

The Relevance Trajectory[™]

Creating a Standard for Relevance in E-mail

A guide to understanding, measuring, and improving relevance
as it relates to e-mail marketing

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Introduction

If you work in e-mail marketing, you constantly hear that everything has to be relevant, but what exactly does that mean? Relevant e-mail is keyed to a recipient's location, interests, attributes, behaviors, and other important factors that drive attention and response. Relevance increases e-mail productivity (improving conversions, revenue, and profit) as well as customer engagement.

Achieving relevance, however, is not simple. It requires a confluence of customer data, targeting tactics, marketing expertise, process, workflow, and of course technology. Understanding the factors that create relevance and knowing how to use them in e-mail will give marketers insight into such things as the data they need to collect, the content they need to create, the functionality they need to deploy, and the expertise they need to obtain. Marketers must:

- Understand the meaning and importance of relevance in e-mail marketing
- Assess current e-mail programs using a defined set of relevance "factors"
- Establish a relevance score by which they can benchmark the performance of their future e-mail programs
- Incorporate additional factors that enhance e-mail relevance, and as a result move programs up the Relevance Trajectory

Marketers now have a new and highly effective method for evaluating their programs (see Appendix A: Benchmarking Relevance: The Relevance Trajectory Scorecard) – a metric that quantifies the relevance of e-mail campaigns and provides a framework for identifying ways to improve e-mail success.

Executive Summary

The information contained in this white paper is based on ten years of experience delivering relevant customer communications for some of the world's most recognized brands and deep examination of their most lucrative e-mail marketing programs. The e-mail marketing experts at e-Dialog have established a set of criteria that determines and measures relevance, as well as a methodology for increasing the effectiveness of e-mail programs. This methodology is called the Relevance Trajectory™ and has been applied to more than two dozen e-Dialog clients including Avis Budget Group, eMusic,

Network Solutions, and SmartBargains.com. Each of these programs showed notable performance gains as the various factors that define relevance were improved. With the help of e-Dialog's methodology, each client has been able to drive positive advancement in the Relevance Trajectory.

As experts in precision e-mail marketing, e-Dialog recommends that marketers understand the definition and importance of relevance as it relates to e-mail marketing. By using the criteria and scoring mechanism defined in this white paper and applying it consistently over time, marketers will be able to quantify the relevance of e-mail programs. Furthermore, consistent application of the Relevance Trajectory methodology will allow marketers to identify opportunities for improving e-mail relevance to track their progress as they move up the trajectory. Ultimately this will lead to increases in conversion rate, revenue, profits, and customer engagement.

Establishing What It Means to Be Relevant in E-mail

E-mail is now used by 97% of all marketers to communicate with customers. The medium presents numerous opportunities to create a competitive advantage. It offers both ease of entry and the lowest cost per contact of any communications channel in marketing.

However, the ubiquitous nature of e-mail marketing is also the source of its challenges. Its extensive use makes it increasingly difficult for marketers to get their messages seen, remembered, or acted upon among all the other messages crowding a consumer's in-box.

Fortunately, e-mail also offers dramatic technical advantages that, when used wisely, can strongly increase its visibility and effectiveness. E-mail can:

- Target message content, creative, and offer to the attributes, needs, interests, location, and activities of each recipient in a unique and precise fashion
- Trigger immediate and automated deployment of individual or sequenced programs and messages in response to defined customer behavior
- Drive immediate and observable customer response through a series of prominent calls to action, Web sites, or landing pages
- Use customer activity on Web sites as feedback in identifying and targeting future programs and messages

- Entice opening through the use of subject lines
- Employ available data to create highly personalized messages

What virtually all of these advantages have in common is the potential to increase the relevance of an e-mail message to its recipient. They also increase the likelihood that the recipient will respond positively: open the message, click on its links, buy what it is selling, or otherwise advance customer engagement and brand loyalty.

The proof is in actual e-mail performance data. JupiterResearch has documented that use of various factors of relevance produces more conversions, revenue, and profit than does use of broadcast e-mail, which makes no attempt to target specific individual, behavior, or consumer data. Figure 1 shows the revenue impact of various relevance factors compared with e-mail that is simply broadcast. For example, targeting tactics (e.g., segmentation, dynamic content) generate five times more revenue and sixteen times more profit than do broadcast campaigns.

