

## E-mail marketing – Evaluating E-mail marketing

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### Introduction

Opt-in e-mail is no longer a specialist communications tool for e-marketers; it has entered the mainstream.

A survey for Doubleclick in October 2002 showed that 69% of 1500 senior European marketers used e-mail, with the majority planning to increase e-mail budgets in 2003 (Doubleclick, 2003).

One of the reasons for the success of e-mail marketing is its measurability – there are a wide variety of measures for evaluating campaign success. These measures are usually provided as part of the service by e-mail marketing service providers.

The sheer number of measures and volume of data produced can be baffling for the e-mail marketing newbie, so the aim of this article is to explain the alternative measures for evaluating e-mail marketing. Of course, measures for measures sake are pointless, so I will also show how e-mail metrics can be used to assess and then improve your future campaigns.

This article continues a series of in-depth articles aimed at improving the effectiveness of your e-mail marketing. In WNIM 16, available in the archive, we introduced the CRITICAL success factors for e-mail marketing.

### Understanding e-mail metrics

The best way to understand e-mail marketing metrics is to work through measures available for each of the stages from when an e-mail is broadcast through to the marketing outcomes you want to achieve. The Eight Rs assume a direct response mechanism where the campaign ideally involves an e-mail recipient opening the e-mail, reviewing the creative and copy and then clicking through to a microsite or landing page set up for the campaign where they then complete an online form to redeem the offer. This does not apply to e-mails used solely to enhance brand awareness, but this approach is rare.

Here we use the 8Rs of e-mail marketing metrics to highlight the main measures. We will compare each of the measures to the equivalent stages of a postal mailer.

Of course some of the 8Rs are more illuminating than others. The only measure that really matters is whether you achieved the marketing objectives set – the seventh R.

How these metrics relate to each other for two different campaigns where 10,000 e-mails were sent is shown in the spreadsheet extract below. It can be seen that campaign 1 is much more successful than campaign 2. This is because e-mail marketing involves multi-step conversion magnifying the effect of poor response at each stage of campaign 2. Detailed evaluation of the different performance ratios is needed to improve the performance of the campaign.

### E-mail marketing Insight

Use a spreadsheet to compare and understand the success factors for different campaigns run in your organisation. Often reporting tools give detailed metrics on individual campaigns, but they are less good at comparing campaigns through time.

The spreadsheet featured in this article is available from [www.marketing-insights.co.uk](http://www.marketing-insights.co.uk).

	Campaign 1	Campaign 2
Number of e-mails SENT from list	10,000	10,000
↓		
Number of e-mails RECEIVED from list	9,800	9,000
↓		
Number of e-mails READ or opened	5880	3600
↓		
Number of CLICKTHROUGHS to landing page	1,764	360
↓		
Number of FORMS COMPLETED (RESPONSES)	1,411	216
↓		
Number of REFERRALS	141	4

  

	Campaign 1	Campaign 2
Receipt rate	98%	90%
Reader rate (open rate)	60%	40%
Response rate 1 (CTR of readers)	30%	10%
Response rate 2 (CTR of recipients)	18.0%	4.0%
Response rate 3 (CTR of number sent)	17.6%	3.6%
Completion rate	80%	60%
Response rate 4 (Responses of number sent)	14.1%	2.2%
Referral rate	10%	2%

Blue cells represent rates that will vary according to the success of the campaign.

## The Eight Rs for Evaluating E-mail marketing

### 1. Receipt rate (based on number of Recipients).

$$\text{Receipt rate} = (n\text{Sent} - n\text{Bounced}) / n\text{Sent}$$

'Bounces' are returned e-mails that are not received by the intended recipient. There are two types of bounces:

- Soft bounce refers to an e-mail returned since e-mail server is not working (will be resent later so can be discounted)
- Hard bounce refers to an e-mail returned with address unknown

The level of 'bounces' compares to level of 'gone-aways' of a conventional direct mail campaign which no longer live or work at a particular address.

