

THE RETURN ON EMAIL PERSONALIZATION



By Nicholas Einstein and David Daniels, The Relevancy Group

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Key Takeaways

Revenue contribution from email marketing is up 18 percent year-over-year representing more than 20 percent of overall revenue, and is even higher for some key verticals. Open and click-through rates are also higher YOY.

Email personalization is deemed highly effective by a wide majority of marketers. Brands that leverage personalization in their email programs enjoy higher order values, conversion rates, and open and click-through rates.

Many marketers struggle to bridge organizational silos and are challenged with getting C-level buy-in, which is necessary to implement personalization efforts.

The Relevancy Group believes that following a three-step process – Measure, Align, Partner (MAP) – can help address these challenges.

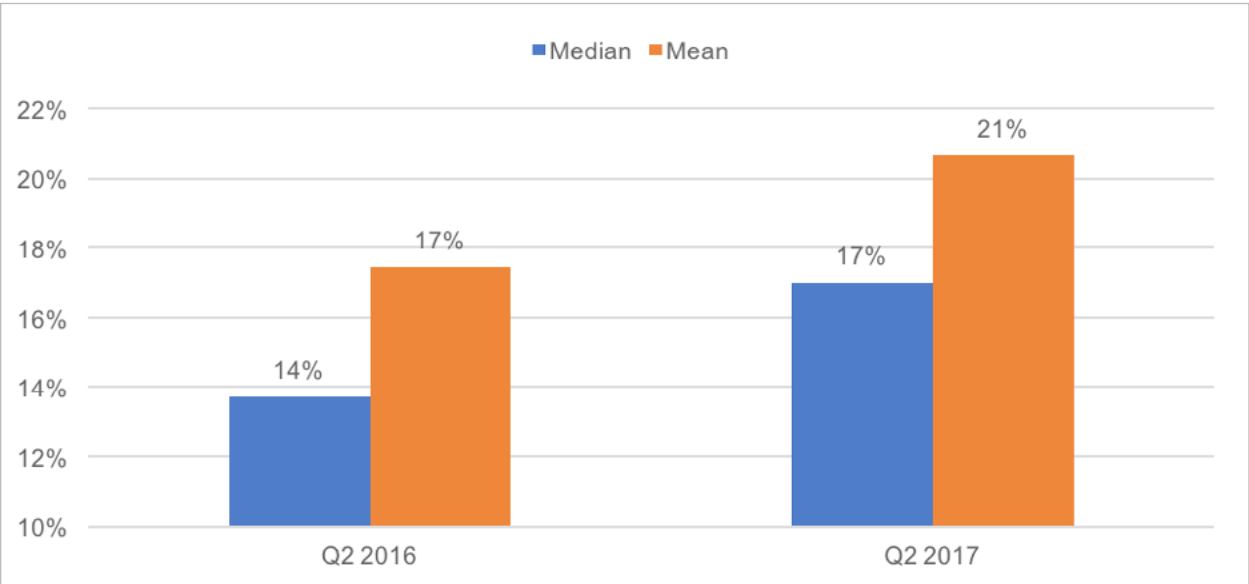
Email in 2017

There has never been a more exciting time to be an email marketer. The opportunity to drive engaging, personalized inbox experiences through the effective use of data is one that email marketers are beginning to capitalize on with meaningful results. By leveraging appropriate technologies to derive insight from behavioral data generated across channels, email marketers are now truly able to deliver the relevant, personalized experiences that we once merely aspired to. The channel has benefited from this increased relevancy, and email contribution as a percentage of overall revenue has never been higher. Yet, challenges remain. There are still big opportunities for many marketers to better leverage data in order to drive customer value and business goals. The Relevancy

Group has never been more excited about the prospects for making it happen.

When The Relevancy Group asked executive marketers about revenue contribution from the email channel in 2016, the numbers were encouraging. By Q2 of this year they had exceeded even our bullish forecasts (Figure I). In the second quarter of 2016 email was contributing, on average, just over 17 percent of overall revenue – an enormous number for any single digital channel. By Q2 of this year, the number grew by 18 percent to over 20 percent of total revenue. For most brands and marketers email has become a meaningful component of their overall business, and has become more so over the past year.

