FEDERATION OF EUROPEAN DIRECT AND INTERACTIVE MARKETING

FEDMA Pan European Email Marketing Benchmark Report

Executive Summary

Sponsored by ALTERIAN

2010 - first edtion

About FEDMA

FEDMA, the Federation of European Direct and Interactive Marketing, represents the sector in all its forms at European level. FEDMA's objectives are to protect and promote the direct and interactive marketing sector by creating, through representation, self-regulation and information, acceptance of, and confidence in, direct and interactive marketing within a healthy commercial and legislative environment in which the sector can profitably operate and develop. Representing the interests of over 18,000 companies, FEDMA is the single voice dedicated to building the business of cross-border direct and interactive marketing, through its vast network of businesses within and beyond Europe. All our members enjoy a wide range of services.

FEDMA's Mission Statement

Today, direct marketing strategies (via mail, email, telephone, mobile, Internet and direct response) are an essential tool for companies to approach, inform and retain customers, as well as providing customer relationship services.

The development of sophisticated databases, telemarketing and e-marketing has made direct marketing increasingly popular as a marketing strategy and has encouraged strong investment.

FEDMA’s task is dedicated to building the business of cross-border direct marketing, by promotion, protection, information and best practices.

FEDMA's mission is to:

Protect the European direct and interactive marketing industry and the interests of our members. FEDMA aims to encourage the European institutions to ensure a healthy commercial and legislative environment within which the industry may prosper.

Promote the European direct and interactive marketing industry towards governments, media, businesses, consumers; to encourage the growth and profitability of our members and support the further development of direct marketing as a marketing strategy .

Inform members, governments, media, businesses, and consumers about the European direct and interactive marketing industry, and encourage education and training for the sector.

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Foreword

The first pan-European Email Marketing Benchmark Survey
Foreword by Alastair Tempest, Director General, Federation of European Direct Marketing.

We are delighted to bring you this Executive summary of the very first pan-European Email Marketing Benchmark Survey. This is sampled from clients directly and Email Service Providers (ESP), comprised of 464 end users and 75 email service providers (ESPs), with respondents operating across 16 European countries. There is broad representation from across sectors and size of organisations.

The Survey published by FEDMA contains 31 charts. In addition there is a 102 page report on the legal situation in 22 countries. Full copies of the Survey are available on request from FEDMA .

We would like to thank in particular the sponsors, and the national Direct Marketing Associations who helped us prepare this Survey, and we hope that we will be able to build on the results to attract more respondents over the coming years.

If you see any errors, or have suggestions please let us know so that we can improve the study in the future.

Alastair Tempest, April 2010

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The first pan-European Email Marketing Benchmark Survey

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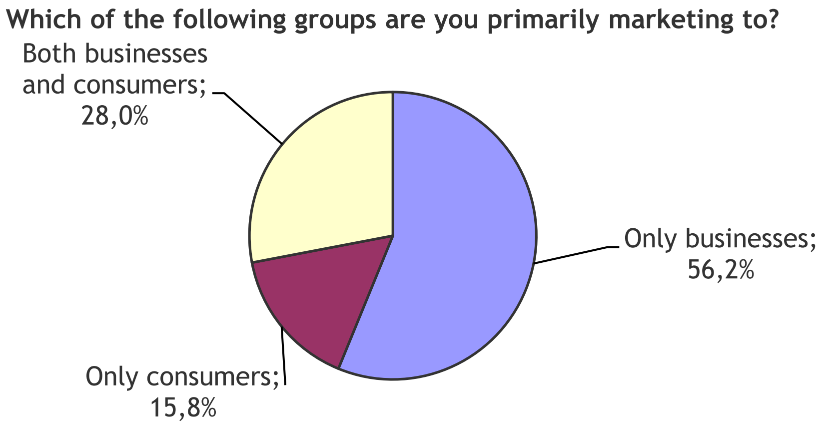
Email marketing benchmark survey overview

As the survey shows, over the last decade email marketing has grown from being a discrete marketing activity, delivering exceptional rates of return, to a connected part of an organisation's overall marketing mix.

Today it is rare for an organisation not to employ email marketing as a prime channel, whether for acquisition, list building, lead generation, nurturing, customer management, up and cross sell, retention marketing or win-back programmes.

