The Return on Email Marketing Maturity: A Framework to Improve Results

By David Daniels and Nicholas Einstein, The Relevancy Group

Research Sponsored by Adobe Campaign

October 2017
Email Marketing Revenue Contribution Rises Year-Over-Year

Consumers Demand a Personalized Relevant Experience

Email Marketing is Quickly Evolving from Basic Tactics to Those that are Dynamic and Contextual

The Effectiveness of Email Marketing Correlates with Marketer Evolution

Contextual Email Marketers Spend and Send More, but Don’t Have the Largest Email Marketing Staff

To Advance Email Marketing Maturity Prioritize Investments in Analytics, Coordination and IT Support

Revenue Increases When Marketers Evolve Tactics from Classic to Contextual
**KEY QUESTIONS**

- What customer experience expectations do consumers have?
- How do marketers view the effectiveness of email marketing and other channels?
- Is email marketing evolving and does it correlate with channel effectiveness?
- What must marketers do to evolve their sophistication?
- Is there a correlation between email marketing maturity and revenue contribution?

**KEY TAKEAWAYS**

- Fifty-five percent of consumers state that they like email marketing offers that include products and offers that are relevant to them.
- Year-over-year mean email marketing revenue contribution as tracked by The Relevancy Group has increased 24 percent from 17 percent in 2016 to 21 percent in 2017.
- Fifty-two percent of email marketers still utilize classic basic tactics, but the rest are moving on. These marketers indicate that the channel has become highly effective.
- Marketers must increase their budgets, invest in analytical and IT resources and adopt the tactics that will advance their sophistication and results.
- In every way, The Relevancy Group survey data correlates performance and revenue improvement to the tactics prescribed in The Email Marketing Maturity Framework.
Email Marketing Revenue Contribution Rises Year-Over-Year

Email marketing continues to be the most widely utilized marketing channel in the digital mix, largely due to the significant ROI that brands and marketers have enjoyed for decades. Sixty-five percent of companies are employing email marketing in 2017, up from 60 percent in 2016. Revenue contribution from the channel has also increased. Year-over-year mean email marketing revenue contribution as tracked by The Relevancy Group has increased to 21 percent in 2017 from 17 percent in 2016 (Figure 1). As the value, adoption and the complexity of the channel continues to increase, the need for email marketers to advance their sophistication and relevance is further underscored.

**Figure 1 – Total Email Revenue Contribution Q2 2016 vs. Q2 2017**

**Q2 2016**
- 14%
- 17%

**Q2 2017**
- 17%
- 21%

Question: What percentage of your overall revenue is attributed to your email marketing initiatives?

Source: The Relevancy Group Executive Marketer Survey April 2017, n=362 and June 2016, n=486 U.S. Only
Consumers remain frustrated and ambivalent about email marketing messages that are not relevant or that come too frequently. The most recent Relevancy Group consumer survey indicates that 75 percent of consumers ignore or opt-out because of frequency overload, and 55 percent state that the lack of relevance drives the same behaviors. Nearly a quarter of consumers told us that it is easier to delete the message than opt-out, indicating that a low opt-out rate does not present the full picture of the customer experience. It should come as no surprise when The Relevancy Group asks U.S. consumers, "What do you like best about the email marketing offers that you receive from retailers?", that the top answer (55 percent) was that it includes products that are relevant to me (Figure 2).

Email marketers must be mindful of the email marketing customer experience that they deliver. Consumers want to be recognized, and want to be a part of the brand experience. Marketers are managing relevance and frequency to deliver the optimal customer experience, and consumers are responding. Marketers must, however, go further to deliver a personalized experience than they have in the past. Basic first name personalization is a message attribute that is liked by only 13 percent of consumers. Still, there are many other items that influence relevance. Based on this survey, it is the who (sender), offer title (subject line) and content (relevant body parts of the message) that matter most. Marketers must understand such shifts and improve their tactics.