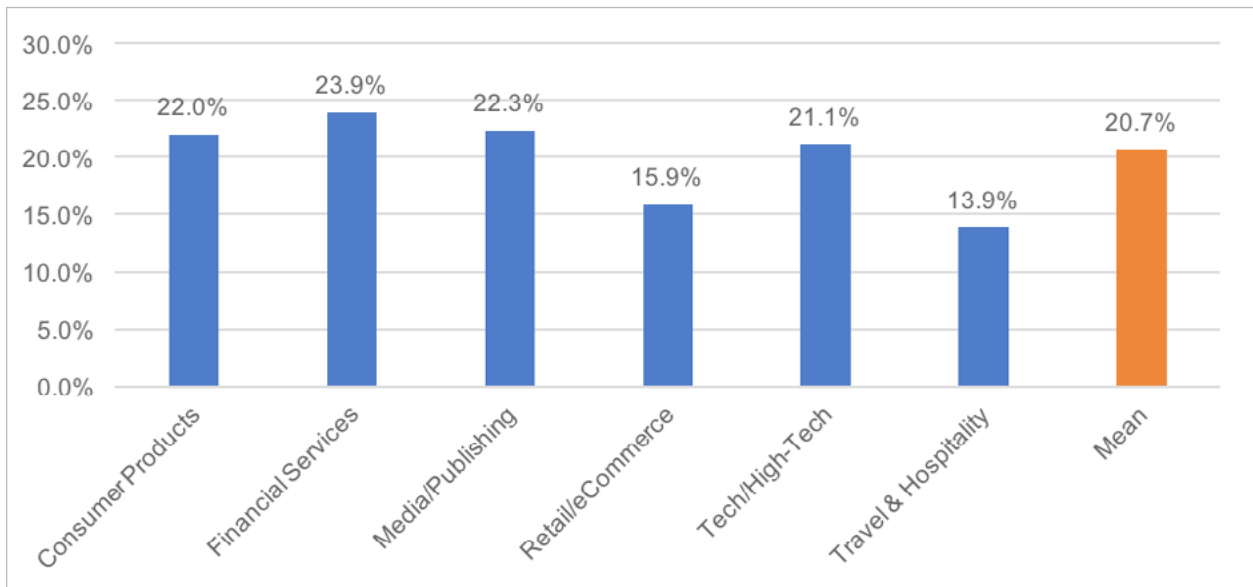
Figure I. Median + Mean Total Email Revenue Contribution Q2 2016 v. Q2 2017



Q. What percentage of your overall revenue is attributed to your email marketing initiatives?
Source: The Relevancy Group Executive Marketer Survey April 2017, N=350 and June 2016, N=486

For several key verticals, email bears the brunt of an even heavier revenue burden. Marketers in the CPG, financial services, publishing, and high-tech verticals all rely on email to drive a greater percentage of overall revenue for their businesses than most marketers (Figure 2). Revenue contribution from marketers in the financial services sector well outperforms the mean, with nearly a quarter of overall revenue being directly attributed to email marketing initiatives. Those in retail and travel sectors attribute less revenue to email than their peers, but this likely has less to do with the importance of the channel to these marketers, and reflects the challenges that these verticals face with attribution itself and the ability to tie cross-channel conversions back to email.

