



VIEW FROM THE INBOX™ 2009

ACTIONABLE INFORMATION FOR
MARKETERS FROM THE ANNUAL
CONSUMER EMAIL ATTITUDES AND
USAGE STUDY



Executive Summary:

Email continues to be a popular marketing communications channel in today's challenging economic climate due to its low cost-per-contact and its ability to provide direct, measurable results. Therefore, email will retain its status as a prominent channel even as marketing budgets shrink. As a result, inboxes are becoming more crowded with marketing messages and marketers are finding they must adapt to sustain gains made via their recent email marketing efforts. Given these dynamics, consumers' attitudes and behavior regarding email continue to change.

The Merkle *View from the Inbox* report helps guide marketers through this changing landscape. This 7th annual study of consumer attitudes and email usage showcases the channel's role in developing brands and influencing customer behavior through high-quality, relevant email programs. ■

Highlights:

- **Time spent with permission email has stabilized since the gains seen last year.** Fifty-nine percent of all email users spend twenty minutes or more with permission email weekly, with just over one-quarter spending an hour or more weekly. Merkle defines permission email as email that consumers have opted-in to receive.
- **Permission email accounts for about a quarter of all time spent with email,** second only to its primary function of communicating with friends and family.
- **Adding senders to address books is more common than previously thought.** Just over half of all permission email recipients have added at least one company to their address book, and do so for 25% of the companies sending them email.
- **There is an inverse relationship between the email types that are most valued and the quantities consumers receive.**
- **The biggest reasons subscribers choose to opt-out of permission email continue to be lack of relevance** (cited by 75%), followed closely by sending too frequently (73%).



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The Inner Circle

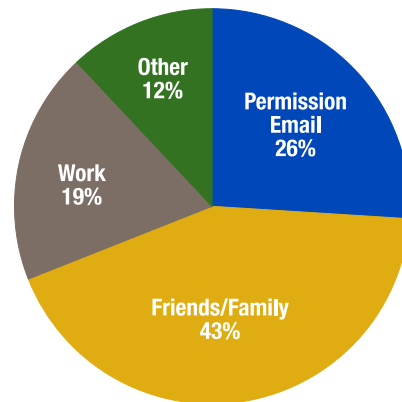
There was a slight increase in the number of companies in the Inner Circle – Merkle’s term for the companies that send permission-based email that is of interest and opened regularly by subscribers. Marketers expecting sustained engagement from their lists not only need desirable content, they need to compete within an already crowded inbox. The average number of companies in the Inner Circle has remained at about nine over the past few years. Results from our most recent survey show this number moving upwards to a new average of ten. This signals that subscribers’ capacity for brand engagement via email is expanding slightly.

Time Spent with Permission Email

Self-reported time spent with permission email, or email consumers have opted-in to receive, has stabilized since the gains seen in last year’s study. Overall, the entire distribution of time spent with permission email is approximately equal to last year. Twenty-seven percent of all respondents spend an hour or more with permission email weekly, statistically unchanged from last year. Permission email continues to make inroads with one group – those who don’t spend any time with commercial email. This group decreased from 12% of respondents last year to just 9% this year.

Figure 1

► Percent of Time Spent with Email by Category



As a percentage of total email time, permission email increased by five points year-over-year. As the chart above shows, permission email accounts for about 26% of the total time spent with email. Although social networking, texting and instant messaging will no doubt diminish the role email plays in communicating with friends and family, respondents don’t seem to be cognizant of a change thus far. This category is unchanged from last year at 43%.

The majority of consumers (58%) still believe that email is a great way for companies to stay in touch with customers – unchanged from last year.



How Permission Email is Viewed

While there was only a nominal percentage point gain in those checking email on a mobile device (currently at 11% of all respondents), the percentage of total permission email viewed on a mobile device gained five points since last year. For these mobile users, 16% of all permission email is viewed on a wireless phone or organizer. This adoption will impact how quickly marketers optimize their content for mobile devices.

