

From Addict to Long-Term Relationship

In a recent report from Forrester Research, Julie Katz describes email marketers as being addicted to bad habits: “Like morphine to a recovering surgery patient, outbound email campaigns deliver fast relief to marketers looking for short-term boosts.” In a time of economic slowdown it can be tempting to over-exploit your email list for sales that relieve the financial pressure. However, sending too many emails will jeopardize the valuable relationships of those on your coveted mailing list.

Many of the largest wine retailers now send daily emails, and while some offer profile settings with less frequent options, it has become acceptable to send more emails than most customers can bear. Stores will justify sending too many emails because their competition does it, or just because they can. After receiving too many emails though, your customers will start to ignore them, your aggressive email campaign instead backfiring.

As the Internet becomes a mainstream marketing vehicle, it is getting harder to find new customers. When fewer wine stores were online, customers would seek you out because you had the advantage of a web site. Stores used to rely on a constant trickle of new customers, but this is no longer the case.

Loyalty is a Priority

Marketers have always known the cost of acquiring new customers is higher than retaining existing ones; the consulting firm Bain & Co. estimates that you spend six to seven times more acquiring a new customer than retaining the ones you have. This important insight has been largely overlooked by the email addicts. According to Katz, retailers need to change their mindset from one emphasizing quick-hit returns to one striving to forge long-term bonds. One way to do this is to focus on metrics illustrating long-term benefits. By paying attention to open and click-through rates, it has been easy to lose sight of the long-term value of a customer list. In addition to measuring the revenue generated by each campaign, consider the following metrics:

Churn Rate: You should be tracking new email subscriptions along with subscriber defections and un-subscribes. At the very least, new subscribers need to keep up with un-subscribes and hard bounces so your list doesn't shrink. However, you should also take into account inactive subscribers who have checked out and rarely open your emails anymore.

The relative total revenue from existing customers is typically ten times greater than newly acquired customers.

Inactive Subscribers: If you email your customers several times a week then you should assume that a customer becomes inactive after three to six months without opening an email. There is no value in continuing to mail inactive subscribers at such a frequent rate; however you should target them for a reactivation. While there may be some benefit from emailing inactive subscribers over the holidays, once an address has been inactive for between twelve to eighteen months it is better to throw it away. Unfortunately, consumers are largely unaware of the repercussions from reporting legitimate email as spam, so to avoid having spam complaints, it is better to remove inactive subscribers.

Compare Revenue from New Subscribers with Existing Customers: These rates combined with the churn rate will give you firsthand experience of why you need to work to retain existing custom-

ers rather than chase new customers. According to Mark Klein of Loyalty Builders LLC, the relative total revenue from existing customers is typically ten times greater than newly acquired customers.

Email Value: For example, let's say you have 5,000 emails in your list, an open rate of ten percent, an average revenue per email of \$500 and you send 120 emails per year. Using these assumptions you can create a simple calculation of potential annual revenue of \$60k, with the average revenue per address at twelve dollars, but average revenue per active address at \$120. By recalculating the value of your active addresses each week, you will see how your campaigns are impacting the lifetime value of your customer list. This makes it easier to change the focus of your campaigns to build value.

Creating a Successful “Marriage”

Loren McDonald at Email Insider views the stages in a customer email relationship comparable to the stages in a marriage. To reduce the impact of churn and inactive addresses, she recommends working to plug the leaks at each stage in the relationship.

At the engagement stage she suggests creating a welcome program taking new subscribers through a multi-stage process of ramping them up so they see value from the start. For successful email marriages she recommends moving away from the batch and blast approach towards targeted life-cycle and trigger programs; delight your best and most active subscribers with rewards and exclusive offers so they know how special they are to you. If it must end in a divorce, make it easy for them and offer convenient alternatives to unsubscribing.

To survive the economic slowdown, try shifting your email tactics from short-term goals to managing the long-term benefits of your customers. This will reduce your list churn and sustain your most profitable customers.

To learn more about how the Beverage Network can help with a website for your store, contact Ian Griffith at (212) 571-3232, or visit www.bevnetwork.com/retailweb.