Email, CRM and the prospects of recession

Felix Velarde, Underwired, shows how email can be used cost-effectively to manage relationships, even when times get hard

IN 2OOI MY rather enjoyable, very creative digital agency had been the digital creative arm of the Lowe Group for several years. In August of that year, the mini-dip triggered by the dotcom boom-and-bust started affecting marketing budgets badly and anyone who was under-prepared or over-confident received a rather unexpected reality check.

It was an unwelcome experience, to put it mildly. But as with all these things, there is learning to be had. Certainly some (including myself) came to the realisation that we could recover from a hard knock without losing enthusiasm for the digital marketing industry. That generation of digital agency entrepreneurs, almost entirely made up of thirty somethings with limited experience of running businesses through sequences of downturns, also learnt how to evaluate medium-term risks properly for the first time.

No immunity

One of the things that caused so many agencies heartache, and in some cases closure, was that they believed that internet-based communications were immune to recession. This belief was based essentially on an absolute conviction (and this view was shared by many) that few clients were actually using the web well, but that the opportunity to transform business efficiency through adoption of internet channels was self-evident. In the months when investors realised the money they .had gambled on 'the next big thing' was lost, the market's reaction gave marketers pause: websites, online campaigns and digital experimentation were put on hold. A significant proportion of our agency's income evaporated in just four months.

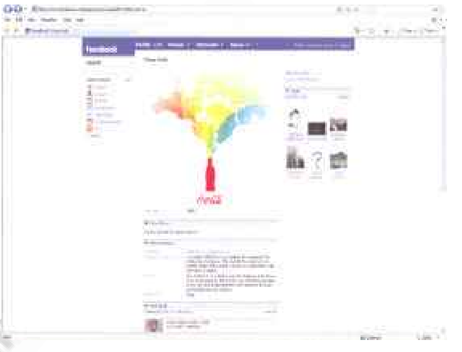
This over-confidence in web marketing was based on a belief that then, in the dying days of 2000, those clients who did not already have a website that produced returns would see it as a no-brainer that they had to invest in one. It wasn't until a year later, when marketers loosened their belts and agencies regrouped, reconstituted and dusted themselves down, that this great web build recommenced.

In around 2003 my agency took a very long, hard look at how it might stumble or fall in some future snap downturn. It seemed very evident that if the agency relied on website design and build as its key source of income alongside campaigns, it might once again be vulnerable. The problem, even by 2003, was that most brands worth their salt had a moderately good website, pulling in a moderately good return. Give them a few more years to get to understand the restrictions and opportunities inherent in the channel, to examine the results, to hire a better agency, to learn, grow and hone, and most companies might be using the web as a core sales and marketing channel. So what would happen if there was a downturn of any kind?

Well, one conclusion was that it would probably be easy to say that any client already online would likely already have a perfectly good web presence. It would already be generating income. The web would already be a functioning platform for revenue - direct or diffuse - and growth. In a downturn, at the first hint of a recession, the imperative would not be to jump on the next bandwagon (the hugely naive assumption of the turn of the century) but simply to halt any improvements. A perfectly good website, the like of which everyone now has (more or less), will last for another year or three while the economic picture becomes clear or more bullish. So the potential for a cascade of website-orientated agencies waiting on the annual redevelopment until they starve is clear, and in 2003 we did not want to be one ourselves.

Routes to salvation

Clear from the analysis of anticipated disaster, however, the argument that marketers would cleave to their customer relationships seemed a distinctly plausible route to salvation, or at least survival. When consumers haul in their own reins, and new custom is scarce, then the greatest opportunity for survival and growth is the capture of custom from competitors. So loyalty, retention, upsell and cross-selling channels become the core basis for any marketing activity,



Facebook: exemplifying consumer-driven, elective consumption of content

because if customers see a company cares for its consumers more than their own does, there is a greater chance they will be persuaded to switch.

Today we can already see local house price falls and global food price increases leading inexorably to lessened consumer spending. The nicely alliterative credit crunch's work done, or at least harvesting its first year's effects, is having an impact on what marketers are willing to spend their money on. Norwich Union halved its budgets in preparation, renegotiated its marketing contracts with smaller, leaner suppliers, and set itself up for a pretty frugal three-year plan.

Advertising expenditure growth for 2008/09 is the subject of wildly differing estimates by the giants, ranging from bullish to distinctly bearish outlooks. Stock markets are jittery, as are bankers and their customers. Small businesses, including those in agency land, will be finding it harder to secure loans to cover new development and expansion.

Venture capitalists have been drawing beads on companies that can survive, or on strategic consolidations that will strip fat from investment vehicles. Indeed, the recent rash of agency deals based on earn-outs shows what the big boys know, that acquisition at a notional multiple of ten will now be realised at six when the acquired miss their targets, and that earn-out deals on the cusp of even a mild recession are a bargain when set against the reality of shareholder commitment that lasts through cycles and not just for Christmas.

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So, where does that leave the marketer? Well, and this is where the recession-proofing activity has borne fruit, it may be that there is a convenient merging of phenomena that point the way.

New communication space

Four years on from the early days of examination and decision I've described, consumers occupy a new communication space, with entirely new and unforeseen norms. Email is prevalent. In fact, email is prevalent and regulated. Social environments have been made easily accessible, so that the old paradigm of separate news reader, forum websites and self-published pages is usable by all in the guise of unified personalised network spaces like Facebook and Bebo. Here, business is booming. Three-quarters of all Ireland is on Bebo, and companies are capitalising on this fast by leaping aboard.

