



Frontwire Email Marketing Dispatch factsheet: In-house or Outsource?

The context (I): Email overload

Back in 1994 Tom Steding, vice president of strategic marketing at 3Com Corporation claimed, "At least 80% of the email I get is a waste of time to even open," (Forbes ASAP, June 1994). More recently Messagelabs research claimed as much as 10% of the working day is wasted dealing with unwanted email communications, spending an average of five minutes per message according to Ferris research.

Little wonder when, according to International Data Corporation (IDC), internet users were sending 5 billion emails per day and over 1.4 trillion email messages per year in 1999. By 2000 this figure had reached 10 billion. In 2002, Internet users will send 14.9 billion emails per day and 4 trillion emails per year. And by 2005, IDC predicts this will more than triple to a staggering 35 billion emails sent daily.

Fuelling this growth in email communications is email marketing. It is because of email marketing – permission-based or otherwise – that the typical email user receives more than double the amount of email that s/he sends. But those emails that have been requested are more likely to be opened.

Looking at email marketing in isolation, the predicted growth rate is impressive. 90.1% of respondents to The Frontwire 2002 Digital Messaging Survey said they would use more digital marketing in 2003 and Jupiter Communications concurs, predicting the email marketing industry will grow from US\$164 million in 1999 US\$7.3 billion in 2005.

And as email marketing volumes increase, responses in the forms of opens, click-throughs, enquiries and sales look set to diminish. So in order to retain and build campaign effectiveness, digital marketers need to monitor closely what is working and have the necessary resources at hand to take advantage of the opportunities that the resulting analysis presents.

Conclusions

As we near email overload, to secure a return on investment digital marketers must ensure their email marketing campaigns are:

- Permission-based
- Relevant to the recipient
- Properly tracked
- Analysed post-campaign to inform future marketing efforts

The context (II): The multi-tasking marketing department

The many recent technological advances have also had an incredible effect on working practices. And although the Information Revolution was heralded as the golden key to increased leisure time for all, it has proven itself to be more like the proverbial ball and chain.

Marketers were not exceptional when they first embraced email and the Web, believing that greater productivity would result. Practitioners have now learnt to handle a phenomenal range of tasks, spinning what only ten years ago would have been considered an inconceivable number of plates. But as each individual takes on a greater variety of tasks, the profession is experiencing a worrying dilution of skills and a serious misappropriation of skilled personnel.



Email marketing campaign dispatch is one such example. It is a technical process rather than a strategic campaign element. Yet, if the findings of the Frontwire Digital Marketing Survey are anything to go by, as many as 52% of agencies and brand owners dispatch their digital marketing from in-house and are planning to carry on doing so even though their tendency and ability to track and measure is by far the worst.

Conclusions

- New technologies have enabled people in business to handle a greater variety of roles
- In marketing this means marketing professionals are taking on technical tasks at the expense of strategic management
- Those agencies and brand owners that do dispatch their own email marketing campaigns track and measure the results less often than those who outsource

The process: What are the real steps for successful email marketing dispatch?

Mass email dispatch might seem to be simply 'touch of a button' stuff. But successful email dispatch and campaign monitoring is a fairly long and involved process that requires specialist knowledge.

Once the creative has been agreed, most important in the initial stages are the various tests that need to be conducted to ensure:

- The data is clean
- The email addresses are still in operation
- The email can be delivered (i.e. there are no firewalls in place or viruses)
- The email can be read by every variety of computer and email package
- The hyperlinks to other areas of the email and the Internet work across all email packages
- The additional functionality built into the email works (e.g. 'Forward to a Friend')
- The selected customer samples responses are within the target response rates

Throughout the test phase a number of changes will have to be made to ensure all of the above.

Additionally personalisation of the email will be included which may simply be the inclusion of a name and the selection of text vs HTML according to expressed preference. For more sophisticated mailings personalisation may also involve tailoring the content of the email in line with other data, like the recipients most recent purchase.

Once all this is in place and the email is dispatched to be able to assess the real value of the activity the following should also be tracked:

- Number of bounce backs
- Number of opens
- Duration of opens
- Number of click-throughs
- Number of replies
- Number of forwards
- Number of unsubscribes
- Purchase rates
- Average order values

Finally, as well as analysing the above in isolation, data gathered as a result of each email dispatch should be pooled with that which is stored on the database to inform and refine future marketing activity.



Conclusions

- Dispatching an email marketing campaign is a complex and labour-intensive activity
- To realise the value of each campaign a wide variety of results need to be measured
- To capitalise on the results of each campaign the data gathered should be pooled with other data to identify new market trends and business opportunities

The Metrics: When does it become cost-effective to dispatch from in-house?