### E-mail marketing Insight – using measures to improve campaign success

- **Soft bounces** – These are usually in the range of 1 to 2%. No action required is required since most mail servers will keep trying until the message is successfully delivered.
- **Hard bounces** – For good quality lists, hard bounces should not exceed 2-5%. From 5% and into double figures, this suggests a problem to be resolved. Possible explanations of a high number of bounces include::

1. If the list has aged (sometimes referred to as attrition) then cleaning the list is required. Indeed the addresses with hard bounces should be removed from the list after repeated bounces, but only after attempts have been made to contact the customer by phone or direct mail to find out their new e-mail. Egg ran a post-card based campaign in 2003 offering entry into a prize draw for service users who updated their e-mail addresses.

2. A high level of hard bounces may also indicate a problem with the verification of e-mail addresses when they were collected. Methods for verifying e-mail addresses include asking the customer to enter the e-mail twice (entry confirmation), double opt-in; a check that the e-mail is in a valid format such as: a@b.com or a@b.co.uk. E-mail Vision use 'Intelligent forms' which check for the existence of a SMTP mail server at the domain.

3. Finally, there may be poor control of manual data entry, e.g. e-mails captured at point of sale or by sales representatives. Accuracy can be improved through training which stresses the importance of valid e-mail addresses and shows how to check validity.

For more on e-mail list cleaning see E-mail Sherpa (2003) and next months article.

## 2 Reader rate, more commonly referred to as the Open rate, based on Number of Readers

$$\text{Reader rate} = \text{nOpened} / \text{nRecipients}$$

For HTML e-mails only, we can get an indication of the reader rate according to whether a marker graphic contained within the e-mail has been downloaded.

This rate compares to proportion of people who evaluate a mailer and then open it in a traditional campaign.

### **E-mail marketing Insight – using measures to improve campaign success**

The open rate will depend on how many users use a preview pane on their e-mail reader (this shows the message body in a window at the bottom of the screen when the e-mail is selected in the inbox). If a high proportion of users have the preview pane is open, then this will increase the open rate.

Despite many consumers using the preview pane, the open rate can fall below 10%. This suggests a problem with the subject line, since the recipient will only click on the e-mail to open it if the subject line is relevant to them. So, the obvious action to improve the open rate is to consider alternative subject lines as described in WNIM 16. It may also be that the offer referred to in the subject line is not relevant or strong enough.

As well as problems in the subject line, other factors can also affect open rate. A 'From address' which is unknown or confusing may decrease open rate.

The time of day may also have been inappropriate (first thing on Monday morning, for example). So consider testing and changing the time of day the e-mail is sent. During the day, mid-week often gives the best results for B2B and B2C mailings.

## 3 ClickthRough rate (CTR)

$$\text{Clickthrough rate} = \text{nClick on Links} / \text{nReaders or nRecipients or nSent}$$

The clickthrough rate is a key measure since it indicates the quality of the creative and offer and if you get good clickthrough, the campaign will be a success provided the landing page or microsite is of good quality.

Clickthrough rate (CTR) can be reported in different ways. Approaches include:

A. **Percentage of those who open the e-mail (nReaders)** –this is useful for assessing the effectiveness of the creative and the offer.

B. **Percentage of e-mails received or sent** – better for gauging overall campaign success

C. **Unique clicks.** Remember that since you may have multiple hyperlinks in the e-mail and users may click links more than once, using Total clicks for calculating clickthrough rates may be misleading. So the best approach for overall evaluation of a campaign, is to use unique clicks which determine clicks from unique visitors to the microsite.

D. **Clicks by hyperlinks.** Alternatively, particularly for newsletters, which have many links you will want to report individual CTRs for the different hyperlinks in the message.

#### **E-mail marketing Insight – using measures to improve campaign success**

If the clickthrough rate from e-mails that have been opened is below 5-10% then this suggests a problem with different aspects of the creative or offer.

In brief, different issues to review to improve your clickthrough rate are:

- **Position of the call-to-action hyperlink.** If it is at the bottom of long copy, then recipients may not scroll down to it – it may be best to repeat the call-to-action, earlier in the e-mail.
- **Prominence of the call-to-action.** In text e-mails, the call-to-action hyperlink should be placed on a separate line for prominence. In HTML e-mails, the call-to-action can use specific copy, bold text or an image to increase its prominence.
- **Structure of the calls-to-action.** Perhaps you have used multiple calls-to-action, but how are these structured? Are these crafted in a logical sequence or flow for the selling process? It may be helpful to think traditional direct mail with a range of copy for each of Details of offer / product – link to page; Testimonials; additional offers and main call-to-action.
- **Length and size of e-mail.** The e-mail may be too long, or if it is a rich media e-mail or contains graphics which have not been optimised for the web and takes a long time to download, then the clickthrough may be decreased too.
- **The offer.** If the e-mail is well designed, and you don't think it is the factors above that are causing the problem, then poor clickthrough is likely down to the offer. If the offer, or the way it is described in the e-mail is not sufficiently appealing to the target audience, then this, of course, needs improving also.

