



How Permission-Based Email Drives Sales, Leverages Customer Relationships and Creates Powerful Brand Loyalty

A White Paper Authored By:
Joel Book, Director of Agency Channel Management

Executive Summary

In his critically acclaimed 1999 book, *Permission Marketing*, Internet marketing pioneer Seth Godin introduced the world to a new approach to marketing and customer relationship management based on the simple but powerful concept of permission-based communications. Now, five years later, as companies strive to communicate more effectively with customers and prospects, **permission-based email** has emerged as the marketer's most potent and cost-effective tactic for driving sales and building powerful brand loyalty.

This white paper examines the expanding role of permission-based email in marketing and customer management operations. Moreover, it provides a framework for using this customer-centric tactic to dramatically reduce customer defection and improve profitability by keeping customers connected with the brand.

By Joel Book

Marketing, in recent years, has undergone a dramatic revolution. The days of one-size-fits-all mass marketing have disappeared. Instead, organizations have implemented and executed well-planned multi-channel marketing solutions that combine *Brand Marketing* and *Customer Marketing* strategies to deliver brand messages and product offerings that are both consistent and cohesive across channels. The results? Higher response rates. More repeat buyers. Increased revenues. And improved marketing ROI. In short, more juice for the squeeze.

Brand Marketing tactics – like print advertising, marketing events and search engine marketing – are used to create brand awareness and drive customers to a retail store or website, where they can register their product preferences and request to receive relevant information and offers. With this information, marketers use Customer Marketing tactics, such as personalized direct mail, to drive action. But increasingly, marketers are turning to **permission-based email** for this job.

The benefit of using permission-based email for customer marketing is its ability to finish the customer acquisition job started by brand marketing. According to Forrester Research, approximately 70 percent of the \$200 billion spent on marketing in the U.S. each year goes toward building brand image and awareness through channels such as TV, radio and print advertising. Jim Nail, a senior analyst at Forrester, believes that permission-based email can “build momentum towards purchase by giving the prospect the information needed to become a customer.”

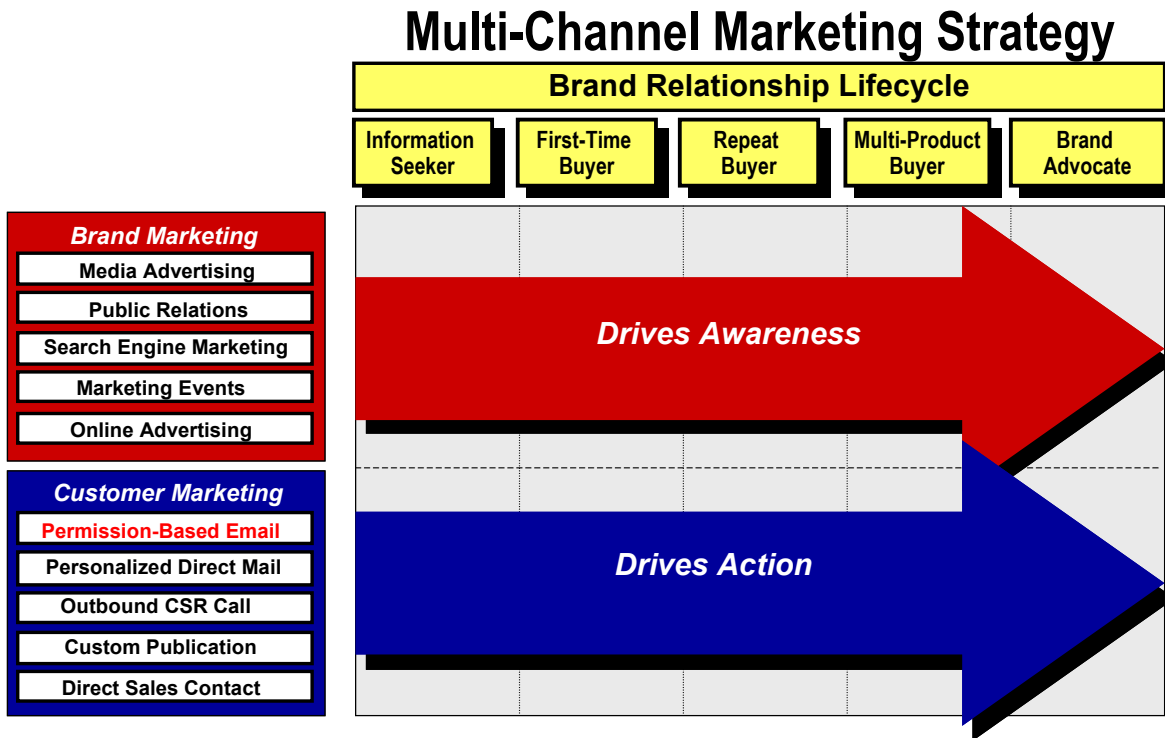
“Our research proves that consumers are using the web for information and communication,” said Nail. Once the customer has been attracted to the web site, permission-based email can move a prospect through the consideration and preference phases all the way to purchase – a task traditional marketing channels do not do as quickly *or* efficiently.