Inevitably as its use has become embedded as an essential part of any customer communication or engagement strategy, and email volumes have rocketed, its effectiveness for acquisition marketing in particular has moderated. Notwithstanding it is proving a phenomenally successful marketing channel in the hands of responsible practitioners, and the vast majority of organisations now use email as a key communication channel.



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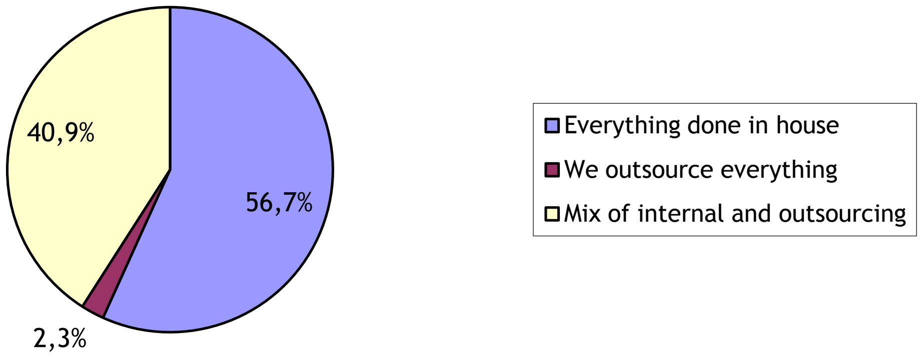
Years practised

Yet the average length of time that respondents to the benchmark report have been deploying email marketing is just over 5 years, ranging from 3 1/2 to just under 7 years. So for many practitioners it is a relatively new medium.

How do you handle your email marketing efforts from start to finish, from a production perspective?



The insight challenge

Is this a determinant factor behind the extent to which end user practitioners are able to measure or report results? Whilst everyone polled knew what volume of email had been sent, and most knew what their open rates were, a quarter of end user respondents were unable to report hard bounce and opt out rates, and almost a third could not say what the conversion to sale was from their sales and product/ service information campaigns.

A quarter of email marketing practitioners still do not personalise, which also suggests that among that group, limited segmentation and targeted list selection takes place. This will need to change if email marketing is to justify continuing increased levels of investment based on performance due to rising market activity levels.

With 56.7% of end users undertaking email marketing entirely in-house, there is a parallel need to apply more rigorous analysis; and as marketing departments find themselves increasingly stretched in an increasingly challenging world, they may well need to reconsider outsourcing key aspects of their email marketing operations.

Ranked	1	2	3	4	5
Drive web traffic	15.7%	22.7%	**27.3%**	16.3%	18.0%
Direct sales	**32.9%**	22.2%	10.5%	12.0%	22.4%
Lead generation	**29.1%**	22.4%	20.6%	18.2%	9.7%
Brand awareness	15.7%	21.9%	22.2%	**26.5%**	13.7%
Support other marketing communications	9.5%	12.7%	19.6%	24.8%	**33.4%**

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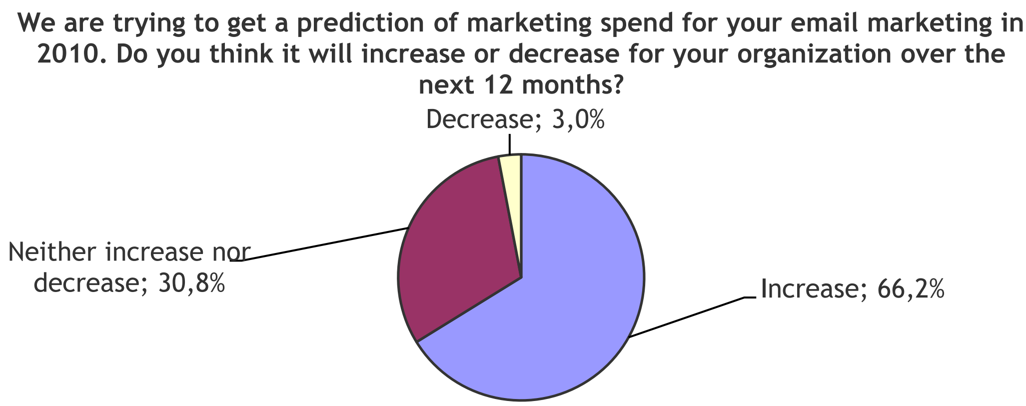
Email marketing growth prospects

Email marketing activity levels are set to continue to grow, and campaigns are likely to proliferate.

