HOW TO AVOID EMAIL FATIGUE:

The 4-step process to determine the cost of over-contacting customers

by Suzanne Cashman Rain

How much revenue is your email cadence sacrificing?

Many companies see email marketing as an inexpensive way to reach their customers. Today, the prevailing attitude toward email is that because it's basically free, sending more can only have an upside.

Over-emailing reduces engagement and revenue per customer—two things near and dear to every brand. Through a number of quantitative studies, we now have proof that there is indeed a sweet spot for each brand—and that emailing over that sweet spot actually hurts business.

Todd Thompson
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OVERVIEW

Treating customers in a respectful, personalized way that speaks to their needs is not new thinking.
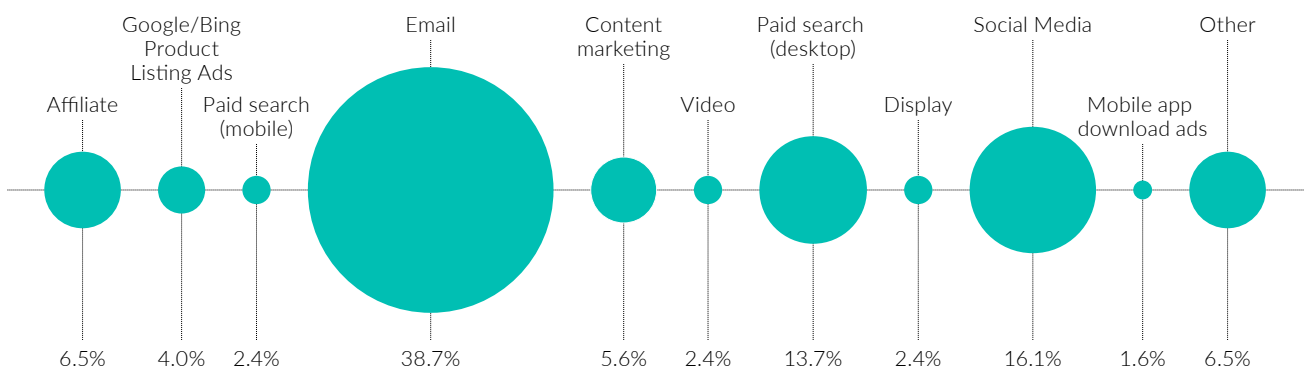
For years, we've customized landing pages, served reactive ads, adapted to social context, and optimized direct mail.

What about email? And why are so many companies continuing to blast emails indiscriminately?

In sales-driven cultures, too many brands are failing to recognize lost future revenue in the focus to hit next week's numbers. The push to "mail deep, mail often" can override those voices of reason who are proponents of a more considerate customer experience.

Quantifying the cost of non-optimal experiences can help bring teams back to a more cohesive view of customer contact. This is particularly true in an email-centric environment.

COMPARING MARKETING CHANNELS RETURN ON INVESTMENT

Affiliate	Google/Bing Product Listing Ads	Paid search (mobile)	Email	Content marketing	Video	Paid search (desktop)	Display	Social Media	Mobile app download ads	Other
6.5%	4.0%	2.4%	38.7%	5.6%	2.4%	13.7%	2.4%	16.1%	1.6%	6.5%

Source: *Internet Retailer:* "Second Annual Digital Marketing Survey"

WHAT YOU'RE ABOUT TO READ

This paper outlines one case study to estimate the impact of a traditionally loosely controlled email stream. The company studied is an international B2C retailer that sells through multiple channels, online and offline.

Within the company, emails were managed through multiple departments, which lead to different customer frequencies that ranged from three or four emails a week to almost daily. There were even some instances in which customers were emailed multiple times on a given day.

The company followed a four-step process to quantify the correlations between email frequency and email fatigue, ultimately determining the cost of over-contacting:

RECOGNIZE that your current customer base is already a reflection of your contact stream.

REVIEW the value differences between positively engaged customers and other segments.

UNDERSTAND the relationships between contact frequency and sales, frequency and engagement, and frequency and opt-outs (aka unsubscribes)

SUMMARIZE the revenue gap.

The results were used to pull various stakeholders together and emphasize the need for a well-constructed and controlled customer experience, one in which email marketing plays a significant role.

RECOGNIZE

Your Current Customer Base is a Reflection of Your Contact Stream

One of the keys to quantifying the impact of email cadence includes realizing that your current pool of long-standing customers is "polluted" or biased from an experimental design perspective. Simply beginning to run tests on your existing customer base for email frequency is working with a group that has already made some decisions about your communication strategy.

If your brand emails at a relatively high frequency, those who are in your pool are the ones who have already survived this treatment and are not overly sensitive to it.

