

HELSINKI METROPOLIA UNIVERSITY OF APPLIED SCIENCES  
UNIVERSITY OF LINCOLN  
EUROPEAN MANAGEMENT DEGREE PROGRAMME

CRITICAL FACTORS AFFECTING EMAIL AS A MARKETING COMMUNICATION  
CHANNEL – CASE STUDY: RealEasyMailer

Marko Heintie EM 06  
Bachelor's Thesis  
March 2010  
Word Count: 10 547  
Enrolment number (UL) HEI08122744  
Student ID (Metropolia) 0603991

**Critical factors affecting email as a marketing communication channel –  
Case study: RealEasyMailer**

**Marko Heintie**

## **ACKNOWLEDGMENTS**

I wish to express my gratitude to Mr. Roland Simpkins, Managing Director of First Directory Ltd., who has kindly provided his company's product launch as a case study.

I would also like to thank Mr. Daryl Chapman and Mr. Rosli Kamarul-Baharin, whom have shown much needed academic support and given the essential critical feedback in order to complete this dissertation.

Last, but not least, I wish to thank Mr. Mark Simpkins, who is the software engineer in charge of the development of RealEasyMailer.

# ABSTRACT

## *English abstract*

### **Purpose**

This dissertation examined what critical factors affect email as a direct marketing and CRM tool and aimed to provide recommendations regarding attractiveness of email marketing software industry.

### **Methodology**

A critical literature review of the topic was conducted using academic sources and other relevant literature and an email survey was sent to 1000 UK based small businesses in wide range of industries. As theoretical models, the SWOT analysis was used in the literature review and Porter's Five Forces analysis in the discussion of the research results.

### **Findings**

The research showed that email marketing is a cost-effective marketing communication channel that provides companies solid results on their marketing efforts. The utilisation of email marketing correlated with the company size and those who used the tool were interested in further investment. Respondents not investing in email marketing had done so mainly out perceived limitations of the communication channel for their industry or business. Furthermore, the email marketing industry was found to be moderately attractive.

### **Research limitations/implications**

The research carried out focused specifically on small businesses in the United Kingdom and generalisations of the findings should be done with caution. Further research in different countries and from the perspective of larger companies would be useful in order to get a better understanding of the issues involved.

### **Practical implications**

The dissertation concludes that email marketing is a very powerful marketing communication channel and that it has considerable growth opportunities. Email marketing

companies can use the current market situation to launch new products and services but must take into account the threat of spam email and large volume of commercial email.

**Originality/value**

This study combines the academic aspect on email marketing and the point of view of end users of email marketing software and services. As a result this dissertation provides useful insights on what the end user of email marketing perceives the tool to be capable of and how to best utilise email marketing.

## *Finnish abstract*

Internetin synnystä lähtien sähköposti on ollut yksi sen tärkeimmistä sovelluksista. Tällä hetkellä sen käyttö ulottuu suoramarkkinoinnista asiakasyhteyksien hoitamiseen. Tämän lopputyön tarkoituksena oli selvittää sähköpostimarkkinoinnin hyötyjä ja haittoja, ja sen mahdollisuuksia pienyritysten markkinoinnissa hyödyntäen brittiläisen online hakemistoyrityksen uutta sähköpostimarkkinoinnin tuotejulkaisua.

Aineistona lopputyössä on käytetty kriittistä kirjallisuuskatsausta sekä Yhdistyneissä Kuningaskunnissa sijaitseville pienyrityksille suunnattua sähköpostikyselyä sähköpostimarkkinoinnin käyttökelpoisuudesta ja mahdollisuuksista. Lähetetyistä tuhannesta kyselystä vastanneita oli 115.

Kirjallisuuskatsauksen lähteinä käytettiin tieteellisiä artikkeleita ja muita olennaisia julkaisuja. Kirjallisuuskatsaus sähköpostimarkkinoinnin hyödyistä ja haitoista on tiivistetty SWOT analyysin avulla selkeämmän kuvan saamiseksi.

Kirjallisuuskatsauksen ja kyselyn tuloksia analysoitiin ja verrattiin toisiinsa eri tekijöiden avulla (markkinoinnin tehokkuus, investoinnit, kilpailijat ja rajoitukset). Vertailussa tuli ilme, että kirjallisuuskatsauksen mukaan sähköposti on verrattain nuori mutta hyvin kustannustehokas ja monipuolinen markkinointiviestinnän työkalu. Porterin Viiden Voiman analyysi osoitti, että sähköpostiohjelmisto-markkinoiden houkuttelevuus on keskivahva.

Tulosten tarkastelu tuki kirjallisuuskatsausta pitäen todennäköisenä, että sähköpostimarkkinoinnilla on mahdollisuus kasvaa yhä tärkeämmäksi markkinointiviestinnän työkaluksi sen houkuttelevuuden ja tarjoamien mahdollisuuksien ansiosta. Markkinoijan tulee kuitenkin huomioida roskapostin ja suuren volyymin aiheuttamat haitat sähköpostimarkkinoinnille.

# Table of Contents

<b>ACKNOWLEDGMENTS</b>	<b>3</b>
<b>ABSTRACT</b>	<b>4</b>
ENGLISH ABSTRACT	4
FINNISH ABSTRACT	6
<b>TABLE OF CONTENTS</b>	<b>7</b>
<b>ABBREVIATIONS</b>	<b>9</b>
<b>LIST OF TABLES AND FIGURES</b>	<b>10</b>
<b>INTRODUCTION</b>	<b>11</b>
<b>LITERATURE REVIEW</b>	<b>13</b>
<b>DEFINITION OF EMAIL MARKETING</b>	<b>13</b>
<b>SWOT ANALYSIS OF EMAIL MARKETING</b>	<b>13</b>
STRENGTHS	13
WEAKNESSES	14
OPPORTUNITIES	15
THREATS	15
<b>THE EFFECTIVENESS OF EMAIL MARKETING</b>	<b>17</b>
FUNCTIONS OF EMAIL MARKETING SOFTWARE	18
THE LOW COST OF EMAIL MARKETING	19
EMAIL IN CUSTOMER RELATIONSHIP MANAGEMENT	20
THE REACH OF EMAIL AS A COMMUNICATION CHANNEL	21
BEST PRACTICE OF EMAIL MARKETING	22
<b>UNSOLICITED COMMERCIAL EMAIL</b>	<b>24</b>
SPAM AND PERMISSION BASED EMAIL MARKETING	25
COST OF SPAM EMAIL FOR BUSINESSES	26
THE CAN-SPAM ACT	26
SOLUTIONS TO THE PROBLEM OF SPAM	27
<b>SOCIAL MEDIA AND EMAIL MARKETING</b>	<b>28</b>
COMPETITION BETWEEN EMAIL AND SOCIAL MEDIA	28
SYNERGY OF EMAIL AND SOCIAL MEDIA	29
<b>GROWTH OPPORTUNITIES OF EMAIL MARKETING</b>	<b>29</b>
<b>LIMITATIONS OF EMAIL MARKETING</b>	<b>33</b>