Consumers like having control. All consumers, given the option, and when it's made easy to manage, want some control over their environment. It is natural to want to see only those things that are of interest and relevant. Facebook, valued now at only slightly less than Ford (perhaps, as Matt Hempey suggests, the $15 billion stock price suggests a less fortuitously coincident bubble forming), provides that total control over what is seen, what is delivered and, ultimately, digested. This consumer-driven, elective consumption of content shows that the way people relate to information and influence has changed from a broadcast/receipt sit-back to sit-forward engagement, at last bringing reality to the interactive form that the early pioneers of the web as a medium for marketing envisaged before their bubble burst.

Broadcast itself has played a very significant part in this. In fact, broadcast beyond the point of sense or acceptability has been fundamental. While no one likes it, spam has at least driven regulation. In the UK the Data Protection Act's revision to include a requirement for opt-in to commercial emails, or at least requiring traceable provenance of acceptance of commercial emails, has made the legitimate marketing industry, driven by agencies who want to be able to attract legitimate and larger clients, create strategies for persuading consumers to say yes to email communications.

It is the regulation of email that has provided the most relevance, at least for consumers here, and increasingly around the world, albeit indirectly. By starting the process of asking customers to sign up, marketers have had to examine the drivers, starting with the gross ('enter a competition') and evolving to the refined ('join a community of like-minded people'). A logical step beyond this first questioning was to ask more. To enter the competition, further information could be required. The answers provided the steer towards the subsequent marketing pitch, and metrics from digital channels started to get aggregated.

Convenient synergies

Following further exploration in 2004, my colleagues started to do exactly that. Previous campaigns had been fairly linear - strategy, creative engagement, feedback, refined strategy - though multiple. The insights and data gleaned from each digital (and sometimes non-digital) channel were added together to form grander strategies that were again split across media. But it wasn't until the widespread acceptance of email as a channel, made acceptable through increasing regulation and the prospect of increasing relevance simply through opt-in to lists managed by familiar brands, that the notion of convenient synergies was brought in to play.

eCRM was born of the observation that behaviours, not just stated preferences, could be fed into the strategic process in the world of digital marketing. While customer-journey planning had been borrowed a decade before from the supermarket trade, information architecture from exhibition design and so on, the revolution came with the marriage of data-mining, web analytics, segmentation marketing and the social acceptance, no longer freaky, invasive or disturbing, of personalisation.

eCRM is special. It is the one thing that posits a relationship between a brand and a consumer akin to a personal relationship based on mutual curiosity and observation. Arid when industry faces the prospect of a tightening of consumer spending and the business imperative of holding on to one's own customers to the exclusion of the competition, this kind of relationship suddenly becomes very important indeed. The recession-proofing my company sought became quite clear - deliver the means of developing robust, unshakeable customer relationships based on mutual understanding.

The eCRM discipline

eCRM has become a fairly refined discipline in its own right, a demonstrable deliverer of extraordinary returns on investment, for brands as diverse as Nickelodeon, Citrix, Virgin and Peugeot. It sits alongside, wrapped up in and around, and symbiotically with, all the other digital disciplines the reliance on which saw the major part of the digital agency industry suffer. So how does it really work, what is the symbiosis that delivers consumer response, and why does it offer both protection for my own industry and a baseline marketing strategy for clients?

First (in a simplistic example), it takes the sales cycle: a product is investigated six weeks before purchase, using information on a website and a requested paper brochure, then prices are compared, again online, perhaps matching with a high street retailer, then the product is ordered online.

Acquisition activity provides the first part of the sales funnel A widely-distributed online promotion attracts people who are at the 'six weeks out' marker. The promotional mechanic (a discount voucher, say) captures data, including an email address and preference for product colour. An email automatically populated with content relevant to the individual - name, colour preference, predicted purchase date - is sent to prompt a visit to the site to get more information, to a particular review to cement the product choice, and offering a discount. The response rate at every step is examined and activity honed. (When Tesco started its email marketing programme everything that could possibly* be tested was tested - every permutation of subject line, every combination of content, every type of call to action.) And the next six-week cycle starts afresh more refined, more sophisticated, more effective.

Another key aspect of this is the speed at which we are able to make changes, and the cost basis for doing so. Direct marketing, the first truly sophisticated data-based, interactive discipline, takes time. It can take six weeks just to print a pack, let alone the planning time, creative development time, testing against groups, and implementation of the means to track response rates, often through call centres or retail outlets. And the cost of personalisation of mail, although it has come down, is still astronomical.

Email and, as the channel develops and eCRM becomes more widespread, mobile is near-instant by comparison. It takes a week to take creative and lay it up into an email delivery system for broadcast. The response channels are largely digital - at least many of the most indicative metrics are instantly available online - open rates, click-through rates, interaction paths, response rates. An individual's actual behaviour from receipt to decision can be tracked in granular detail, matched against the circumstances of opt-in, demographic data gathered then and from subsequent communications, purchase activity and external data such as postcode-related information - so we can drive people to their local shop, gym, airport, florist. Customer segments are re-cast live.

It means that every piece of communication is truly pertinent, utterly relevant, and always timely. The closeness of the relationship means marketers can spot where opportunities to deepen understanding and broaden sales occur. While it cannot and must not be used to the exclusion of other channels-TV, radio, websites, DM, sales promotion, PoS - email is by far the most cost-effective means of engaging with customers over long periods, creating loyalty and giving the opportunity for advocacy. The investment required is low, and the sophistication of agencies gathering maturity.

What is the worst that can happen by creating deeper relationships in the run-up to a possible recession? If recession fails to materialise, you have created a stronger bind between you and your consumers. And if you have to haul in your budgets and postpone your website refresh until next year, no one will go bust, and your competitors will have no room to pinch your custom from under your nose. ■

More on email marketing at WARC.com

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