Figure 2. Email Contribution to Overall Revenue in Key Verticals Q2 2017

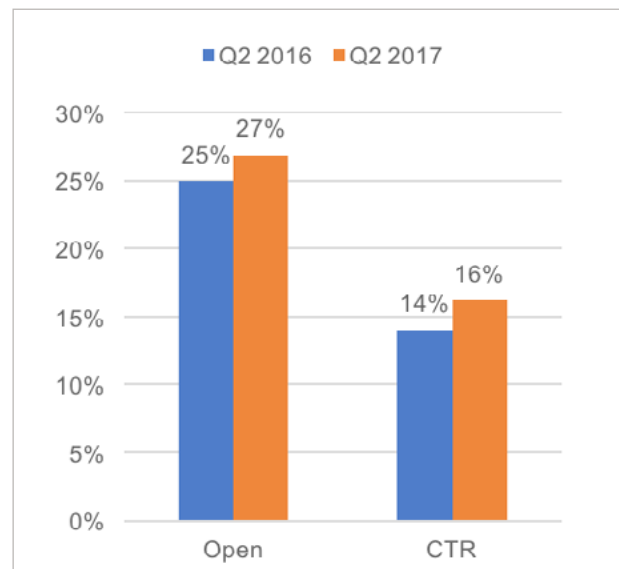


Q. What percentage of your overall revenue is attributed to your email marketing initiatives?

Source: The Relevancy Group Executive Marketer Survey April 2017, N=350

The higher overall year-over-year revenue contribution from the email channel for most marketers has been correlated by a measurable increase in subscriber response rates as well. Mean open rates for email marketers bumped up eight percent year-over-year from 25 to 27 percent, while click-through rates jumped from 14 to 16 percent (Figure 3). Marketers have welcomed these lifts in response rates after having been warned for many years that email client innovations [like Gmail folders], the adoption of social networks, and the increasingly ‘mobile’ nature of subscribers would drive down email response rates. The Relevancy Group is delighted to report that these factors, combined with several other forces, have in fact helped to strengthen the channel as marketers have realized synergies at virtually every turn. When we dig deeper into the forces at work to drive these lifts in engagement, the strategies and tactics employed to increase relevance through personalized content stand out as being a contributing factor worthy of further examination.

Figure 3. Mean Open and Click Through Rates Q2 2016 v. Q2 2017



Q. What is your average click-through rate for newsletter or promotional email marketing mailings? What is your average open rate for newsletter or promotional email marketing mailings? Source: The Relevancy Group Executive Marketer Survey April 2017, N=350 and June 2016, N=48

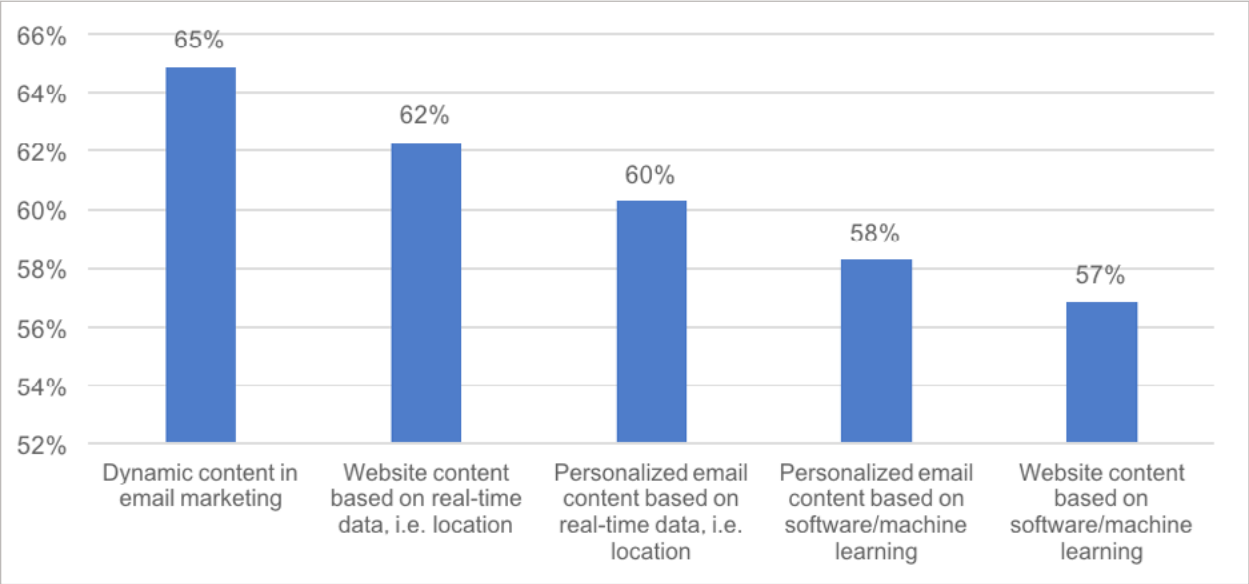
Email Personalization in 2017: Highly Effective, Still Underutilized

Dynamic content in email marketing is widely regarded by marketers across the mid-market and enterprise as ‘highly effective,’ and leads the list of tactics employed by digital marketers to drive relevancy, with 65 percent deeming it the most effective tactic in their arsenal (Figure 4). Marketers likely define “dynamic content” in a variety of ways, and some types of dynamic content are certainly more valuable and effective at driving relevance than others.