72.3% of respondents plan on sending out more marketing emails, and practically no one expects to do less. Yet opt out rates as a proportion of total volumes are expected to hold steady. This assumes at least as much or better targeting in spite of the higher volumes.



A number of factors are driving these growth trends:

- Newsletter activity is generally undertaken monthly, reflecting a one size fits all approach. With a likely future trend towards greater targeting will come dynamic content ordering and other data driven personalisation reflecting transactional history, preferences and demographics, and a 1 to 1 approach to customer management via email.
- Email marketing is gaining a greater share of the marketing wallet along with other forms of digital media, at the expense of traditional advertising and offline media, due to immediacy of results (notwithstanding the considerable scope for improving performance measurement).
- Driving sales is the main motivation for using email marketing, along with lead generation and driving web traffic. A lot of that activity is specifically in support of new customer acquisition.
- Whilst that will continue, expect the biggest growth over the next year to come in customer management cross and up sell programmes.
- Email marketing's expanding role within integrated marketing campaigns, lead generation, social media and customer management programmes shows that it is ripe for further growth as more sophisticated consumer engagement rule sets are defined and applied that reflect buyer and customer behaviour; and permit practitioners to act upon it quickly.

Key growth factors/ inhibitors

Continued growth may well be anticipated and planned for by the majority of respondents, but it should be assumed at any cost. The future growth – and health – of email marketing will depend on some key factors:

- Better targeting and the use of properly permissioned and managed customer information databases; the relevancy of campaigns and careful application of local/ EU laws.
- Careful stewardship of customer information databases, and developing its use further into the consumer/ buyer engagement process. The impetus to increase volume and activity can only be successfully achieved where it remains engaging.
- Delivery to inbox, which will be increasingly seen as a barrier to overcome, especially in B2C.

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Deliverability and IPR

Whilst Deliverability rates are expected to improve or remain the same, this raises a key question of how deliverability is measured. Most practitioners will determine deliverability as delivery to Internet or to mail server as the primary measure, but delivery to inbox or Inbox Placement Rate (IPR) is being seen as an increasingly key metric.

IPR is tied in with reputation. If reputation is poor, acquired through issues like indiscriminate use or poor targeting, large groups of consumers belonging to the same ISP domain, for example, such as GMail or Hotmail will not receive bulk email from that source into their inbox. It is estimated as a much as 7% of email marketing campaigns go missing, which historically has not been accounted for.

Strategic vs tactical

End users overwhelmingly believe email marketing to be strategically important, but that belief is yet to translate into a strategic approach around execution. Poor visibility of conversions to sale and conversions to action, and the lack of testing around aspects such as creative templates and frequency suggests there is much more critical measurement and insight needed.

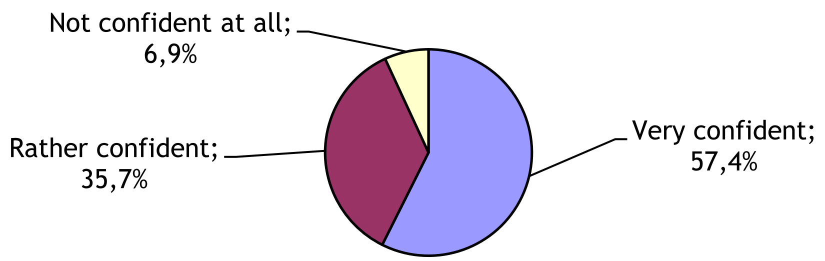
ESPs support this view, characterising end users as much more focused on tactical vs strategic use of email marketing, according to the DMA UK benchmark survey Q3 2009. That survey also highlights just 38% of email marketing driven by some data, and only 16% whose content is driven entirely by data.

Compliance

Just 7% of end users polled lacked confidence in their compliance with legislation, with B2B organisations twice as concerned by this issue compared with B2C organisations. Nonetheless there is some evidence that in certain countries tougher regulation significantly holds back companies from undertaking acquisition marketing based on concerns of strict legal compliance.