<b>CASE STUDY: REALEASYMAILER</b>	<b>35</b>
<hr/>	
<b>METHODOLOGY OF THE RESEARCH</b>	<b>35</b>
RESEARCH DESIGN AND PURPOSE	35
LIMITATIONS OF THE RESEARCH	36
<b>FINDINGS</b>	<b>36</b>
SIZE OF THE RESPONDENT'S BUSINESS	37
INVESTMENT IN EMAIL MARKETING	37
PORTION OF RESPONDENTS USING EMAIL MARKETING AND REASON(S) OF USE	38
EMAIL AS A DIRECT MARKETING CHANNEL	38
PROBLEMS/LIMITATIONS WITH EMAIL MARKETING	39
EMAIL MARKETING AS A CRM AND BRAND BUILDING TOOL	40
<b>DISCUSSION</b>	<b>41</b>
<hr/>	
<b>LITERATURE AND RESEARCH RESULTS</b>	<b>41</b>
COMPANY SIZE AND USE OF EMAIL MARKETING	41
INVESTMENT IN EMAIL MARKETING	42
EMAIL AS A DIRECT MARKETING CHANNEL	42
EMAIL AS A CRM TOOL	43
LIMITATIONS AND PROBLEMS OF EMAIL MARKETING	44
<b>FIVE FORCES MODEL: EMAIL MARKETING SOFTWARE</b>	<b>45</b>
BARGAINING POWER OF SUPPLIERS	45
BARGAINING POWER OF CUSTOMERS	45
THREAT OF NEW ENTRANTS	46
THREAT OF SUBSTITUTES	46
INTENSITY OF RIVALRY	47
ATTRACTIVENESS OF EMAIL MARKETING SOFTWARE INDUSTRY	47
<b>CONCLUSIONS</b>	<b>49</b>
<hr/>	
<b>LIST OF REFERENCES</b>	<b>51</b>
<hr/>	
<b>BIBLIOGRAPHY</b>	<b>55</b>
<hr/>	
<b>APPENDICES</b>	<b>60</b>
<hr/>	
<b>APPENDIX A: SURVEY QUESTIONS AND ANSWERS</b>	<b>60</b>
<b>APPENDIX B: DATA USED IN RESEARCH RESULT CALCULATIONS</b>	<b>65</b>

## **ABBREVIATIONS**

<b>AIDA</b>	Attention, Interest, Desire and Action
<b>B-2-B</b>	Business to Business
<b>B-2-C</b>	Business to Consumer
<b>CRM</b>	Customer Relationship Management
<b>ICT</b>	Information and communication technologies
<b>ISP</b>	Internet Service Provider
<b>PC</b>	Personal Computer
<b>REM</b>	RealEasyMailer
<b>ROI</b>	Return on Investment
<b>SWOT</b>	Strengths, Weaknesses, Opportunities and Threats

## **LIST OF TABLES AND FIGURES**

### **Tables:**

**Table 1** SWOT of email marketing **pg. 16**

**Table 2** Financial deals concerning email marketing **pg. 32**

### **Figures:**

**Figure 1** How to format commercial email **pg. 24**

**Figure 2** Investment in marketing mediums in 2008 **pg. 33**

**Figure 3** The size of the respondents company measured by staff level **pg. 37**

**Figure 4** The percentage of respondents who currently use email marketing **pg. 38**

**Figure 5** View of email marketing as a CRM and brand building tool **pg. 40**

# INTRODUCTION

The first email communication was sent over 40 years ago and since then email has been overwhelmingly the biggest application used in the Internet (Parkin, 2009). According to Zhou *et al* (2005) email has developed from an application used by a few academics in Arpanet into ubiquitous communication tool.

Quickly following the birth of a new type of communication medium, there was a birth of a potent new marketing communication channel – email marketing. Although email is a relatively young marketing communication channel it is very effective and the results are applicable for direct marketing and Customer Relationship Management (CRM).

The aim of this dissertation is to identify critical issues that affect email marketing. The objectives are to examine email marketing as a communication channel, examine what is the viewpoint of the end users of email marketing software and to determine how attractive the email marketing software market is.

The scope of this dissertation will be the academic and other relevant literature and the viewpoint of the small business sector in the UK on email marketing. This dissertation omits the viewpoint of large and international companies which limits the application of the research results.

To accomplish This a critical review of the literature is conducted by using academic and other relevant sources of the issues affecting email marketing, such as effectiveness of email marketing, the problem of unsolicited commercial email, social media as a competitor for email marketing and growth opportunities of email marketing.

SWOT analysis is utilised as a theoretical model to identify the strengths, weaknesses, opportunities and threats of email marketing. The identified issues will be then discussed in further sections of the literature review.

The case study of RealEasyMailer (REM) is used to include the small businesses viewpoint on email marketing and research the attractiveness of email marketing software market.

REM is beta-stage email marketing software designed for small businesses and is about to be launched to the UK market by First Directory Ltd.

The literature review and survey results are discussed, examining their differences and implications, while the Porter's Five Forces analysis is utilised to answer the case study's question about the attractiveness of the email marketing software market.

The discussion section will be used as the basis of the conclusions on critical issues of email marketing and includes recommendations for First Directory Ltd. regarding their product development and launch.

# LITERATURE REVIEW

## *Definition of email marketing*

Email marketing is use of email software to send out a commercial communication to a recipient. The purpose of the communication can vary from initiating a purchase or to act as a form of Customer Relationship Management.

However, more important definition is that email marketing is permission based digital marketing where the permission refers either to a direct (subscribing to receive emails) or suggested (purchasing an item from a website) permission for the marketer to send marketing messages (Jenkins, 2009).

The word 'permission' carries a great deal of meaning for the marketer as it separates legitimate email marketing from intrusive spam email. In fact, according to Jones (2008) email started to be accepted as a legitimate form of marketing only after it was defined as permission based and thus separated from spam email.

## *SWOT analysis of email marketing*

This literature review will first summarise the critical issues affecting email marketing with a SWOT analysis in order to analyse the internal and external factors related to email marketing. The factors discovered by the SWOT analysis will then be covered in their own sections further on, to examine them further.

### **Strengths**

As a marketing communication channel email is low cost, as each additional email has a marginal cost of zero (Merisalo and Raulas, 2004). In addition, the results that can be obtained by email marketing make it very effective marketing communication channel, as

email can provide a Return on Investment (ROI) that can be many times higher than the ROI of traditional direct marketing mediums (Jenkins, 2009).

The email communication itself can be highly customised; the marketer can send a communication of any length, size and include elements such as images, sound or video. Customisation of messages is especially potent when the marketer utilises it in combination with accurate targeting. Customers can be micro-targeted by segmenting them with different factors; for example, demographics, purchased products, the frequency of purchase and monetary value of purchase. Together, the customisation and targeting functions create a very individual marketing communication. In addition, email marketing communication can also be forwarded to friends and can cause the campaign to spread virally (ExactTarget, 2009a).

Furthermore, email marketing campaign performance can be tracked accurately in real-time and even minutiae detail can be taken into account; such as the date and time of day of opening the communication or clicking-through the hyperlink in the communication. This combined with the digital nature of email marketing allows the marketer to quickly alter the campaign and thus makes the design and execution of campaigns faster than with traditional direct marketing (Jenkins, 2009).

Email marketing communication can also serve many other purposes besides acting as a direct marketing message as email is also a CRM tool (Charlesworth, 2009). All customer service done by email will have a record of the dialog between the business and customer – occasionally this might be a weakness as well (Singleton, 2004).

## **Weaknesses**

The high volume of email is raising the cost of email marketing; to manage the volume of email Internet Service Provider's (ISP) have to charge higher fees. For example, the pressure to raise fees is a result of the additional staff needed due to increasing volume of email (PR Newswire Association, 2009b).

Furthermore, because of the large volume consumers and business owners/managers alike are saturated with email. This creates pressure for the marketer to get noticed in the receivers' inbox and great deal of time and effort is spent by email marketing professionals to get just one aspect of their communication – the subject line – to receive enough attention to avoid immediate deletion (Medical marketing & Media, 2008).

There are technical limitations to email as well. There are different browsers, email client systems and hardware devices used to view email and the same email communication can look drastically different depending on the software and hardware that the receiver uses to open the email communication (Charlesworth, 2009).

