

## VENDOR RESEARCH

# STRONGMAIL



# THE MATURATION OF E-MAIL

Controlling Messaging Chaos  
Through Centralization

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**Vendor Research**

**SEPTEMBER 17, 2007**

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## **Controlling Messaging Chaos Through Centralization**

The increasing number of companies making e-mail a central part of their online strategy is driving the volume of e-mail messages higher. A recent StrongMail/JupiterResearch executive survey found that 93 percent of executives stated that their company has deployed some type of e-mail marketing solution, creating an influx of messages that consumers are certainly feeling. Permission e-mail marketing now accounts for 27 percent of the e-mail consumers receive in their primary personal inboxes, up from 16 percent in 2003.

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# Introduction

## E-mail Usage Is Mainstream Despite Its Flaws

E-mail is an embattled communication medium because its dependability and trustworthiness are challenged every day by spam, viruses, phishing attacks, and even the often-erroneous filters that dress the wounds of the flawed simple mail transfer protocol (SMTP).

The increasing number of companies making e-mail a central part of their online strategy is driving the volume of e-mail messages higher. A recent StrongMail/JupiterResearch executive survey found that 93 percent of executives stated that their company has deployed some type of e-mail marketing solution, creating an influx of messages that consumers are certainly feeling. Permission e-mail marketing now accounts for 27 percent of the e-mail consumers receive in their primary personal inboxes, up from 16 percent in 2003.

Messages with ill intent are also up: ISPs are reportedly blocking billions of messages, often catching legitimate messages in their web. E-mail marketers are poised to waste \$105 million dollars in 2007 on messages that are sent but erroneously blocked.

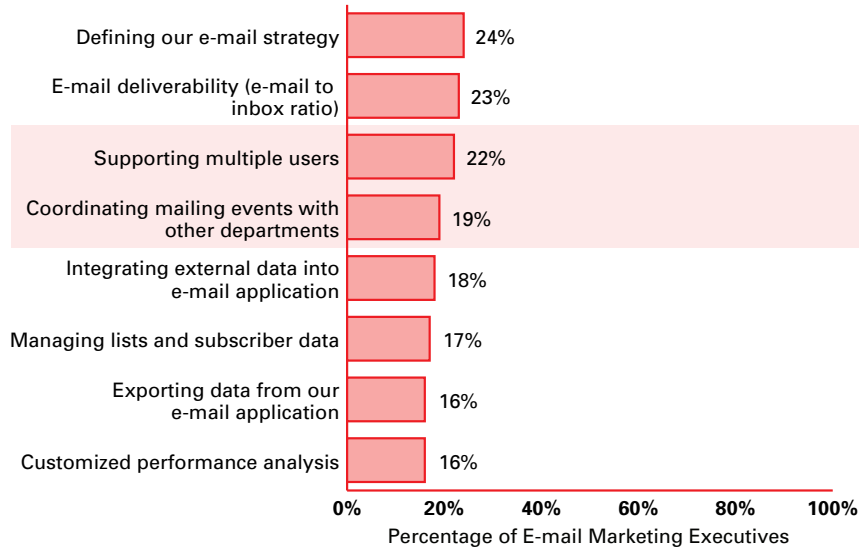
## Without Centralization, the Market Is Poised for More Chaos

As marketers begin to slowly adopt tactics such as targeting to improve the relevance of their mailings, the use of e-mail throughout the enterprise is also increasing. However, many companies are not yet centralizing their e-mail initiatives, and even fewer maintain rules to control message frequency, analyze subscriber behavior, and coordinate their messaging initiatives across channels and business units. While the market will continue to expand, this lack of sophistication and centralization will amplify the volume of messages that subscribers receive. Without centralization, marketing strategies will be undermined to the detriment of their brand. This research brief provides insight into the current state of messaging deployments and guidance for how enterprises can best organize their e-mail initiatives.

# E-mail and the Organization

## Beyond Strategy Concerns, Coordinating E-mail Across the Organization Is a Top Challenge

**Fig. 1 Most Important Challenges When Working with E-mail**



Question: From the following list, indicate the most important challenges that your business unit faces when working with e-mail. Select up to three. (Only selected responses are included. Options with response rates lower than 16 percent have been removed.)

