

Email Again Key to Holiday Purchases; Overall, Holiday Email Found Less Relevant

Return Path Second Annual Holiday Email Consumer Survey

January 2006

Executive Summary:

The choice to “read or delete” made by respondents to our second annual holiday email survey resulted in both strong response for marketers as well as a strong reminder that irrelevant emails have a lasting negative impact on marketers’ long term email success.

When respondents decided to open an email, they did respond. Half of them used email to make purchase decisions, and another 50.2% reported taking advantage of email offers this season.

More than ever, what prompted a response is previous experience with the email program itself. Brand, subject line and discount offers are also top drivers. But the fastest growing factor over 2004 survey results was previous value through email. Treat your subscribers well and they will reward you with continued response.

Consumers still love email, but overall it didn’t provide great value this past holiday season. Respondents complain that they get more junk and spam than ever, that they get more email than expected from permission marketers and that the volume of email they have to plow through to get to what they want to read is reaching unmanageable proportions.

This year, 15% more consumers than last year say they either ignored the additional emails or – worse! – took actions negative to the retailer like unsubscribing or complaining about excess email. This suggests that portions of every marketer’s file may be missing the relevancy mark. Subscriber complaints to the ISPs put your entire program’s deliverability and ROI at risk.

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 Survey Direct 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.



Key Survey Findings and Their Impact on Email Marketers

1. Email Experience and Brand are Key Drivers of Holiday Time Response

Findings

The fastest growing influencer on response rates is previous experience with the email program itself – now 17.6% more likely a key driver of response than last season.

Knowing and trusting the sender remained in the top slot with 60.6% (flat from the year prior) of respondents saying that was a key factor. Attention-grabbing subject lines (42.9%) and prior relationship with the sender (32.7%) also remained leading factors, but this year fell below previous value from the email program.

Free shipping offers and discounts both grew in importance by 5 or more points.

Return Path Analysis

Consumers get it. Email is an extension of a brand, and consumers take email personally. Consumers seek out sender names they know and trust. Significantly, nearly half (47.7%) of consumers seek out emails that have served them well in the past.

To build these relationships and optimize response rates, retailers must have spent time and energy becoming relevant and trusted prior to the holiday season. Consumers want email that provides a service, not simply a promotion. It's critical that retailers consider inbox clutter and competition, and not just their own merchandizing schedule, when sending email messages all year long. Every email sent during the year sets the stage for high response.

Subject lines and the preview window both increased slightly in importance this year over last year. Marketers who analyze results, perform testing and prioritize subject line writing will enjoy deeper relationships and higher repeat response.

Free shipping and discounts/sales both grew significantly in importance to consumers, emphasizing that over-use of these tactics may be “training” consumers to consider email a discount medium, rather than a relationship medium.