And as Seth Godin noted in *Permission Marketing*, the reason permission-based email works so well is because it “encourages customers to participate in a long-term **interactive** marketing campaign in which they are **rewarded** in some way for paying attention to increasingly **relevant** messages.”

How Permission-Based Email Improves Marketing Effectiveness

In today's media-fragmented marketplace, effective marketing requires a communications strategy that drives brand awareness and customer action at each stage of the brand relationship lifecycle. In increasing numbers, organizations are deploying a multi-channel approach to keep customers connected with their brand.

An integrated multi-channel marketing strategy – as illustrated in the diagram below – aligns the business-getting process of brand marketing with the business-keeping process of customer marketing. And permission-based email is fast becoming the “linchpin solution” for integrating brand marketing with customer marketing.



Leading business-to-business and business-to-consumer marketers – including Cambridge SoundWorks, Carlson Wagonlit, Liberty Mutual, Sherwin-Williams, General Mills, Honeywell, Anthem Insurance, Cognos and Home Depot – all use permission-based email to drive new and repeat buyers. Why? Because it works.

A recent study by McKinsey & Company titled “*Harnessing the Power of Email*” provides compelling evidence of why permission-based email makes sense. Among the study's findings are three important observations:

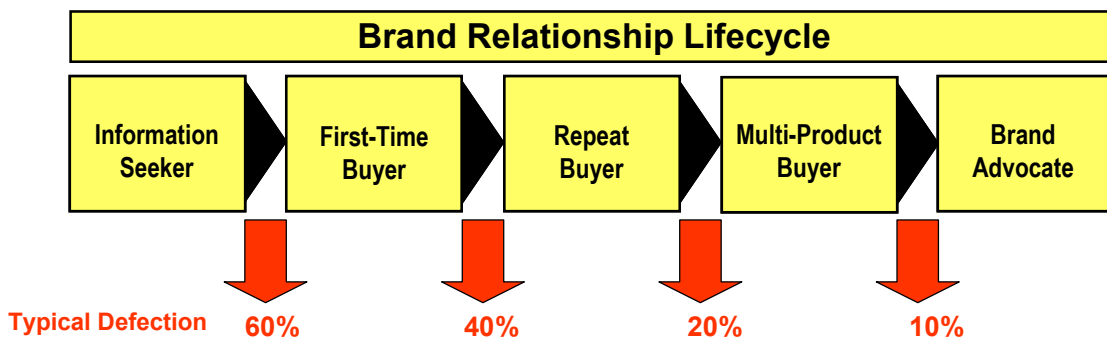
1. Email response rates are 15% vs. 1% for direct mail
2. Email costs 3 -10 cents per email vs. \$2 for direct mail
3. Email generates 80% of responses within 48 hours

The Cost of Not Staying Connected with Customers is Real and Measurable

Numbers don't lie. It costs anywhere from five to ten times as much to acquire a new customer than it costs to retain an existing one. Research analyst Alex Brown estimates that "U.S. organizations lose one-half of their customers every five years, and a 5% incremental improvement in the customer retention rate could have the effect of doubling profits."