A full 102 page report on the legal requirements in 22 countries completes the Email Benchmark Survey. This shows the considerable legal differences that exist between the European national laws, despite the supposed “harmonization” of national regulations by the European Union. In particular, there are wide differences in the local interpretation of the concept of “soft opt-in” for email marketing. This principle in the EU directive is supposed to allow a marketer to email a customer, whose email address has been given “in the process of sale”, without having to get any further opt in (the customer always has the right at any time to opt out). But the national variations on this principle vary greatly which make it impossible for an email marketer which is established in many EU states to follow the same legal procedures.

How confident are you that all of your email marketing activities are in compliance with legislation in your country and in any other country you are marketing to?



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Email marketing uses

Newsletter and related customer management activity is likely to be a key growth area over the next 12 months, with the growing recognition that email marketing is especially well suited to these applications. This is reflected in the difference in click through rates between newsletter and sales or product/service information campaigns, which average 17% higher.

Nearly three-quarters of end users deploy email marketing for sales or related campaign activity. Open rates typically range 10%-25%. Unsurprisingly, sales and product/ service information campaigns generate conversion to sales 4x better than newsletters or customer surveys.

53% of respondents do not use email marketing for customer or product (development) surveys. Where they do, they experience excellent results.

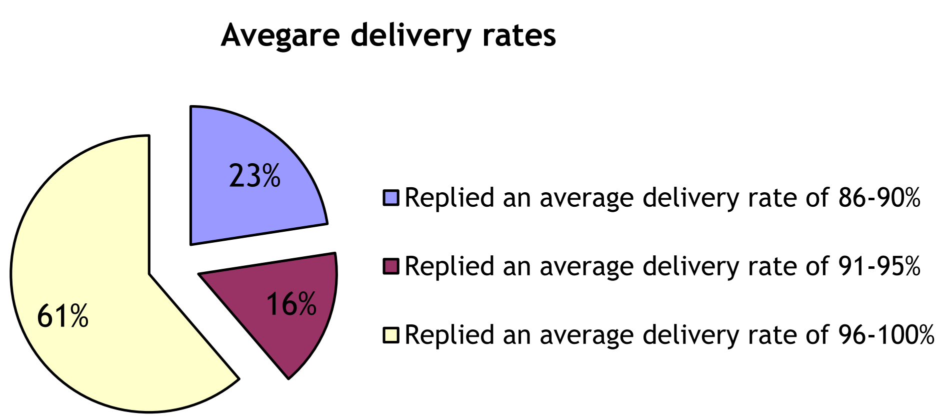
The majority of companies do not use email marketing for win-back campaigns following the loss of customers. The minority of respondents who do use email for win back, have experienced excellent results, with conversion to sale or action of between 2% and 5%.

Nor do they systematically use transactional emails for cross and up selling.

In both cases here are clearly opportunities missed, which once again suggests that email marketing is deployed typically as a series of standalone activities, in some cases integrated with online, but generally not implemented as an end-to-end programme or integrated with other customer channels.

ESP reported Average delivery rates

Average delivery rates of end user client organisations using ESP platforms are reported in the region of 86-100%. These effectively are acceptance rates, that is a calculation based on number of emails delivered to the Internet less the bounces. As highlighted earlier in the report, it does not take into account missing emails that go to spam folders or do not make it into the inbox (and where no bounce codes are received back from ISPs).



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ESP reported Hard bounce rates

If hard bounce rates are a primary measure of list quality, there is scope for improvement in email data quality, with 15% of all campaigns seeing hard bounce rates of more than 7%, and a further 20% experiencing hard bounces of between 3%-7%.

Compared to end user respondents, results favour those campaigns conducted exclusively via ESP platforms.

ESP reported Click through rates

Click through rates, indicating how effectively the email is engaging with the buyer or consumer, predominantly (61%) fall within the broad range of 4-20%. Within that broad range, the tightest distribution reported by ESPs falls into the 4-8% range. This broadly correlates with the click through rates reported by end users.