## **4 Form Conversion rate**

$$\text{Form conversion rate} = \frac{\text{nComplete form}}{\text{nClickthroughs}}$$

This refers to the proportion of those that clickthrough to a landing page or microsite that complete an online form such as a registration page for a prize draw.

Conversion rate can be related to different outcomes including completing a form, subscribing to a newsletter or catalogue or actually buying a catalogue. The response rate below refers to those that act on the initial registration.

The completion of reply form rate is not known for a traditional direct mail campaign unless additional research is conducted.

#### **E-mail marketing Insight – using measures to improve campaign success**

Once the recipient has clicked through, this shows a high level of interest in the offer – the respondent has already committed time to reading and evaluating the e-mail. Given this

investment in time, they should be pre-disposed to complete the landing page provided it does not form too high a barrier.

It should be possible to achieve over 40% of respondents who complete the form. If the proportion falls below this, then the main issues to look at are:

- Consider changing number of questions asked or number of screens required if the campaign involves an extensive research component.
- Perhaps the offer does not appeal as much as was thought from the subject line or body copy. Can a secondary offer be given on the landing page to encourage completion of a form.
- Perhaps there is a problem with the privacy options. Does the landing page reassure the respondent that their details will not be shared with third parties for instance?
- Perhaps the tone and design of the landing page is not consistent with the campaign or brand, which again will not help to reassure the respondent.

#### 4 Response rate (Based on number of responses)

$$\text{Response rate} = \frac{n\text{Act}}{n\text{Recipients}}$$

Here the response rate from the e-mail campaign is similar to the response we get from a traditional direct mail campaign.

Great care has to be taken when quoting the response rate, since as you can see from the figure; it can be formulated in a number of different ways of how people respond to the e-mail:

- **Response rate 1 Clickthrough of readers** –the number of readers who click through as a proportion of the number who open the e-mail.
- **Response rate 2 Clickthrough of recipients** –the number of readers who click through as a proportion of those who received e-mail (i.e. it excludes bounce). It is a better indication of the overall rate of success than response rate 1.
- **Response rate 3 Clickthrough of number sent** –the number of readers who click through as a proportion of those who were sent e-mail (number broadcast).
- **Response rate 4 Number of marketing outcomes** – the number of readers who complete an action as a proportion of those who sent e-mail. This action is usually completing the form to redeem the offer, but it could also include qualified leads generated or sales made. This is the most meaningful indication of the overall success of the campaign and has been separated out as the seventh R below.

#### E-mail marketing Insight – using measures to improve campaign success

Response-based targeting can be used to follow-up an initial e-mail. Campaigns can be devised such that there is a second wave where different creative is sent out dependent on how the individual responded to the first message

The four different options are:

1. Don't Open
2. Open Don't Click.
3. Click Don't Respond.
4. Do Respond.

It may not be worth developing creative for all situations – but a follow-up message for situation 3, those that clickthrough but don't respond may be worthwhile to push them a little further to action.

#### 5 Rejects rate more commonly referred to as the Unsubscribe rate

$$\text{Opt-out rate} = \frac{n\text{Unsubscribe}}{n\text{Recipients}}$$

The Unsubscribe rate alerts the list owner to if there is a problem with a particular campaign that causes people to unsubscribe.

**E-mail marketing Insight – using measures to improve campaign success**

It is useful to monitor the unsubscribe rate of each campaign against the average unsubscribe rate. If the campaign unsubscribe rate is much higher it indicates a problem with the content or tone of an individual campaign or newsletter. In most cases, it should be possible to keep the Unsubscribe rate in low single figures.

It is a good idea to offer a selective unsubscribe. Someone may not want to subscribe to a weekly e-newsletter, but may be happy to receive periodic updates. See dabs.com for a company that offers a range of options.