Fredrick Reichheld of Bain & Company cites in his book, *The Loyalty Effect*, that customer disloyalty "stunts corporate performance by 25 to 50 percent, sometimes more." Yet despite these findings, companies continue to treat customers with indifference.

Email Keeps Customers Connected to the Brand



“A 5% reduction in customer defection can improve profit by as much as 20%.”

Source: *“The Loyalty Effect”*

And how do customers respond to being treated with indifference? They leave in search of a company that will take the time to understand their needs, problems, and expectations . . . and deliver information and product offers tailored to their needs!

Day in and day out, companies leave thousands – even millions – of dollars in potential sales lying on the table because they cannot communicate with customers and prospects in a manner that is personal, relevant and timely. Recently, a senior marketing executive at a major insurance company revealed that, in one year, his company lost out on new contracts amounting to more than \$100 million because they did not have the information systems and processes in place to interact with policyholders on a one-to-one basis.

To reduce customer defection, improve profitability, and keep customers connected with their brand, companies should add email to the mix of communications channels used to develop and manage customer relationships.

An Email Marketing Success Story

An excellent example of permission-based email marketing can be found at Sherwin-Williams, one of the country's leading retailers of paint, wallpaper and related accessories.

Working with Optiem, a full-service interactive agency based in Cleveland, Ohio, Sherwin-Williams leverages local print advertising, in-store displays, online advertising, and search engine marketing to attract Do-It-Yourself customers to a micro-site where they register to become a "Preferred Customer."

The screenshot shows the "SHERWIN-WILLIAMS Preferred Customer Registration" form. It includes a registration message, a "Save the Earth" logo, and various input fields for personal and project information. Two callout boxes are present: one pointing to the registration message and another pointing to the "Upcoming Projects" section.

Sherwin-Williams obtains permission to send email offers and information.

Sherwin-Williams obtains product-related "project interests" for relevant messaging.

Register today with **Sherwin-Williams** and we'll email you with valuable promotional incentives as well as Do-it-Yourself information to help you with your upcoming projects! (*fields are required.)

*First Name:

*Last Name:

*Street Address:

*City:

*State/Prov:

Code:

*E-mail Address:

Phone: () -

Fax: () -

Male Female

Age:

Upcoming Projects:
(check all that apply)

Exterior Interior

paint paint

stain stain

deck wallpaper

concrete

When will you start your project(s)?:

How did you hear about us?:

[Privacy Policy](#)

Upon registering at the DIY micro-site, customers receive an email welcoming them to the Preferred Customer Program. The email also contains an offer allowing the recipient to download a bar-coded coupon for redemption at any Sherwin-Williams location. An integrated "Forward to a Friend" link allows customers to alert friends and family members to the Preferred Customer program. This feature has been extremely valuable in growing Sherwin-Williams' DIY database.

Once registered, all customer-supplied project, product and store preference data is stored and used to deliver ongoing email communications about relevant sales, in-store events, and product promotions. In addition, Preferred Customers receive a custom eMagazine containing articles and advice tailored to the customer's project.

Results. In a little under two years, Sherwin-Williams' Preferred Customer Program has attracted more than 200,000 subscribers. Better yet, net revenue generated from the program has exceeded cost by a factor of 12 to 1!

Sherwin-Williams' Preferred Customer Welcome Email

Downloadable bar-coded coupon drives store traffic, enables closed-loop tracking

"Forward to a Friend" drives inquiries, grows the Preferred Customer community

Welcome...

SHERWIN WILLIAMS

PREFERRED CUSTOMER PROGRAM

You rejuvenated the room. It keeps returning the favor.

- sw6801 regale blue with glaze
- sw6544 mesmerize blue with glaze
- metallic silver with glaze
- sw6799 soar and metallic silver with glaze

Just in time for special savings and colorful tips on home decorating from the name you trust, Sherwin-Williams. The room shown here features a palette of blues used with the dramatic technique of glazing and our Illusions® metallic silver finish. It's just one example of the latest trends and creativity we'll regularly send to you as a Preferred Customer.