**Figure 2 – Consumer Email Marketing Behaviors and Attitudes**

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ignore or opt-out because of frequency overload</td>
<td>75%</td>
</tr>
<tr>
<td>Lack of relevance drives opt-out or ambivalence</td>
<td>55%</td>
</tr>
<tr>
<td>I like email that include products relevant to me</td>
<td>55%</td>
</tr>
<tr>
<td>The email includes products that I have viewed</td>
<td>29%</td>
</tr>
<tr>
<td>Easier to delete the message than opt-out</td>
<td>24%</td>
</tr>
</tbody>
</table>

Question: What do you like about email marketing and which behaviors have you done?

Email Marketing is Quickly Evolving from Basic Tactics to Those that are Dynamic and Contextual

The evolution of email marketing is well underway. Changes in consumer behavior, device adoption and channel clutter necessitate that marketers move beyond classic tactics to those that are dynamic and contextual (Figure 3).

- **Classic** – Classic marketing organizations utilize rudimentary and relatively basic email marketing strategies, such as emailing lapsed customers, including basic personalization fields, as well as cross-selling. This segment of email marketers haven’t adopted the deeper personalization and segmentation strategies that set contextual email marketers apart. To advance email marketing results, brands must move beyond gender segmentation and first name personalization to embrace dynamic content, and adopt a customer experience-oriented marketing strategy. The Relevancy Group data indicates that just over half (52 percent) of email marketers are stuck in this basic mode.

- **Dynamic** – Dynamic marketing organizations utilize more advanced, real-time strategies, such as automated remarketing, coordinating emails with other channels, and capturing customer feedback. These companies employ a more customer-centric approach than their counterparts in the classic segment, but their programs have room for improvement. Marketers in this segment are delivering responsive content for mobile devices, a necessary tactic considering 37 percent of consumers utilize their mobile device as their primary inbox. To deliver a personalized experience, this group leverages legacy non real-time CRM batch data.

- **Contextual** – These marketers employ the most sophisticated, contextual email marketing strategies. Demonstrating a strong proficiency in real-time data utilization and adaptive content personalization strategies, these marketers deliver contextual highly relevant email experiences. They also leverage Machine learning personalization artificial intelligence (PAI) solutions, advanced testing and context that can include the users’ location to deliver the ultimate customer experience. These highly relevant marketers embrace automation, people-based marketing, targeting email subscribers in other channels as well as agency services expertise to deliver messages that delight their audiences. They utilize deep linking for mobile app deployment and market in more channels than classic and dynamic marketers. Their metrics are also more evolved, as they utilize customer lifetime value measurement three to one times more than classic marketers.

![Figure 3 – The Evolution of Email Marketing Maturity](source: The Relevancy Group 10/17 U.S. Only)
The Effectiveness of Email Marketing Correlates with Marketer Evolution

The Relevancy Group have studied marketer sophistication and its correlation with results for decades and have proven such a pattern exists. Yet marketers remain skeptical and/or under budgeted, many opting to embrace the affordable email channel to simply broadcast every subscriber the same message. This singular experience approach has been valid for some industries, such as publishing, in which sending the same email to all subscribers makes good sense to promote a new magazine issue or TV episode. But most consumers live in a world that requires a more thoughtful approach, as our mutual modern experience is more nuanced and complex than it was just two years ago. Here again we see the correlation between sophistication and marketer satisfaction, as measured in the effectiveness of email marketing results. As marketer sophistication increases so does how marketers rate the effectiveness of email marketing (Figure 4).

**Figure 4 – Marketers by Sophistication Segment Stating Email Marketing is “Highly Effective”**

- Contextual Email Marketers: 58%
- Dynamic Email Marketers: 53%
- Classic Email Marketers: 42%

*Question: Please rate the effectiveness of email marketing in terms of delivering revenue, results for your business. (Select one for each) intersected by marketer type, tactics utilized.*

*Source: The Relevancy Group Executive Survey n=301 8/17 U.S. Only.*
**Contextual Email Marketers Spend and Send More, but Don’t Have the Largest Email Marketing Staff**

When categorizing marketers by the evolution of email marketing maturity we find stark differences in email send size and marketing budgets (Figure 5). The following demographic differences of these marketers are as follows:

- **Classic Email Marketers** – They send and spend less than their more sophisticated email marketing peers. They send on average 25 million promotional and transactional email marketing messages per month and 26 percent of their $34.5 annual million marketing budget on email marketing promotional endeavors. Less of that budget is spent on email marketing acquisition than dynamic and contextual email marketers.

