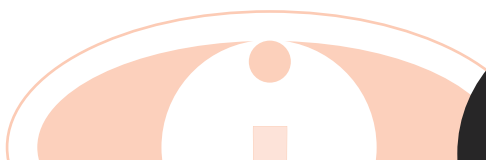


Lifecycle Volume 3

Using email to develop the customer relationship and improve ROI

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The Leader in Behavioral Email

Lifecycle Marketing Volume 3: Development

Introduction

This third volume of five papers looks at how to use email to target users based on where they are in the customer lifecycle. It focuses on stage 3: developing the customer relationship.

At this stage you should already have a strong database of contacts interested in receiving information from you. By signing up, these customers have already demonstrated a level of synergy with your brand. Likewise, the segment we are now focusing on has already made a first purchase. You should have in place suitable conversion campaigns such as welcome and abandonment, and will have already succeeded in turning this segment of online browsers into online buyers. The key now is to nurture this relationship and turn more first time buyers into repeat buyers.

The goal at this stage of the customer lifecycle is to improve customer lifetime value. Applying customer lifecycle strategies is all about improving loyalty, which in commercial terms is all about extra orders and income. Think about what percentage of your users only purchase once. Targeting this key segment is one of the best ways to improve ROI. Just think, if you could convert 5% of your one time buyers into two time buyers it would have a seismic impact on your business; and email marketing is the perfect medium for targeting this valuable segment.

However, it is wrong to assume just because someone has signed up to receive your emails and has purchased once that anything you send them will be of interest. Like in all email communication, relevance is key.

The search for relevance is as old as marketing itself. Whether you provide designer fashion, vacation deals or car insurance, knowing what a customer is interested in is always useful. Relevance is defined as being pertinent. In email marketing terms this is the ability to provide information pertinent to that individual; information that the individual will find more interesting than the standard newsletter. This paper looks at the strategies you should be

using to nurture the customer relationship and develop first time buyers into users that buy again, and again and again.

More than just a standard newsletter

So many online marketers take the time to send highly segmented and targeted email communication pre-purchase, but as soon as a user makes that first purchase, they send the customer one confirmation email and then add the user into an on-going cycle of general communication. Since 2009, eMarketer¹ has reported the most common reason for users unsubscribing from email communication is irrelevance. In all truth, once engagement is achieved, newsletters are ineffective. Browsers and customers should be interacting with more relevant, highly targeted and perfectly timed behavioral emails based on customer data.

Achieving a highly targeted program after conversion is a multi-layered task, but in a nutshell will be achieved by effectively segmenting your customers and appealing to their individual needs. The depth of how you use your data to do this is up to you, but the more specific you can be the more relevant your emails will become, and the bigger the return you will receive.

At the most basic level, preference information will give you a good insight into exactly what type of information interests your user. Other fundamental segments you should implement are gender, age and geographic location, which are usually obtained at registration. Just producing simple communication around these distinct areas will immediately help you improve the relevance of your emails to your existing customers. Simple automated personal triggers can be easily set up to target these fundamental segments and be sent out whenever someone falls into the relevant group. Today, behavior and engagement data has come to the forefront as the most relevant and the most predictive of likely behavior. Past behavior (that

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all important past purchase) can predict future behavior (what other products the user is likely to buy); and current behavior (returning browser behavior) will tell you what products the user is interested in buying next.

The key to using email to develop the customer relationship is through continually collecting information on returning subscribers, both directly and through email or through any other marketing activity or promotion. Integrating all online marketing is never more important than when trying to build rapport with new customers; and the only way this can be done is through a fully integrated database.

The role of the database

How you manage customer data is a key element to effectively developing the customer relationship. Investing in a database that will hold all customer information is crucial to good communication.

A fully integrated database that will hold all online data is the only way to produce the right communication for each of your customers.

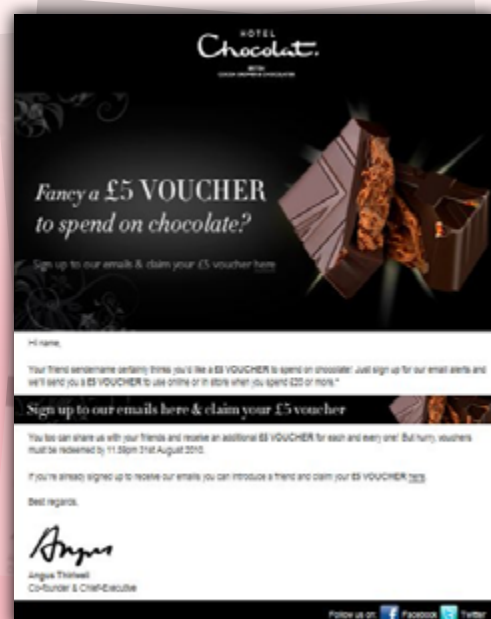
Your database should be able to hold all engagement information, from email preferences collected and personal information revealed on registration, through to information on purchases made, to the number of purchases made in a given time set, to the last online browsing activity. Holding all the information in one place (at an individual level) will allow you to easily create automated triggers and bespoke campaigns, which you can send to whatever segments you wish; ensuring the right message is sent to the right person at the right time.