It all begins with COLOR.
Step into your neighborhood Sherwin-Williams store and explore our new COLOR® system of over 1,000 color choices along with 20 pre-coordinated color palettes and the stunning Illusions® series of metallic and faux finishes. Discover how easy we've made it for you to confidently arrive at a complete home decorating scheme with a style that is all your own.

PREFERRED CUSTOMERS SAVE \$10
[CLICK HERE FOR COUPON](#)

[* Forward To A Friend](#) Ask How. Ask Now. Ask Sherwin-Williams™

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Where's my **Nearest** store?

Sherwin-Williams' Preferred Customer eMagazine

Sherwin-Williams' eMagazine is personalized for each customer

Using Dynamic Content to deliver relevant "project related" offers

Sherwin-Williams *Color+Style* Spring 2004

Color Trend | Project | Home Style | Special Offer | Forward to a Friend | Find a Store Near You

Welcome Thom Ruhs.
Visit your neighborhood Sherwin-Williams store at: 7872 Plaza Blvd, Mentor

The Delectable Colors of Casual D'Luxe

Anything can inspire you to add color to your home. The Casual D'Luxe palette was created by color experts here at Sherwin-Williams® who were inspired by the rich flavors of gourmet foods. Explore how we added elegance to a dining room using [Casual D'Luxe](#) colors.

Dining Room: Red Bay SW 6321, Foyer: Torchlight SW 6374

Special Offer: FREE SuperPaint® when you buy Illusions® Glazing Liquid in the NEW Twist & Pour Container

Project: Copper Metallic
Try a project using the newest finish in the Illusions® Faux Finish system.

Home Style: Cooking With Color
See how color influences taste. PLUS get a free recipe from *Gourmet* magazine.

This message was sent to Sherwin-Williams Preferred Customers who agreed to receive information about products and promotions. If you no longer wish to receive these messages, [click here](#).

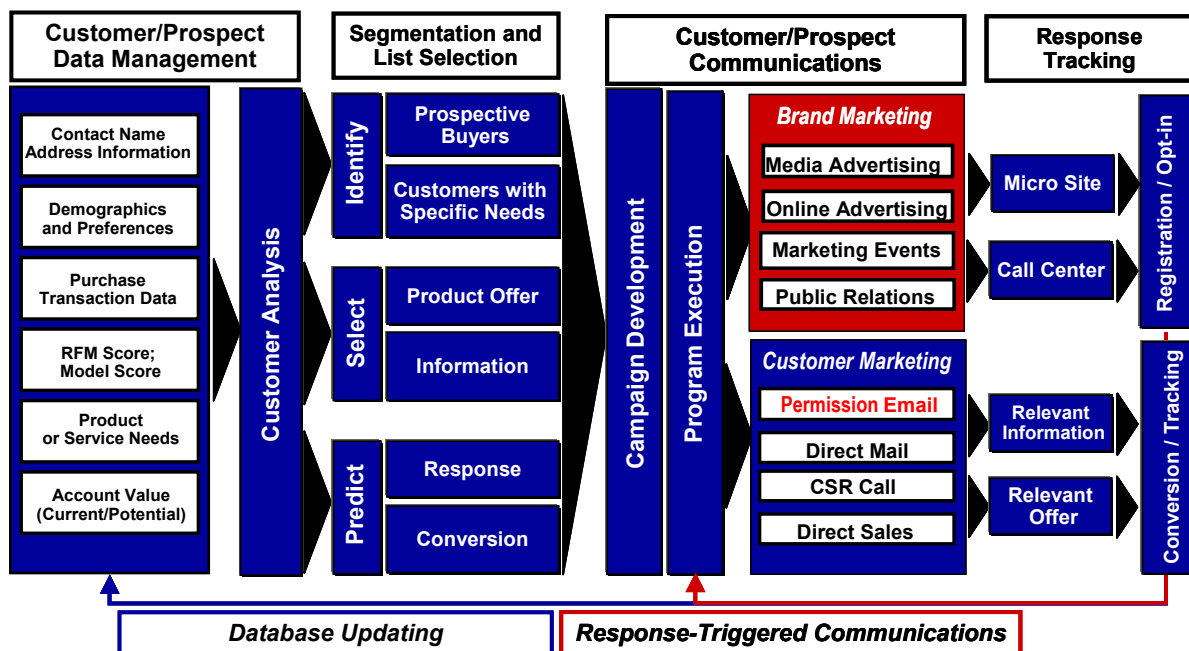
[Privacy Policy](#) | [Unsubscribe](#) | [Forward To A Friend](#)