The Relevancy Group understands that while dynamic content is effective, there is a bigger opportunity both

in performance and operational efficiency when moving from segment-based dynamic content to true 1:1 personalization. Case in point, 60 percent of marketers report that leveraging real-time data in email – contextual signals like location at time of open, weather, current browsing behavior, etc. – is either ‘effective’ or ‘highly effective,’ and 58 percent report the same of machine learning to drive email personalization. Most marketers agree that various tactics can be employed to drive relevancy through personalization, and that each, when leveraged appropriately can deliver real value to marketers and consumers.

Figure 4. Efficacy of Tactics to Drive Relevance Q2 2017



TOP 2 BOX SUMMARY TABLE - Please rate the effectiveness of the following personalization tactics.
Source: The Relevancy Group Executive Marketer Survey April 2017, N=350

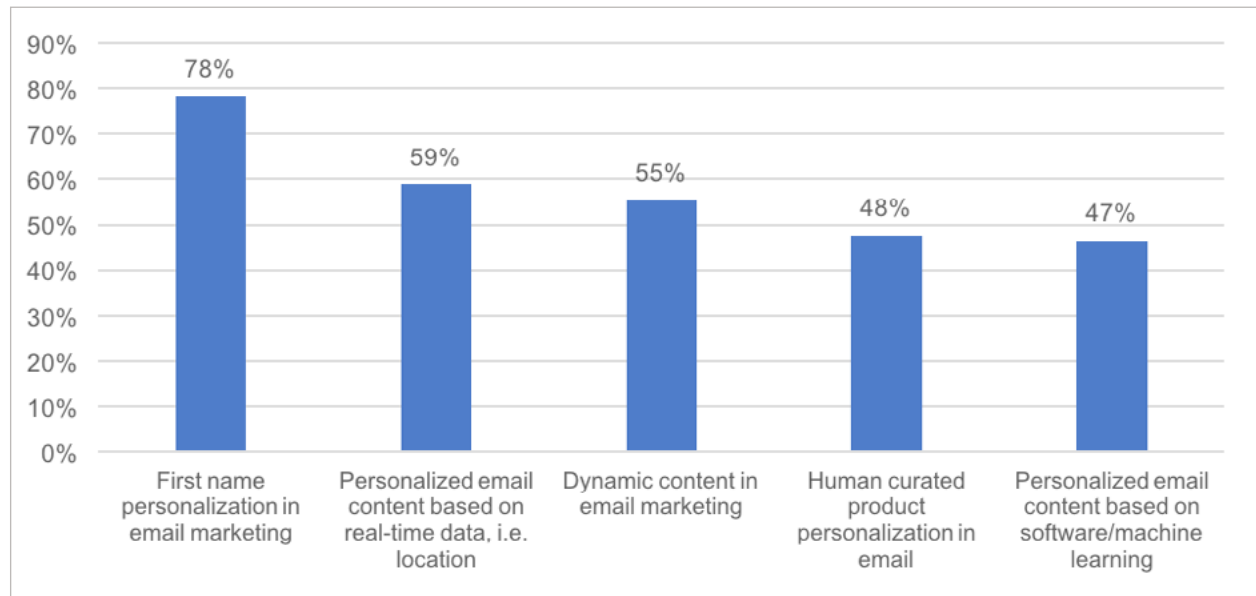
While an overwhelming majority of email marketers understand that serving personalized content to email subscribers is an effective tactic, data indicates that many struggle to make it happen, and ultimately settle for simple implementations. Seventy-eight percent of executive marketers currently leverage basic first name personalization to customize messages on an individual level, a tactic that is easy to employ, but one which likely doesn't unlock significant business opportunities (Figure 5). Fifty-nine percent report personalizing email content based on real-time data like location, which can be an extremely effective technique for certain programs, and

is also relatively easy to implement through custom development work or via partnership with one of the many vendors in the space. The Relevancy Group is encouraged by the adoption of real-time data to drive personalization efforts, but is less excited by the adoption numbers of dynamic product and content personalization.

