to respond."[51]

To encourage customer response, Intel offered free screen savers via its e-mail newsletter while Egghead offered special discounts. Microsoft invited customers to special events like the launching of the Windows 2000 operating system. More importantly, "…the more a customer is engaged…the more likely the customer will be to remain loyal to you."[52]

Make it easy to opt-in. Thirty-nine percent of the companies provided a direct link off their home page to opt-in.

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[51] Resnick, Rosalind. Dos & don'ts of e-mail marketing.
[52] Godin, Seth. p. 12.

When opting-in is more difficult, it can end a customer relationship before it even begins. Customers must often spend several minutes looking through numerous Web pages before they find the opt-in page. Even worse, the Web site's search engine is sometimes the only way to find the page. Since ease of use is practically nonexistent, customers may tire of looking and decide to take their business elsewhere.

Twenty-eight percent required only an e-mail address to opt-in. Again, the opt-in process should go quickly so the user does not lose patience and decide to exit. Over time, the additional information can be requested as the customer relationship continues to build. As Godin stated, "…gradually raise the level of permission you extract."[53]

Recommendations for Further Study

Due to time constraints, the content analysis for this study was limited to the top 50 online advertisers for 1998. In addition, many companies do not use e-mail as a marketing tool yet.

It is recommended that this study be conducted again in a few years. E-mail will continue to grow and more companies will use it to market themselves. Analysis of click-through rates can also be examined by creating an original e-mail marketing campaign. This analysis can examine how different formats, frequencies and information offered can affect click-through rates.

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[53] Godin, Seth. p. 75.

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