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According to Optiem President Jeffrey K. Rohrs, a major reason for the program's success is the use of permission-based email to develop and maintain one-to-one relationships with individual customers. "By using personalized email to follow through on the initial program promotion achieved through consumer advertising and in-store collateral, we were able to generate not only one store visit, but repeat visits. This enabled Sherwin-Williams to lower its cost of new customer acquisition and increase net income per customer," says Rohrs.

While permission-based email played a pivotal role in the success of Sherwin-Williams' Preferred Customer Program, what is noteworthy is how Sherwin-Williams used permission-based email *in combination with* media advertising, in-store promotion, search engine marketing and public relations to drive results. This multi-channel approach – as illustrated in the process diagram below – is an excellent example of how organizations are maximizing marketing ROI and creating "brand advocates" through the effective use of permission-based email.

Permission Marketing "Closed-Loop" Process



10 Rules for Successful Permission-Based Email Marketing

Developing and implementing a successful strategy for permission-based email marketing requires both vision and careful planning. For most organizations, putting the information, technology, process, and staffing in place to support permission-based email represents a major shift from a *product*-focused business model to a *customer*-focused business model.

If you are planning to implement permission-based email marketing at your organization, here are ten rules to follow to ensure success:

1. Define Your Company's Strategy for Permission-Based Email Marketing

Link the strategy to the organization's business objectives. Describe how permission-based email will be used to support and improve marketing, sales, and service processes for customer relationship management, sales force support, local dealer support and brand building. Create a "blueprint" for developing and executing the strategy.

2. Get Senior Management On Board and Out Front

Effective and sustained change starts at the top. The sooner the company's senior management team adopts and articulates how permission-based email will be used as part of an integrated marketing strategy to drive sales, support channel partners and build customer relationships, the quicker this vision will be accepted throughout the organization.

3. Use Email as Part of a Multi-Channel Marketing Strategy

To maximize customer response, plan marketing campaigns that integrate permission-based email with other direct channels, including direct mail and CSR contacts, and indirect channels such as media advertising, marketing events, retail promotions and search engine marketing. This approach will build your opt-in list and maximize marketing ROI.

4. Select a "Best-in-Class" Email Service Provider

Determine your needs for email communications technology and use these criteria to evaluate service providers. Read the research reports. Evaluate their tools based on ease of use and ability to dynamically personalize offers and messages. Study their deliverability practices and track record. And ensure you will be in compliance with CAN-SPAM requirements.

5. Hire People with Solid Content Development and Email Design Skills

Effective email marketing is all about the content. If it is relevant and invites response, you'll get results. If it's not, you will be disappointed. Hire email strategists and program managers who have their "finger on the pulse" of the customer. Create content that delivers real value to customers. Focus on "pulling" customers with relevant offers rather than "pushing" what you want to sell.

6. Integrate Customer Data in a Central Marketing Database

Import customer-centric data from information management, purchase transaction and customer contact systems. Use this insight to create a "single view" of your customer and develop email communications strategies that treat customers correctly based on their purchase behavior, attitudes, and information needs.

7. Know Your Customer

Email works when it's personal, relevant and timely. Develop a strategy and process for acquiring – and updating – customer data. Use email to guide customers to a landing page on your website where they can quickly and easily update information regarding business or household demographics, information needs, product usage preferences, and attitudes.

