



2010 Email Address Validation Study of 50 Leading Retailer Websites

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Executive Summary

According to *MultiChannel Merchant's Outlook 2010* study, respondents overwhelmingly agreed that a company's own website and email were the two most used promotional channels. Nearly two thirds (59.5%) of total participants said they planned to increase their email marketing expenditures this year. Almost as many (51.9%) placed "more sophisticated" email programs on their wish list, making it the number one channel where they would spend money if they had an opportunity to boost their marketing budget. Yet, even with the substantial budgets and efforts being spent on email marketing, internet retailers continue to lose *millions of dollars* each year by populating their email databases with bad data.

FreshAddress, Inc., a leading email database services provider, conducted a study of the fifty top e-tailers' ¹abilities to catch and correct email registration errors on their websites. This study is the third in a series of examinations of the email address validation practices of leading internet retailers; previous studies were conducted by FreshAddress in 2006 and 2008.

Highlights from the study, which examined 14 common invalid or bogus email address registrations, include:

E-tailers still struggle with "Garbage In, Garbage Out" syndrome and customers are left guessing:

- For each of the 50 websites, 50% or greater of the invalid email addresses tested were accepted
- No websites offered a correction to consumers for common hygiene (e.g. spelling, formatting, fat fingering) errors
- **None** of the websites blocked common typos (ex: "yaho.com", "redifmail.com"), dead domains (ex: "attbi.com"), or bogus emails (ex: "abuse@aol.com")
- 90% of websites allowed an email with .cmo to pass through without an error message (even worse than the 86% measured in 2006)

"Best" performers still have work to do:

The strongest performing website in this study, L.L. Bean, blocked only half of the 14 invalid email addresses tested. The next strongest performers, blocking only 6 of the 14 invalid email addresses tested, were Amway.com, Drugstore.com, Netflix.com, Overstock.com, Sears.com and Victoriasecret.com

Lost Revenues for E-tailers

Using a conservative estimate for the percentage of correctable email address registrations, a retailer that gains 500,000 email addresses per year is losing \$200,000 in revenues by not fixing these faulty registrations on the fly. This calculation does not take into account the wasted marketing dollars spent emailing nonworking email addresses. Nor does it calculate the significantly larger costs of being blocked or blacklisted.

By not investing in effective, user-friendly options for improved email address validation, retailers are losing sales, wasting marketing dollars, alienating customers, and being blacklisted. Given today's lackluster economy and competitive sales environment, retailers must take swift action to improve their email registration practices.

¹ Internet Retailer, 2009

Background & Objectives

In 2006, FreshAddress tested nine invalid and bogus email addresses on fifty leading retail websites, and found that none of the tested websites successfully blocked all nine common email address registration errors. The best performing website – which was Gap.com – rejected all but one of the invalid email addresses. In 2008 FreshAddress repeated the study again with somewhat similar results. The strongest performing websites in the 2008 study were BassProShops.com, Bodybuilding.com, Gap.com, Netflix.com, Palm.com, Petco.com, Spiegel.com, and Talbots.com.

FreshAddress's 2010 research tested the fifty top retail websites, each with the same fourteen invalid email addresses tested in our 2008 study. Websites tested reflected a variety of different retail product categories, including Zappos.com, Walmart.com, Staples.com, and Amazon.com. Invalid addresses tested included typographical errors, syntax and formatting mistakes, and top-level or “dead” domains as well as bogus email addresses.

The objective of the study was to measure the extent to which these highly-trafficked brands were able to catch and correct malicious and faulty email address registrations on their websites.

Consumers Prefer Email When Dealing With Business

As of 2010, email has reached almost universal penetration. According to a recent study, 96% of online users provided their email addresses to receive special offers and information². Moreover, consumers say they *prefer* email more than 3-to-1 over all other forms of marketing communications.

Increased Marketing Spend Correlates with eCommerce Success

Across all industries and levels of sophistication, email marketing is a valuable tool to increase brand perceptions, drive consumer behavior, and establish long-term relationships.

A recent *Shop.org* study reports the percentage of sales driven by repeat customers for online retailers averages 28%. And with online retail sales projected to reach \$176.9 billion in 2010,³ the opportunity cost of losing contact with potential repeat customers is staggering.

So what happens when the email addresses registered on the retailer's website are invalid?

Based on our company's experience over the last 10+ years, anywhere from 2-20% of email addresses entered on websites are invalid or bogus.

