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White Paper
Email lifecycle marketing

Contents

About this document

This document has been written to help marketers better understand the life stages of an email address and how this directly relates back to the customer lifecycle. It is critical that email marketers use the media intelligently, because in the environment of an increasingly crowded inbox it is more important to make timing and content relevant to the recipient. Generating sustainable revenue from an email list is going to require information about the customer, and in this document we will consider the objective for each of the stages of the lifecycle.

This document aims to set out some strategies that will help marketers to develop meaningful communications with their customers, increasing relevance, encouraging engagement and improving ROI. The further reading section will provide extra resource to assist the marketer to develop lifecycle marketing strategies that have a positive impact on their marketing planning.

About the authors

This document has been published by the legal, data & best practice hub of the Email Marketing Council of The Direct Marketing Association (UK) Ltd.

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Executive summary

The email inbox is a challenging place, both to get to, and to remain in. Despite the advances in deliverability techniques and segmentation strategy, email still poses some unique challenges.

Email is a bit of a special medium, most people have got an email address that is unique to them, which makes it more like a mobile phone number than a postal address. This means it is a very personal media and the expectation of the recipient is moving closer to the one-to-one communications that has been talked about by direct marketers for years.

An email address is individual (most of the time) and it can be linked closely to the customer lifecycle using response data alongside transactional RFM (recency, frequency and monetary value) data. This lifecycle can be tracked, measured, anticipated and managed. This requires knowledge of the customer that helps to determine where on the customer lifecycle they are and helps you decide what type of communication they are likely to need.

This knowledge of the customer is going to require customer data linked to the email address. This might be a tough one, but the bottom line is that you need this information to know what to send to the customer and when to send it. Generating sustainable revenue from an email list is going to require information about the customer. A prospect will need communicating to in a different way from a loyal multi buyer, as would someone who is deemed to have lapsed or defected.

This approach moves away from the traditional "mass" email marketing where little segmentation takes place, to a more targeted approach where a recipient is sent emails they are most likely to find relevant.

It's important to understand why we go to all this trouble when email is such a cheap medium; surely someone will click on an email when they are ready, so why not send to everyone all the time?

I'll summarise the answer to this one, but more comprehensive detail on email deliverability can be found in the DMA white paper on email deliverability.

In short, you will generally suffer poor deliverability if you don't send relevant emails that users respond to. Unfortunately, if you continue to send emails that don't get a response, the ISP tends to put your mail in the recipient's junk mail folder or block you. This means that when your customers are ready and in the market for your products and/or services, they might no longer get the emails you are sending them. Using the stages of the email lifecycle can help you to choose the most relevant types of communication for the customer.

In order to provide a simple guide to the different stages of an email lifecycle, this document will be broken down into four key stages of the lifecycle, citing examples of how these stages have been successfully managed in email campaigns.

Although this document has been written with a purchase process in mind, the ideas and processes are equally appropriate for most non-retail sites and campaigns, where buying could be substituted for browsing, downloading, or commenting or any other activity where the final engagement objective is not a sale.

The stages are:

1. List growth
2. Conversion
3. Retention
4. Win-back

This document will explain the stages above and detail the important elements within these stages that will assist in developing relevant email programmes

1. List growth

This is a tough one for email, as the channel was often abused by mass mailing to cold lists in an effort to generate revenue. Although this did work for a while, changes in the email environment led to severe delivery problems for some mailers and difficulty in the use of cold email lists in the B2C markets. However, list growth is vital in this marketing environment, as email is one of the most effective means of customer communications, delivering an ROI that many channels find difficult to compete with. Successful data capture is a key element of any list growth programme, so let's first look at the different objectives for the programme and how the challenges are addressed.

Objectives for data capture

Obtain permission

There are a number of rules that surround gaining permission, which depend on the situation. You will need to ensure that your permission process is legal as well as making sure you make the most of the data capture process. The DM Code of Practice will help you to choose a compliant permission process for your new email subscribers. The conversion rate between email address capture and permission to market is an important one. It's no good having lots of emails on your database without the permission to market to them.