With all your data in one place (and constantly being updated) you can easily target specific customers with the offers and information that will appeal to them. How you chose to do this will depend on your sector and the type of service/products you sell, but the possibilities are endless.

Case Study: Hotel Chocolat

After implementing an offline campaign to increase the volume of its online database, Hotel Chocolat was more than aware that when volumes increase, open rates and click rates decrease and unsubscribe rates rise, causing a negative impact on sender reputation. To reduce this risk and maximize the revenue potential from each email address collected, RedEye helped Hotel Chocolat implement a process of behavioral segmentation.

While Hotel Chocolat increased send volume by 44% year-on-year, implementing behavioral segmentation helped retain the company's sender reputation (with whitelist status) and increased revenue from email by 20%. Average order value also increased by 22%.



Case Study: Evans Cycles

As part of a full lifecycle marketing program RedEye helped Evans Cycles implement a range of email triggers focused on developing the customer relationship. All messaging and creative was segmented by individual preferences, engagement and online browsing and buying behavior.

The results included open rates as high as 84.9% (generic emails 16%-25%) and click rates of 40.5% (generic emails 3.8%- 5%).



Welcoming new customers

Volume 2 in RedEye's series of papers on the email lifecycle² looks at how to welcome new subscribers; however it is also crucial you welcome new customers as a separate exercise. A nursery program is generally defined as a welcome program for users who subscribe to emails at the same time as making an initial purchase. Like the welcome program this is often most effective as a series of triggers (e.g. an initial email to confirm the user's purchase; a follow-up email to welcome the user as a subscriber and outline what they can expect from email communication; a third email to prompt a second purchase and often act as an effective cross-sell or up-sell). These emails are most effective if they include information specifically relevant to the user. For example, if a user has just purchased a flight to New York, in the third trigger, offer relevant travel insurance or suggest a flight upgrade. Alternatively, if the user has purchased a pair of shoes, send the customer an image of the matching bag.

For those new customers that have previously subscribed to your email communication a similar process should be put in place. As a standard the

user will receive an automated confirmation of whatever they have bought. A follow-up email should then be sent. This follow-up email is most effective if it includes a relevant cross-sell or up-sell. If you are unable to provide exact product matches, a good starting point is to research what products are often bought together (or bought by the same customer) and implement a *"customers who liked this also liked these"* section. For a travel company, if your initial trigger confirms a city break, send in the follow-up email other city breaks the user might find interesting. Use of dynamic content is necessary here.

Building customer loyalty

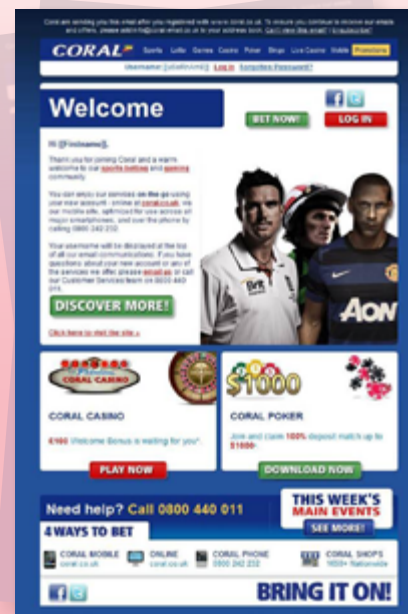
Rewarding customers with relevant promotions and offers is one of the best ways to ensure users keep returning to you.

Loyalty programs, similar to those implemented by coffee shops and supermarkets, can work for email marketing too. Examples include frequent buyer clubs and loyalty emails that reward advance purchases, expensive purchases and repeat visits. Rewards can include discounts, customer points to

Case Study: Gala

RedEye helped Gala implement a highly segmented nursery program to nurture new customers. Customers were segmented by how much money they had deposited into their online accounts and then sent a series of relevant emails. Each email within the nursery program had a unique message, subject line and content in order to effectively target the user depending on segmentation.

From January to May 2012, the average open rate for the initial trigger in the program exceeded 40% on several occasions, with click through rates for these campaigns reaching over 30%. The remaining programs achieved an average open rate over 17% and average click through rate over 16%. Some emails resulted in over 90% of recipients who had deposited money, continuing as active online users.



use towards future purchases and email gift cards. You really want only your best customers to enroll in your loyalty program, so it's best to identify this segment in your database and then send them an email inviting them to become a loyalty member.

Of course, sending relevant promotions and offers can also help build customer loyalty without implementing a specific loyalty program. Regularly prompting your subscribers to update their email preferences (pre-purchase and post-purchase) is a great way to get your users to tell you what information/offers interests them. Basic personalization, such as incorporating the user's first name in a specific part of the creative (e.g. See Fig 1 – A Special Offer for Kobi) is a great way to grab a user's attention and make them feel that they are special.