Over half of executive marketers across business verticals are still not making personalized product recommendations in their messages or leveraging a recommendation engine to select and serve personalized content to newsletter subscribers. These tactics are, for many, more difficult to implement and often require incremental investments to tag data,

make them available, and process them appropriately to derive insight. It is precisely these tactics, however, that have the greatest potential to drive email engagement, positive customer experiences, and ultimately, business goals for marketers. The nirvana of real people-based marketing can't be achieved by implementing first name personalization, or even by acknowledging basic context like location at time of open. Marketers must unearth and leverage the [often troves of] behavioral data from subscribers to fuel truly personalized programs. Data from The Relevancy Group's most recent executive marketer survey indicates that these types of programs drive considerably more revenue and engagement than 'broadcast' email programs.

Figure 5. Utilization of Tactics to Drive Relevance



'CURRENTLY USE' SUMMARY TABLE - Of the following personalization tactics which ones do you currently use, plan to use, have no plans to use. Source: The Relevancy Group Executive Marketer Survey April 2017, N=350

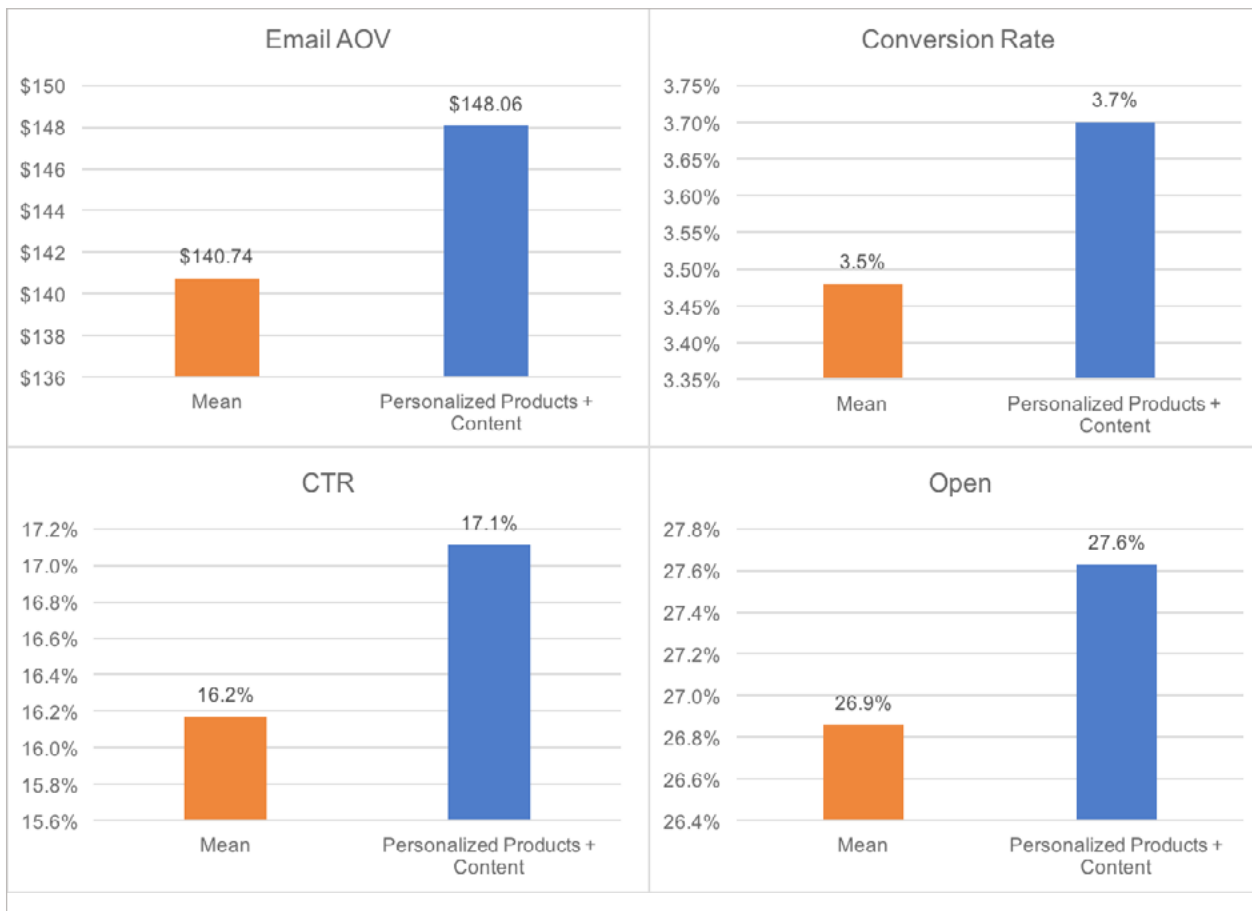
The Business Impact of Email Personalization

