

# The Metrics That Matter

Tips for increasing transactions, customer loyalty and ROI

**S**ay what you want about e-mail. The fact is, it is the backbone of online marketing and communications. E-mail remains

However, over the years in our industry we've strayed a bit from our true path. With all the metrics and data we have at our disposal, it's been

paigned: You e-mail a list of 1 million subscribers. Ultimately, 90 percent of those e-mails are delivered; 30 percent of which are opened. Of those that were



the top online marketing channel today, according to Forrester Research. And for good reason. No other channel provides such clear, consistent and, quite frankly, unparalleled ROI.

While open and clickthrough rates may not be what they were in the early days of the medium, when 80 percent open rates were not unusual, e-mail still wins every time over other channels in terms of return on the marketing dollar. That's because today's e-mail is all about precise targeting and relevancy, determining what makes a user click and then using that information to continually fine-tune communications to turn browsers into buyers, buyers into repeat customers and customers into brand evangelists.

Long gone are the days of batch and blast (and good riddance). Today's e-mail is a medium whose success is built upon careful testing and analysis, then continual improvement and enhancement of efforts. What other channel provides such accountability and clear measures of success? Fully understanding the components of success or failure, then acting upon them, can help marketers achieve future triumphs more quickly and effectively ... and that means even greater ROI.

all too easy to get caught up in "analysis paralysis." We have seen the formation of a slew of roundtables and committees, all addressing the "hottest issues" in e-mail marketing. And while these groups have their value and these topics certainly are pertinent, somewhere along the line, we've taken our eyes off the prize.

Let's face it. In the end, e-mail is about making money. The only metric that truly matters for a marketer is ROI.

So, let's get back to basics here. Let's talk about the metrics we must fully grasp and be able to act on to drive more sales and better ROI.

## E-Mail Math 101

The basic formula used to measure the success of your campaign in terms of ROI is the following:

$$\# \text{ E-mails Sent} \times \% \text{ Delivered} \times \% \text{ Opened} \times \% \text{ Clicked} \times \text{Average Order Size} = \text{ROI}$$

While this is, perhaps, an oversimplified view of e-mail ROI, it does give you a big-picture sense of the potential success of your campaign in terms of return on the dollar.

Consider this hypothetical cam-

opened, 10 percent are clicked, resulting in an average order size of \$100. The ROI formula would look like the chart shown below.

	Performance	Actual
Sent	1 million	1 million
Delivered	90%	900,000
Opened	30%	270,000
Clicked	10%	27,000
Avg. Order	\$100	\$2,700,000

So, your potential ROI on this single e-mail campaign would be \$2.7 million. Not bad.

Of course, these are purely hypothetical numbers. But let's add one more hypothetical number to the mix: your costs. If you take the projected revenue generated by the campaign and divide by the total cost of the campaign, then you can understand the return on each marketing dollar you spend.

For instance, let's say the cost of the above campaign was \$10,000. The equation is:

$$\begin{aligned} \text{Total Return} / \text{Total Cost of Campaign} \\ = \text{Return per Marketing Dollar} \\ \$2,700,000 / \$10,000 = \$270 \end{aligned}$$

So, for every dollar you spend, you make \$270. Sort of a no-brainer.

(continued on page 46)

## E-MAIL

(continued from page 45)

The power of e-mail lies not only in its ability to provide marketers a measure of success. It also is an actionable medium in which the marketer can review and utilize these metrics, quickly change strategy, test new approaches, and ultimately drive greater success and higher ROI on an ongoing basis.

### Improving Your Formula

It's one thing to understand your e-mail ROI, and yet another to improve and enhance your efforts to optimize the numbers over time. What are some of the best ways to boost your metrics and see greater results? Take a look at the most critical numbers and see where you can improve and adjust your efforts.

today to fight the spam plague as well as the lack of common industry standards. Work with an e-mail service provider who has the technology, know-how and relationships with ISPs in place to get your message to its intended target.

**Opens.** This is the number of e-mails that actually were opened by your audience. Watch this metric over time. Sudden drops outside the normal trend may indicate a problem—for example, if you notice zero opens for a major domain. But it also is a good measurement of the effectiveness of your subject lines. Are your subject lines hooking readers? Do they motivate the user to open? Do they include any spam filter triggers such as the word "free"? Test subject lines to improve effective-

begin to anticipate the needs, interests and behaviors of your various segments to provide relevant content and product offers. Then it's all about matching the right offer to the right segment. Personalization—i.e., e-mails that contain the name of the recipient within the subject line and/or content—is a good start. However, dynamic content e-mails—those that assemble content on the fly based on specific attributes and behaviors of each segment—perform best. Such tactics can produce incredibly successful results, particularly in the context of commerce.

### The Next Metric: ROR

You might say that the next stage after ROI is ROR—return on relationship.



The basic numbers to look at:

**Delivered e-mails.** This is the number of e-mails that actually made it to the inbox. In a perfect world, that number would be 100 percent. But even for the most well-maintained lists and highest quality content, that number is not practical for many reasons—people change jobs, e-mail addresses, etc. For any rate under 95 percent, you may want to review the data more closely. Large numbers of bouncebacks can mean there may be a problem with your list or your e-mail content.

The remedies? First and foremost, always employ good list hygiene and provide only valuable and relevant information to your audience. In this age of spam, relevancy is key. Offer only information the subscriber has requested and is pertinent to her needs. Then carefully review each campaign for any triggers that can get your message flagged as spam. Keep in mind Internet service provider requirements as well. Follow the lead of the individual ISPs in terms of particular protocols and processes to ensure delivery of your message.

It's important to note that deliverability is a complex issue, particularly with the myriad gatekeepers that exist

ness and boost your open metric.

**Clickthroughs.** This metric measures engagement. Did you get readers to take action? Did your communication motivate them to move a step further along in the engagement process? Perhaps make a purchase? Was your offer on target? Did you match the right offer to the right customer? This is where the math ends and the science begins, where the marketer must convert the browser into a buyer.

### The Science Behind ROI

It's time to move a few doors down from math class to science class. There truly is a science to ROI success in e-mail marketing. Understanding your customer and providing targeted, relevant offers to each one based on preferences and past behavior helps to build a relationship and generate significant return on that relationship over time.

Again, relevance is the rule.

To truly provide relevant information, marketers must first have an understanding of their customer data attributes to identify segments—whether by acquisition source, demographics, preferences or past behaviors, or, even more powerfully, a combination of the above. In this way, you can

E-mail enables marketers to optimize the customer relationship by engaging them with relevant information and offers at every point in the buying process. From acquiring customers, to cross-selling and up-selling them, to servicing them through automated online transactions and triggered events, to winning them back once they've left, e-mail allows marketers to speak to customers on a true one-to-one basis in order to optimize the customer relationship.

As discussed, the ultimate measure of success in e-mail is ROI. Looking at that metric over time will give marketers a much better sense of ROR. While ROI is the near-term calculation and measurement (e.g., campaign-driven metrics), ROR is the return on the broader relationship... on the life cycle of the customer.

If you want to build a truly customer-focused company that can beat competitors in the long term, focus on what your customer relationships—and the revenues generated from them—look like over time. ■

Al DiGuido is CEO of Zeta Interactive, a full-service digital marketing company with headquarters in New York City. He can be reached at (212) 756-7570.