There is also a big difference between the volumes of email addresses captured depending on the permission process used, with volumes reducing by as much as two thirds when going from a pre- selected permission option to a process that requires the recipient to positively opt in. There is a further reduction when that process is confirmed using an email sent to the recipient's address, which contains a confirmation link.

The trade off that you make when choosing which opt in process to use is one of quality of an email address. If someone has ticked a box on your website, and then further clicked on a confirmation link on an email, they really want to be on your list; you are likely to get very good open and click rates, but lower volumes of data.

There's a strong link between the transparency of what the email address will be used for (September 2010 DMA Data Tracking Study) and the willingness of the recipient to give permission. The more information you can give the recipient on what they are going to receive and the more you can sell the value of the email programme, the more people will sign up.

Get the email address early in any process

Gaining email permission early is very important, as without someone's email address and their permission, you can't market to them. Gaining the email permission early will allow you to follow up with an email if the customer fails to complete the process. This effectively gives you more chances to build a relationship and make sales - and without permission, you can't do that.

Break up the data capture stages

To achieve the greatest value from the data capture, the first stage of any sign-up, or transactional process, will generally be *first name, surname, email address, permission statement*.

Once they submit this webpage, you have the means to communicate in the future even if they don't go on to complete the registration or sales process any further. This allows the use of basket abandonment emails, which are important to ensure your basket conversion is optimised. It also allows you to communicate further, even if they don't purchase in the near future. Obtaining the correct permission at the first opportunity, not only makes your emails legal, but provides you with the best way to grow your list.

Third-party list growth

Although the best place to obtain email addresses are from your own customers and visitors to your site, the use of third-party data can prove effective in the generation of new customers and extra revenue. However, email as a channel for third-party and cold data use can prove fickle, due to the filtering that is done by the ISPs (more detail on filtering can be found in the DMA deliverability white paper).

There are two main methods of using third parties to increase your email list, *list rental and lead generation*.

Third-party list rental

This is when data is rented from another company with the intention of communicating a marketing message to the list. Data rented in this way must also be accompanied with "opt-in" permission to receive these third-party marketing messages. This type of rental can be arranged directly with the data owner or through a list broker who will work with you to ensure the most effective data is used and that all the legal/contractual issues are covered. There are several ways you can pay for this activity but it is normally a payment per 1,000 emails (CPM) or by response (CPA) cost per acquisition, or a hybrid payment which involves an upfront cost and then an additional payment per acquisition or sale.

Third-party lead generation

This is when another company collects leads on your behalf. This may include the collection of contact details of a specific audience profile in order to gain permission to email these people; for a specific reason, or sign them up to your regular communications. This type of activity is normally paid for per lead (cost per lead or CPL) and is also known as co-registration as companies are often registering users to your website at the same time as undertaking another activity. To clarify, a person is opting in to receive information from you without having to visit your website. This other company can either be a lead generation company or a partner who offers a complementary product or service. An example of this might be a fitness company offering sign-ups to a company offering health foods, or a car insurance company offering sign-ups to a breakdown company.

 As mentioned earlier in the paper, the use of third parties to generate new customers can be effective, but it needs to be done properly. To help get the most out of this exercise The DMA has produced a white paper on the subject "*Third-party email list rental and third party lead generation – white paper*".

2. Conversion

Registration

Once the data has been captured and the recipient is now on the database, the next thing to do is welcome them on board! It might seem obvious, but it is surprising how many programmes just add new registrants to the email pot. One point to consider is these new users are obviously interested in your product or service. Therefore, if they have registered and not purchased, the objective for this segment should be conversion.