Source: StrongMail E-mail Marketing Executive Survey (4/07), n = 200 (e-mail marketers, US)

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Executives are challenged to develop an e-mail strategy and continue to be confounded by e-mail deliverability issues. However, almost an equal number of respondents to a StrongMail/JupiterResearch executive survey cite multiple user support and enterprise coordination of e-mail mailings among the most important challenges they face when working with e-mail. While e-mail deliverability issues can be remedied through infrastructure and the implementation of tactical processes, such as regular mailing list hygiene practices, developing an e-mail strategy requires consensus across the organization. A common strategy cannot be fully realized without enterprise coordination and consensus, and the importance of centralizing e-mail efforts cannot be overemphasized. Executives are clearly beginning to feel challenged in their ability to optimize mailing effectiveness and efficiencies, in part due to the lack of centralization and messaging coordination.

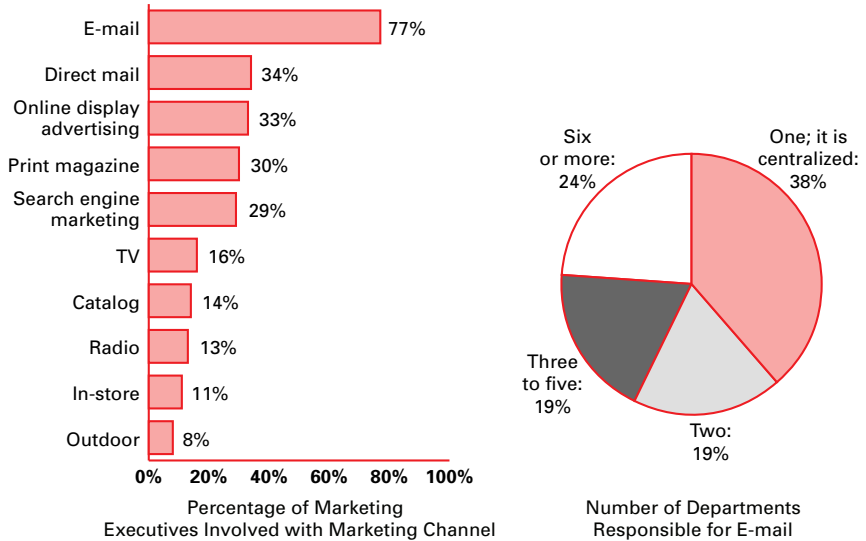
## As Marketing Involvement Grows Beyond E-mail, It Will Further Amplify Decentralization Challenges

**Fig. 2 Executive Involvement with Marketing Channels and Number of Departments Responsible for E-mail**

Question: Which of the following marketing channels are you involved with at your company? Select all that apply. How many departments are responsible for e-mail communications from your organization? Select one. (Only selected responses regarding channel involvement are included. Responses citing Other and None have been removed.)

Source: StrongMail E-mail Marketing Executive Survey (4/07), n = 200 (e-mail marketers, US)

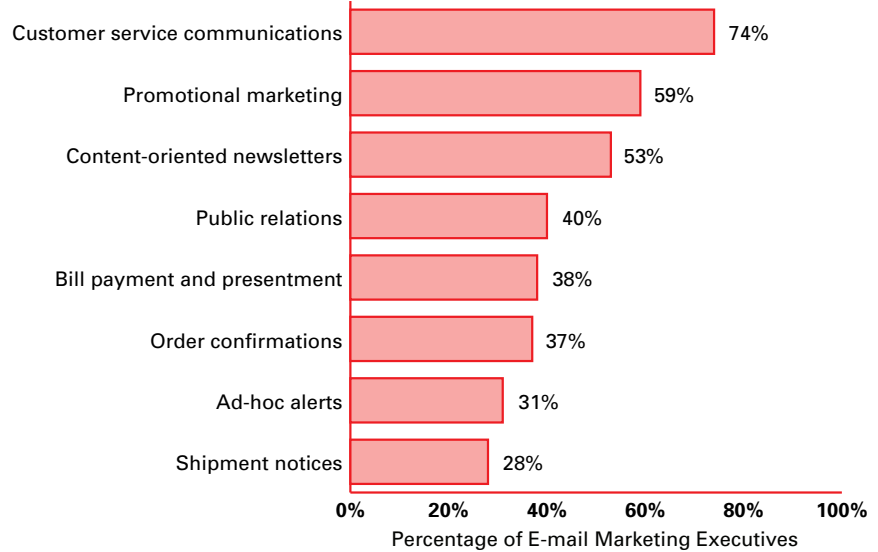
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E-mail is clearly no longer an island unto itself, and the days of batch-and-blast marketing are gone. Executive involvement with marketing is growing beyond e-mail, with as many as one-third of respondents to the recent survey citing involvement with e-mail, direct mail, and online advertising. Other media, such as radio and outdoor advertising, remain more specialized and will probably be siloed from e-mail and other forms of direct marketing for some time to come. While the silos between marketing channels are dissipating and the notion of integrated multichannel marketing is en vogue, the coordination and oversight of e-mail as a medium itself remains disjointed. Just 38 percent of executives stated their e-mail messaging endeavors are centralized in one location, with 24 percent citing that six or more departments manage it separately. Such a lack of coordination and centralization often leads to over-mailing subscribers and messages that lack a consistent tone in branding and style. Moreover, the prevalence of such a splintered e-mail infrastructure can lead to delivery issues, as incorrect mailing practices by one department could potentially taint the reputation of another. If not coordinated, this decentralization will be further amplified as e-mail messaging becomes more integral to the multichannel strategy.