Given all the above, taking the decision to dispatch email from in-house is a significant commitment of resource and one which at first seems at odds with email marketing's reputation of being the low-cost marketing alternative.

The investment in people, technology and time is often underestimated by agencies and marketing departments and as a result the real value of the process – the data collection and analysis is neglected (Frontwire Digital Messaging Survey 2002).

However those who offer email dispatch as a specialised service have already made substantial investment, understand the process, have experience in delivering it end-to-end and supply the service in its entirety to partner and client companies.

Little wonder then that Forrester Research claims that marketers who turn to email service bureaus with specialised expertise achieve purchase rates four times higher than marketers who keep all their email operations in house.

One such company that has taken the decision to outsource is The BMB Group, a marketing agency that lists Vauxhall and Center Parcs amongst its clients. Jason Lannin, Account Director, explains, "We value our clients to ensure service levels are everything they need to be to deliver client satisfaction we outsource to Frontwire."

But is the outsource option always the best?

There are two ways to work out whether outsourcing is the best for you.

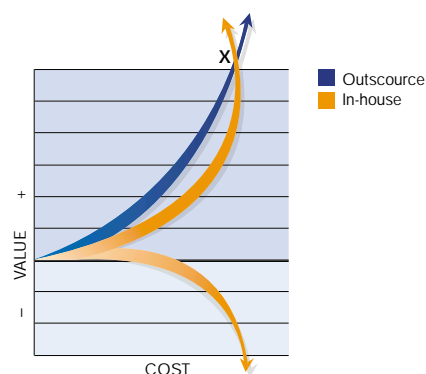
Calculation 1: Cost vs. Value

Undertaking email marketing in-house may keep outsourced costs low, but there are the obvious outlay costs of investing in the technology itself and training the elected staff. These hidden costs should not be underestimated.

On-going variable costs are then proportional to the time those trained staff spend dispatching and monitoring campaigns according to their salaries.

Additionally there may be costs for systems upgrades and additional staff training if those who are trained leave or the volumes of email marketing campaigns you run exceed the trained staffs' capacity.

The value that can then be delivered from in-house email marketing will vary enormously. If you are successful, there may be a point (see X on chart)



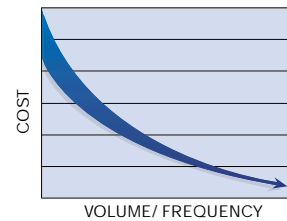


beyond which you will be able to deliver greater value than the same cost would deliver if an outsourced provider were used. However in the early stages of experimentation, there is also a danger than you could actually damage your brand.

The question is, how much time and money do you need to invest before you reach X, making it commercially more viable to undertake your email marketing in-house.

Calculation 2: Cost per message vs. Frequency & volume

The frequency with which you undertake email marketing impacts most on the variable costs of staff resource; typically the less frequently staff dispatch email marketing campaigns the less accurate and efficient they will be.



Which means the cost per message does come down with increased frequency and volume.

Compared to the in-house option the outsourced solution costs always start lower, removing the initial risk. And because they are specialists in email marketing, third party suppliers will always be able to take the process from start to finish more efficiently.

Which means outsourcing remains the most cost effective until you are a considerable way down the line.

Additionally, to retain a competitive edge in their own marketplace the better companies will continuously enhance their services so even when the in-house department does reach the point of break even on its investment (variables included), the chances are the services it provides will not be as sophisticated as that available using the best of the outsourcing options.

Conclusions

- email marketing dispatch handled in-house is more likely to neglect campaign tracking and monitoring
- Initially in-house email dispatch requires a greater financial investment than outsourcing
- Before choosing the in-house dispatch option, agencies and brand owners need to compare cost to value and cost to frequency
- Unless significant and on-going investments are made, out-sourced email dispatch will generally be the most cost-efficient option

Planning to outsource your email marketing dispatch?

Download 12 Crucial Question to help you secure the best company:

http://www.frontwire.com/docs/12_crucial_questions.pdf

About Frontwire

Frontwire helps organisations acquire and retain customers in more cost effective ways using digital marketing solutions (with e-mail, SMS and streaming video). Frontwire's core services include: Strategy & Planning, List Building and Rental, Data Management, Design & Editorial, Message Dispatch & Tracking, Response Management, Research & Analysis.

To find out more about our solutions, clients and case studies please visit our web site www.frontwire.com or call Jason Meads on 020 7368 9700.

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