

Email Remains Integral for Ecommerce, Yet Consumers' Active Management of their Inboxes Deepens Challenge for Marketers

Return Path Third Annual Holiday Email Consumer Survey

January 2007

Executive Summary:

This report includes findings and analysis of a late December U.S./Canada consumer survey conducted by email performance company Return Path. We polled members of Return Path's My View (formerly Survey Direct Live) online panel. The survey aimed to understand consumer perceptions and reactions to the use of email by retailers and other permission marketers during the holiday season. Analysis is provided by the Return Path Strategic Services team.



Introduction

Email reigns as the ecommerce driver and customer relationship builder. Consumers still rely on email for holiday shopping ideas, news and interactive services.

In fact, subscribers want even more from email. For the third year in a row, consumers told us that what really matters to them when making the “open or delete” decision is prior value with the email itself. If they found value in a previous email, they were more likely to open the next email from that sender. Bottom line: **Email relevance does not exist in a vacuum – email is a relationship medium.**

Some subscribers do enjoy what they get. About a fifth (17%) of respondents say they were glad to hear about all the holiday special offers. Certainly, promotions are pervasive in marketing email – in many cases, discounts are all a subscriber ever receives.

What subscribers consider interesting and relevant varies, however. Almost half (44%) of respondents say they receive high volumes of “junk” from marketers – defined as “email from companies I know but that is just not interesting to me.” “Junk” is second only to “spam” (“email I never asked to receive”) which 61% of respondents say they receive in high volumes. One-third say that many marketers email them more frequently than promised. Most of this email is simply deleted unread, but about a third of the time the reader takes an action negative to the marketer – either unsubscribing or complaining (reporting the email as spam).

To handle the increased “junk mail” this holiday season, consumers have become extremely savvy, active managers of their inboxes. Half (54%) even go to the trouble of setting up filters to block out email from specific senders.

Marketers beware: Trying to “sneak by” subscribers with higher volume, expanded permission assumptions, use of old files, or loose unsubscribe practices doesn’t work. Consumers notice, and they resent marketers who abuse their permission grants or take advantage of a customer relationship. 37.4% of respondents say they receive more email than they expected when they signed up – a violation by marketers of at least the perceived permission grant, and at worst the actual permission grant. Representative comments from respondents include, “Some mail order companies emailed me every day!” and, “Some companies really tried to get people’s attention but all they did was turn them off more.”

The good news: though wary of spam, half of respondents still say they are willing to sign up for new email programs.

What have email marketers done in this era of skeptical, empowered consumers? Unfortunately, not much. Most are still providing mediocre “batch and blast” email experiences. Going forward, active consumer engagement with the inbox improves the email channel opportunity for marketers, and gives clear advantage to those who provide relevant, interesting messages at a volume valued by subscribers.

Key Survey Findings and their Impact on Email Marketers



1. Email Is About Relationships

Findings

Consistent with past annual surveys, the only growing influencer on response rates this year is previous experience with the email program itself – with just over half (51.2%) of respondents now citing this as a key driver of response; 7% more than last season.

Knowing and trusting the sender – the brand – remained in the top slot with 55.9% (8% down from the year prior) of respondents saying that was a key factor. Attention-grabbing subject lines (41.4%) and existing relationship with the sender (32.2%) also remained leading factors.