  With four FTE’s (Full Time Equivalents), more classic email marketers utilize agency services than others. Sixty-two percent utilize agency services that include, analytics, strategy, production and creative. Of these services, strategic services top the list with the majority (68 percent) leveraging external expertise. These services investments are because classic marketers are behind their peers and need additional help and expertise. This stands to reason and is an appropriate investment as classic email marketers rapidly need to elevate their email marketing strategy and tactics.

- **Dynamic Email Marketers** – On average dynamic marketers send a couple more million email marketing messages a month and have a slightly larger overall marketing budget. That increased budget is also being spent on more FTEs than both their classic and contextual email marketing counterparts. This is in part due to the more manual nature of creating audience segments and dynamic content, which increases the need for production and creative resources. Overall 61 percent of these marketers utilize agency services, they are more likely to utilize creative agency services than both of their peer groups.

- **Contextual Email Marketers** – They send the most email marketing messages a month, 33 million, and have the largest email marketing budget, both in total dollars and share that is dedicated to email marketing (Figure 5). Despite their increased sophistication they do not have a huge staff nor do they overwhelming rely on agency partners. With a mean 4 FTE email marketing headcount, 57 percent state they utilize services, a figure that is lower than their peer groups. Their high utilization of real-time data, machine learning and automation are clearly having a positive impact on their labor expenditures. Utilization of analytical services is highest with this segment of marketers, with 59 percent utilizing outside expertise. This makes good sense as such skill is needed to optimize machine learning, perfect automation and determine which real-time data sets offer the greatest value.

**Figure 5 – Demographics of Email Marketers by Maturity Type**

Question: Multiple questions related to send, budgets, FTES and service utilization. These data intersected by marketer maturity classifications as defined in this research paper.

Source: The Relevancy Group Executive Survey n=301 8/17 U.S. Only.
To Advance Email Marketing Maturity Prioritize Investments in Analytics, Coordination and IT Support

When reviewing challenges cited by marketers, stark differences exist based on evolution of email marketing maturity (Figure 6). The aforementioned differences in the adoption of tactics and utilization of services align with such sophistication, as do email marketing challenges. To mitigate these challenges as they evolve, marketers should be aware of these hurdles before entering the next stage of maturity. Marketers in each segment should be aware of the following challenges.

- **Analyzing Campaign Results** – Analysis is key to measuring the customer experience and necessary to optimizing email marketing. More marketers with smaller budgets and those that have not increased their sophistication cite analytics as their top challenge. To advance capabilities marketers must start with a strong investment in analytical tools and services. Analytics are particularly important as marketers advance their sophistication and move across channels to deliver a unified experience. The current trend is to adopt a cloud application suite that extends analytics, to deliver a common measurement, execution and experience across every channel.

- **Coordinating Strategy Across Channels** – This challenge illuminates the need for a unified customer experience, as well as the organizational silos that still dominate the modern marketing culture. Why? Change and integration is difficult. Marketing cloud tools are coming together across disciplines and channels, yet marketing and advertising components of the organization rarely collaborate. This is true across all facets of sophistication. As Martech blends with Adtech, what we call Madtech, organizations need to be ready to collaborate and discuss the notion of a brand’s advertising and marketing in the same room. Working with an application suite that utilizes familiar application interfaces, APIs, data models and services archetypes that unify channels will ease this challenge.

- **Having Adequate IT Support** – What is adequate? The need for IT resources and the ability to integrate relevant customer experience sources, leverage real-time data, location, device information, as well as legacy CRM data stores. This need ties to the challenges of cross-channel coordination and analysis. Without internal IT support, the external investment in agency and vendor solutions often creates friction. To advance, marketers must utilize cloud marketing solutions that use a common data framework across channels that can ease data integration across disciplines and quickly advance analytical prowess that will propel sophistication.