Email Rendering

Nearly half of respondents (48%) do not use a preview pane when viewing the majority of their permission email (although this number is likely somewhat higher after accounting for the 10% of respondents who were not sure if they used a preview pane). Of the 42% who do, most position the preview pane at the bottom of the screen (cited by 43%), followed by the right side (37%).

When it comes to image blocking, respondents are nearly split whether they see pictures by default: 48% do see pictures automatically, while 52% do not.

Delivery to the Inbox

To prevent delivery issues, messages from senders in email headers that urge recipients to add senders to their address books are commonplace. For years, the perception has been that this is only one tactic of many to improve deliverability, since changing behavior can be difficult. It appears that this messaging has succeeded in influencing behavior, as 53% of permission email recipients have added at least one company to their address book.

On average, the consumers in this group estimate that they add 25% of all the companies sending permission email to their address book. This is a substantial adoption of a behavior that will continue to help marketers' messages make it to the inbox.

Another inbox deliverability factor – permission email misidentified by spam filters – shows some improvement. Of those using some sort of spam filter, 65% have noticed permission emails that have been filtered incorrectly, down four points since last year. More troubling for marketers is the 74% of this group who state that they really don't care this is happening, unchanged from last year.



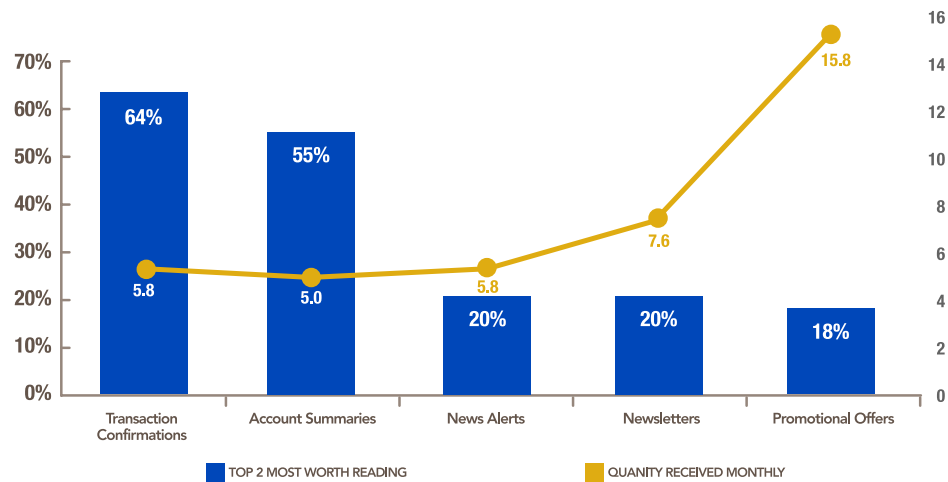
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X Marks the Spot for Irrelevant Email

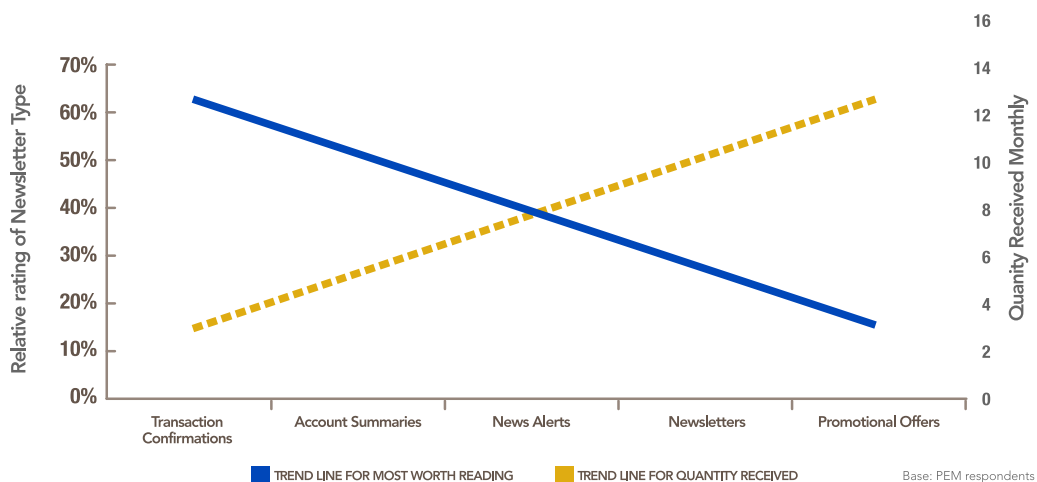
The gap between what consumers are interested in and what marketers are sending is still wide. The graph below shows the ranking of email types rated as most worth reading from high-to-low (blue columns). The line represents the quantities that permission email subscribers receive on a monthly basis.