With significant budgets being spent on email marketing and 65% of online retailers⁴ stating their intentions to increase their email marketing budgets, internet retailers can not afford to populate their email databases with bad data. The potential ramifications of this include disgruntled customers or prospects, lost sales, and of course, lost profits. Moreover, when malicious and/or repeatedly-bouncing email addresses slip through, a retailer risks being labeled a “spammer” and being blacklisted by ISPs, scenarios that have catastrophic consequences.

² Study commissioned by Pontiflex and conducted by Harris Interactive

³ The State of Retailing Online 2009 – A Shop.org study

⁴ The State of Retailing Online 2009 – A Shop.org study

Methodology

The fifty leading internet retailing websites, as determined by *Internet Retailer 2009*, were identified for testing. See Appendix A for the list of websites tested.

Fourteen commonly seen invalid or bogus email addresses were used for testing, each representing a different kind of problem, including intentional and unintentional email registrations. Thirteen of the email addresses were identical to the addresses tested in 2008; one additional email address was included in this year's study.

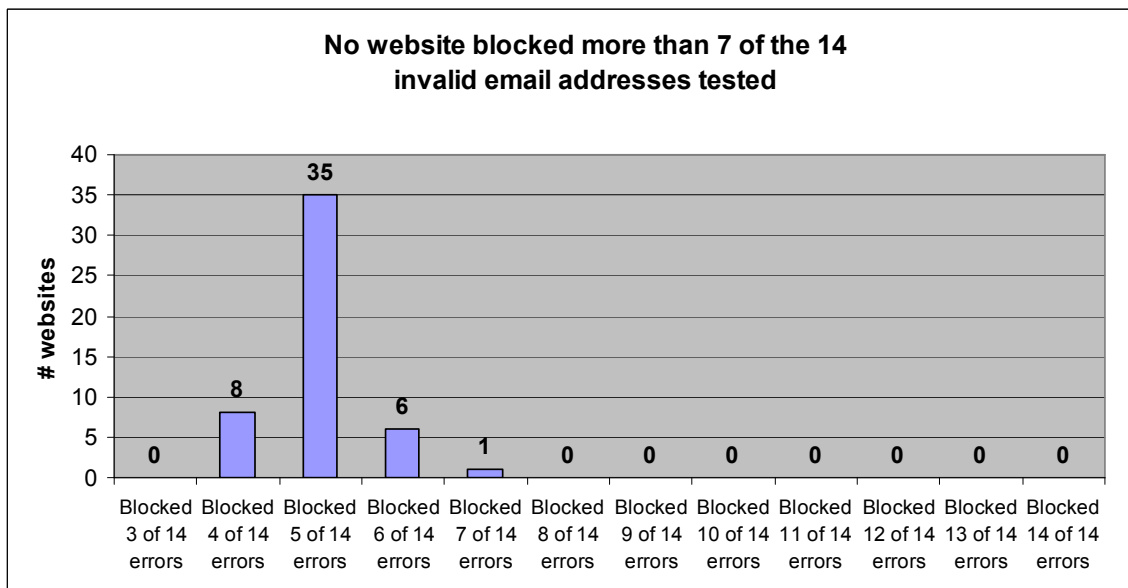
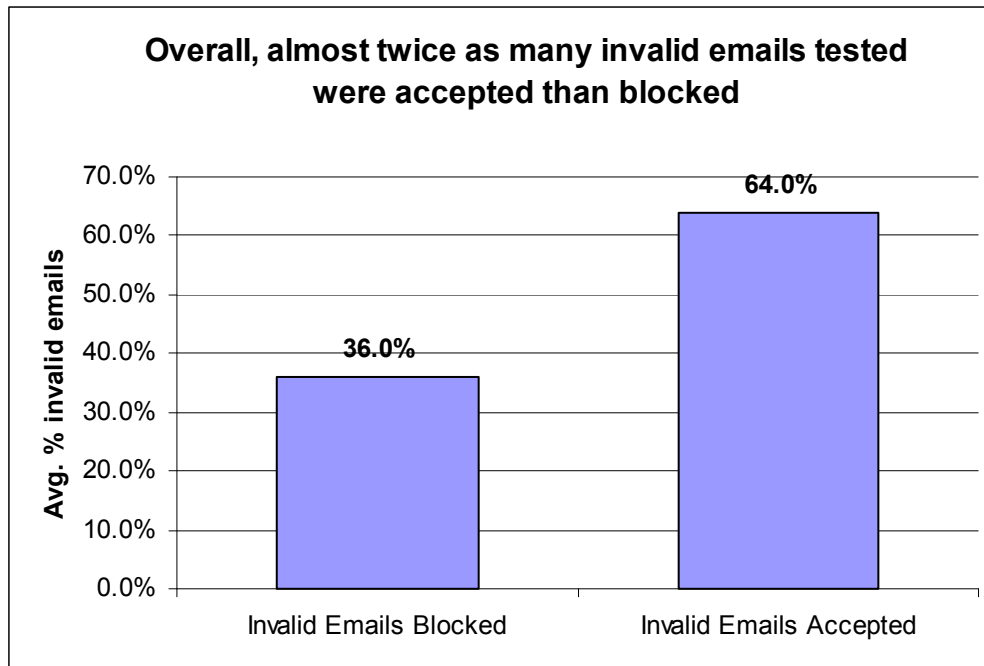
EMAILS TO TEST	WHY EMAIL SHOULD BE REJECTED	Tested in 2008?
john_2010@yahoo.com	Syntax error: comma (,) instead of period (.)	y
john_2010yahoo.com	Syntax error: @-sign missing	y
john_2010@yahoo	Syntax error: missing ".com"	y
john_2010@@yahoo.com	Syntax error: extra @-sign	y
john_2010@yahoo..com	Syntax error: extra period (.)	y
john_2010@yahoo.cmo	Advanced syntax error: misspelling of "com"	y
john_2010@yahoo.net	Advanced syntax error: ".net" with Yahoo instead of ".com"	y
john_2010@hotmail.com	Common misspelling of "hotmail"	y
john_2010@yaho.com	Common misspelling of "yahoo"	y
john_210@attbi.com	Closed domain	y
John_2010@mailinator.com	Bogus email: "throwaway address"	y
test@test.com	Bogus email	y
spam@hotmail.com	Malicious email	y
john_2010@rediffmail.com	Common misspelling of "rediffmail"	n