Offers based on pages visited or products viewed can be powerful at this point, Although you would need to ensure that you have the relevant tracking permissions from the recipient. The DMA and IAB have produced a guidance document that will help you gain the required permissions from your visitors (*How to guide: Email and cookies legislation*). Remember, as these visitors are in the market at the moment you must use every opportunity to convert them. This is a key segment of people. Time and effort spent crafting a welcome programme focusing on getting the first sale will quickly pay dividends.

Even if the registration does not lead directly to a sale in the short term, the initial welcome programme could achieve the following;

- Set expectations as to how they will be communicated with and the likely future benefit of subscribing

- Introduce them to the business and sell the value proposition

- Introduce your full range of goods or services.

This can be achieved without the need for browsing data and will add lots of value to your email programme.

Using triggered emails to improve conversion

Once registration has taken place, triggered emails can be used to improve the conversion from prospect to customer, as the new registrant is the closest someone gets to being a new customer, before they actually become one.

Unless you are in a market that has no online competition, the chances are that they are also looking at your competitors' websites and registering for their newsletters too! So it is vitally important this new registrant is given special treatment and triggered emails can prove very effective at this stage of the lifecycle.

The timing of the triggered emails will very much depend on the purchase cycle of the particular product, as some products might take weeks or months to convert, yet others could be converted within 48 hours (or sometimes less). With certain products, if the recipient is visiting the website using particular search terms, this could also indicate how close to making a buying decision they are. This requires a certain element of website analytics data and some data analysis to get this information.

Content for these triggered emails is important to improve the chances of conversion, and this is where the more information you have about the recipients the better. This can either be gleaned by the use of preference centre data, or from their recent browsing behaviour.

The use of triggered email campaigns and segmentation is discussed in more detail in the DMA white papers, *Trigger based email marketing* and *A guide to Data analysis and segmentation*.

Case Study: Budget (Triggered Email Campaign)

- Average open rate: 44%
- Average conversion rate: 14%
- ROI: 1463%

Campaign managed by RedEye (www.redeye.com)

Case Study: Haven (Triggered Booking Abandonment Campaign Based on Search Activity)

- Average open rate: 54%
- Average click through rate: 53%
- ROI: 2815%

Campaign managed by RedEye (www.redeye.com)

3. Retention

First sale

They've made the leap of faith that has led to them to becoming a fully fledged first time customer. Now it's time to treat them as such, thank them for the sale, welcome them as a customer, and tell them you'll be in touch to let them know of other great things they might want.

But before launching into a focused and intense programme of email communications, it is important to consider some of the challenges that face the email marketer and the battle for attention in the inbox. Email is one of the most effective online media for communicating with your customers, but only if you are going into the inbox. So the challenges have become not only devising effective emails campaigns, but also ensuring your place in the inbox remains protected.

Recently ISPs have been putting in place certain filter and processes to help recipients manage their inbox. The result is emails that are ignored or not acted upon by the recipient become low priority, and can even end up in the junk folder. This is not good news to the marketer and should be avoided at all costs. This means that once the first sale has been made, the subsequent email communications should be welcomed by the recipient, increasing engagement with the brand, and improving the chances of further purchases.
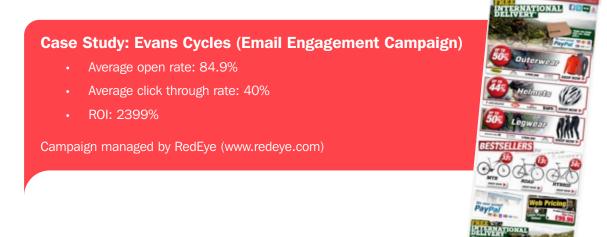
Objectives for retention programmes

- Promote cross selling opportunities for related products and services

- Promote new product releases and updates

- Encourage repeat purchase

- Increase the customer familiarity with the brand

- Maintain contact and promote dialogue (surveys and competitions).

The first sale is also a powerful time to invite your customer to join your social media programmes, following you on Twitter or "friend-ing" or "liking" you on Facebook. This is also a good time to offer the new customer the opportunity to introduce your company to their friends, using a forward to a friend email. Please see the *DMA Email marketing best practice guide* for the rules on using forward to a friend functionality.