What about all of the customers who decided early on to disengage with your email program because they did not find it was valuable to them?

Our research shows that customers are far more likely to unsubscribe from your email stream early in their relationship with you. More than 60% of people who unsubscribed in the first 90 days did so within the first month.

Additionally, opt-outs should be cross-referenced with customer tenure and email sequence number. A steady stream of emails sent to tenured customers does not highlight this behavior.

QUESTIONS WORTH ASKING:

Is your brand already aware of and studying this type of behavior? Are you customizing emails during the initial engagement period to thoughtfully build a new customer relationship? Or do you automatically add customers to a mainstream approach?

FROM OPT-IN TO OPT-OUT

Y-axis: Percent of 90 Day Opt-outs (0 to 7%)
X-axis: Days After First Purchase (10 to 90)
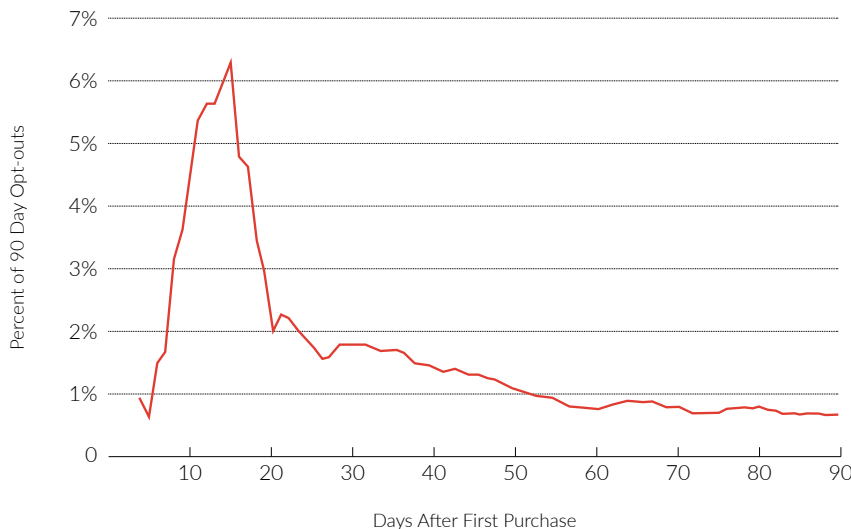
Likelihood to unsubscribe is very high within the first 20 days. After one to two months this sensitivity levels off.

While no single email proved responsible for a considerable population level opt-out, our B2C retailer observed 9% of all new customers were opting-out within 30 days of the first purchase.

Identifying the Soft Opt-Out

Furthermore, there is a significant segment of customers who choose not to engage with your email marketing stream whatsoever. This segment does not open or click—or even actively unsubscribe.

We refer to them as "soft" opt-outs. Common indicators of this group include those who:

- Are not compelled by the call to action
- Auto-filter emails
- Own a non-attended email account

Similar to "hard" opt-outs, this is a heavily patterned behavior. With each passing non-engaged email, the likelihood of future engagement drops. Opportunities to capture a customer's interest and show relevance are clearly strongest early in the relationship. See graph below.

This group of non-engaged customers is much larger than the opt-out group. In this case, a full 37% did not engage with any email within the first 30 days. After that period, their likelihood of ever engaging has fallen dramatically.
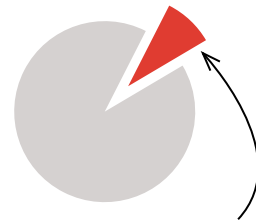
Considering the typical cost to acquire a customer, 9% is a sizable portion to lose a primary form of contact with.

EMAIL ENGAGEMENT OVER TIME
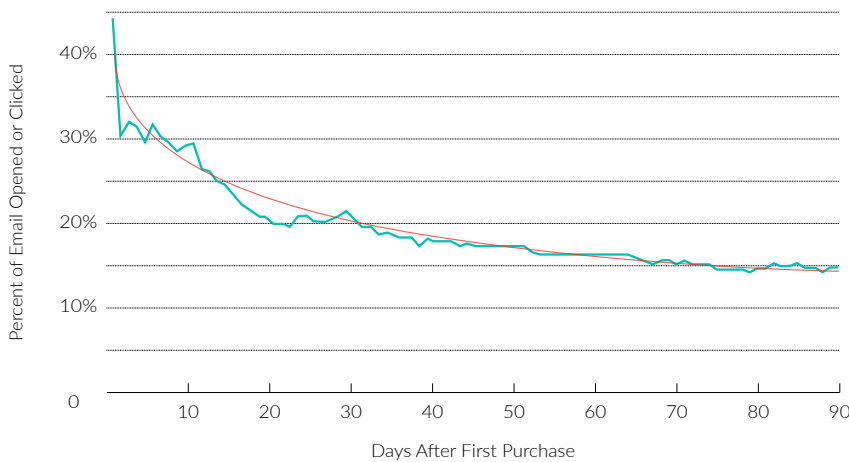
A logarithmic line fits nicely over the patterned email engagement behavior. Note: emails which had an unsubscribe were deleted from the consideration group.