## E-mail Is a Mission-Critical Tool, Addressing Multiple Needs and Opportunities

**Fig. 3 Applications of E-mail**



Question: For which of the following applications does your company use e-mail as a tool to interact with your clients, prospects, and partners? Select all that apply. (Only selected responses are included. Responses citing Other have been removed.)

Source: StrongMail E-mail Marketing Executive Survey (4/07), n = 200 (e-mail marketers, US)

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E-mail is a mission-critical tool, serving multiple needs of the organization and the customer. E-mail is most commonly used for customer service communications, although many companies have yet to optimize their e-mail customer service operations, according to a December 2006 JupiterResearch study that found that 41 percent of companies took three days or longer to respond to service-related e-mail inquiries, or simply did not respond at all. Beyond customer service, e-mail serves many needs, from promotional marketing to corporate communications and transactional messages. However, again, e-mail is not a centralized or coordinated activity. For example, customers using e-mail to complain to customer service might also be receiving promotional messages or newsletters at the same time. If organizations centralized their e-mail messaging, rules could easily allow for disgruntled customers trying to remedy a service issue to be pulled out of promotional mailings, at least until the clients' issues are resolved. Centralizing e-mail under one infrastructure would also allow confirmation notices to be leveraged for promotional purposes.

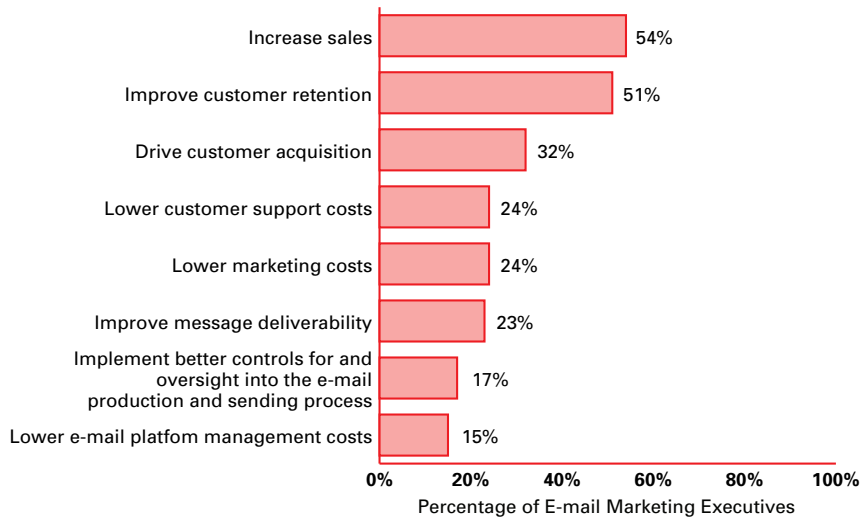
## Marketers View E-mail as a Central Driver of Increased Revenue and Retention

**Fig. 4 Twelve-Month Goals to Be Achieved with E-mail**

Question: What are the top goals that your organization is aiming to achieve with e-mail within the next 12 months? Select the top three. (Only selected responses are included. Options with response rates lower than 15 percent have been removed.)