## **Opportunities**

Email marketing as an industry has seen major growth during the current recession and is forecasted to grow with fast pace in the near future. In the recession businesses are focusing their attention to cost-effective and result oriented marketing channels such as email marketing (Zmuda, 2009).

Consumers also prefer to receive commercial messages by email and are increasingly communicating by email. At the same time businesses and other service providers are offering their services increasingly online (ExactTarget, 2009c).

## **Threats**

Spam email account for most of email communications and is a formidable obstruction for the profitability and growth of email marketing (Evangelos *et al*, 2009). Email marketing is permission based but is connected to spam email by means of delivery and image. In the minds of the receivers there is not a clear distinction between the concepts of permission based marketing and spam email (Charlesworth, 2009).

Currently email is the most utilised Internet application and has been so since the inception of the Internet but is not as fashionable as social media applications, such as Facebook and

Twitter. There are arguments that position of email as a main digital communication channel is threatened by social media (Charlesworth, 2009).

**Table 1:** SWOT of email marketing

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Email is cost-effective</li> <li>• Email marketing has a high ROI</li> <li>• Ability to customise content, segment and target customers</li> <li>• Applicable for direct marketing and CRM</li> </ul>	<ul style="list-style-type: none"> <li>• Email client systems and hardware devices have differences when viewing content</li> <li>• Volume of email is raising costs and saturating consumers inboxes</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• In recession businesses focus on low cost and result oriented marketing tools</li> <li>• Consumers communicate more online and their preferred digital communication channel is email</li> </ul>	<ul style="list-style-type: none"> <li>• Social media can form into a competing communication channel</li> <li>• Spam email limits growth and productivity of email marketing</li> </ul>

The SWOT analysis presented in **Table 1** briefly summarises the issues affecting email marketing. However, each of these issues is a combination of complex factors and warrants a closer look. This dissertation will now examine these factors in individual sections.

These sections are:

- The effectiveness of email marketing
- Unsolicited commercial email (Spam)
- Social media and email marketing
- Growth opportunities of email marketing
- The limitations of email marketing

## *The effectiveness of email marketing*

According to MacPherson (2001) email is the fastest, cheapest and most effective direct marketing channel. This is due to a combination of the technological capabilities of email marketing software, the reach of email, consumers' preferences and the correct use of email marketing.

According to Charlesworth (2009), 21% of adult consumers have responded to direct email marketing communication sent to them in the last month by visiting the sender's website. In addition, 75% of consumers have made a purchase as a direct result of receiving commercial email and the most common items purchased were (Business Wire, 2009c):

- Clothing and accessories (82%)
- Restaurant and coffee shop services (49%)
- Groceries (40%)
- Personal electronics (38%)

73% of consumers would click a link in commercial email and 44% would watch a video embedded in the email when they were expecting such communications, moreover, 43% of those consumers who went to the landing page made a purchase online (Fernandez, 2009).

Metrics such as ROI, comparison of the ROI and response rate of direct email marketing to traditional direct marketing also speak for the effectiveness of email marketing. Medical marketing & Media (2008) estimate that the ROI of email marketing is \$57 to every \$1 spent. According to PR Newswire Association (2009b) the ROI of commercial email campaigns is three times higher than in any other form of direct marketing. The response rate of traditional direct marketing is 0-2% while direct email marketing has a response rate of 6-20% (Yudkin *et al*, 2002). According to Charlesworth (2009) email marketing also drives more conversions than any other marketing communication channel.

The reasons for the effectiveness of email marketing can be grouped in two broad categories in the literature. The first category contains the factors that are a result of the email itself; these are the technological capabilities of the software, the reach of email and the low cost of email. The second category contains what could be described as 'best practices'; the skills and knowledge to use email correctly in direct marketing and to apply

it for CRM. These skills are increasingly necessary with the growing volume of commercial email.

This dissertation will now review these factors to examine the effectiveness of email marketing.

### **Functions of email marketing software**

The functions of email marketing software are shown below as an example of the technological capabilities of modern email marketing software (ExactTarget, 2009a):

- The marketer can create intricate content with easy-to-use HTML tools.
- The marketer can track website visits, generated revenue and detailed subscriber information.
- The marketer can customise marketing communications by stored information on behaviour patterns.
- The marketer can create customer segments based on demographics, transactional history and preferences.
- The marketer can format the email marketing software's messages to have the look and feel of their own brand.
- The marketer can track metrics such as click-through rate, undelivered email rate and opened email rate which indicate success of their campaign.
- The marketer can automatically delete 'out-of-office' and similar messages and move opt-out request to be processed instantly.
- The marketer can use easy-to-use tools to quickly build surveys and forms to be sent out with the email marketing software.

- The marketer can collect email addresses and names directly from the marketer's website, while profile and data are instantly gathered to a database.
- Subscribers can forward emails easily to their friends and the campaign can spread virally.

According ExactTarget (2009b) email marketing software has inbuilt advantages that other direct marketing tools lack, such as:

- Send communications of any length
- Use HTML coding to include images, sound or video
- Include attachments to the communication
- Be flexible with the type of communications sent
- Use the communication between different client systems

Jenkins (2009) argues that email marketing software will benefit any business despite its size or industry. Such arguments are somewhat supported by other authors (Evangelos *et al*, 2006; Smith and Chaffey, 2005; Merisalo and Raulas, 2004). However, it should be taken into account that ExactTarget is email marketing company and Jenkins professional email marketer, and as such their very optimistic view might be somewhat biased.

### **The low cost of email marketing**

Comparing email to its pre-internet version of direct mail, email requires only the initial investment in the software and procuring a mailing list while direct mail has printing and postage cost for each additional communication. Thus the marginal cost of each additional communication in email marketing is virtually zero. This has made the use of newsletters to be more applicable in B-2-C (Business to Consumer) market as the low cost allows businesses to focus on creating valuable content for their customers instead of tracking costs (Merisalo and Raulas, 2004).

Evangelos *et al* (2006) argue that the low cost of email marketing gives small and medium-sized businesses the opportunity to run large scale campaigns and compete with bigger, more established companies.

Furthermore, according to Jones (2008) email has the lowest marketing cost out of all direct marketing channels; less than \$7 per order. However, there is no mention of the value of the order and since orders of greater value usually require greater marketing efforts, for example automobile versus a hamburger meal, this does not automatically mean that the profit margin of the order gained by email marketing is greater than other direct marketing tools.

### **Email in Customer Relationship Management**

According to Charlesworth (2009) a company can use email marketing for multiple purposes and that email is a CRM tool as much as a direct marketing tool. In his view there are four categories, which cover all email sent by the marketer. These are:

- Direct email marketing communications
- Relationship building communications
- Automated messages, for example, order confirmations
- Responses to inquiries from customers

According to Merisavo and Raulas (2004) the email technology allows email newsletter-format to reach number of objectives with a single communication, including CRM purposes, such as:

- Securing a repeat purchase with the customer
- Reinforcing a purchase the customer has already made
- Increasing customer loyalty
- Encouraging recommendation (viral marketing)
- Providing general corporate or product information for customers

It is important to understand the importance of email as CRM tool as it can also increase sales from direct email marketing by nurturing customer relationships. According to Jenkins (2009), if the consumer is expecting to receive commercial email it has much greater chance of instigating a purchase.

However, according to Hosford (2009) email is not a fully fledged CRM tool but can very well perform as a CRM tool of limited capability; although CRM systems are often thought of as sales leads tools and email as a direct marketing tool, the line between the two functions can be especially blurred for small companies.

Thus in a large company email cannot take over all CRM tasks but can perform as an important support system for CRM and perhaps function as a sole CRM tool in small businesses. It could be argued that the level of benefit accrued by using email in CRM scales down as the company utilising it becomes larger.