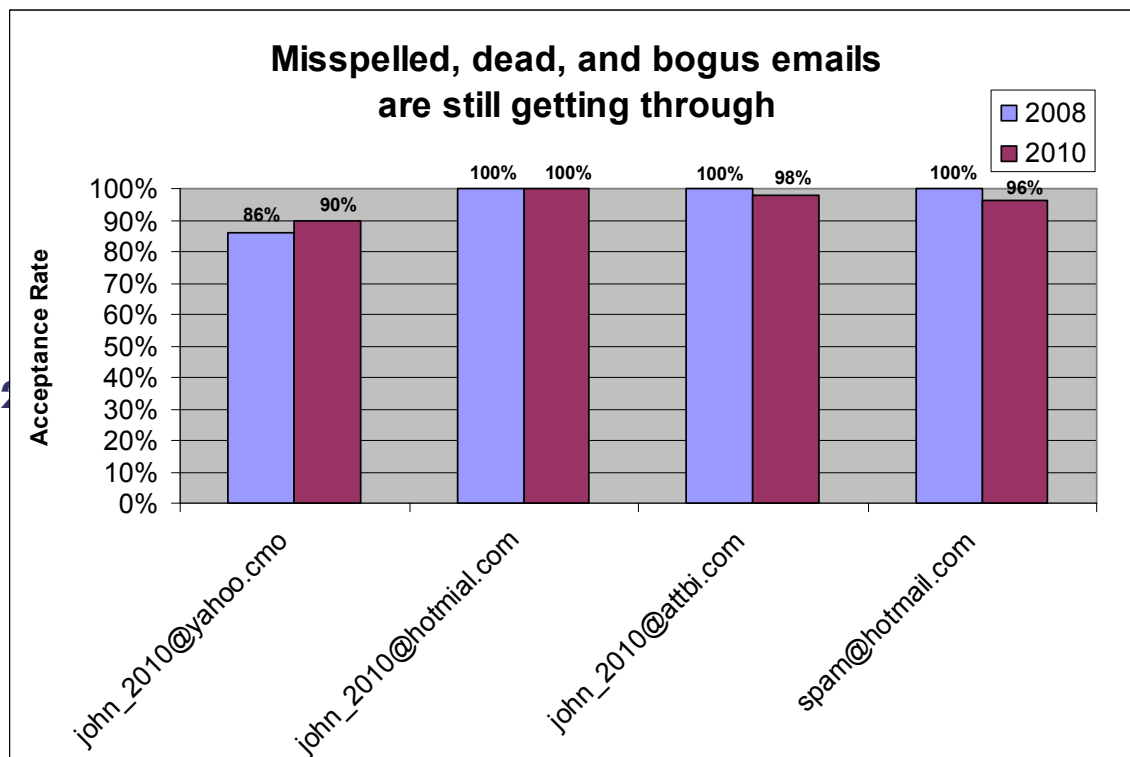
As all fourteen email addresses tested represent typical faulty registrations, it was expected that the websites should be able to spot and reject these registration attempts.