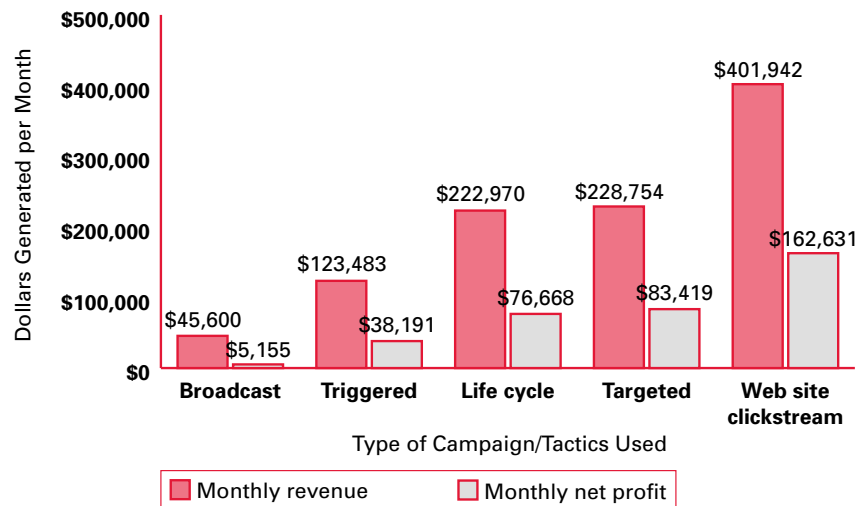
Jupiter has also found that specific applications of relevance add to e-mail productivity, as measured in actual conversion rates. For example:

- Marketers testing on a regular basis are more likely to have conversion rates exceeding 3% than are those who do not
- Use of personalization increases – by eight percentage points – the probability of conversion rates exceeding 3%
- Half of marketers using triggered messages produce conversion rates exceeding 3%, versus 38% and 32% of marketers deploying messages on a weekly or monthly schedule, respectively

Moreover, e-Dialog has found that a number of its clients demonstrated similar success through the application of various relevance factors in their e-mail programs (see Appendix B: Real-World Examples of the Relevance Trajectory). For example, SmartBargains.com substantially increased average revenue per recipient when it tested its First-Time Buyer Campaign, which included personalized product recommendations triggered by a first-time purchase. Avis Budget Group capitalized on an integrated voice and e-mail communication campaign as a means to improve lifecycle management, promoting loyalty programs and the customer newsletter.



Figure 1: Relevance Delivers More Revenue Improvement than Broadcast¹



Relevance Defined

Until the publication of this white paper, no standards existed for the definition or measurement of relevance in e-mail marketing. However, e-Dialog is in agreement with the many industry experts who feel that such standards are urgently required in order for e-mail marketers to be successful. To that end, e-Dialog believes that an e-mail is relevant when it is:

- Customized through content-driven audience segmentation to individual customer attributes and behavior
- Timed using triggered messaging to coincide with certain customer behaviors or milestones
- Used to encourage customer interactivity and flexible enough to recognize and adjust to measured customer interest and response

¹The ROI of E-mail Relevance: Improving Campaign Results Through Targeting
 May 25, 2005 "Copyright © 2000 – 2007 JupiterResearch, LLC."



It is not enough, however, to simply define what constitutes a relevant e-mail. It is important to examine the specific factors that enable marketers to customize and time messages properly, encourage interactivity, and maintain flexibility in their campaigns. These factors which define relevance in e-mail are outlined in Figure 2. They form the basis for scoring e-mail programs in order to determine their relevance.

Figure 2: The Factors of Relevance

Segmentation	E-mails are targeted to specific audiences based on customer attributes (e.g., demographics and lifestyle), preference (as determined through survey data), location, and actual purchase or click stream behavior. The content of each e-mail is dynamically tailored to a specific audience or individual.
Lifecycle Management	E-mail programs and messages are built around the customer's placement on a lifecycle continuum; for example, welcoming a new customer, promoting a loyalty program, or attempting to revive the interest of an inactive customer. (See Figure 3: Examples of Customer Lifecycle Programs)
Triggers	E-mails are driven by automated business rules of varying complexity. These rules generate independent messages or sequenced programs in response to customer status and/or observed behavior.
Personalization	E-mail messages contain the recipient's first and/or last name. Additionally, personalization complements segmentation so that message content is keyed to the individual's location, attributes, status, preferences, or behavior.
Interactivity	E-mail campaigns engage customers to pursue interests and activities and indulge their curiosity. Customers are invited to receive answers to questions or be entertained. This can be accomplished through a clear call to action, preference centers, polls and surveys, drill-downs, and links.
Testing/M Measurement	E-mail campaigns include robust programs for measuring and testing individual elements to understand what works and what does not. The elements tested include audience, subject line, offer, content, frequency, and creative. Testing also incorporates control groups in order to measure the incremental impact of various programs, mailings, and messages. Results are factored into design and campaign planning in order to improve future performance.