### **The reach of email as a communication channel**

The reach of email is another factor in the effectiveness of email marketing and according to Jenkins (2009), email can reach the greatest amount of consumers and business managers.

According to Pew Internet (2009) 74% of American adults used Internet and 89.9% did so to send or read email. According Jones (2008) 64% of all Internet users check their email at least once a day while 34% check their email at least six times a day. Email has wide reaching implications to general Internet browsing as well as one in five website visits is initiated through a hyperlink in an email communication (Parkin, 2009).

One of the few sectors that kept growing during the current recession was information technology due to the fast pace of technological development and the worlds governments' realisation that the information technology infrastructure is vital for the growth of their national economies. Furthermore, government policies in many developed and developing countries focus on making the Internet accessible for greater portion of the population (Dutta and Mia, 2009).

As email is the biggest Internet application used, this suggests that the reach of email is set to grow further as the ICT infrastructure keeps growing.

### **Best practice of email marketing**

This dissertation has examined the advantages of the email technology. However, the technology cannot be utilised in a vacuum; although the software technology makes intricate email campaigns possible and consumers are receptive to them, they still need to be conducted in an appropriate way.

The importance of the opt-out feature, keeping the communication relevant and focusing on building customer relationships have been identified as the basic building blocs in running email marketing campaigns (Direct Marketing, 1999).

Like in any other type of marketing campaign, there are stages that the marketer should go through in order to run an effective email marketing campaign. Charlesworth (2009) defines the stages in email marketing campaigns as:

- Determining objectives of the campaign
- Developing a mailing list
- Developing content
- Developing a landing page
- Testing of content and technology
- Sending out the communications
- Measuring the results of the campaign

Smith and Chaffey (2005) recommend to marketers, that the content of each email marketing campaign should have certain characteristics in order to be effective and produce a high ROI. They use a simple mnemonic device called CRITICAL which stands for:

- Creativeness
- Relevance
- Incentive
- Targeting and timing
- Integration
- Copy
- Attributes
- Landing page

Smith and Chaffey (2005) also suggest that email marketing communication should be designed with the concept of AIDA – attention, interest, desire and action. Parkin (2009) supports this statement, arguing that theories of print media can be applied to email newsletters.

Furthermore, Medical Marketing & Media (2008) discussed how principles of print advertising can be used with email marketing and how to format a commercial email communication, as illustrated by **Figure 1** on page 24, which supports that the theories of print media can be transferable to email marketing.

Although it is logical that the concepts of print media can be applied to the email format, the literature does not specifically address how the marketer should design communications that include sound or video. Perhaps the marketer has to turn their attention to radio and TV advertisement to take full advantage of the technology.

According to Turcot (2009) the marketer should grow their mailing list by ‘organic’ means; asking the permission to send communications by other means than email, for example, at the end of a feedback form. This is seen to be ethical and customer friendly approach. However, it can be questioned if it’s practical for small businesses whose main CRM and direct marketing tool is email as this approach would require a lot more of resources, for example, by attending trade shows.

In addition to all the factors that need to be taken into consideration with the actual email communication, the final piece of the puzzle for all email marketing campaigns is the landing page where the customer is taken, once they click the hyperlink in the email. According to MacPherson (2001) the marketer must understand that getting the customer click the hyperlink is not enough and that the landing page is an integral part of the campaign which must be developed and customised in order to secure a purchase.

The image shows a screenshot of an email client window with a menu bar (File, Edit, View, Insert, Format, Tools, Actions, Help) and an email header. The email content is a promotional message for Placebo XL. On the right side, there are seven callout boxes with arrows pointing to specific parts of the email, each containing a label and a brief explanation of a CAN-SPAM requirement.

**From Line** Accurately and clearly represents sender per CAN-SPAM. Uses brand name to maximize open rates. From address is Med-E-Mail<sup>SM</sup> to maximize delivery.

**Subject Line** Consistent with message content, not deceptive, under 40 characters, uses brand name.

**Header** Connects to hosted version of message for reference in case of rendering issues.

**HTML Message** Short, minimal graphics, multiple links, strong call to action, consistent with subject line, minimal images to maximize rendering integrity.

**Clear, Conspicuous Disclosure** that message is a commercial advertisement per CAN-SPAM.

**Marketer's Postal Address** per CAN-SPAM.

**Opt-Out Mechanism** Ideally, marketer's opt-out is used to ensure CAN-SPAM compliance, in which case suppression file must be provided for future broadcasts. An alternative is an opt-out, in which case suppression file is provided to client for applicable fee.

Figure 1: How to format commercial email (Medical Marketing & Media, 2008)

### *Unsolicited commercial email*

As email has developed into a prominent direct marketing and CRM tool, its negative aspects have gathered more attention as well. Especially unsolicited commercial email, also known as spam email, has become a critical issue for marketers (Evangelos *et al*, 2006).

Email marketing refers to permission-based commercial email, where the receiver opts-in for the marketing communication. However, as the delivery system is the same, there cannot be one without the other. This section will examine spam and its effect on email marketing.

### **Spam and permission based email marketing**

Junk email in general was identified as a problem in a very early stage in the use of email, in 1976. However, the problem became widely known twenty years later in 1996 after the law firm Canter and Spiegel spammed over 6000 Usenet newsgroups (Sipior *et al*, 2004).

Consumers often do not differentiate between permission-based emails and spam email; consumers often regard legitimate communication as spam email if they feel that the communication is unimportant for them, contains no useful information or is irritating (Evangelos *et al*, 2009). For the marketer this can result being reported as spam even without sending unsolicited email, and if done so frequently, the marketer might find themselves blocked by ISP's.

To prevent legitimate communications reported as spam, the correct frequency of communications is important. Consumers can quickly forget having subscribed to a mailing list during their casual internet browsing session and if the first newsletter is sent a month after subscription the recipient might view it as intrusive (Charlesworth, 2009).

However, sending commercial email too frequently can also lead to being reported as spam, making the issue of correct mailing frequency often a case of trial and error. To avoid this, the marketer should always honour opt-out requests and never send a communication twice in 48 hours to the same email address, emergency emails being the exception (Jenkins, 2009).

## **Cost of spam email for businesses**

Unfortunately for consumers and businesses alike spam email represents the majority of all email messages. Sipior *et al* (2004) estimates that 60% of all email messages can be classified as spam while Parkin (2009) claims that 9 out of 10 of the 72 billion daily email communications are spam. If the difference in the estimate is due to the time between the authors' publications then the volume of spam email has grown from 60% to 90% in just five years. This would very well justify the concern about the effects of spam email. Jenkins (2009), for example, argues spam email to be single most obstructive issue for the growth and profitability of permission-based email marketing.

According to Sipior *et al* (2004) each spam email costs \$1 in lost productivity for a business due to additional staff expenditure and threats to Internet security as many viruses, Trojans and spyware programs are spread by unsolicited commercial email. The costs can amount to be substantial, for example, for the ISP Netcom the approximate cost to deal with spam email was \$1 million each month. (Sipior *et al*, 2004). However, the estimate of \$1 per spam email is quite large and most likely would apply only to companies who do not utilise commercial spam filters while the volume of email Netcom has to manage is much larger than other businesses being an ISP.

Associating the company brand with spam email can be very harmful as spam email often contains graphic or disturbing content. In 2004, 18% of spam email contained content which was classified as 'adult material'. This material ranged from pornographic or violent images to hateful propaganda (Sipior *et al*, 2004).

## **The CAN-SPAM Act**

The United States and the European Union have both enacted legislation in an attempt to tackle spam email and of the two, United States has stricter legislation; the CAN-SPAM Act of 2003.