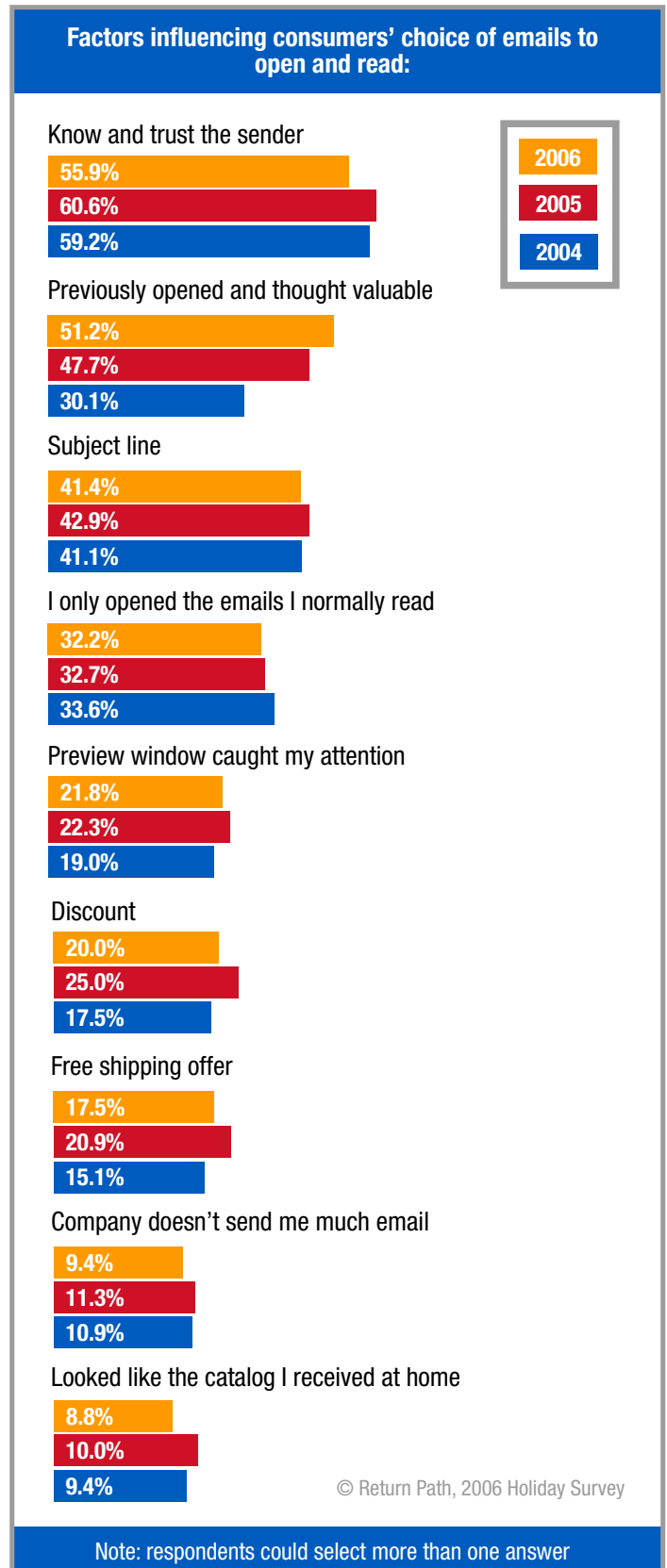
Discounts dropped in importance by five points (down 20%, with just over half (51.2%) of respondents now citing this as a key driver of response, up 7% over last season.

Return Path Analysis

Subscribers are paying attention. When email is relevant, half (51.2%) of consumers seek out messages that have served them well in the past. This is the only growing influencer this year – even brand (55.9%) and discounts (20.0%) are down in importance from last year. The lethargy exhibited by this data (nearly all factors that influence opens are down from 2005) may be a mirror of the overall industry drop in response rates between 2004-2006. Consumers are just opening less email, and finding less value overall. Certainly many marketers have a large percentage of “inactive” or dormant subscribers on their file.

Subscribers do reward marketers who create email experiences that matter. It’s not just about sending promotions – in fact, discounts and free shipping were less important to consumers this year, perhaps partly because our inboxes are saturated with these types of messages. To optimize response rates, an email program must have become relevant and trusted prior to the holiday season. Consumers want email that provides a service, not simply a series of one-off promotions.

The preview window stayed just below flat in importance this year over last year at 21.8%, as did subject line (41.4%) and catalog synergy (8.8%).



Marketers who analyze results, perform testing and prioritize subject line writing will enjoy deeper relationships and higher repeat response. (See more on response drivers in Findings 2 and 3 below.)

2. Email Drives Ecommerce

Findings

Nearly all respondents selected at least one response indicating the importance of email to their online shopping this season, with half (49.1%) claiming they took advantage of several email offers this year. Many (45.7%) report email had some influence on their shopping habits – a 10% boost over last year. One quarter (23.7%) say they use email when visiting a physical store – a good sign of multi-channel synergy, but down 17% from last year.

