

Why email marketing is king

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In a business world obsessed with gaining more customer intelligence, you would think that email marketing would get more respect. But just look at media spending. According to eMarketer, this year U.S. companies are spending about \$64 billion per year on TV, \$34 billion on print ads, and \$39 billion on Internet advertising. And how much are they are spending on email? For that, we have Forrester data: only about \$1.5 billion.

Of course, compared to other media, email messages are dirt cheap to send. With TV you are spending on ad agencies, creative studios, and cable channels. With print ads, you are helping to keep newspapers and magazines alive. Direct mail costs more than \$600 per thousand pieces. With email, there are almost no costs at all. But its low cost only makes the argument stronger that email marketing is the most cost-effective advertising method available today.

Certainly email beats the competition from a measurability standpoint. With TV you do not know who is watching your ads. Ditto with print. Even with direct mail, you cannot be sure that your mail has been delivered, or that anyone reads it when it gets there. With email, you know within 24 hours exactly which messages have been opened, by whom, what links the openers clicked on, and what part of your message was working.

A properly structured email message provides this benefit to the marketer because it provides benefits to consumers. A TV, print, or direct mail ad is what it is. On email the ad is much more. Because of electronic links, those who open your emails can do their own research: they can explore and see any of the thousands of products that you sell. They can see the colors and sizes. They can, and they do, read ratings and reviews. They can put products in their shopping carts and buy them.

"Fine," say the TV folks, "but shopping cart sales through emails are seldom more than 5% of total sales. Nothing to write home about."

What these detractors seem to willfully ignore is that emails create impressions that lead to sales through other routes. Some of these routes can be tracked. The recipient can open it or delete it. If she opens it, she can click on it, perhaps buy something or print out a coupon and take it to a store. Finally, if she puts things in her cart but does not buy, you can send her an abandoned shopping cart email that usually yields 29% of lost sales.

But note that, in many cases, she also does things that are hard to track. She can get in her car and drive to a mall to buy the product. She can pick up her phone and order it. She may be prompted to do research on Google for better prices of similar products, or discuss the offer with her spouse or a friend, leading to a possible purchase later. These are all the behaviors that provide the rationale for TV or print advertising. My point is that emails prompt the same kinds of behaviors. Thus, there is an off-email multiplier. For every purchase in an email shopping cart, we can fairly assume that there are some number of other non-tracked profitable purchases that occur because of the arrival of the email — a number that quantifies all the non-tracked behaviors that email recipients engage in.

If you are going to make a case for investing more heavily in email marketing, you have to determine this off-email multiplier to account for all the sales your emails can be expected to generate. How can that be done? A retailer I've worked with which has 900 stores and is very active with email campaigns recently did a great study. It took a group of 105,000 customers in its loyalty club database, divided them into three groups of 35,000, and marketed to the three groups differently, as shown in the chart below (click to see a larger version). Thanks to the loyalty program, it was able to see all subsequent purchases by these customers.

Grand Total	Count	Response Rate	Average Order Value	Dollars per name mailed	% sales in store	% sales online
Direct mail and email	35,000	25%	\$71.71	\$17.67	79%	21%
Direct mail only	35,000	24%	\$68.62	\$16.39	83%	17%
Email only	35,000	23%	\$67.82	\$15.71	79%	21%

Direct mail has a higher response rate than email. But note that direct mail costs about 100 times as much. Meanwhile, the data collected by the retailer allowed it to calculate its off-email multiplier (a simple matter of dividing the percentage of online sales by the percentage of in-store sales generated by email-only marketing). It is 3.76. In other words, for every email shopping cart sale, this retailer gets 3.76 other, typically non-tracked sales due to the email.

What might your off-email multiplier be? Zero is of course possible, but studies to date suggest that a number between two and three is typical.

Once you factor in your off-email multiplier, it's a very safe bet that email will beat all your other marketing methods in terms of return on investment. As email marketing gains more respect, marketing intelligence will meet customer intelligence.

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