According to CAN-SPAM Act of 2003 – Controlling the Assault of Non-Solicited Pornography and Marketing:

- Sender may not use false or misleading header information
- Sender may not use deceptive subject lines
- Sender must provide one-click opt-out method and must honour opt-out request within 10 business days of receiving them
- Sender must identify commercial email as advertisement and include the senders valid physical postal address

EU leaves the legislation largely for member states to decide but provides advice on the issue. In the UK, businesses can be send commercial email without prior consent but must include an opt-out feature (Parkin, 2009).

Jenkins (2009) encourages businesses to adhere to the CAN-SPAM Act regardless of where their physical address is located, as it gives them a clear legal framework and makes their campaigns to be in accordance with good business practices also in the European Union and other developed countries.

### **Solutions to the problem of spam**

Despite good intentions, CAN-SPAM Act (2003) has failed to deal with the issue of spam email; this is in part due to the global nature of Internet while there is not any global judicial authority to legislate the whole Internet. However, there has been progress in the form of self regulation of the permission based marketing community and technological solutions.

While the permission based marketing community is raising the standard of conduct for email marketing, it is filtering technology that has provided the best results in preventing spam email to reach individual inboxes, however, the aggregate volume of spam is still increasing (Pavlov *et al*, 2005).

The email technology is still developing and multiparty certified email programs have been developed, which might prove to be a remedy to spam email. Such programmes issues a

receipt of security for each email communication and certifies a particular email communication as secure and trustworthy (Zhou *et al*, 2005).

Sipior *et al* (2004), and Evangelos *et al* (2006), both agree that although steps have been taken to deal with spam, its proliferation in the Internet threatens the viability of email as a marketing channel in the future, unless further action is taken.

### ***Social media and email marketing***

Email has been a ubiquitous digital communication channel ever since the inception of the Internet. However, email is facing competition from Web 2.0, also known as social media. Social media refers to Internet applications where the users can communicate and share information with each others.

According to Hamilton (2009), 2/3 of the online population visited a social website or blog in the past year. Furthermore, perhaps the most known social media application, Facebook, has exceeded the 300 million user milepost which illustrates the growing reach of social media as a communication channel (ExactTarget, 2009b).

### **Competition between email and social media**

According to Charlesworth (2009), the popularity of email is in decline and the benefactor of this change in trends is social media. However, despite the growing popularity and usage of social media, 62% of consumers prefer to receive commercial messages by email (Business Wire, 2009c).

Smith and Chaffey (2005) speculate that as most heavy social media users are quite young they will start using email and telephone as their main communication channels once they enter Universities and the workforce. This view is supported by Jenkins (2009), who argues that categorically those consumers, who prefer social media over email are young, don't have established careers and will change their communication preferences in time.

ExactTarget (2009b) issued a research whether social media threatens email. Their results revealed that 65% of email users had not changed their email usage in the past 6 months. However, overall consumers were using email more and there was a strong correlation between high use of social media and email. This suggests that the two communication channels are complementary to each other rather than substitutes.

Furthermore consumers and business managers/owners who used smart phones were likely to increase their use of email; 71% of smart phone owners increased their use of email (ExactTarget, 2009b). This suggests that email seems to be complemented rather than competed by emerging communication technologies be they software or hardware technologies.

### **Synergy of email and social media**

According to Merisalo and Raulas (2004), in email marketing the B-2-B and B-2-C markets have very little differences. However, in social media the B-2-B marketing has greater growth in sales leads quantitatively while the B-2-C marketing produces sales leads in lower quantity but with higher quality. This would suggest that the marketer should try to integrate the two communication channels and utilise the advantages of both (ExactTarget, 2009b).

### ***Growth opportunities of email marketing***

It has never been more important for marketers to prove that their campaigns can produce a solid ROI than in the current recession (Fernandez, 2009). According to Zmuda (2009) email marketing has been the winner in the current recession; businesses are focusing on marketing communication channels that are cost-effective and result oriented, and they are increasingly investing in email marketing.

The amount invested in email marketing currently accounts only 1.5% of total direct marketing investment in the USA but is expected to grow rapidly (Business Wire, 2009b).

However, out of online marketing budgets email newsletters garnered 25% in 2002 (Yudkin *et al*, 2002).

In 2009 marketers spent \$1.2 billion in email marketing (ExactTarget, 2009b) and this value is estimated to grow to \$2 billion by 2014 (Business Wire, 2009a). However, in 2007 the spending was forecasted to be more than \$4 billion in 2012 (Forrester Research, 2007). Due to the wide fluctuation in the forecasts in relatively small time frame, this dissertation takes a cautious approach to the estimate of \$2 billion by 2012. However, there is large amount of evidence for growing investment into email marketing and continuing growth opportunities.

The cases presented next are recent financial deals where the press releases cited the growth opportunities of email marketing as the justification for the deal:

**Case 1:**

November 9<sup>th</sup> 2009 Mansell Group, Inc. acquired Premiere Global Services, Inc., an email marketing company. The purpose was to acquire email marketing user-interface and an email marketing team experienced in supporting global accounts (Market Line, 2009a).

**Case 2:**

November 11<sup>th</sup> 2009 Global Advertising Strategies, Inc., a USA based advertising agency acquired a 41% stake in Blueliner Marketing LLC, an internet and email marketing company, so it could increase its range of cost-effective digital marketing services (Market Line, 2009b).

**Case 3:**

November 18<sup>th</sup> 2009 ExactTarget, Inc., a USA email marketing and one-to-one marketing solutions provider, raised \$70 million of venture capital from Technology Crossover Ventures. According to their press release, the purpose of the deal is to capitalise on the growth opportunities of digital marketing (Market Line, 2009c).

**Case 4:**

December 18<sup>th</sup> 2009 StrongMail Systems, Inc., a marketing and transactional email solutions provider, acquired Email Advisor LLC, email marketing consultancy company (Market Line, 2009d).

**Case 5:**

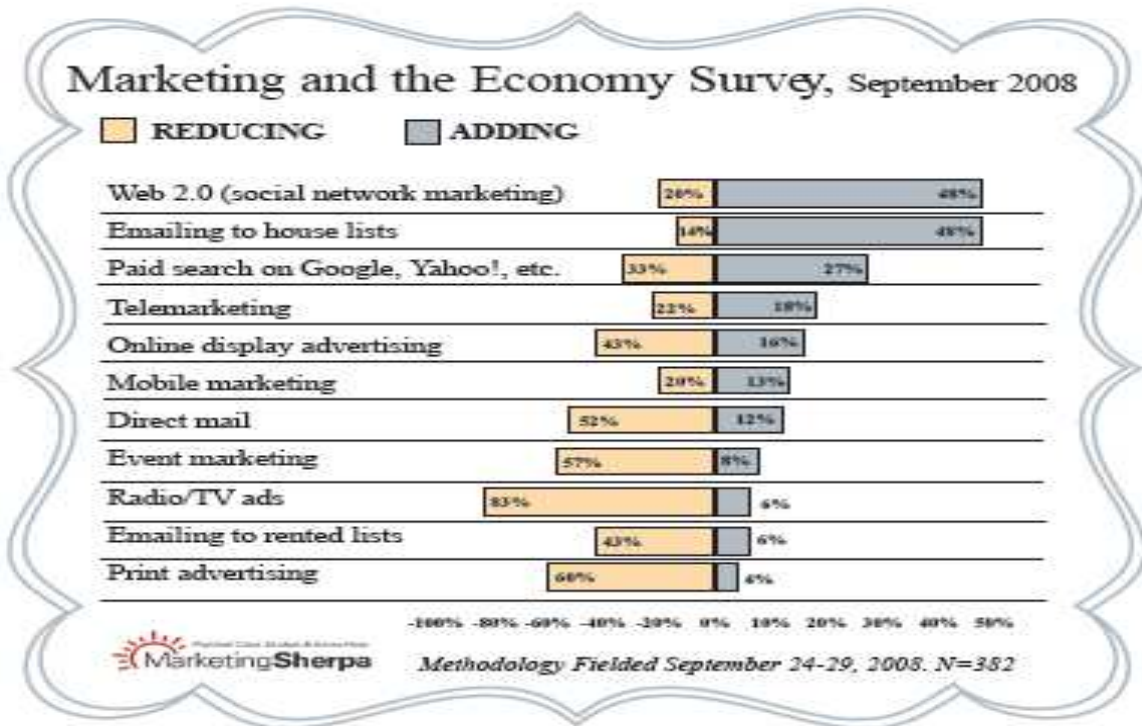
On January 11<sup>th</sup> 2010 TA Associates announced buying a €60 million stake in eCircle, an email marketing service provider in the European market. Their purpose is to further expand into the growing digital marketing industry (Tech Crunch, 2009).