Return Path Analysis

Email works. Representative comments include, “The email hooked me” and “I used email to get better deals and discounts.” Significantly, most comments also mentioned, “...only from websites or brands I know and trust.” So even the best email discount did not trump trust in the company!

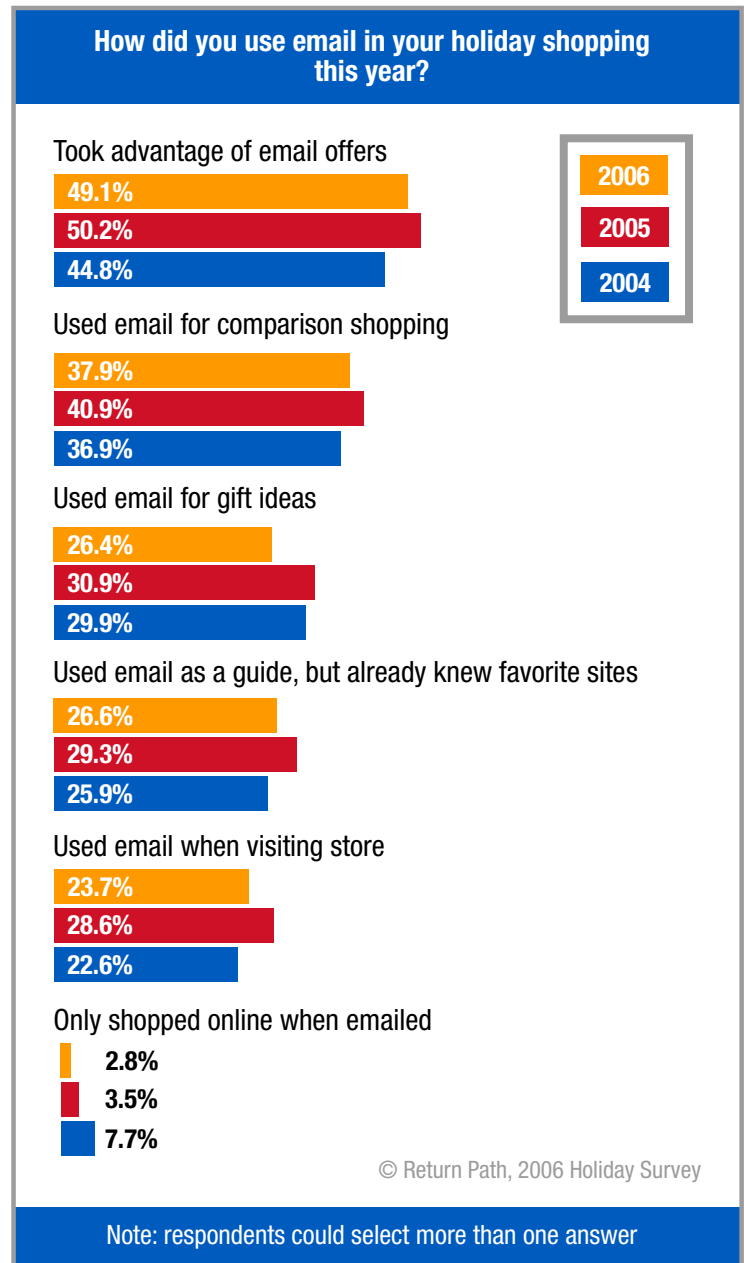
Within each specific area, fewer respondents reported using email, although overall, email continued to have impact. We believe this is due to the proliferation of online shopping – email is no longer as necessary to encourage shoppers to go online. The biggest drop in utility was with comparison shopping (down 7%) and gift ideas (down 14%). This suggests that either fewer marketers included such content in their emails this year, or that what was sent was not valuable to subscribers.

A quarter of respondents (26.6%) used email only as a reminder to visit websites they already knew, and 15.2% said they used email to visit the store without regard to the specific offer. Each year the survey shows a steady decline in “I only shopped when emailed” (see chart above). This trend worries us – we believe that email falling into the “reminder only” trap will limit marketer’s ability to up sell recent buyers, win-back lost customers or even celebrate VIPs. Email is no longer simply an introduction to online shopping, it needs to be much more valuable than that.