Figure 2

► Permission Email Types Most Worth Reading with Quantities Received Monthly



This inverse relationship can be seen best when looking at the trend lines of the above data points:



Consumers are more interested in emails pertaining directly to them (transaction confirmations and account summaries) and relatively less interested in newsletters and promotional offers pushed by companies. But as the graph above shows, quantities *increase* as interest *decreases* in a given email type.



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The intersection of the "X" represents the spot where demand, or interest, is relatively matched to quantities received - in this case, for news alerts.

Promotional Email

The main reasons subscribers choose to opt out of email programs – perceived irrelevance and sending too frequently (cited by 75% and 73% respectively) – are problems most commonly associated with promotional email types. Because these can be the most intrusive types based on interest and volume as shown, marketers should tread carefully in this area to preserve the long-term value of this marketing channel.

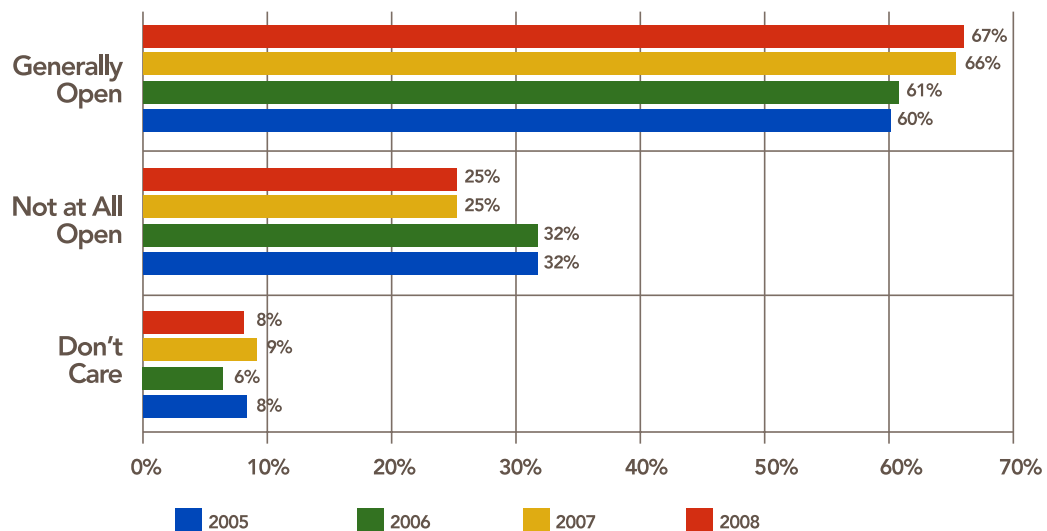
While less than half (44%) of those who receive promotional permission email believe they receive too much (the remainder receive a "moderate amount"), the majority of this type of email still goes unopened. The subscribers that receive promotional permission email estimate that they delete 55% without opening.

The integration of promotional marketing messages into transactional emails continues to be marketers' best opportunity to cut through promotional clutter. Recipients' openness to this integrated messaging has increased over the years. Two-thirds are generally open, with the majority of this category (85%) comprised of those who are open if the additional content is relevant to their needs and interests.

For CAN-SPAM compliance and to ensure a better user experience, the number-one rule in integrated messaging continues to be: Do not obstruct the main message of the email.