Lifecycle management is a unique factor of relevance in that it requires more support from some of the other factors, most notably segmentation. Sophisticated customer data collection is needed in order to be able to place a customer on a point in the lifecycle continuum. Figure 3 provides examples of some common e-mail lifecycle management programs and the calls to action that would generate useful customer data for future programs and refinement.

Figure 3: Examples of Customer Lifecycle Programs

Customer Lifecycle Status	E-Mail Program Type	Possible Call to Action
New customer	<ul style="list-style-type: none"> ❖ Welcome ❖ Customer profile information or preference data request ❖ First purchase congratulations ❖ Activation of account 	<ul style="list-style-type: none"> ❖ E-mail opt-in or site registration ❖ Completion of survey or customer profile information ❖ First purchase
Existing customer	<ul style="list-style-type: none"> ❖ Thank you for purchasing ❖ Relationship development ❖ Customer profile information or preference data request ❖ Retention programs 	<ul style="list-style-type: none"> ❖ Repeat purchase via cross-sell or up-sell ❖ Migration to more active consumer categories through special offers and discounts ❖ Completion of survey or customer profile information ❖ Loyalty program membership
Inactive customer	<ul style="list-style-type: none"> ❖ Attrition prevention ❖ Account reactivation ❖ E-mail change of address ❖ Data entry purge 	<ul style="list-style-type: none"> ❖ Renew account through purchase or cross-shopping activity ❖ Response to survey

A Process for Improving Relevance in E-mail: The Relevance Trajectory Methodology

The first step is to understand the definition and importance of relevance as it relates to e-mail and the factors that enable marketers to create more relevant e-mails. Once that is accomplished, it is time to benchmark your e-mail marketing programs based on their relevance, and then focus your efforts on ways you can improve relevance scores. This concept is called moving up the Relevance Trajectory.

The Relevance Trajectory Methodology involves several logical steps of information gathering, opportunity identification, program development, and results measurement that will allow you to create a relevance score for each of your e-mail marketing programs. Alternatively you can choose the Quick-Start Method, which enables you to score your programs collectively. With a benchmark in place, you can more easily identify specific applications of relevance that will increase e-mail productivity as well as your relevance score.

Here is the step-by-step process that e-Dialog recommends:

- 1. Explain relevant e-mail ROI to management.** Your management should support this process from the beginning. Explain the meaning and importance of e-mail relevance and its use as a tool for increasing the ROI on your e-mail programs. Make sure they understand that the recommended process will identify specific e-mail programs for which productivity can be improved.
- 2. Map current e-mail marketing programs.** It is important to document the details of your existing programs and their individual objectives. Track the various audiences and how you select them, as well as how frequently your e-mail programs are running. You should also document how well your programs are performing (e.g., opens, clicks, conversions, profits) and what tests, if any, are being applied.

The program information can be collected and summarized in a table such as the example shown in Figure 4.



Figure 4: Relevance Improvement Documentation Table

Current Program	Business Objectives	User Objectives	Target Audience(s)	Frequency	Cost	Program Performance (Target vs Actual)	Program Shortfalls	Dependencies	Relevance Score
#1									
#2									
#3									

3. Derive the relevance score for each of your current e-mail marketing programs. Using the Relevance Trajectory Scorecard (see Appendix A), score your current e-mail programs in terms of how extensively you use the relevance factors described in Figure 2. There are two approaches you can take to relevance scoring:

Quick-Start Method: Derive a single score by assessing your use of each defined relevance tactic across your entire e-mail program. This is the approach we recommend for a quick determination of overall e-mail relevance.