3. Email that Matters, Really Matters

Findings

Most consumers (79.6%) noticed an increase in email this season – and 13.3% said the increase was “overwhelming.” Unfortunately for marketers, a lot of consumers (44%) consider a high volume of what they receive to be “junk from companies



I know but that is just not interesting to me.” That comes in a close second to the 61% who also say they get high volumes of spam (email never requested). Consumers report about equivalent volumes of marketing promotions (23% get high volume) and marketing newsletters (17% get high volume).

Return Path Analysis

More than a third of respondents (37%) say they get more permission email than they expected – and 15.9% say that the excess volume was “exhausting.” Another third (28.9%) claim they only open email from companies they recognize – and 14.7% say that regardless of the company’s brand, they only open emails they specifically requested.

More than all these, (43.7%), claim that email had no influence whatsoever on their online shopping. This last could indicate a perception that email just has no value. Certainly a lot of email was delivered this past quarter, and marketers we work with continue to earn high ROI from email. So it seems email is working – some of the time; for some subscribers.

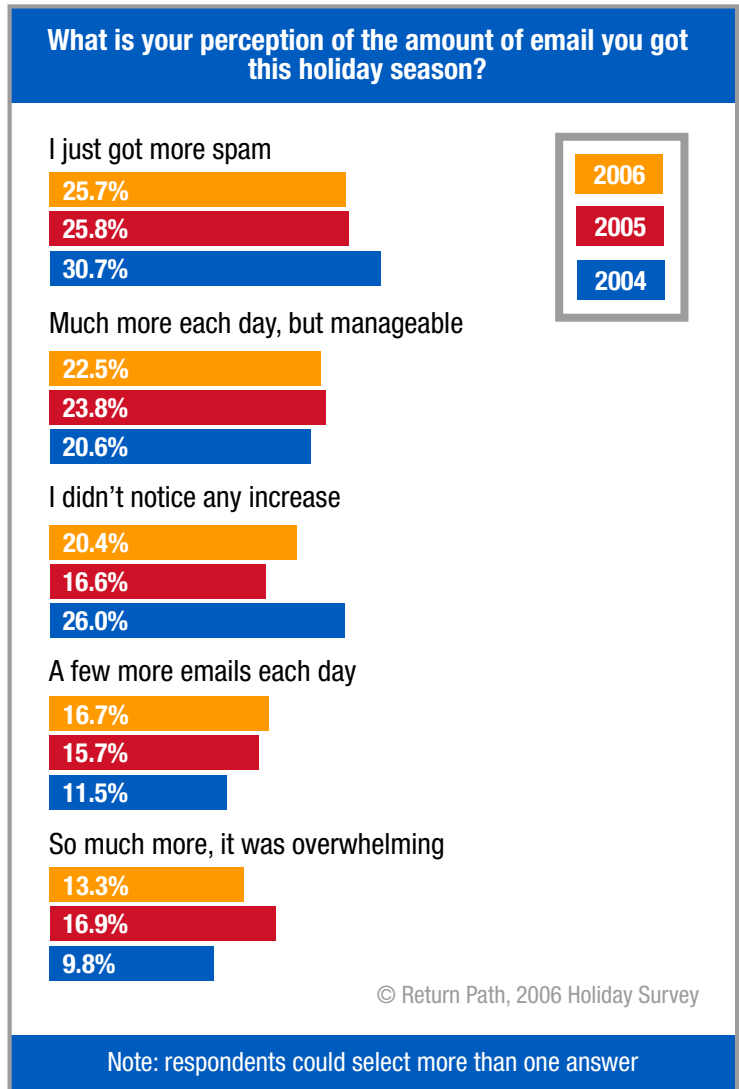
Quite frankly, the bar is ever higher for marketers. Consumers are pretty savvy about email – they know what they like and what has value. Everything else is “junk.”

Value – like beauty – is always subjective, but there are some factors that weigh more than others. Respondents say they determine the value of each email message by using the subject line (53.7%). They simply delete messages they don’t recognize (51.1.%) or that come too frequently (27.5%). Just 10.7% of respondents say they open most emails and skim quickly to see if they are interested. Only 9% say they “open anything that sounds interesting,” which relates back to the importance of “prior value of the email program” discussed in Finding 1. Marketers who only occasionally send something interesting are wasting their time. Every message contributes to the relevance of every other email message.