In an effort to quantify the business impact of email personalization, The Relevancy Group sliced data from the Q2 TRG Executive Marketer Survey by tactics utilized into two segments: those who leveraged content personalization in email and those who did not. We then analyzed response data for each segment and normalized send volumes and delivery rates to determine the potential impact of the tactics. Our findings point to a significant business opportunity.

Engagement rates for marketers who leverage personalized content and offers in their email programs are universally higher than their counterparts who

do not. Average order value from email is five percent higher for those who personalize, and conversion rates are 6 percent higher in this group. Click-through and open rates are also higher in programs that leverage deeper personalization tactics, but the bottom line numbers are most impressive. Our model indicates that marketers who leverage deep personalization can drive upwards of 17 percent more revenue through their email programs than the average marketer. For most enterprise marketers, that can equate to an enormous number. For the mean respondent to the executive survey content personalization can represent a \$15 million impact on annual revenue.

Figure 6. KPI Metrics: Marketers who Personalize Content v. Mean



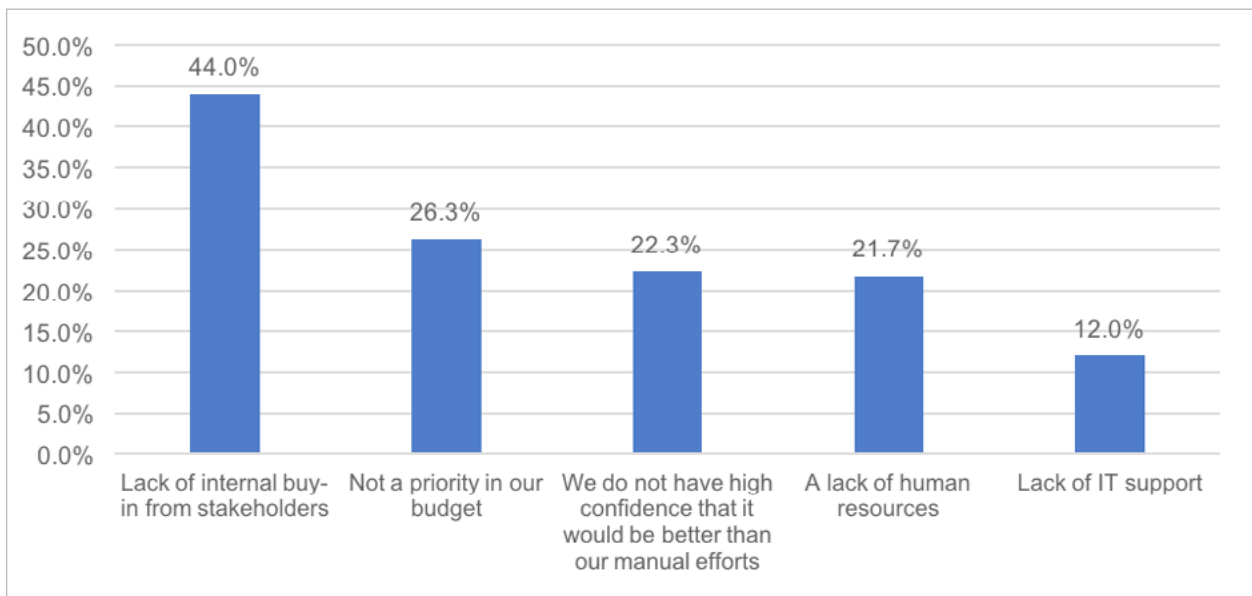
Source: The Relevancy Group Executive Marketer Survey April 2017, N=350

Why isn't Everyone Personalizing?