8. Integrate Email with Other CRM Applications

The ultimate goal of permission-based email marketing is to optimize the performance of the company's customer portfolio. This requires astute understanding of how customers interact with you and where email can be used to accelerate and improve the buying or customer service process. To achieve this, integrate your email technology with your CRM applications to create a unified customer experience across key touch points.

9. Measure Email Success

As the saying goes, you can't manage what you can't measure. And email marketing is no different. The "Report Card" needed to monitor program results and refine your marketing strategy should include the following metrics: Emails Delivered, Emails Undelivered, Emails Opened, Click-through Rate (CTR), and the Conversion Rate. Additionally, marketers should not overlook two other critical metrics – the number of list removal requests and the number of SPAM complaints. Either of these is indicative of how engaged customers are with your brand.

10. Track Email Deliverability

To maximize the effectiveness of your email marketing and service communications, you must maximize email deliverability. And to do this, you must track your actual email delivery rates at the top ISPs such as AOL, Yahoo, MSN and more. Fortunately, with tools like ExactTarget's Inbox Detective, this job has become much easier. With Inbox Detective, you can view the actual delivery of your email at the top 21 ISP's, compare your delivery rates to industry benchmarks, and receive advice on what content changes are recommended to pass through spam filters and arrive successfully at your customer's inbox.

The Rules of Marketing have Changed. Have You?

The ground rules for marketing have changed. The wall between offline communications and online communications has collapsed. Performance is no longer measured by increases in market share, but rather by increases in customer share, customer retention and customer value. And having the best product is no longer an ironclad guarantee for business success. The road is littered with case studies of companies that had a great product but no customers.

Instead, progressive companies are discovering that the key to long-term success is the ability to attract, retain and grow customers. Doing this well requires that companies "know" their customers and use this insight to communicate in a manner that is personal, relevant and timely. In short, successful companies are finding that the fastest way to build *brand equity* is to build *customer equity* by staying connected with customers throughout the relationship life cycle.

And the "Linchpin Solution" to achieve these objectives is Permission-Based Email.

About the Author:

Joel Book is Director of Agency Channel Management for ExactTarget, a leading provider of software for permission-based email communications. In this role, Joel

consults with ExactTarget's agency partners on effective use of email to drive new customer acquisition, generate repeat buyers and build brand loyalty.

Contact Information:

Joel Book
Office: 317.423.3928
Mobile: 816.806.8774
E-mail: jbook@ExactTarget.com

Online Information Sources

Whether you are new to email marketing or a seasoned veteran, consider adding the following sources to your list of "favorites" on your Internet browser. Each is packed with useful insight, case studies, trends and techniques from email practitioners.

On Target

Using permission-based email to build business and manage relationships
www.exacttarget.com

eMarketer

Data, research and analysis on e-business, online marketing and emerging technologies
www.emarketer.com

ClickZ Network

Solutions for Marketers
www.clickz.com

The Jennings Report

Research and resources for e-marketing professionals.
www.jenningsreport.com

Recommended Reading

Each of the following books provides valuable insight on what companies can do – and must do – to use permission-based email in combination with other customer-centric communications to respond to the changing demands and expectations of customers.

Permission Marketing

Turning Strangers Into Friends And Friends Into Customers
Author: Seth Godin

Total Access

Transforming the enterprise to meet the needs of the anytime, anywhere customer
Author: Regis McKenna

The Cluetrain Manifesto

The End of Business as Usual
Author: Christopher Locke

About ExactTarget

ExactTarget delivers on-demand email software solutions for permission-based email marketing. The Home Depot, General Mills, Scotts, Bristol-Myers Squibb, and more than 2,400 organizations worldwide rely on ExactTarget email solutions to strengthen their customer relationships and to control email throughout the enterprise. ExactTarget offers solutions that meet the needs of all industry verticals and all size organizations, including SMB, corporate divisions, not-for-profits, large retail/direct marketers, agencies and enterprises. Privately owned and headquartered in Indianapolis, the company has 30 U.S. sales offices. To learn more, go to www.exacttarget.com .