Only 9.5% of respondents say they primarily use the preview pane to determine if the email is worth opening, and a mere 1.4% say they only consider emails that have images automatically downloaded. That’s good news for marketers, who thus have more factors of influence at their disposal – including the subject line, from line, prior value and permission practices.

Marketers have benefited from consumers’ love of email. But even email tolerant subscribers don’t consistently read email unless it offers real value – and most consumers have figured out how to block or ignore future emails they don’t want.

There are several ways to boost the effectiveness of your email program, to build and extend the relationship that respondents value most. Be sure your permission process is crystal clear. Send a welcome message and even consider a full engagement series of emails to ensure that expectations are set appropriately and that value can be provided during the crucial, early stages of the relationship. Offer choices, so that subscribers can opt-in for promotions that are most interesting to them. Balance relevant content with the promotions so that subscribers find value in every email, even if they are not ready to buy.



The lesson for 2007 is that it's not the number of emails you send, it's the relevance and value of each. Key to creating that relevancy is segmentation, customization and continued interactivity to ensure that the right message reaches the right subscriber at the right time. These are not new concepts for email marketing – but they are unfortunately thinly applied today. Consumers are voting with their delete button – so the opportunity for email relationships dwindles with each blast of untargeted and irrelevant promotions.

4. At Risk is Your Sender Reputation

Findings

Spam traffic is up, but subscribers believe junk email from marketers is also up. In fact, 44% of respondents claim they receive high volumes of “junk email from companies I know, but didn't find interesting.”

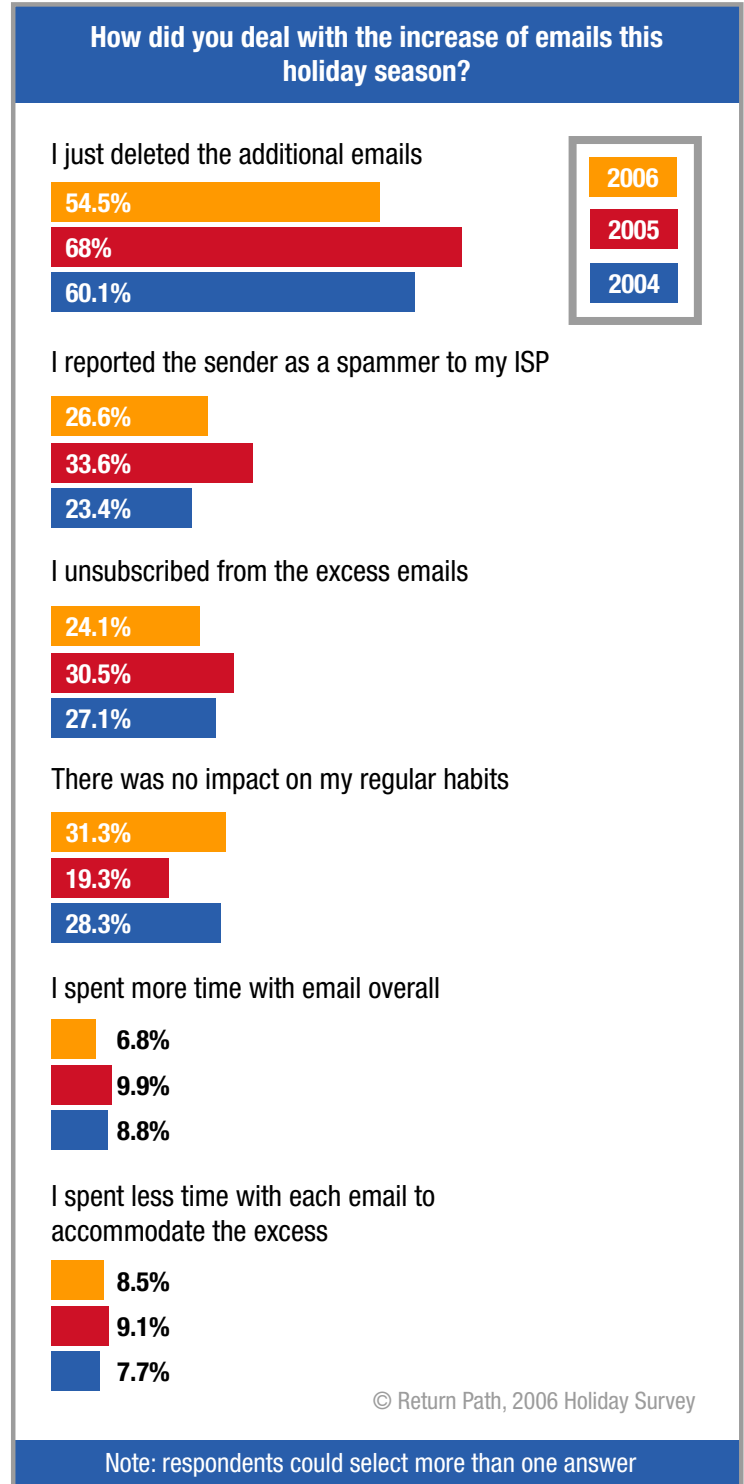
Once again, most consumers (54.5%) said they just deleted the additional emails unread. Another 50.7% reported taking some action that is negative to the marketer – 24.1% unsubscribed from emails that came too often and 26.6% hit their ISP “this is spam” button. The biggest change over last year's survey was a 47% rise in consumers who say, “There was no impact on my regular habits” (31.3%). Only 6.8% of consumers surveyed said they spent more time with email overall in order to read and manage the additional emails.