People-based marketing represents a real opportunity for marketers today, and a big component of capitalizing on this effectively is personalization in email. But why aren't more marketers executing? The number one reason is a lack of internal buy-in. Forty-four percent of executive marketers cited 'lack of internal buy-in' as the biggest impediment to implementing personalization (Figure 8). Offer and content personalization often require incremental investments and usually necessitate collaboration within the marketing department. Data from the web needs to feed email recommendations, and email response data, in turn, is fueled on site personalization. The traditional siloes within departments around goals, data, and budgets are currently serving as the primary barriers of email personalization efforts and are creating big opportunity costs for marketers across business verticals. Other impediments include prioritization, doubt about efficacy, and human resource constraints [especially in IT].

The Relevancy Group believes these impediments are self-imposed by marketers and organizations who are accustomed to marketing distinctly by channel, 'blasting' emails, and not adequately focusing on the demands of today's consumer. Data indicates that those who make the investments now in the people, process, and technology to better tailor their content to the unique requirements of each consumer will be rewarded by higher response rates and a more engaged base in the channel, which likely results in significantly more revenue attributed to email.

Figure 7. Factors Preventing Personalization Efforts in Email



Q. What are the factors preventing you from implementing personalization efforts in your email marketing program specifically?

Source: The Relevancy Group Executive Marketer Survey April 2017, N=350

Conclusion

Opportunities have never been greater to drive engaging, relevant, personalized experiences in email based on real user behavior, and marketers who are currently capitalizing on this are realizing measureable results. The organizational headwinds that prevent many marketers from innovating towards personalization still blow strong, however, they must be navigated. The Relevancy Group believes the following three-step process can help email marketers address these challenges:

1. Measure

In order for email marketers to build an effective business case, they must be able to accurately measure key performance indicators of their programs and the impacts of each enhancement on business results. For many marketers, this means implementing more robust measurement tools and techniques that include cross-channel attribution metrics and tying in offline sales. For others, it may mean keying in on more granular metrics like operational ROI, brand favorability, or repeat engagement rates. All email marketers must be able to tie business results to campaign enhancements.

2. Align

Lack of internal buy-in from stakeholders must be addressed through cogent business cases that articulate the impact of personalization efforts on the enterprise and highlight benefits for all stakeholders. Personalization in email creates positive customer experiences and benefits that cascade throughout the organization. From increased lifetime value and average order value to time on site and brand metrics, marketers must focus on building cases that address these core business issues across the organization to effectively bridge silos and drive innovation.

3. Partner

Few enterprises currently have the technology or expertise in-house to efficiently implement, execute, test, and optimize personalization efforts in email. Many start through human curated content tagging and personalization, but for most marketers with significant data assets, AI and machine learning represent a real opportunity to drive efficiencies and execute deeper and more effective personalization. Once marketers have implemented the appropriate measurement and have achieved a level of organizational alignment, The Relevancy Group advises buyers to look for partners who have specific vertical industry experience and expertise with the data types they most commonly leverage. Best-of-breed content personalization partners can often get tests up and running quickly, helping marketers achieve quick wins that build momentum.

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Measuring consumer and executive behaviors, The Relevancy Group (TRG) provides market research and advisory services that deliver strategies to optimize a return on marketing investments. Each analyst has a minimum 15 years of experience in digital marketing and many are highly sought after public speakers. In addition to working with some of the top brands and vendors in the digital marketing economy, TRG produces dozens of surveys, research reports and webinars each year. TRG also publishes the digital magazine for marketers by marketers, The Marketer Quarterly.

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