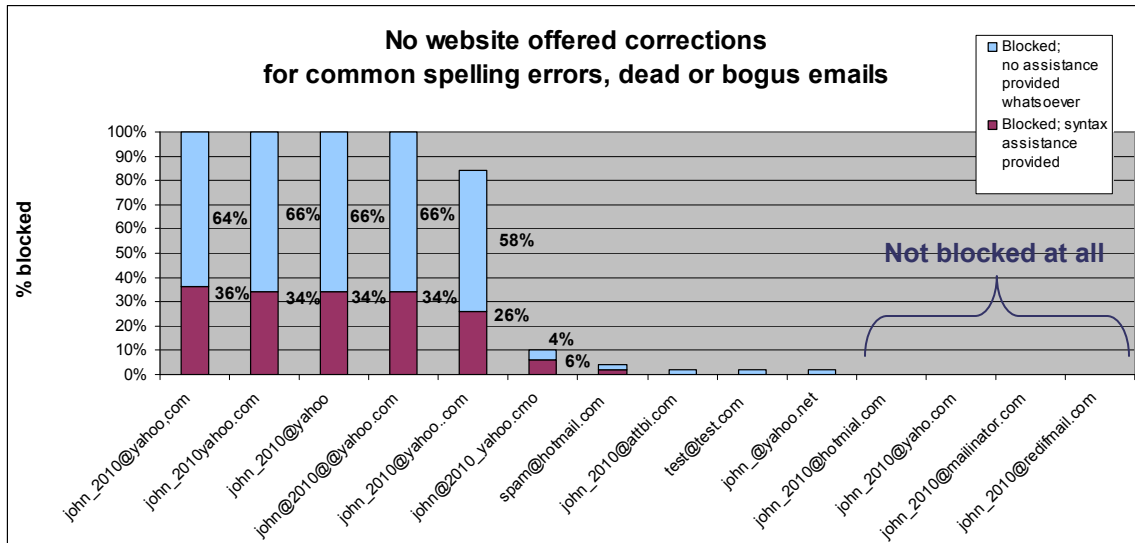
Each email address was registered on each retailer website during the period May 27 – June 2, 2010. If an email address tested already existed within a retailer's database, another email with a similar error was entered. All findings were cross-checked by at least one other tester to ensure accuracy. Email addresses were entered on the predominant registration page for each retailer, typically via "new customer registration," "newsletter sign up," "email sign up," or "contact us."

Findings & Analysis

1. E-Tailers Continue to Struggle with *"Garbage In, Garbage Out"* Syndrome







3. Even the “Best” Performers Still Have Work to Do

- The strongest performing retail website in this study, L.L.Bean.com, blocked only 7 of the 14 invalid email addresses tested. The “first runner-ups,” blocking 6 of the 14 invalid email addresses tested were Amway.com, Drugstore.com, Netflix.com, Overstock.com, Sears.com and Victoriassecret.com.

4. Lost Revenues for E-tailers

Using a conservative estimate for the percentage of correctable email address registrations, a retailer that gains 500,000 email addresses per year is losing \$200,000 in revenues as follows:

- Value of an email address \$20.00⁵
- Number of annual email address registrations..... 500,000
- Percent of email registrations that can be corrected2%
- Cost of improper email registration practices\$200,000**

This calculation does not take into account the wasted marketing dollars spent emailing nonworking email addresses. Nor does it calculate the significantly larger costs of being blocked or blacklisted.

⁵ e-Dialog 2010 study

Implications for Retailers

This 2010 study reveals that retailers have made little progress and still have significant room to improve when it comes to flagging and/or correcting invalid and bogus email addresses at the point of registration. Given that customer acquisition is a key focus for online retailers, retailers are wasting marketing dollars on this effort while leaving money (and customers) on the table.