Return Path Analysis:

The volume of all email (permission and spam) at the major ISPs was up 300%-500% in Q4 2006, according to industry estimates. Consumers rely heavily on technology and even as their spam filters get smarter, consumers become more savvy about managing their inbox. Our survey finds that one third of subscribers (31.3%) say they made no change to their email habits during the holidays but only “read what I always read.”

More email in the same timeframe means more deleted email. More email doesn't generate more response. Only more relevant email generates more response.

But note that subscribers' regular habits are not always favorable to marketers. A quarter (26%) of subscribers routinely report as spam any message they do not recall requesting. Half (51.1%) just delete any message they don't recognize. Respondents wrote in comments that illustrate cautious and



detailed inbox management habits that include checking both from and subject lines before opening, using high caliber filters, automatically deleting anything with attachments, deleting everything in the junk folder without review, using the “This is Spam” button even without opening the email, and even checking message properties if the sender is unknown.

Receiving too much marketing email that is of low or no value has trained consumers to take these steps. Perception is reality. Consumers define “spam” as anything they don’t find interesting. That includes permission email from companies they do business with. If this was postal mail, we wouldn’t care – there is no penalty (other than low response) for sending irrelevant or poorly targeted direct mail. In email, however, your sender reputation is based on subscriber satisfaction levels. The ISPs and Receivers base most of their decision to block your email on subscriber complaints – readers who click the “this is spam” button.

How do you typically act when you no longer want to receive email from a company?			
	Never Use	Sometimes Use	Use All The Time
Unsubscribe Button	7%	43%	24%
This is Spam Button	24%	41%	14%
Ignore the Email	14%	45%	20%
Set up a Filter	27%	33%	21%

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Consumers seem to trust the unsubscribe function, and consider carefully the impact of a complaint (clicking the “this is spam” button). One third (33%) report that they are most likely to use the unsubscribe button first, and 12% say they use the complaint button “as the last resort” after trying other tactics. While half (57%) only use the unsubscribe button if they “know the company or brand” sending the email, 23% say it’s not important to know the sender when using the unsubscribe button.

Two thirds (67%) of subscribers use the unsubscribe button frequently, while only 14% say they use the “this is spam” button all the time. One quarter (24%) of respondents say they “never” used the complaint button. More than half (54%) go to the trouble of setting up a filter and keep the sender out of their inbox.

Fortunately, the things that contribute to a low sender reputation and blocked email are under the marketer’s control: Clean, permission lists; spam-free content and subject lines; solid infrastructure and bounce/complaint handling; and most of all, relevant content that subscribers really want to receive.

We’ve seen similar results in our holiday survey three years running. And once again in 2006, retailers report a lower response rate during the holidays because of inbox clutter. However, clearly many marketers are still not taking the time to understand the needs of their subscribers, or tailor the email programs accordingly.