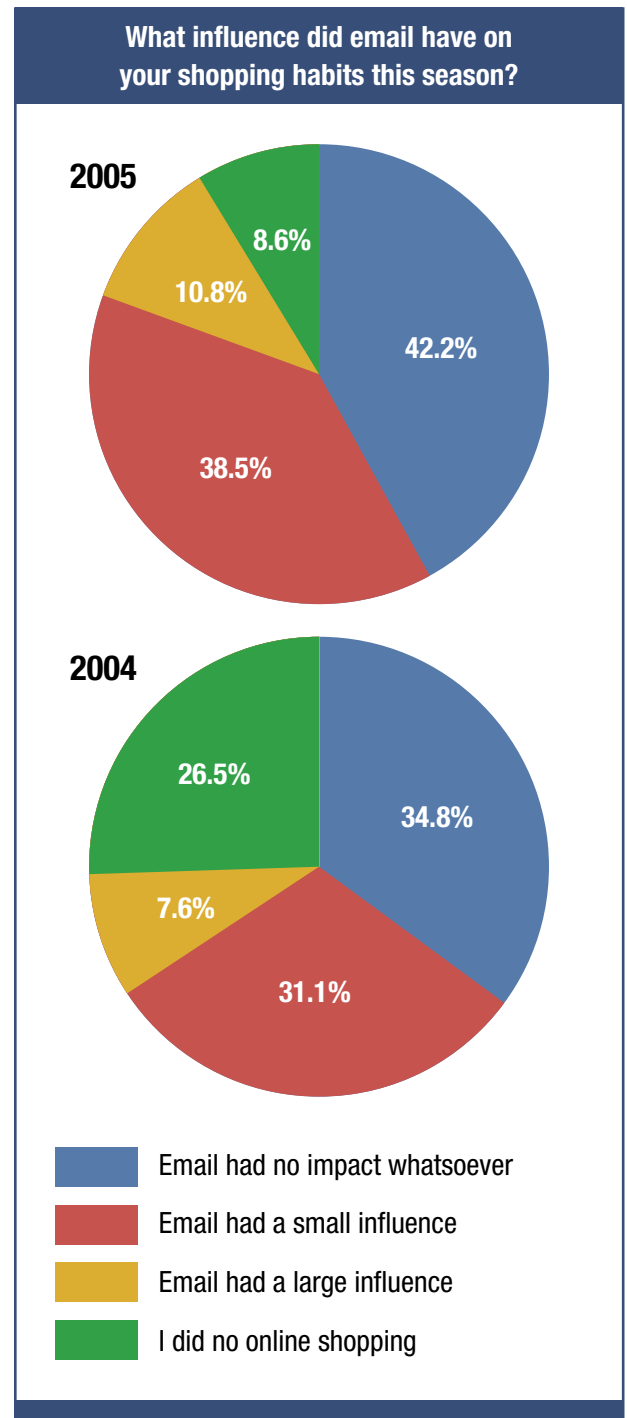
2. Despite Clutter, Consumers Seek Out Valuable Messages

Findings

Email works – some of the time. Nearly all respondents selected at least one response indicating the importance of email to their online shopping this season. Half (50.2%) took advantage of email offers. Almost half (49.3%) report email had some influence on their shopping habits, which is a 10% boost over last year. Another 30.9% said email offered many gift ideas and 28.6% reported they used email when visiting a physical location. About 15% (down three points from last year) say they only used email as a

reminder to visit the website, regardless of the promotion. At the same time, however, 42.2% of consumers surveyed claim that email had no influence whatsoever on their online purchases this holiday season.

Only 3.5% said that they only shopped online when emailed, down four points from 7.7% last year. Similarly, the number of consumers who did no online shopping this year plummeted by two-thirds, to 8.6%.



Return Path Analysis

Clearly, the email sent this holiday season lacked meaning for most consumers. A third of respondents (33%) say they only opened offers from senders they know. But 44% say they get more permission email than they expected when they registered, which deflates satisfaction. Fact is, only a portion of consumers find value in email, and a third consider it just a reminder service to visit a familiar website (34.6%).

Without deeper customization, email will quickly lose marketing value. Customization is made easier today by delivery automation, list management and analytics, and access with CRM databases, giving marketers more opportunity to create custom, meaningful experiences through email. Integration with other direct marketing creates synergy and takes advantage of consumers' interest in multi-channel access to merchandise.

Bottom line: it's not the number of emails you send, it's the relevance and value of each. Segment your audience and send customized emails that speak to the specific needs of each segment. This begins to tap the true power of email to build relationships.

With more consumers shopping online (91.4% this year vs. 73.5% last year), and about half as many (3.5% vs. 7.7%) saying they used email exclusively for online shopping, it may be that email is no longer valuable as just an introduction to online shopping.