ESP reported Open rates

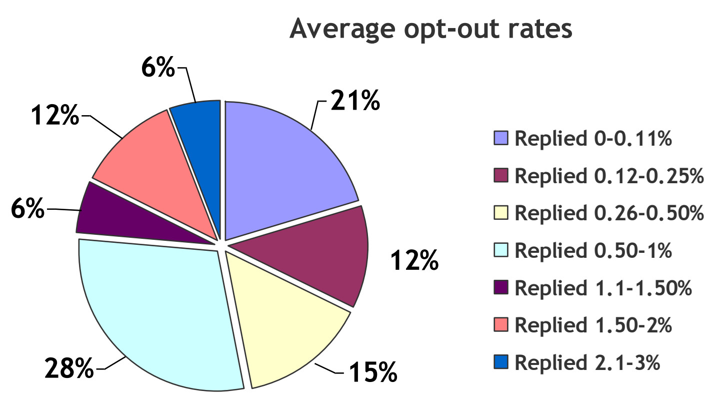
Open rates reported were across a very wide range, and reflect the varying performances of individual campaigns. There is no discernable country pattern within ESPs. This goes to show that that campaign design, the ability to engage the consumer/ buyer and cut through the inbox clutter, is paramount.

Practitioners would do well to test more rigorously each element of an email campaign, beyond the generally adopted focus on subject lines, sender name, time of day and week, and spam filter scoring.

EPS Average opt-out rates

Opt-out rates are a primary measure of relevancy. 18% of respondents reported average opt out rates of 1.5%-3%, but most (76%) were less than 1%. 26% of end users were not able to say what their average opt out rates were, whilst 57% experienced rates of less than 1%.

The results are considerably better than the end user ones (of the end user sample 57% of respondents did not outsource, either in part or whole).



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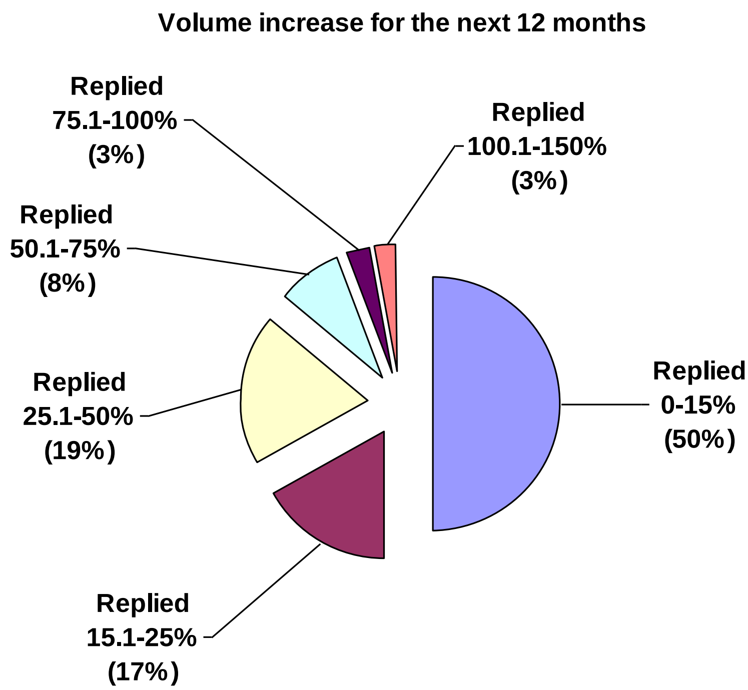
Volume predictions for 2010-04-07

Email marketing is poised for strong growth this year, at the expense of traditional offline channels.

19% of the respondent ESP base expect their clients to increase volume of email marketing between a quarter and a half year on year, a continuation of the shift from offline to digital channels.



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FEDMA email marketing benchmark study
- Order form -

FEDMA published the first ever Pan European Email Marketing Benchmark! The FEDMA email marketing benchmark study is a unique initiative which measures and benchmarks the quality of pan-European email marketing. The study will run on an annual basis.

The study is divided into three parts: a section benchmarking marketers' (clients) results; a section benchmarking Email Service Providers' (ESPs) results; and a comprehensive overview of the legal issues which impact on email marketing in Europe. The report provides detailed and up to date guidelines on data protection and regulations in 23 countries. The clients' and ESPs' sections looks at volumes, open rates, bounce rates, opt-out rates, delivery rates, click through rates, frequency, purposes, forecasts, based on main segments that utilise the email marketing communication channel. Both marketing to business to business, and business consumer communication are covered.

This project is kindly sponsored by **Alterian**, the international provider of an Integrated Marketing Platform.

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