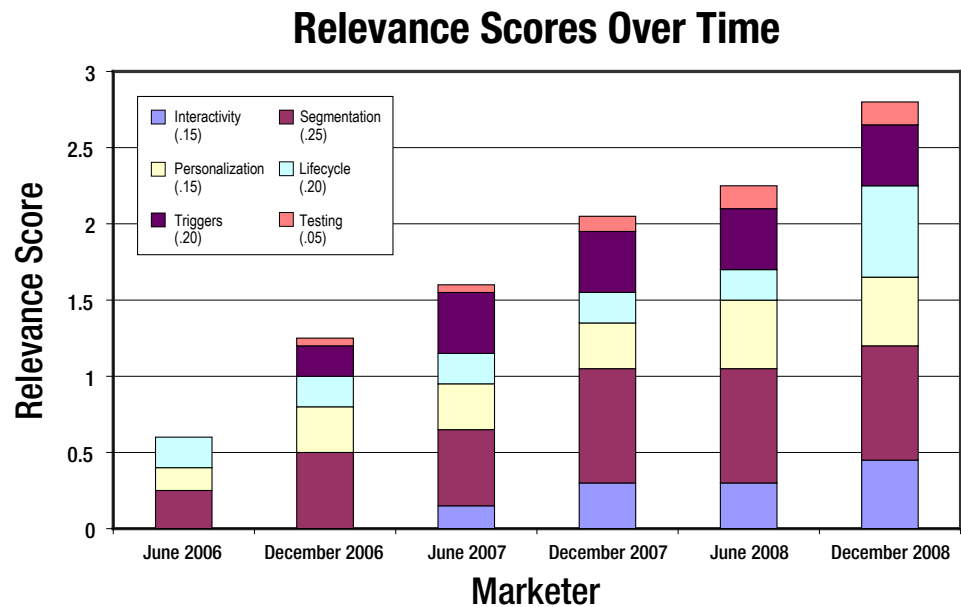
Detailed Method: Derive relevance scores for each of your individual e-mail programs, then build individual scores into an aggregate score for your entire e-mail program. This scoring process is more time-consuming, but its detail permits closer identification of individual programs for which relevance should be improved.

You should update your relevance score(s) every six months and plot your progress graphically over time based on implemented program improvements (see Figure 5).



Figure 5: The Relevance Trajectory

This graph shows what your improving relevance scores might look like over time and what relevance factors are driving the process.



4. **Identify the shortfalls for each program.** Determine where the opportunities are to improve e-mail relevance, as well as the tactics you might apply in order to address these opportunities. Estimate the additional business value you believe these e-mail programs will be able to generate and how it relates to improvement in their relevance scores.
5. **Pinpoint program dependencies.** Identify the resources you will need to deploy your programs and achieve the desired goals. In addition to staff time and budget, be sure to allot any requirements for data, content, technology, additional staffing and skills.
6. **Present and activate your plan.** Obtain a commitment from management to support and fund your programs before implementing them.
7. **Measure and manage the results.** Analyze the results against your goals and expectations for the program, then share your analysis with stakeholders. For programs that did not work, choose to either restructure the program or terminate it and use the budget elsewhere.

Conclusion

As e-mail marketing continues to evolve, it will become increasingly critical to improve performance and measurability of their e-mail marketing programs. Implementing a scoring mechanism like the Relevance Trajectory can provide forward-thinking companies with a sizeable advantage over their competition. Improving e-mail productivity through relevance can translate into a considerable increase in revenue and profits, yet not have a substantial impact on your budget or your bottom line.

Appendix A of *The Relevance Trajectory: Creating a Standard for Relevance in E-mail* provides the necessary tools to begin scoring your own e-mail programs and moving them up the Relevance Trajectory. To obtain Appendix A and begin applying the benchmarking elements of our Relevance Trajectory methodology in your organization, contact e-Dialog's business development team at 888-256-7687 or maxroi@e-dialog.com.

About e-Dialog

Established in 1997, e-Dialog is a proven provider of advanced e-mail marketing services and solutions. Through a unique combination of marketing intelligence and precise relevance technology, e-Dialog enables some of the world's most recognized brands, such as American Eagle Outfitters, Avis, BMG Music Service, British Airways, the NFL, Reuters, and The TJX Companies to maximize long-term customer value with contextually targeted communications. The company's service offerings empower large, multifaceted companies like these to enhance permission-based e-mail marketing efforts through fully integrated, cross-channel communications, including dynamically printed direct mail, RSS, and mobile messaging.

JupiterResearch ranked e-Dialog the top performing e-mail marketing provider among service-oriented ESPs based on business value and market suitability in both 2005 and 2006. In September 2006 e-Dialog was the first e-mail service provider to achieve certification for ISO 27001:2005, the global information security standard. e-Dialog is a privately-held company with offices in Boston, London, New York, and Seattle. Investors include Flagship Ventures and Commonwealth Capital.