**6 Referrals rate based on number of referrals of new prospects**

Referral rate = Number of referrals / number of respondents
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This refers to the viral element of an e-mail campaign, if used. If a campaign has involved generating additional leads through providing an offer to encourage disclosure of other e-mail addresses then the referral rate can be measured as the number of referrals per respondent.

**7. Results or Number of Outcomes from the campaign.**

This is THE key metric which shows how much new business was generated by the campaign. Surprisingly, this is often not reported since it requires integration between the e-mail monitoring system and the legacy system used to take customer orders. Take for example, an e-mail promotion related to a loan. The recipient may clickthrough to the landing page to find out more about the loan. If they purchase online or by phone then this can only be related to the e-mail campaign if the name on the list is related to the list of purchasers.

The Return on Investment of the campaign should also be reported, but often isn't since it is not readily reported by the e-mail monitoring system.

The following type of model, containing the average (or total) value of response together with variable and fixed costs, is also available in the spreadsheet from Marketing Insights ([www.marketing-insights.co.uk](http://www.marketing-insights.co.uk)).

	<b>Average value per response</b>	<b>£10.00</b>
<b>Variable costs</b>	List rental (per thousand)	<b>£150</b>
	Cost per e-mail sent	<b>£0.050</b>
	Fulfillment cost per response e.g.offers and response manager	<b>£0.800</b>
	Total list cost	<b>£750</b>
	Total sending cost	<b>£250</b>
<b>Fixed costs</b>	Total fulfillment cost	<b>£1,920</b>
	E-mail creative	<b>£500</b>
	Landing page / microsite creative	<b>£800</b>
	Set-up cost for sending list and/or fixed fulfillment costs	<b>£250</b>
	<b>Total cost</b>	<b>£4,470</b>
	<b>Total revenue</b>	<b>£24,000</b>
	<b>Profitability</b>	<b>£19,530</b>

**8. Researching customer opinions**

With the wealth of tracking data available for e-mail campaigns there is a tendency to limit monitoring of campaign effectiveness to the hard numbers. However, it has been said that only reviewing web metrics is like looking at footsteps on a beach – you know someone was on the beach, but you have no idea why they were there or what they thought of it.

As e-mail becomes used by more customers and when it is also used as a branding tool, the only way to get the complete picture is to ask customers.

As an example of this, Kanaiya Parekh, Commercial Development Manager at Tesco.com presented these experiences to the 2002 Marketing Week conference on e-mail marketing.

Retailer Tesco.com uses a timing strategy of:

- Fortnightly HTML general e-mail to all one million Tesco.com customers
- Monthly category specific e-mails

This is intended to:

- Increase customer retention (reduce dormancy)
- Drive trade within Tesco.com categories
- Cross-sell

To test this strategy works, Tesco has conducted research which has shown:

- 80% of customers rated e-mails as excellent
- 50% read the entire e-mail
- 20% purchase in response to e-mail offers
- 13% forward to friends and family
- 65% open rate
- 5-10% clickthrough rates
- Less than 1% unsubscribe

Note that some of these measures of success are only available through traditional research.

## How am I doing against everyone else?

As well as comparing your campaigns to others in your team or group, it is also useful to know how you are faring against industry averages.

We can get an idea of typical response rates from statistics from e-mail platform providers.

One compilation, analysing 40 million e-mails to rented lists and house-lists (<http://www.emailbureau.co.uk/TSreport.htm.html>) showed the response rates as follows:

Sector	% Opened (for HTML e-mails only)	% Clickthroughs (% of opened)	% Clickthroughs (% of mailing)
<b>Financial services</b>			
Average	27.5%	4.9%	1.3%
Best	87.4%	3.7%*	3.2%
<b>B2B</b>			
Average	40.9%	8.2%	3.4%
Best	96.1%	6.1%*	5.8%
<b>All industries</b>			
Average	29.9%	10.8%	3.2%

Source: figures compiled by IMRS ([www.imrs.co.uk](http://www.imrs.co.uk)) from 40 million opt-in emails broadcast by EmailBureau ([www.emailbureau.co.uk](http://www.emailbureau.co.uk)) in Autumn 2002. Data includes messages from both house-lists and rented lists, with the former the majority.

## In next months article

The next in our series of articles on e-mail marketing will look at different approaches to build and maintain a good quality house e-mail list.

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