Majority of the cited press releases are from Marketline, previously known as Datamonitor, an electronic database of extensive market information including email marketing. The search term 'email marketing' in the 'financial deals' section produces 348 individual results and 498 results in the 'news and comment'.

**Table 2:** Financial deals concerning email marketing

<b>Date</b>	<b>Investing company/Acquirer</b>	<b>Receiver of investment/Acquired company</b>	<b>Deal value in millions or % of stake</b>	<b>Purpose of the deal</b>
Nov-9-2009	Mansell Group, Inc.	Premiere Global Services, Inc.	n/a	6-language user-interface & experienced email marketing team
Nov-11-2009	Global Advertising Strategies, Inc.	Blueliner Marketing LLC	41%	To offer wider range of cost-effective digital marketing services
Nov-18-2009	Technology Crossover Ventures	ExactTarget, Inc.	\$70	Growth opportunities of digital marketing
Dec-18-2009	StrongMail Systems, Inc.	Email Advisor LLC	n/a	To strengthen creative and strategic expertise in key industries
Jan-11-2010	TA Associates	eCircle	€60	To expand into growing digital marketing industry

According to ExactTarget (2009c), investment in social media and emailing to house lists increased 48% in 2008 while other sectors had deep decreases in investment, as the **Figure 2** illustrates.



**Figure 2:** Investment in marketing mediums in 2008 (ExactTarget, 2009c)

Furthermore, the email marketing agency Epsilon signed 19 new clients and had strong renewal business in the 1<sup>st</sup> quarter of 2009. They also reported 8 billion permission-based marketing communications sent in the 1<sup>st</sup> quarter of 2009. The new clients came from wide range of industries, such as financials, retail, travel and consumer packaged goods (PR Newswire, 2009a).

### ***Limitations of email marketing***

This dissertation has so far presented both the positive internal and external factors of email marketing, and examined the external threats to email marketing. This section will examine the internal weaknesses of email marketing.

According to Merisalo and Raulas (2004) there is temptation built into the low cost of email marketing as it can tempt the marketer to abuse the tool by sending out excess amounts of communications which would alienate customers in the long term.

As the volume of email grows, annoyed recipients delete commercial emails without opening them (Medical marketing & Media, 2008). The volume of email is estimated to be 9000 commercial emails per email account by 2014 (ExactTarget, 2009c) and at the same time businesses will waste \$144 million on marketing communications that will not reach their target (PR Newswire Association, 2009b).

According to Kent and Brandal (2003) many legitimate email communications are not read because marketers do not know what consumers want from email marketing. In addition, Cross and Neal (2000) argued that e-commerce in all its forms is required to become more customer relationship oriented as customer already expect low price, high product quality and reliable delivery.

Concerning the time saving aspect of email, Rosenfield (2000) argues that negotiations done by email between businesses and customers might be unnecessarily prolonged. Negotiations that can be concluded in minutes by telephone can stretch to days with back-and-forth email dialogue. The record of dialogue between a company and a client is pointed out as a possible weakness by Singleton (2004), as an employee might send defamatory comments to a customer from their office email account.

Furthermore, email technology has limitations as well; differences between email client systems and hardware devices used to open email communications. For example, some email client systems will not automatically show images while others do, whereas a smart phone has a different screen size than a PC or a laptop. Due to these differences, the communication might appear different than intended. To mitigate these problems, extensive testing of communications with different client systems, platforms and hardware is encouraged (Charlesworth, 2009).

As final note about the limitations of email marketing, Jones (2008) argues that email is not quite ready to fully take over traditional direct marketing and that the different channels will need to work together.

## **CASE STUDY: RealEasyMailer**

So far this dissertation has examined email marketing as a marketing communication channel utilising literature sources. To include a new perspective on the subject, this dissertation will use the case study of RealEasyMailer (REM), which is a new email marketing software product, developed by First Directory Ltd. and is currently in beta-testing stage.

REM is designed for small businesses, and will in time test the claim that any business despite its size or industry can benefit from email marketing software (Jenkins, 2009). For this dissertation, the case study provides an opportunity to research the viewpoint of current and potential end-users of email marketing software such as REM.

### ***Methodology of the research***

#### **Research design and purpose**

An online survey was sent to a 1000 small B-2-B companies in First Directory Ltd.'s database. First Directory Ltd. is an online business directory based in the United Kingdom and its clients include B-2-B companies who operate in wide range of industrial markets.

The survey was created with a survey builder from [www.freeonlinesurveys.com](http://www.freeonlinesurveys.com) and mailed with the beta-stage REM. The sample included companies operating in the following industries:

Aerospace & Defence	Design & Development
Agriculture & Farming	Electronics & Electrical
Architecture, Building & Construction	Engineering & Automotive
Chemicals & Pharmaceuticals	Fire, Safety & Security
Computing & Communications	Food & Drink Processing
Controls & Instrumentation	Logistics, Warehousing & Transport

Manufacturing & Stockholding

Marine

Oil & Gas

Packaging, Paper & Print

Plant & Machinery

Rubber & Plastics

Test & Measurement

Water & Waste Management

The amount of responses was 115, giving the survey a response rate of 11.5%.

The aim of the research was to gauge the attitude of small businesses towards email marketing and its usage. More specifically, the questions in the survey were designed to research the following issues:

- Does the size of the business correlate with use of email marketing
- Small businesses investment in email marketing
- The usage of email marketing and reason(s) to use the application
- The effectiveness and importance of email as direct marketing channel
- Do the respondents view email as a CRM tool
- Problems and limitations respondents had with email

### **Limitations of the research**

The research undertaken in this dissertation focuses on small B-2-B companies operating in the UK. As such, its results should be used with caution when applied to larger companies, companies operating in different countries and international companies.

### ***Findings***

This section will highlight relevant results from the survey. For the survey questions and answers in full, see Appendix A. For the raw data used to calculate some of the figures presented in the findings, see Appendix B.

## Size of the respondent's business

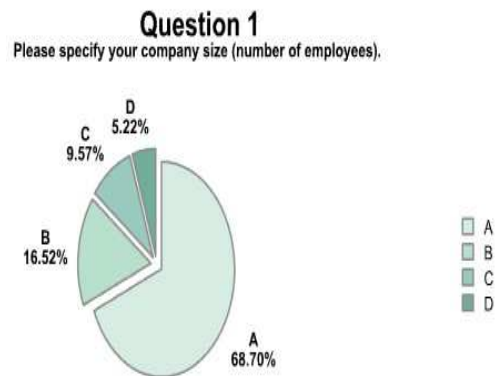
Out of the respondents who did not use email marketing, 80% had fewer than 20 employees. Among respondents who did use email marketing, 59.7% had fewer than 20 employees. The large majority of companies with employee levels of 51-150 and all of the companies with over 150 employees, used email marketing.