New customers tend to be open to investing more time in surveys and sharing data with you. This makes a post-purchase email programme very effective, it's an ideal time to gather more information and add value to the existing data. It is surprising that the welcome email sent after a purchase is made, can often generate immediate extra revenue.

These emails certainly require you to know if someone has purchased or not, so the objectives of these emails should be different.

Case Study: Evans Cycles (Email Engagement Campaign)
- Average open rate: 84.9%
- Average click through rate: 40%
- ROI: 2399%

Campaign managed by RedEye (www.redeye.com)

Single buyer

These people already have a relationship with you, even though it's one sale. Email communication should always acknowledge this previous purchase and encourage the second purchase. Although this seems to make sense, how many email programmes use this information? This is one of the most difficult stages to properly manage; because you don't yet know how good a customer they might be and how often they will be repurchasing.

It is important to use care when deciding the email frequency that people are likely to want. The power of direct marketing via email is in its ability to influence. It can only do this if the recipient has not unsubscribed or complained. Numerous recent studies have cited over mailing and irrelevant content as the key motivators for unsubscribing (*DMA data tracking study*). This is where you need to start looking at the response data, like opens, clicks and site visits, to give you a clue as to how active the user is likely to be. Look at how recently they have opened and clicked an email. If they have stopped engaging with your communications, frequency could be the problem. Reduce the frequency of email communications for those who are not showing any intent to purchase or are not engaging with your emails. Your customers are going to be happier seeing you in the inbox, if your frequency of sending them email, more closely matches their level of interest.

Repeat buyers

These customers have made a second purchase but are not yet being classed in the top value segment. The fact they have made a second purchase means they are more likely to make a third purchase (depending on product or service lifecycle).

The objective for this stage should be to improve loyalty and although they have made more than one purchase, they are not yet classed as loyal (loyal customers are generally your most recent, frequent and valuable purchasers).

It is also worth considering that depending on your product or service, some customers might consider themselves to be loyal, even if their current purchase behaviour does not put them at the top of the tree regarding value.

Be careful not to over mail this group of customers.

It is also very important to consider the product or service lifecycle, and think carefully about the frequency people are likely to be repurchasing at. If you sell high-value products they may only purchase once or twice a year but could still be a loyal customer. A low-value product or consumable could be purchased more than once a month.

VIPs

These are the multi-purchasers, buying from you several times, and recently! They will be the most recent and frequent buyers of your product, and they will expect you to know and acknowledge that fact. Simply giving them a status that reflects this is a good starting point. Your loyal customers could be known as your VIP club or something similar to reflect their status.

These customers love you, they like your products and services, they even like your emails! Using online engagement and RFM models frequently demonstrates there is strong correlation between online engagement (visits, opens, and clicks) and the revenue this group of people generate. If you are going to invest any money in clever segmentation and tailored content, this is the group that will show you the highest return. It's far easier to keep a customer, than trying to drag them back once they have gone to the competition.

This is also the group who will most likely accept the highest frequency of emails (as long as the content is relevant), but be very mindful if they stop opening/clicking that you are able to reduce email frequency, as it could turn into an expensive unsubscribe.

The VIPs are also likely to be your most active ambassadors for your brand. Specific campaigns to these people inviting them to recommend your goods or services, not only gives you new prospects, but can also help reinforce engagement with your brand.

Data requirements

To build the segmentation for these active buyers, the following data on the recipient would be useful, and allows you to define the stage of the lifecycle they are in, how engaged with communications they are, etc. This will allow you to define the best frequency for emails, and the browsing and click category data will enable you to choose

the most relevant content. Although this data can be used at any stage of the customer lifecycle, it is more likely to have the greatest impact on the customers who have the greatest potential value, achieving a better ROI for your segmentation efforts.