5. Email Irrelevance Takes A Toll on Future Success

Findings

Marketers have done a better job setting expectations about frequency this year, with 28% of respondents (up 26% from last year), saying they got the amount of email they expected at sign up. But marketers are still not doing as well as they did in 2004 when half (50.1%) of respondents to our survey said the volume they received was as expected. Overall, the volume of email was higher than expected at sign up (37.4%).

One key fallout of this is that half (50%) of respondents are now more wary of signing up for more email based on the high volume holiday experience of 2006 – with 21.5 saying they are “a lot more careful” than before. Less than 2% (1.9%) said they feel “a lot better about email” as a result of their holiday experience. Several respondents wrote in that they had already stopped signing up for new email programs a while ago, so the holiday volume made no change to that decision.

Return Path Analysis

Marketers who keep their promises about frequency, content and value will pull ahead of the pack. It’s very concerning that half of respondents have become wary of signing up for more email as a result of rising inbox clutter. Yet, we know that consumers reward marketers who send relevant, informative and timely email messages – email works when it’s centered on the subscriber needs.

We encourage every marketer to take a fresh look at your sign up process – from permission grant to online form to welcome message to preference center to regular feedback surveys. Go out and sign up for your own program – is it compelling? Did you clearly understand what would be sent, and when? Did you have options? Did the first few emails arrive as promised? Do they really illustrate the value proposition?

Consumers have short memories for subscriptions and permission. Remember that permission is in the eye of the grantee – your customers. We always recommend at least a validated (confirmed) opt-in process. It’s critical that clear expectations around frequency are set during registration, in the welcome message and even in the footer of every email. Your preference center is also a great opportunity to gain feedback – many retailers find that an offer to send fewer emails is an acceptable alternative to full unsubscribe for many consumers.

6. Consumers Rate Holiday Subject Lines

Findings

About half (41.1%) of consumers open an email because something in the subject line caught their attention. Half

Regardless of how much email you received this season, was it the amount you expected to receive based on information given to you when you registered?

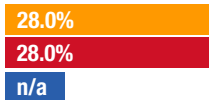
No, the volume was higher



Yes, the volume is as expected



I don't know, no expectation was set at registration



I don't recall signing up for any email



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Note: respondents could select more than one answer

Given all the email you received this holiday season, how do you feel about signing up for new email offers in the future?

2006

No different



Slightly different, I am a bit more wary of signing up



A lot different, I am very wary of signing up



A lot better, I love email and sign up for everything



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Note: respondents could select more than one answer

(53.7%) read the subject line first, then decide to open the email. The best subject lines according to consumers clearly state the offer (55.2%), promise immediate answers (30.3%) or promise to solve a specific problem (15.2%). Discounts work well (49.6%) and so does having the brand name of the sender (48.8%) Humor (14.1%) and personalization(11%) did much less well.

Return Path Analysis

These findings are very consistent with response rates across Return Path clients. Clarity always trumps clever in subject lines – state the offer in clear, compelling terms and make it clear who the sender is. These “tips” from consumers are well established best practices for subject lines. It is interesting that a shorter length (18.7%) or personalization (11%) do not engage consumers if the offer is not clearly stated.

Holiday Survey Methodology

The Holiday Email Survey was conducted between December 29-31, 2006, with members of the My View (formerly Survey Direct Live) consumer panel. The survey includes responses from 2,413 consumers, ages 18-54, in the U.S and Canada. The survey was written and analyzed by Return Path Strategic Services and aimed to understand consumer perceptions and reactions to the use of email by retailers during the 2006 holiday season (defined as the period between Halloween and Christmas).

Learn more about the My View panel from Authentic Response, a Return Path service, at <http://www.authenticresponse.com>

About Return Path Strategic Services

Armed with industry insight only possible from working with the extensive Return Path client base, our strategists lead marketers to achieve higher results from their email program. Custom priority action plans, comprehensive program optimizations and strategic workshops reveal your top challenges and vulnerabilities and outline a path to higher performance. Strategic sessions include list growth, content strategy, re-engaging with inactive subscribers, metrics, and integrated marketing. Return Path is the email performance company providing the original and best-selling deliverability tools and solutions, list rental and acquisition, online surveys and list quality services. Read more at <http://www.returnpath.net> or contact us at rpinfo@returnpath.net or 866-362-4577.