According to a study by ReturnPath, 16% of email was not delivered to the inbox between July and December, 2009.⁶ Based on the results of our email validation study, poor email registration practices are a significant contributing factor to this costly problem.

By neglecting to invest in effective, user-friendly options for improved email address validation, retailers are experiencing the following:

- **Lost Revenues:** How much money is lost when online shoppers register to receive coupons and promotional offers but never receive the offer because of a careless typing mistake?
- **Wasted Marketing Dollars:** Marketers spend significant amounts of money to acquire and retain customers. But when customers who attempt to opt-in are inadvertently excluded due to a misspelled email, that money is wasted.
- **Poor Customer Experience:** Online retailers create an unsatisfactory experience for customers who sign up for newsletters, promotional information, and customer service assistance online and then never receive the appropriate follow-up attention. This can result in customer attrition, angry follow-up from the customer, and negative brand impact.
- **Competitive Threat:** How many retailers are losing online customers to their competition due to a perceived lack of response, when in fact the customer's online registration was never accurately recorded to begin with?
- **Risk of Being Blacklisted:** When ISPs receive too many bouncing emails from a single source or too many messages to their "spam-trap" addresses, they may take action in the form of blacklisting the sending company. This means that email messages originating from that sending company *will no longer be permitted* to pass through that ISP to the customer. Worse yet, the ISP may never inform the sending company that they have been blacklisted.
- **Abuse Reporting:** It is very easy for one malicious user to register an address like "abuse@yahoo.com" and send a retailer's newsletter directly to this spam reporting address. It can take a tremendous amount of time and energy to undo this damage.

⁶ Global Email Delivery Benchmark Report by ReturnPath

Where Do Retailers Go From Here?

Email has proven that it's here to stay. Despite issues with spam, email is ubiquitous and has become the preferred mode of communication for consumers. That translates into billions of dollars for retailers who can reach out to their customers with relevant information, services, and products that will improve and simplify lives.

By investing in effective, user-friendly options for improved email address validation on their websites, retailers will also build trust with their customers while generating millions more in email marketing revenues.

Options for improving e-tailer's email address correction practices include:

- **Review basic website design and content**
 - Provide adequate text box length and instructive error messages
 - Explain value proposition of email relationship and reassure customers as to how their email addresses will be used
- **Implement accuracy checks**
 - Build a personalized confirmation page to reduce inadvertent errors
 - Employ a double opt-in policy but expect a substantial drop-off in conversions
 - Implement real-time email address correction technology such as that offered by FreshAddress, Inc. to catch and correct email addresses on the fly

Conclusion

Retailers' email addresses registration practices have improved little since 2006, when FreshAddress conducted its original study.

The lost revenue opportunities have a direct impact on retailers' bottom lines, depressing revenues by 2% to 10% or more.

By building a better database from the start, retailers will reap many benefits: higher revenues, reduced marketing expense, mitigated risk of being blacklisted by ISPs, and importantly, more positive customer relations.

Whatever retailers choose to do, they should do it immediately. The penalties of waiting are simply too great to ignore.

Appendix

Websites Tested

1800flowers.com	Nordstrom.com
Amazon.com	Newegg.com
Amway.com	Nikestore.com
Apple.com	Nutrisystem.com
Avon.com	Officedepot.com
Bestbuy.com	Officemax.com
Blockbuster.com	Overstock.com
Bn.com	Pcconnectionexpress.com
Buy.com	Peapod.com
Cabelas.com	Qvc.com
Cdw.com	Saks.com
Circuitcity.com	Scholastic.com
Costco.com	Sears.com
Dell.com	Shopping.hp.com
Drugstore.com	Sonystyle.com
Gap.com	Sportsmansguide.com
Hsn.com	Staples.com
Homedepot.com	Target.com
Jcpenney.com	Tigerdirect.com
Kohls.com	Toysrus.com
Llbean.com	Vistaprint.com
Macys.com	Victoriassecret.com
Musiciansfriend.com	Walmart.com
Neimanmarcus.com	Williams-sonoma .com
Netflix.com	Zappos.com

This research study courtesy of:



FreshAddress, Inc., *The Email Address Experts*™,
helps companies and nonprofits
build, clean, and update their email address databases.
Services include real-time email correction technology (REACT),
patented email change of address (ECO),
B2C and B2B email appending,
and email list cleaning & hygiene.

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