Figure 3

► Openness to Receive Marketing/Promotional Messages in Transactional Email



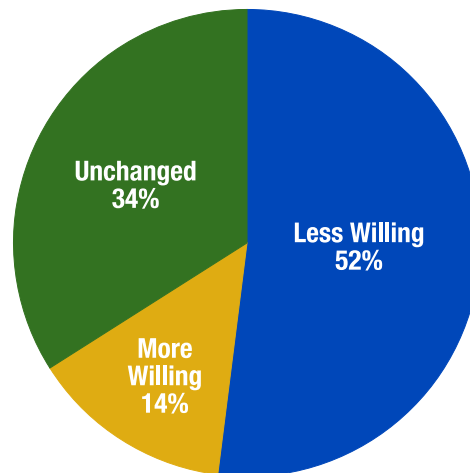


Willingness to Sign-up for Permission Email

Just over half of respondents are less willing to sign-up for permission email compared to a few years ago. As nearly all companies now send email, consumers are more wary of signing up for email communication. Now more than ever, marketers need to “sell” the value of their email program to prospects and follow-through with quality, targeted content versus a barrage of promotional emails.

Figure 4

► Willingness to Sign Up for Permission Email: Change Over Time



Financial Services View

Practicing responsible email marketing is necessary for all marketers to preserve the long-term value of the channel. Nowhere is this more apparent than in the financial services realm. For instance, consumers who complete financial transactions online (online banking, trading, managing credit cards) are slightly more likely than general online users to maintain a separate email address for their permission email (at 41% compared to 38% for all permission email subscribers). But that figure drops to just 16% for their financial services permission email. What does this mean for marketers in financial services? For starters, this privilege of entering the primary inbox space means that “best practices” must be surpassed in favor of elite practices. Therefore, it is more important that financial marketers strictly manage the quantities of pure marketing “pushes” and be less intrusive through the effective use of integrated messaging.

Security considerations are highest for financial services companies, as they are common targets for phishing attempts. Consumer education is paramount, since even those who make financial transactions online don’t seem completely savvy about what constitutes a legitimate email. As shown in Figure 5, when determining if an email is legitimate, consumers place highest importance on whether the sender is a company with whom they have a current relationship. This poses a danger when a well-crafted

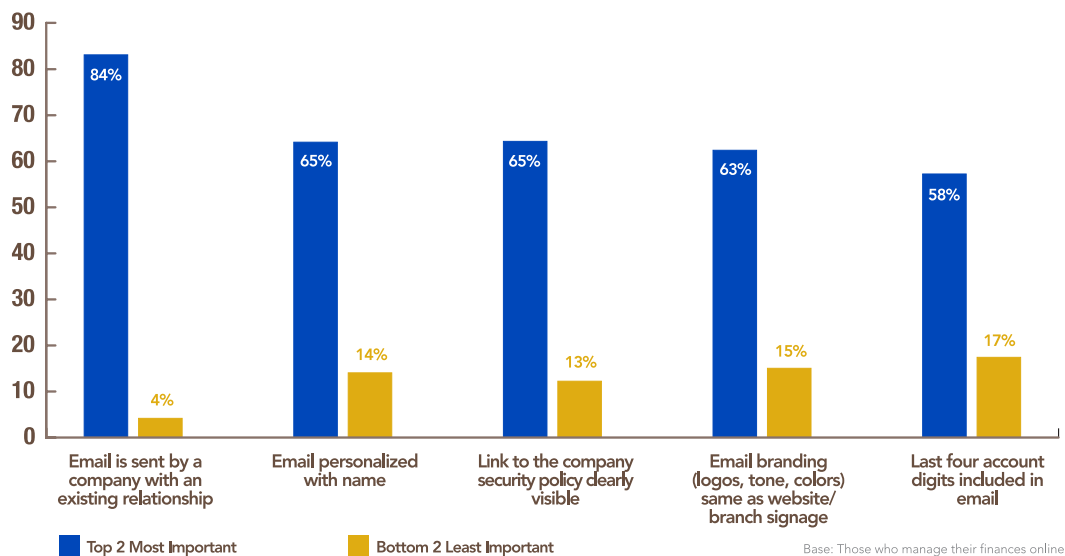


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phishing attempt makes it to the inbox of a true customer. Most troublesome is that one of the best indicators marketers have in establishing credibility – the last four digits of the account shown in the email – is rated by online financial consumers as the least important of those presented. Standard practice should include communicating policies and information that will never be asked through email. Email and online security messages should be worded and presented consistently – starting with the Welcome email – to ensure a unified and clear message.