**Figure 6 - Top Three Email Marketing Challenges by Marketer Type**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Classic</th>
<th>Dynamic</th>
<th>Contextual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analyzing campaign results</td>
<td>25%</td>
<td>21%</td>
<td>18%</td>
</tr>
<tr>
<td>Coordinating campaign strategy across channels</td>
<td>20%</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>Having adequate IT support for marketing</td>
<td>19%</td>
<td>22%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Question: What are your greatest challenges when developing marketing campaigns? (Select All)

Note: Email Marketing Tactics Only Source: The Relevancy Group Executive Survey n=301, 8/17, U.S. Only
Revenue Increases When Marketers Evolve Tactics from Classic to Contextual

Marketing from contextual marketers is more relevant from that of classic email marketers. Since relevant personalized experiences resonate with customers it stands to reason that these mailings would have higher KPIs (Key Performance Indicators) than those that embrace basic tactics. When we segment our data by marketer tactics we find a relationship of results to tactics. We utilized the all participant average monthly mailing size of 26 million messages and applied the actual delivery, open, click and conversion rates that these marketers reported to us and then applied it to their stated average order value (AOV). This data is per email send. The results are clear: those utilizing more advanced tactics are driving a higher monthly revenue than those utilizing basic tactics (Figure 7). Over a three-month period, these incremental improvements more than cover the costs of implementing more advanced tactics. Marketers must leverage this proof to attain more budget dollars to fund the utilization of more sophisticated tactics.

**Figure 7 - Evolution of Marketing Maturity and Monthly Revenue Generated**

<table>
<thead>
<tr>
<th>$3,237.00</th>
<th>Classic</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3,890.00</td>
<td>Dynamic</td>
</tr>
<tr>
<td>$4,632.00</td>
<td>Contextual</td>
</tr>
</tbody>
</table>

Question: For each of the segments (classic, dynamic, contextual), we took the all participated mean of 26 million email messages a month and applied the actual performance metrics: Deliverability rate, open, click-through, conversion rate applied to the reported AOV.

Source: The Relevancy Group Executive Survey n=301 8/17 U.S. Only.

Conclusion

Email marketing revenue contribution and channel complexity continues to increase. Changes in consumer behavior, device adoption and channel clutter necessitate that marketers move beyond classic tactics to those that are dynamic and contextual. Consumers live in a world that requires a more thoughtful approach, as our mutual modern experience is more nuanced and complex than it was just two years ago. Here again we see that the correlation of sophistication and marketer satisfaction, as measured in the effectiveness of email marketing results. As marketer sophistication increases, so does how marketers rate the effectiveness of email marketing. To mitigate these challenges as marketers evolve, they should be aware of these hurdles before entering the next stage of maturity. The results are clear: those utilizing more advanced tactics are driving a higher monthly revenue than those utilizing basic tactics.
Email Service Provider (ESP). He has led customer success management, development, email strategy, implementation, and social marketing teams at several organizations, and is a recognized thought leader in the areas of email and social marketing. Nick received his BA in Anthropology & Sociology from Kenyon College and MBA from the University of Washington.

About The Author | Nicholas Einstein | @OtherEinstein | Nick@RelevancyGroup.com
Nick is VP of Research and Principal Analyst at The Relevancy Group. He managed worldwide email marketing operations and customer relationship management for RealNetworks and subsequently served for five years as VP of Deliverability & Strategic Services for a prominent

About The Research | The Methodology
In August 2017 The Relevancy Group conducted a survey that resulted in 301 completed and qualified advertising and marketing executives. We qualified respondents based on the size of their customer database, email sending volume, familiarity of their company’s marketing efforts, and other attributes such as the individuals’ role/title. Respondents self-identified their company size and market sector category. We collected descriptive information about these organizations including revenue, email marketing, tactics and performance data. The survey utilized skip ordering and randomization and screener questions. The survey design and final analysis was developed by a team TRG of analysts.