**A:** Fewer than 20 employees

**B:** 21-50 employees

**C:** 51-150 employees

**D:** Over 150 employees



**Figure 3:** The size of the respondents company measured by staff level

## Investment in email marketing

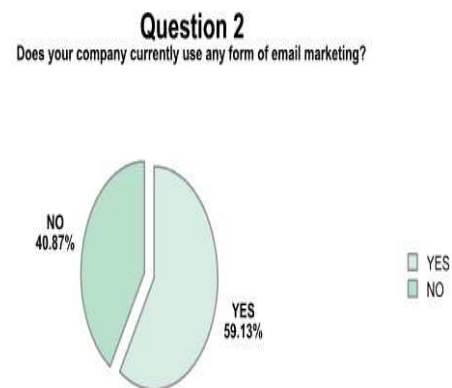
Among those who currently used email marketing, 61.7% of had increased their investment in the past 12 months and 58.8% considered investing more. Conversely, only 25% of non-investors were considering investment.

Out of the respondents who said email was 'inappropriate for their business/industry', 13% considered investment in the future. Among respondents who said 'unfamiliarity' was the reason for not using email marketing, the figure was 42%. From respondents who had invested in email marketing, 52.2% had used the tool over 2 years.

## Portion of respondents using email marketing and reason(s) of use

Out of all respondents, 59.13% used some form of email marketing in their business.

25% of marketers utilised email for all reasons listed in the survey; cost-benefit ratio, ease-of-use, customisation of target audience and sales message.



**Figure 4:** The percentage of respondents who currently use email marketing

44% used email marketing for multiple types of marketing communications, for example, newsletters and e-Coupons.

## Email as a direct marketing channel

Majority of respondents, who were engaged in email marketing, had found the ROI to be better than average or highest of their direct marketing communications.

### *ROI of email marketing campaigns:*

- 11% non-existent
- 23.8% less than other direct marketing
- 41.7% better than average
- 20.8% the highest of direct marketing

### *How important email marketing is:*

- 3% least important
- 51.5% somewhat important
- 34.8% very important
- 10.6% most important

Approximately half of the respondents who use email marketing found it to be somewhat important, while 3% of them found it to be least important.

Other direct marketing channels the respondents used:

***Current investors:***

- 44% use direct mail
- 26.8% use telemarketing
- 2.9% use couponing
- 1.4% use voicemail marketing
- 55.2% use direct selling

***Non-investors:***

- 29.7% use direct mail
- 12% use telemarketing
- 4.2% use voicemail
- 44.6% use direct selling

From current investors 11% did not use other direct marketing channels, while 41.9% used more than one type of other direct marketing channel. From this group 5.9 % also used other forms of internet marketing, for example website marketing.

From non-investors 19.1% did not use other direct marketing channels, while 29% used more than one other direct marketing channel. From this group, 10.6% used other forms of Internet marketing.

**Problems/limitations with email marketing**

Those respondents, who had invested in email marketing, had quite even distribution among the listed limitations of email marketing.

***Current investors:***

- 11% Lack of product functions
- 8.9% Cost
- 8.9% ‘Other’ – Volume of communications
- 8.9% ‘Other’ – Spam

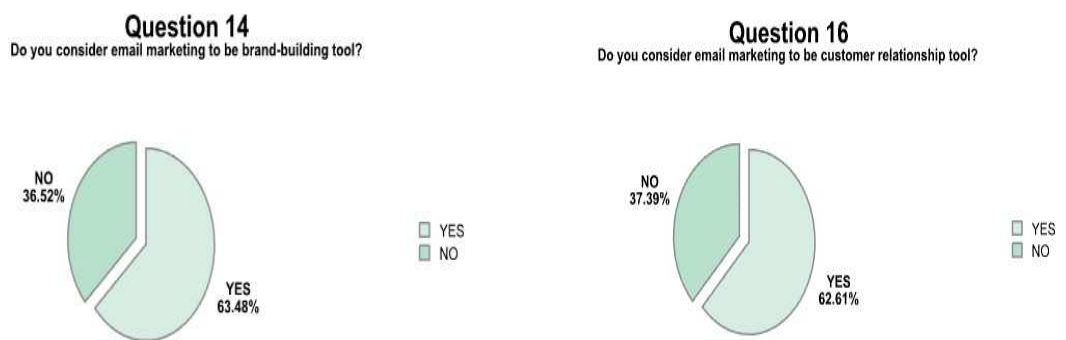
***Non-investors:***

- 10% Cost
- 51% ‘Inappropriate for business or industry’
- 29% ‘Unfamiliarity’
- 4% ‘Other’ – fear of spam

Among non-investors, 51% viewed email to be inappropriate for their business and 29% said they were too unfamiliar with the tool.

### Email marketing as a CRM and brand building tool

The majority of all respondents in the sample considered email to be brand-building and a CRM tool.



**Figure 5:** View of email marketing as a CRM and brand building tool

However, when grouped into current investors and current non-investors, the results markedly differ. Out of investors, 80.8% consider email to be brand building tool and 79.4% to be a CRM tool. From non-investors, 35.4% consider email to be brand building tool and 37.5% CRM tool.

## **ANALYSIS AND DISCUSSION**

### ***Literature and research results***

This section compares the research results and literature review. Where the literature review and research results differ, this section will discuss the possible reasons and implications.

### **Company size and use of email marketing**

Although the literature does not specifically examine the issue of whether the company size affects its use of email marketing, there are arguments (Jenkins, 2009) that email marketing will benefit a company of any size. In the email survey it was revealed that majority of companies who did not use email marketing had less than 20 employees, while majority of companies with over 20 employees and all of the companies with over 150 employees, used email marketing.

This result suggests that as a company matures and establishes itself in markets, it will start to utilise email marketing. Very small businesses, or ‘one man bands’, might lack the skills and resources needed to adopt a new marketing channel.

Interestingly, in the literature it was explained that consumers who do not use email as their most important digital communication channel, were mostly teenagers who were not yet fully functioning with the world as independent adults (Smith and Chaffey, 2005). This creates an illusion of similarity between consumers and businesses regarding email marketing; those who are not utilising email as a communication tool have not yet managed to establish themselves in their environment.

## **Investment in email marketing**

According to Zmuda (2009), the recession is driving companies to email marketing as it is a cost-effective and result oriented tool. In addition, in general the reviewed literature had a sentiment of a profitable growth market (Market Line, 2009a-d; Business Wire, 2009c; Tech Crunch, 2009; ExactTarget, 2009b).

However, considering the market for email marketing software from the case study's point of view, the investment in email marketing is more complicated issue. Slight majority of the companies surveyed (59.1%) used email marketing, majority of those who used email marketing had increased their investment in the past 12 months (61.7%) and were considering additional investment (58.8%). However, out of the 40.9% who did not use email marketing, only 25% were considering investment while only a small percentage of respondents cited lack of functions or cost as reasons not investing.

This suggests that those businesses that are currently using email marketing are happy with the product and services they have purchased; it could be difficult to persuade them to switch their service provider if they are happy with their results from the current one.

The respondents who cited email as '*not applicable for their business or industry*' (51%) present a unique problem for email marketing companies. The reviewed literature did not identify industries where email marketing was non-applicable and the survey respondents, who did use email marketing, came from equally wide variety of industries. This suggests that those citing '*not applicable for their business or industry*' actually belong to the '*unfamiliar with the tool*' category, but hide their unfamiliarity behind supposed industry factors.