REVIEW

Value Differences Between Positively Engaged Customers and Other Segments

Having established that there is a group of customers who are likely to disengage early in your relationship, a customer's first month behavior can be categorized by placing them into one of three groups:
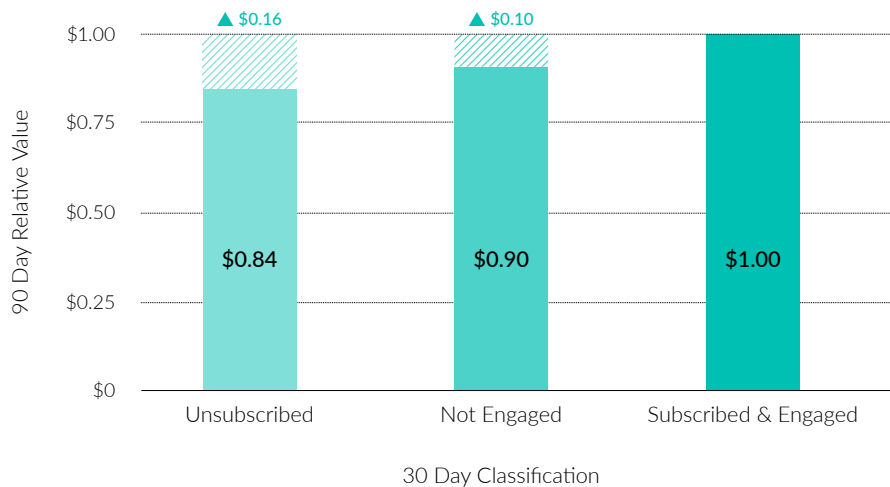
1. Customers who opt-out
2. Customers who do not engage
3. Customers who engage

Comparing these mutually exclusive groups on key metrics over the first 3 months of a customer's relationship, we found:

- Opt-outs spend $0.84 per every dollar spent by an engaged, subscribed customer.
- Non–engaged customers (soft opt-outs) are spending $0.90 against the same group.

For opt-out customers, the difference in value is primarily driven by both a lower repeat purchase rate and lower total number of visits among those who do repeat. The value drop observed by the non-engaged group is driven by those same elements but also includes a lower basket purchase amount.

VALUE DIFFERENCES IN FIRST 90 DAYS

Chart: 90 Day Relative Value (y-axis, $0 to $1.00) by 30 Day Classification (x-axis).

- Unsubscribed: $0.84 (▲ $0.16)
- Not Engaged: $0.90 (▲ $0.10)
- Subscribed & Engaged: $1.00

UNDERSTAND

Relationships Between Contact Frequency and Sales/ Engagement/Opt-Out

Recognizing that there is a significant value difference in customers who open/click vs. opt-out or take no action, it becomes clear that customizing our messaging to yield positive engagement is more than just feel good customer service. It is a financial investment.

Ideally, this is where some clean, thoughtful experimental design will come into play. Yes, it may require additional time and a broader buy-in across the company, but sizing the opportunity may help to bring that broader commitment.

A good place to start? Looking at relationships of past frequency and responsiveness can give guidance on the size of the opportunity.

Frequent emails may not really be driving as many sales as brands believe.

Many companies still measure email sales by looking at email conversions—customers who purchase online after clicking on an email link. Realistically, some of those customers were headed to your store anyway; some of them were inspired by your email and went into a retail store instead.

If your campaigns are still tracking based on click or cookie conversions, you are missing these important variables.

For our retailer, measures were taken from new customer groups over time. These groups had varying contact frequencies. First 30-day contact frequency correlations with the following were calculated: customer purchase rates (rather than email conversions), email engagement, and opt-outs.