Source: StrongMail E-mail Marketing Executive Survey (4/07), n = 200 (e-mail marketers, US)

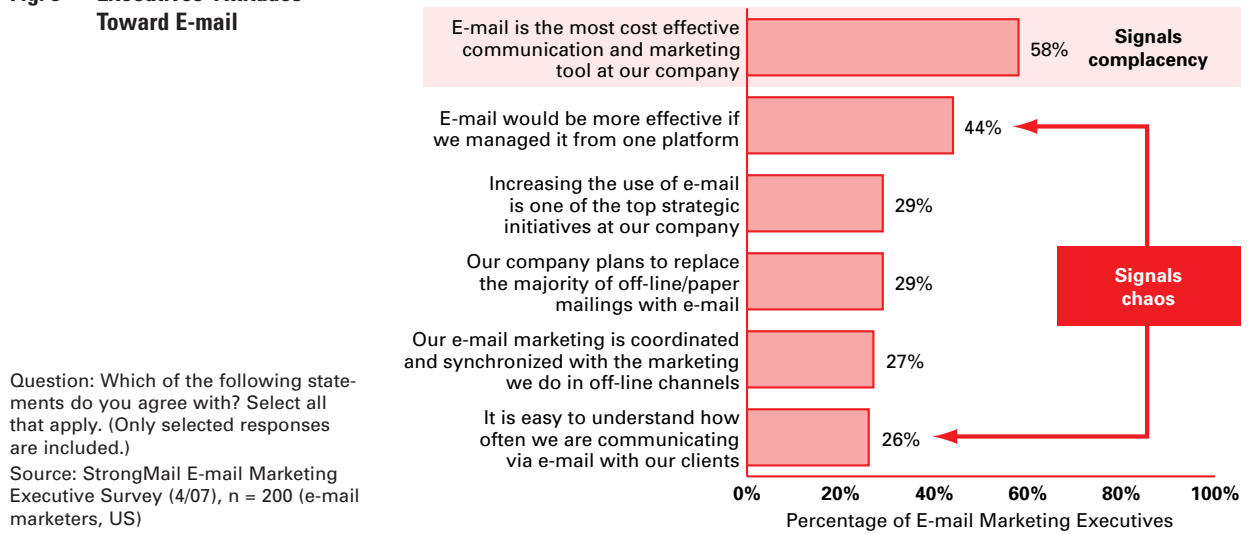
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Executives responsible for e-mail cite increasing sales, retention, and customer acquisition as the top goals for their e-mail initiatives over the next 12 months. While rallying around e-mail to drive revenue is a common and worthy goal, far fewer executives are focused on strategic and tactical initiatives such as implementing sending controls and general production oversight. In order to maximize mailing performance, marketers must balance the desire to drive revenue, retention, and acquisition with the need for tactics such as monitoring message frequency and targeting. Overall, 48 to 50 percent of online users who sign up for marketing offers make purchases every year prompted by the e-mail promotions that they receive; however, according to previous research by JupiterResearch, marketers that implement targeting controls and leverage behavioral data are much more effective than are marketers that simply broadcast the same message to all subscribers. Companies must begin the process of centralizing all of their e-mail communications to develop a more accurate picture of how their subscribers respond to various messages as well as maintain controls to ensure that consumers are not overloaded by messages.