Figure 5

► Importance of Indicators in Reassuring Email's Legitimacy



Implications

Consumer interaction with permission email has changed over time, and continues to present opportunities for marketers in defining their brand, driving behavior, and promoting long-term engagement and loyalty with customers. Marketers who continue to invest in quality email programs with an eye toward longitudinal subscriber value – versus ad hoc promotional sends with short-term financial goals – will curb subscriber churn and maximize the lifetime value from their email relationships with customers.

The quality of a company's email program influences brand perceptions, both negatively and positively – acknowledged by 59% of permission email recipients. Continuing to invest the time and resources necessary to get it right is critical for maximizing value from the channel and minimizing negative brand exposure. The cost of a haphazard email program is higher than "just" an opt-out or spam complaint; 30% of permission email recipients have *stopped doing business with at least one company due to their poor email marketing practices.*



Applying These Findings to Marketing Strategy

Successful email programs allow consumers to drive content and frequency for maximum relevancy, incorporate promotional messages into transactional emails, and use analytics to test and refine messaging and contact strategy. How can marketers begin to tackle these easy-to-advocate, yet hard-to-apply topics?

1. **Begin thinking about email in terms of longitudinal subscriber value.** Whether using a free online subscriber value calculator or figuring a more exact value based on internal analyses (using a pre/post design or holdout controls), know the general range of what a customer with email contributes annually.
2. **Conduct frequency tests on promotional sends over a period of several months.** Armed with insight into of subscriber value, go beyond the incremental opt-out rates due to mailing at various levels and tie the results to dollars. Suddenly, the re-send campaigns that generated small amounts of incremental sales – in addition to several hundred opt-outs worth a similar amount – weren't a long-term success for the company after all.
3. **Provide exclusivity.** Revitalize your email program with exclusive content, offers, or information only available through email. Consumers don't sign up for email so that they can receive more company-driven promotions. They're looking for content that is interesting or beneficial to them. The pitch of exclusive content that gets them to opt-in to your program in the first place is likely the hook that will keep them engaged over time.

Methodology

Merkle Interactive Services has conducted the View from the Inbox™ national study for the last seven years. The study was created to measure and track attitudes and behaviors among U.S. email users, with emphasis on permission-based email users. The study was fielded in August/September 2008 using Harris Interactive, which maintains a panel of millions of people who respond to online research surveys. The survey was conducted among 2,505 U.S. adults, age 18+ who check and/or send email at least once a week.

The maximum margin of error for the study is +/- 2.0% and the confidence level used to report comparisons between sub-segments of respondents is 95%.



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About the Author

Lori Connolly is the Director of Research & Analytics at Merkle in the Interactive Solutions Group. She is responsible for designing, conducting and presenting analytic projects to key clients including Blockbuster and Dell. Lori has nearly 15 years of experience in multichannel marketing analysis and optimization through quantitative techniques (including multivariate, segmentation, longitudinal response and ROI) as well as consumer insights (surveys, focus groups, ethnography, usability, etc.). She has applied these methods to a variety of industries including telecommunications, financial services and retail.

About Merkle

Merkle is one of the nation's largest and fastest growing database marketing agencies. For more than 20 years, Fortune 1000 companies and leading nonprofit organizations have partnered with Merkle to maximize the value of their customer portfolios. By combining a complete range of marketing, technical, analytical and creative disciplines, Merkle works with clients to design, execute and evaluate integrated customer marketing programs. With more than 1,000 employees, the privately held corporation is headquartered near Baltimore in Columbia, Maryland with additional offices in Boston, Chicago, Denver, Little Rock, Philadelphia, Seattle and Hagerstown, Md. For more information, contact Merkle at 1-877-9-Merkle or visit www.merkleinc.com.