- Transactional history (RFM)

- Browsing behaviour (content of website, recency)

- Click data (categories of links clicked, recency)

- Email engagement data (opens, clicks, recency)

4. Win-back

Despite your best efforts some people will inevitably stop buying from you, and/or stop opening your emails. There is certainly value in treating these people differently in an attempt to either buy more products or at the very least, get them to open your emails again.

It doesn't look good at this stage and many of these people will never come back but it is important to look at ALL the data before retiring the email address to the "dead" pot.

Ignoring emails, but still a live customer

Watch this one, they could simply be suffering from too much marketing attention and have relegated the emails to the junk folder or a special folder that they will ignore anyway. Don't say goodbye to a customer who is still buying from you. They may have started to use another email address, so allowing them to lie fallow for a month or two, then sending them an email with quality content or a strong offer might reactivate them.

This is also the time to use the secondary email address in an attempt to re-engage them.

For some businesses, it is financially viable to use another media such as direct mail or a call centre to contact high-value customers to update their email address and reaffirm email address and permission.

Open and click emails, but are lapsed customers

There are lots of reasons why someone might have stopped buying from you for now, but it should certainly not stop you from sending them emails, especially if they are actively opening and clicking them!

Look on each bit of email activity from a customer as a positive vote, even if they are currently not buying from you. If they are still engaged with your communications they are more likely to become a live customer again if they are ever in the market for your goods or services.

Keeping them engaged

If changing communication strategy does reactivate them, it is highly likely that either the content or the frequency of previous emailing caused them to lose interest. If this is the case, sending them back into the same programme that caused them to ignore your emails might do more harm than good.

Developing a separate strategy for this "reactivated" segment of people will improve the overall responsiveness of your list, as you will be sending emails to people at a frequency their behaviour suggests they prefer.

This is a good scenario to run split test programmes (read the *DMA guide to split testing*) on this reactivated segment, to determine the frequency and the content that will keep this segment engaged, tested against those who have been reactivated and gone back into the main email programme.

The DMA has also written an Email creative white paper that will help you in developing email templates that engage your audience, and ensure they keep opening your emails.

Case Study: Envirofone (Email Re-Engagement Campaign)

By cleansing its database and segmenting users based on their level of engagement, Envirofone almost doubled the percent of users opening emails.

53% of Envirofone's trade value is now generated by customers that engage with email.

Campaign managed by RedEye (www.redeye.com)

They have ignored emails for a long time, they are a lapsed customer

They've gone, you need to accept it and take it on the chin. Despite all the best intentions of your marketing efforts, they are just not interested in you anymore. It's easy to spend time and effort for little or no return just to keep them on the database.

Email database size is a meaningless Key Performance Indicator (KPI). The key KPI is the size of your database that is engaged with you via email, you need quality not quantity. So, let them go, don't become the email equivalent of a stalker!

About the DMA

The Direct Marketing Association (DMA) is Europe's largest professional body representing the direct marketing industry. With a large in-house team of specialists offering everything from free legal advice and government lobbying on direct marketing issues to research papers and best practice, it is always at the forefront of developments in the industry.

The DMA protects the direct marketing industry and consumers. It promotes the highest standards through self-regulation and lobbies against over-regulation. The DM Code of Practice sits at the heart of everything we do – and all members are required to adhere to it. It sets out the industry's standards of ethical conduct and best practice.

Our 16 DMA Councils cover the whole marketing spectrum – from the digital world of social media and mobile marketing to the 'real' world channels of door drops and inserts. The Councils are made up of DMA members and regularly produce best practice and how to guides for our members.

We also have a packed calendar of conferences, workshops and discussions on the latest topics and best practice, and 80% of them are free for members and their staff.

As the industry moves on so do we, which is why we've recently launched a number of new services for our members – a VAT helpline, a Social Media Helpdesk and an IP Protection Service.

Visit www.dma.org.uk regularly to keep up to date with all our services.

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