The results were:

	R^2	Interpretation
Purchase Rate	0%	No relationship
Engagement	2%	Very weak positive relationship
Opt-Outs	38%*	Clear positive relationship

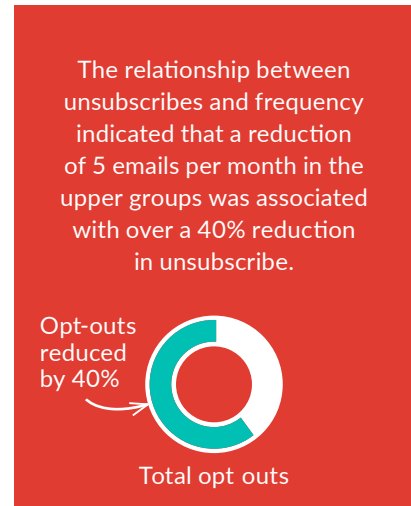*In some subsegments, the unsubscribe correlation was over 70%.
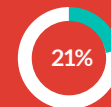
While email frequency had a strong relationship with unsubscribes, the relationships with engagement and purchase were tiny to non-existent.

Note: This was a retrospective study with a typical business practice established of minimum and maximum cohort email frequencies.

Frequencies generally ranged between 11 and 20 emails per month.

What about increasing engagement? If there is little to no relationship with frequency, where can testing focus? While reducing opt-outs may lead to limiting email frequency, the need to increase engagement requires the content of the allowed touches to be notably better personalized.

In addition, there are some email engagement approaches designed specifically to encourage customer interaction as opposed to only sales. Utilizing these engagement-centered creative tactics has shown to double engagement rates against audiences who have been otherwise quiet.

The relationship between unsubscribes and frequency indicated that a reduction of 5 emails per month in the upper groups was associated with over a 40% reduction in unsubscribe.

Opt-outs reduced by 40%

Total opt outs

SUMMARIZE

The Revenue Gap

Despite evidence proving email strategies can significantly influence a customer's email engagement and continued subscription, some internal groups may still be hesitant to limit contact even to test groups.

Using the data gathered regarding the size of the classified populations and the revenue differences, a business case can be made to quantify the bounds of the potential negative impacts of non-optimal email stream management.

	Engaged and Subscribed	Non Engaged	Unsubscribed	Total
% of population	54%	37.2%	8.8%	100%
% of 90-day target value	100%	90%	84%	—
% of target revenue achieved*	54%	33.5%	7.4%	94.9%
Opportunity	—	3.7%	1.4%	5.1%

*% of target revenue achieved = % of population × % of 90-day target value.

In this example, combined revenue opportunities in unsubscribed and non-engaged populations indicated an opportunity for increased sales as large as 5%. This is the observed revenue difference against the engaged and subscribed population within 90 days.

The lower repeat rate in the unsubscribed and non-engaged groups is anticipated to grow that gap even larger over time.

Building strategies to funnel as many customers into the engaged and subscribed group as possible can have a large financial impact on future sales.

SUMMARY

The cost of over-contacting is not the pennies on wasted execution. The cost of over-contacting is lost opportunity to meaningfully engage with your customers before email fatigue sets in and removes them from your marketing reach—ultimately, leading to lost future revenue.

While the nature of this study quantifies correlations and is not the result of experimental design, our approach gives some approximation to the potential size and cost of not working diligently to optimize email communications.

The next time you find the need to speak out against excessive, poorly-planned emailing—and encourage buy-in from a wider group of leaders—lean on this study as a resource equipped with changes to consider.

Optimizing your email stream involves looking deeply at segments of your population, testing, measuring, and testing again.

Next Step: Schedule an Email Fatigue Analysis

At RRD Marketing Solutions, our team of experienced analysts can analyze your email program as a whole or by specific campaign. Our comprehensive Email Fatigue Analysis will define and assign negative costs for opt-outs and positive values for conversions. Additional deliverables include:

- Series of predictive models
- Set of monthly reports to summarize data
- Actionable recommendations for optimization

The Data & Marketing Association conducted a survey of U.S. marketers and found that email had a median ROI of 122%—more than four times higher than any other marketing formats examined.

Email's low cost, high return nature has a tendency to give marketers the green light to over-communicate without realizing the damaging effects.

It's time to optimize your email send rate for maximum return, leverage best practices for a positive customer experience, and make data-driven decisions about your email strategy.

An Email Fatigue Analysis can bring these goals to fruition by quantifying the impact of over-contacting and opt-outs, and then determine the relationship between them.

It's time to optimize your email send rate for maximum return, leverage best practices for a positive customer experience, and make data-driven decisions about your email strategy.

It's the age of the customer. More than ever before, consumers are at the heart of marketing strategies and messaging. They're informed and empowered, and they have high expectations for a personalized experience.

RRD Marketing Solutions helps brands optimize engagement with their customers across all touch points—online, offline and onsite. The group activates marketing resources in the most impactful way, through a combination of predictive insights, inspired content and meaningful interactions.

Our analytic consulting work drives and validates customer engagement strategies. Ranked highest among all customer insights service providers in "Analytics and Measurement" by Forrester Research, we help clients effectively acquire, engage and retain their most profitable customers.

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