3. Relevancy has High Reward; Consumers Actively Filter (and Complain!)

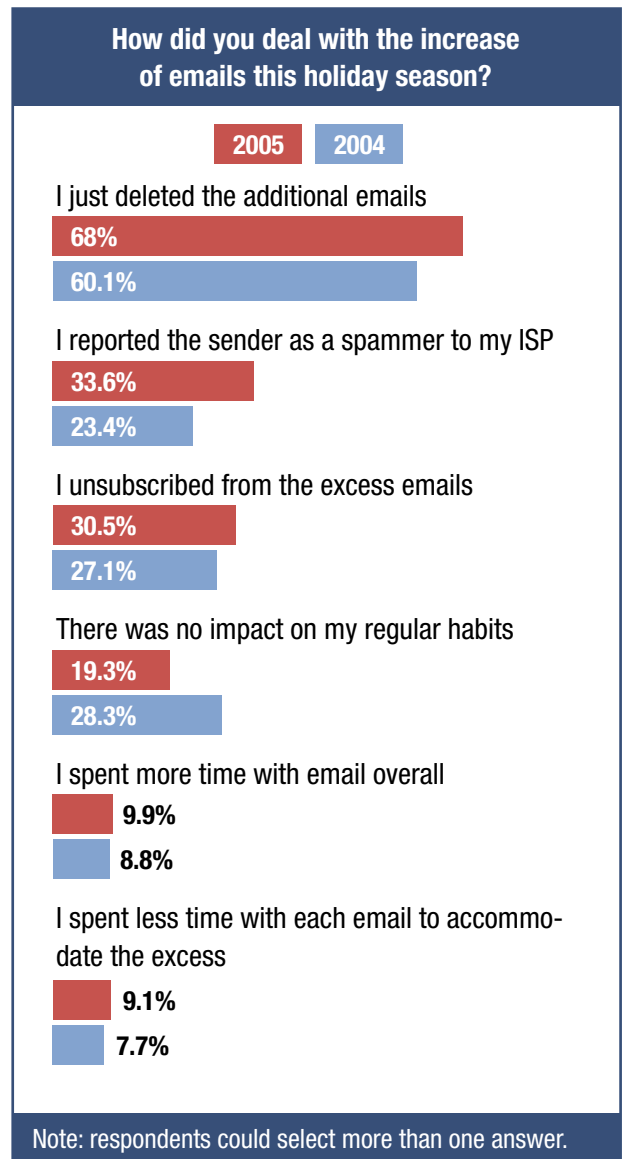
Findings

Even with sophisticated filtering at the ISP, server and client levels, nearly all consumers surveyed felt that the excess email they received in the 2005 holiday season was just more junk and spam. That's a 20%+ increase over last year's survey. Only 21% said that requested (permission) email is the most common type of non-personal email they receive. 44% say they got a lot more mail than they thought they were signing up for.

Fewer respondents overall (83.4%) than last year (98.6%) felt they received an increase in email volume this holiday season, but two thirds (66%) felt they get mostly spam (emails

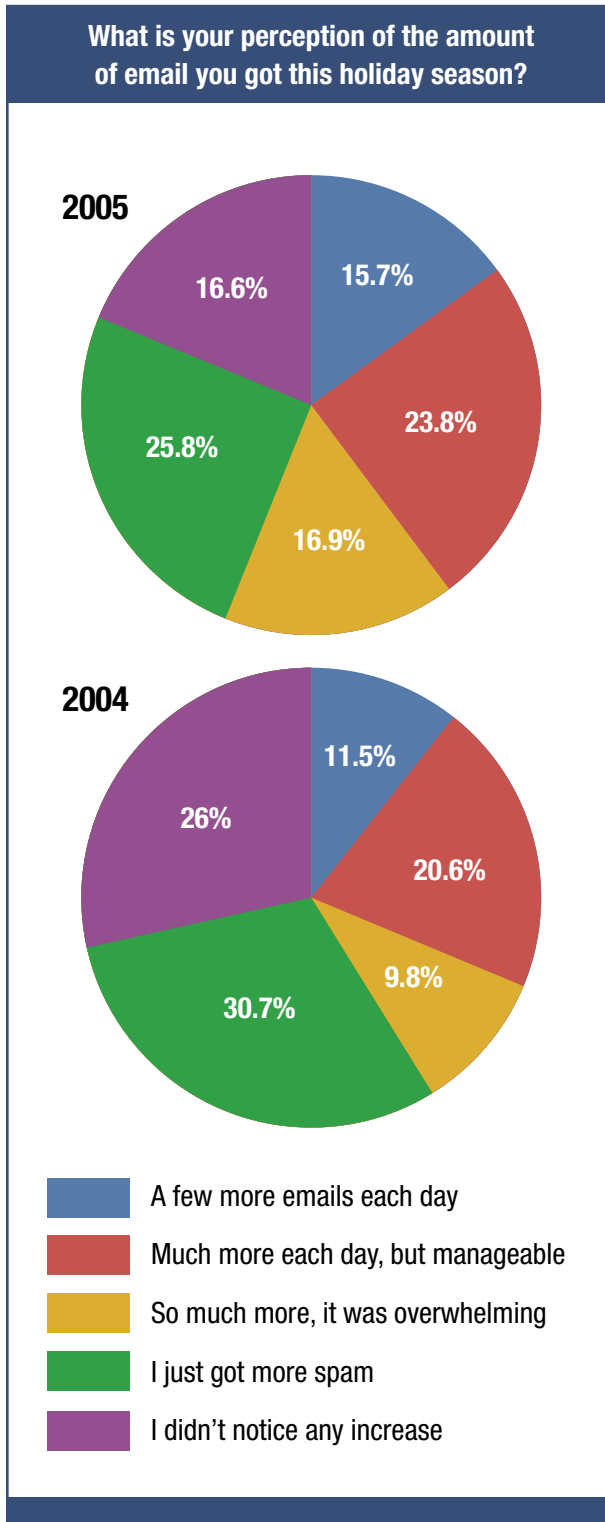
they never asked to receive) and 55% report receiving junk mail (emails they did not find interesting) from companies they know.