## Decentralization and Lack of Oversight Are Major Threats to E-mail Cost Efficiencies

**Fig. 5 Executives' Attitudes Toward E-mail**

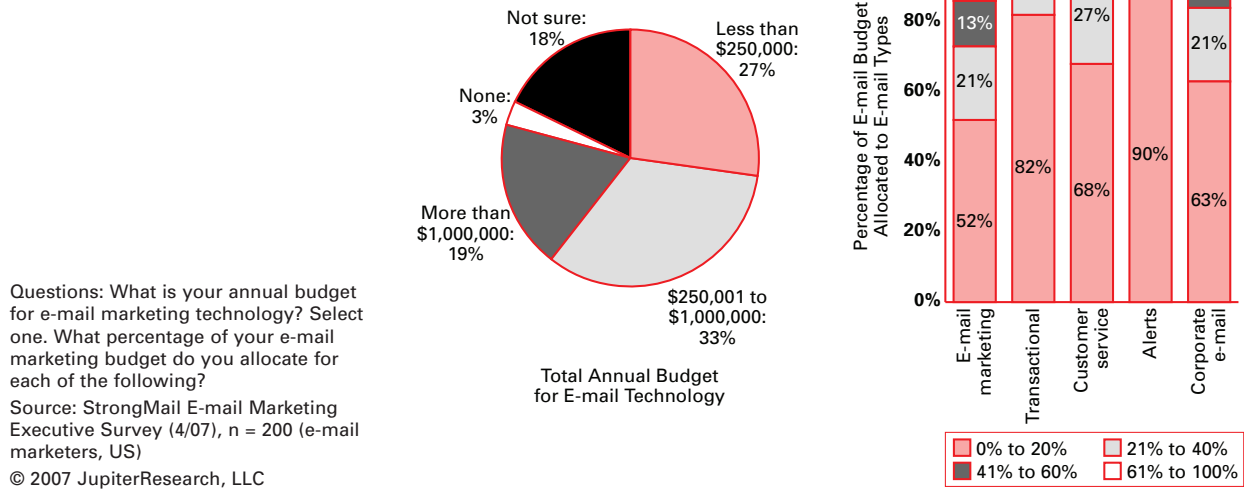


While marketers agree that e-mail is the most cost-effective communication and marketing tool available, such an attitude often signals complacency. Marketers typically have not invested in the appropriate targeting and optimization tactics, such as testing, because many feel that the return they get from their e-mail investment is already optimal. However, such a belief is dangerous: Consumers cite non-relevant e-mails and message frequency as the top reasons why they unsubscribe from a mailing.

The cost efficiencies of e-mail can quickly dissipate if companies dismiss these consumer attitudes or lack the insight into message frequency and targeting. In fact, many executives (44 percent) are aware that e-mail would be more effective if it was managed from one platform, and just 26 percent agree that it is easy for them to understand how often they are communicating with their clients. Such attitudes underscore the chaotic manner in which e-mail is currently managed and, again, signals that organizations would benefit from a centralized e-mail infrastructure, which would provide control and oversight for all of an enterprise's e-mail communications. Companies must begin to align their e-mail spending and infrastructure in order to not only leverage additional cost efficiencies but also allow for more rigorous control of messaging across the enterprise.

## Few Marketers Are Willing to Marry the Necessary Budget Dollars to the Strategic Importance of E-mail

**Fig. 6 Annual E-mail Infrastructure Budgets and Allocations to Messaging Types**

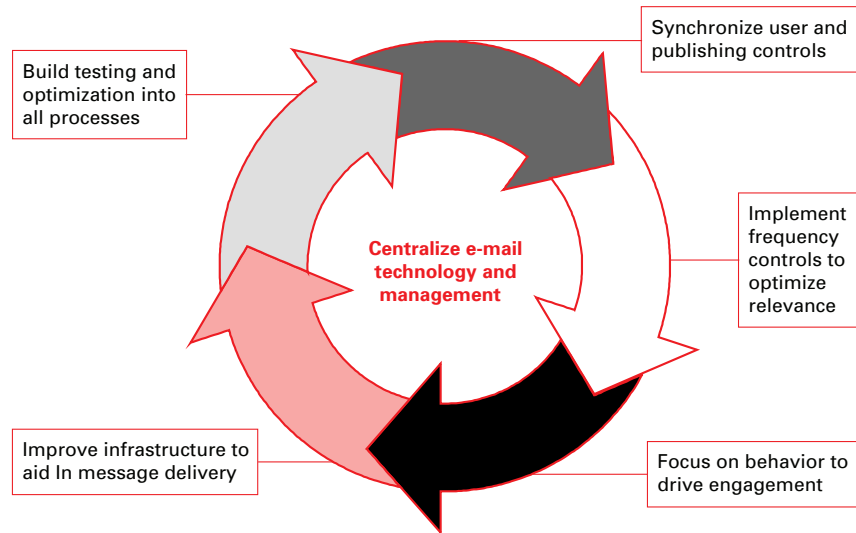


Despite the importance that marketers place on e-mail and the strategic goals they have for it, few companies are appropriately investing in the channel. Just over one-quarter (27 percent) of the executives surveyed budget \$250,000 or less annually for their overall e-mail infrastructure; 52 percent stated that e-mail marketing only accounts for 20 percent or less of those budget dollars. Moreover, most companies have yet to deploy a commercially available enterprise-class e-mail system, with 31 percent of companies surveyed using a homegrown application for their e-mail marketing needs. Homegrown solutions are typically based upon e-mail servers and appliances that are ill-equipped to provide the application functionality, including deliverability and frequency controls, targeting, and measurement insight, that commercial applications provide. One-third of executives surveyed work with an outsourced provider, and 30 percent use an on-premises packaged application. Given the disparate manner in which e-mail is currently managed as well as the paltry budget dollars that are often assigned to this critical messaging medium, marketers must work to centralize their efforts as well as align infrastructure and labor resources to align with the importance of the channel. Special attention should also be paid to the recurring costs associated with using an outsourced provider compared with the larger upfront cost of using an on-premises packaged solution.