Fig. 1



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Likewise, simple personal emails triggered by customer data are easy to set up and are a good way to provide useful and relevant information. Some examples are:

- **Happy birthday email** (e.g. *It's your birthday, have 10% off your next purchase.*)
- **Annual service reminder** (e.g. *Your car is due for an oil change in 200 miles. Schedule your appointment today.*)
- **Insurance renewal** (e.g. *For your continued loyalty, enjoy the following savings...*)

These emails obviously rely on data requested from the user during sign-up. Depending on the service you offer, some data may be standard, others may need to be added to your subscription process as optional. (For more information on designing your subscription process, see Lifecycle Volume 1³.)

When it comes to developing the customer relationship not all communication has to be sales driven. Relevant offers and discounts always work well, however others can be more brand specific, aimed at strengthening the customer relationship in order to encourage a sale at another time. These types of triggers will depend on your specific sector or service, some examples are:

- **Retail:** Six month purchase reminder (e.g. *We noticed you hadn't bought anything in the past six months. Checkout out these newest items.*)
- **Travel:** Pre-vacation trigger (e.g. *We hope you enjoy your trip to Spain. Here's a checklist to make sure you're all prepared.*)
- **Insurance:** Seasonal information (e.g. *With the winter coming we wanted to make sure you're safe on the roads. Here are our top tips for driving in icy conditions.*)

Pre-purchase and post-purchase email triggers used by RedEye clients within the travel sector have actually become the most successful types of conversion emails. These types of email triggers

receive average open rates of 72.5% and average click through rates of 25%.

Case Study: Budget

Budget Rent-A-Car wanted to implement a long term strategy that would work as an effective branding tool to engage customers, improve conversion, increase ROI and generate revenue. In order to do this RedEye helped Budget implement a highly segmented strategy based around the lifecycle of the online customer.

Following the car rental, Budget implemented an effective series of post-purchase emails. A seven day reminder email for rental car pick up was used to effectively cross-sell GPS rental; happy anniversary triggers were also introduced, along with suitable seasonal offers.

The full campaign resulted in an ROI of 836% and year on year revenue more than doubled. The campaign also won 'best use of email' at the Revolution Awards 2012.



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Conclusion

As the email space is becoming much more competitive, it's not just about converting new users that's important, but about keeping those users as valued customers.

Email used to be easy. Piece together some content and a couple of offers from your web team, bundle them together, send out by email on a Friday afternoon... and bingo! Orders rolled in! But that was 10 years ago. Things change. The email space is much more competitive. All brands do email and customer acceptance of the channel is rising quickly.

There was once a time when an opt-in email address and some barely literate copy was all you needed to drive sales, but the novelty soon wore off, and preference centers were developed for individuals to provide their own information about their mailing requirements. It is wrong to assume simply because someone has signed up to your mailings they will find whatever you chose to send them interesting. Using your customer data is never more crucial than when developing the customer relationship. For example, why would you send an email regarding men's fashion to a female subscriber, is that good customer development?

After all, if you've paid acquisition channels to get this new user and have succeeded in converting this user into a customer, it is important you put this valuable customer into a database that will nurture and cherish that individual in order to build their loyalty and spend with you in the coming year.

A relationship between a customer and a brand builds over time. Lifecycle strategies provide a framework within which to manage and nurture this relationship; and when it comes to development it is all about improving loyalty, which in commercial terms is all about extra orders and income. There is a very clear link between customer relationship development and loyalty; and what the success of both of these boil down to, is how you use your customer data.

Of course the common denominator to all success

is relevance. The more relevant you can make the content in email, whether it is a cross-sell, up-sell or relationship building, the more effective it will be.

How the relevance of communication to individual customers is managed over time through customer development is a key opportunity to improve ROI. The philosophy is simple; invest in the customer relationship and more customers will continue to invest in you.

Of course, relevance isn't just about content. In order to retain your customers for the long term you need to consider engagement strategies. Look out for RedEye's Volume 4 in the Lifecycle Marketing series focusing on how to incorporate eRFM strategies to retain more customers.

For more information on how RedEye can improve your email strategy with lifecycle marketing campaigns please call 1-800-291-1327

References

- ¹ eMarketer, 2009, Relevance remains a challenge for e-mail marketers (sourced from: [http://www.emarketer.com/\(X\(1\)S\(14m0qre4r25aho55fb04p1vo\)\)/Article.aspx?R=1007389&AspxAutoDetectCookieSupport=1](http://www.emarketer.com/(X(1)S(14m0qre4r25aho55fb04p1vo))/Article.aspx?R=1007389&AspxAutoDetectCookieSupport=1))
- ² RedEye White Paper, August 2012, Lifecycle Marketing Volume 2: Converting More Subscribers into Buyers with Effective Email Marketing (<http://www.redeye.com/resources/lifecycle-marketing-volume-2-converting-more-subscribers-into-buyers-with-effective-email-marketing/>)
- ³ RedEye White Paper, June 2012, Lifecycle Marketing Volume 1: Best Practice Guide for Acquiring New Subscribers (sourced from: <http://www.redeye.com/resources/lifecycle-marketing-volume-1-best-practice-guide-for-acquiring-new-subscribers-mai/>)