Most consumers (68%) said they just deleted the additional emails unread. However, another 64.1% reported taking some action – 30.5% unsubscribed from emails that came too often and 33.6% hit their ISP "this is spam" button. These represent a 15% increase in actions negative to the marketer over last year (see chart for detail). Only 9.1% of consumers surveyed said they spent more time with email overall in order to read and manage the additional emails.



Return Path Analysis

Compared with last year, marketers have done a worse job, not better, being relevant to large percentages of their email file.



The open-ended comments consumers added to their survey answers tell a broader story of abandoned trust and huge email marketing wasted opportunity. “I feel email is ineffective. Seems that everyone sells my name.” “All I get is spam.” “I have to scan it all to look for stuff I want, but I delete most of it.” “My filters don’t catch everything.” “I tried to unsubscribe but it didn’t work.” “They capture your email and name before they let you see the site, but it’s usually a lie.”

Perception is reality. Consumers define “spam” as anything they don’t find interesting. That includes permission email from companies they do business with. Therefore the true “spamminess” of your email goes beyond compliance and your offer. Interestingly, most respondents (65.9%) say their email volume habits don’t change during the year, indicating that the time spent with the inbox did not increase even while marketers sent up to 4x as much email this season than in other quarters. More email in the same time means more deleted email.

More email doesn’t generate more response. More relevant email generates more response.

Even though we found similar results last year – and many retailers reported a lower response rate during the holidays because of inbox clutter – it appears that from a consumer perspective (which is the only perspective that matters) marketers are still not taking the time to understand the needs of their subscribers, or tailor their email programs accordingly.

The bar is rising. Consumers are more sophisticated than ever in terms of filtering and identifying senders. In fact, 32.7% of respondents say they only open offers from senders they know. Only 20% of consumers said they get “mostly” promotions, newsletters and publications that they requested. With most of the truly horrible spam getting blocked, that means that marketing emails are increasingly arriving in the inbox but getting deleted without a second glance. Even consumers who said they used email to find holiday gift ideas and to purchase online balanced those comments with claims that they found more “junk” from companies they do business with, and less valuable email in their inbox during the holiday season.

The risks are also rising. Without higher levels of relevancy, subscribers complain, unsubscribe or ignore your messages – flattening response, diluting brand value and risking the deliverability of all your email.

Even a small number of complaints to ISPs compromise the deliverability of all your email, especially with top ISPs like MSN/Hotmail, Yahoo! and AOL. Thus, it's important to make your unsubscribe process visible and efficient. Better to have subscribers complain to you or unsubscribe, rather than risk blocking by the ISPs due to high complaint rates. At least during the unsubscribe process you have a chance to reconnect with your customer by offering alternate content or frequency options.

4. Email Exhaustion Common

Findings

Although 83.4% of consumers noticed that email volume rose during the holiday season, nearly half (45%) report that most of it was “junk email” from companies they had done business with. Twice as many this year (16.9%) compared to last year (9.8%) reported the excess as “overwhelming” or “unmanageable.” 21% of respondents this year said the volume of mail was “exhausting,” nearly double the previous year (13.8%). And, the competition for inbox space is rising – 82% of consumers surveyed get 15 or more non-personal emails each day, and 35% get 50 or more per day.