# Mandate for Leveraging E-mail Strategically

## Centralize E-mail to Build Efficiencies and Maintain Control

Fig. 7 Steps to Optimize Mailing Practices



Source: JupiterResearch (9/07)  
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Companies must centralize e-mail technology and management to assert stronger control over and more effectively refine multi-department mailing coordination, frequency controls, deliverability and message bounce handling, list management, use of messaging to meet multiple company goals and purposes, and oversight of the production process.

Accordingly, executives implementing a centralized e-mail messaging platform must deploy the following tactics to ensure the investment is being properly leveraged and optimized:

- **Synchronize user and publishing controls.** Seek out a platform that allows different users to have different rights and privileges across a wide set of message types (e.g., transactional, promotional, or service). It is imperative that companies control e-mail and manage the ability for users to send e-mail messages, all while adhering to the federally prescribed Can-Spam rules. Such an approach not only mitigates these legal risks, but also allows the organization to leverage the investment in terms of scale and usage throughout the organization.
- **Implement frequency controls to optimize relevancy.** Frequency must become the arbiter of relevance; companies must commit to limiting their customer e-mail communications to a certain number each month. They must think of e-mail frequency and the associated mailing as inventory. Take into account all transactional, service-related, and relationship-oriented e-mail and determine the number of promotional messaging opportunities that exist each month for every subscriber segment. Leverage e-mail goals, such as viral campaigns, account

reactivation, and conversion, into all messages—particularly transactional messages, which JupiterResearch finds often go underutilized.

- **Focus on behavior to drive engagement.** Marketers must begin to use subscriber behavior to tailor the tone, content, and frequency of their messages. Previous research by JupiterResearch has found that more than two-thirds of marketers do not use click-through data as an attribute by which to target subscribers. Additionally, marketers that do target subscribers by behavior generate mailings that are an average of nine to 10 times more effective than are mailings that are simply broadcast. Past behavior is the best predictor of future behavior, and executives must begin to leverage this in their messaging strategy.
- **Improve infrastructure to aid in delivery.** E-mail delivery is becoming more complex everyday. ISPs and corporate mail gateways alike are constantly tweaking their rules to limit the amount of e-mail they receive, and they are always adjusting their spam algorithms. In order to maximize message delivery, it is important to implement improvements that can be more easily managed from a central platform, including the following: sending different classes of mail (transactional vs. promotional) from different IP addresses, throttling the sending volume of messages, limiting connections to specific ISPs so as not to overload them, measuring and handling bounced messages consistently, implementing authentication schemes in the headers of message, and optimizing mailing patterns by learning from previous mailings.
- **Build testing and optimization into all processes.** Marketers must begin to test on a regular basis. The importance of being able to leverage previous tests (e.g., subject line) from marketing and apply those tests or their outcomes to other forms of messaging, such as transactional or service-related messaging, should not be underestimated. Testing must be built into each mailing so executives are able to optimize their practices in real time. Determining optimal frequency patterns as well as the tone and content of messages can only be accomplished through testing.

## The Future of E-mail Is Bright, and Executives Must Rally Around Its Strategic Importance

Data indicate that e-mail volume and spending will continue to grow for the foreseeable future. Consumers indicate that they are receiving more messages than ever, and the use of secondary e-mail accounts is on the rise. For marketers to cut through the clutter, they must centralize their messaging endeavors to ensure that e-mail remains a usable and addressable channel. Decentralization and non-relevant mailings that lack organizational control will only add to the chaos in the inbox and significantly alter an organization's ability to use the channel effectively, while also deteriorating the value of e-mail as a communication tool.

By recognizing the strategic importance of e-mail, executives can better allocate the budget dollars required to centralize e-mail operations across the enterprise. Centralizing e-mail on one platform can also present significant long-term costs savings in addition to improving coordination between departments to better serve customers.



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