About 10% fewer than last year (38.2% vs. 49.1%) said they were indifferent to the excess email, claiming no impact on their email habits (they just deleted more email). However, at the same time, 5% more (33.1% vs. 29.9%) said that receiving excess holiday emails makes them wary of signing up for permission programs. Only 19.7% welcomed the extra mail and were glad to have heard about all the holiday special deals.

A third of consumers (32.7%) only opened emails this season that they “normally read.” In the comments, consumers report various manual techniques to isolate emails they consider valuable, saying, “I open them and block the ones I don't like” and “I find many subject lines are misleading so I delete them next time.”

Return Path Analysis

Only 20% of respondents say most of their email was requested. But 55% say that most of the email they get is

junk from companies they know of or do business with. This suggests a gap in permission.

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 from those senders.

Retailers who increase the frequency of emails without increasing the value to the subscriber were not likely to see increases in open or click-through rates this season. When consumers are making that split second decision to “select all and delete,” your “From:” address and subject line are not the only influencers. The consumer will rely on past experience with your emails almost as much as your brand name when making the decision to delete unread.

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.

5. Email Volume Not As Consumers Expected

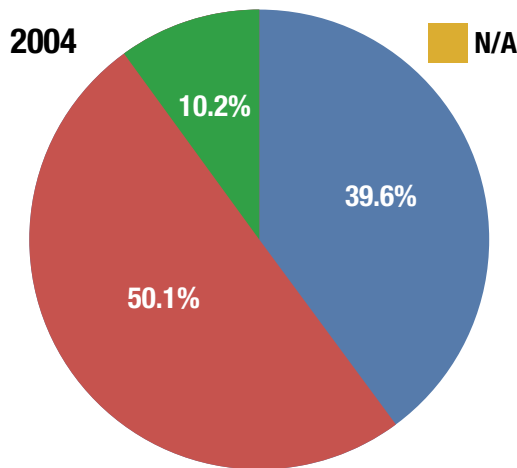
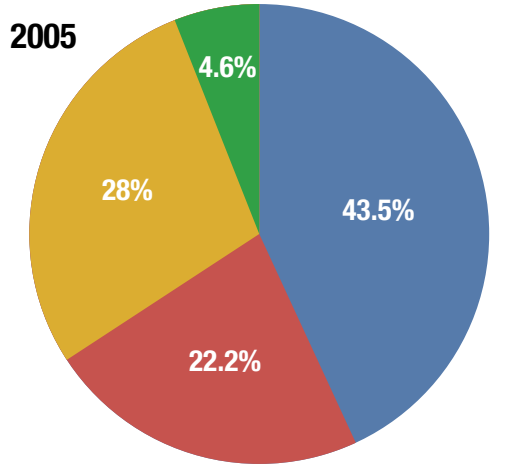
Findings

71.5% of consumers got more email than they expected, or didn't know how much email to expect this season. About half as many as last year (22.2% vs. 50.1%) said that volume was as expected. Another 4.6% don't recall ever signing up for email, down from 10.2% last year, indicating that sign up processes have improved their clarity.

Return Path Analysis

Consumers have short memories for subscriptions and permission. About half of respondents felt that marketers abused their permission grant and sent more than expected. A third of consumers still signed up for email programs without a clear frequency expectation, but Return Path deliverability data suggests that high frequency is a top

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

source of consumer complaints to ISPs, a primary reason for blocking and low deliverability.

Permission is in the eye of the receiver – 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.

Holiday Survey Methodology

The Holiday Email Survey was conducted between December 27-31, 2005 using the Survey Direct consumer panel. The survey includes responses from 1,814 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 marketers during the 2005 holiday season (defined as the period between Halloween and Christmas). The 2004 Holiday Email Survey was conducted on December 28, 2004 with 723 respondents, aged 18-54 in the U.S and Canada.

Learn more about Survey Direct, a Return Path service, at <http://www.surveymethods.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.biz> or contact us at rpinfo@returnpath.net or 1-877-798-8977.