## **Email as a direct marketing channel**

In the literature some authors (Jenkins, 2009) emphasise that companies should hold email marketing as their most important marketing tool. However, the survey results give the impression that the reality is few steps behind the academia, as half of the companies who

use email marketing, regard it to be ‘somewhat important’, while only 10.6% viewed email to be their most important direct marketing communications channel.

Out of the respondents, who used email marketing, 85% used it in combination with other direct marketing methods, mainly direct selling and direct mail, which would support Jones’s (2008) argument that email and traditional direct marketing should be used together.

Although majority of the respondents who use email marketing experienced its ROI to be above average or highest of direct marketing there was not apparent correlation between their budgets in email marketing software and ROI. This suggests that many of the respondents mass mail a generic marketing communication and have not utilised the customisation and targeting capability of email marketing software. This would explain the lack of correlation between their budget and ROI as the cheapest and the most expensive email marketing software perform similarly when they are used in such fashion.

### **Email as a CRM tool**

The literature mentioned that in addition to direct marketing email can be used for CRM purposes and that single email newsletter can perform a wide variety of functions with one communication (Merisalo and Raulas, 2003; Charlesworth, 2009; Hosford, 2009).

In the survey there is a clear distinction between the users of email marketing and the non-users. The vast majority of the businesses that used email marketing and who had mostly used email marketing for over 2 years, considered it to be a brand-building and CRM tool, while the opposite was true for businesses that did not use email marketing.

This suggests that those companies in the sample, who do not use email marketing, are unfamiliar about the possible applications of the tool. However, marketers have found email to be useful in CRM and brand building and their stance supports the literature.

## **Limitations and problems of email marketing**

Spam email has become a major issue for email marketing as spam email harms businesses by lost productivity and Internet security issues while consumers are annoyed by the increasing email volume. Governments have attempted to tackle the issue with legislation but it has become clear that laws such as CAN-SPAM Act will not solve the issue as volume of spam has continued to grow (Sipior *et al*, 2004).

Although 8.9% of marketers and 4% non-marketers cited spam email as limitation it is surprisingly small amount considering the importance spam email receives in the literature. This suggests that respondents have up-to-date spam filters active and refrain from sending out spam email themselves, which supports the assertion that spam filters and 'best practice' guidelines protect the marketer relatively well from spam email.

The literature and survey respondents agreed on the limiting effect of the aggregate volume of email; respondents had noticed that as the volume increased their communications lost effectiveness. This suggests that marketers will need to differentiate their campaigns and strive for quality of communications instead of quantity.

The marketer's in the survey also reported cost as a limitation with the same percentage as spam email and volume. This is somewhat surprising considering how the literature views email as very low cost. The explanation for this most likely two-fold. First, the sample consists of small companies who have tight marketing budgets and, second, it suggests that the email volume is indeed raising the cost of email marketing, perhaps threatening its cost-benefit ratio.

Although the literature review mentioned technical limitations with different email client systems and hardware devices, these are not mentioned by any of the respondents in the survey. This again suggests that many of the respondents don't utilise HTML in their communications. The limitations of email technology might also provide opportunities for differentiation by product development; new email marketing software that would be able to function seamlessly across other software and hardware.

## ***Five Forces Model: Email Marketing Software***

Having established that email marketing is an effective direct marketing and CRM tool with growth potential, this dissertation will now use Porter's Five Forces model to analyse the attractiveness of the market for new email marketing software companies.

### **Bargaining Power of Suppliers**

Email marketing software provider requires email client systems, for example Gmail, and ISP's to provide the virtual infrastructure for their product. Email marketing software has to be compliant to the rules of email service providers and have good relationships with them or they risk becoming blacklisted for sending out communications that are reported as spam (Charlesworth, 2009). However, this is relatively easy to accomplish by being CAN-SPAM Act compliant as it provides a framework to be adhere to good business practices and legal protection for the marketer and email marketing company (Jenkins, 2009).

Because of these factors this dissertation views the bargaining power of suppliers as weak.

### **Bargaining Power of Customers**

The power that customers have over email marketing service providers is largely dependent on the level they are using email marketing.

Companies who purchase an email marketing software-product and run their campaigns in-house should not experience great difficulty in switching service providers. However, companies who are buying email marketing software and email lists from the same service provider have higher switching costs. Furthermore, if a company purchasing full-scale professional email marketing services from email marketing agency, they would face considerable switching costs.

These factors make the bargaining power of customers as mediocre.

## **Threat of New Entrants**

As mentioned earlier, businesses are increasingly investing in email marketing during the recession (Zmuda, 2009) and the market is forecasted to continue to grow (Forrester Research, 2007; Business Wire, 2009a). However, he forecasted figures should be treated with caution due to fluctuation in the values in a short time period. The market forecasts and the examples of investment into email marketing companies given in the literature review provide a compelling argument for the profitability and growth of the market.

The market for email marketing software is fragmented as there are large number of service providers of various size and capability, for example the Topseos's ranking of the best email marketing companies in 2010 presented companies of which had various levels of staff, revenue and numbers of clients (Topseos, 2009).

However, the survey showed that it might be hard for a new entrant in the email marketing industry to convince customers to switch their existing products. The remaining respondents, who have not yet invested, expressed dislike to invest and were in majority very small companies which suggest very limited resources as well despite the low cost of email marketing. This suggests that additional growth in the market would benefit the existing companies with more established brands.

These factors make the threat of new entrants as mediocre.

## **Threat of Substitutes**

Although spam is not a legitimate form of marketing it is a substitute for sending commercial communications by email. However, concerning that email is very low cost itself; it is improbable that the marketer would switch to an illegitimate marketing tool.

The fear that social media would replace email as a substitute is relevant only among young consumers (Smith and Chaffey, 2005; ExactTarget, 2009b). On the contrary the use of social media mostly increases the use of email and is a complementary communication channel (ExactTarget, 2009b).

Although many companies still use the predecessor of email, direct mail, it has print and postage costs and its success is harder to measure (Merisalo and Raulas, 2004). In addition, the survey showed a correlation where direct mail was used more by businesses that also use email marketing, suggesting that similar complementary effect is also between those two channels.

As email has number of advantages built into it, such as wide reach, low cost and high ROI (Jenkins, 2009) and none of the different delivery methods provide a reasonable threat in themselves; this dissertation views the threat of substitutes as weak.

### **Intensity of Rivalry**

The volume of commercial messages is a useful benchmark for the intensity of rivalry in email marketing; 72 billion email messages are sent each day and volume of commercial email is forecasted to be 9000 a year by 2014 to each email address (ExactTarget, 2009c). This creates increasing pressure for the email marketing software to have value adding functions that will differentiate them from the competition.

However, at the same time the ways to differentiate are becoming limited. The technology of email marketing software develops in rapid pace and has little changes of gaining sustainable competitive advantage through innovation. At the same time, customers expect low cost, high product quality and reliability of service from all digital companies (Cross and Neal, 2000).

This study views that the intensity of rivalry is high.

### **Attractiveness of email marketing software industry**

The competitive forces of the Five Force's analysis show that email marketing software is a moderately competitive industry.

Although there is intense competition among the companies in the industry and the threat of new entrants is high, it would be reasonable to argue that any industry faces intense competition in the recession and the threat of new entrants is high due to the profitability and growth of the industry.

The intense competition and rapid pace of technological development make sustainable competitive advantage through innovation difficult. However, it is still possible and as the market is fragmented, new entrants with innovative product have little fear of coordinated counter-attack from existing companies. This suggest that a email marketing company with some resources, marketing skill and a very good software product could carve themselves a profitable niche in the market.

Next section will provide conclusions on the discussion and provides recommendations for First Directory Ltd. regarding their product launch.

## CONCLUSIONS

This dissertation has identified email marketing to be a cost-effective marketing communication channel. The market for email marketing software and services has plenty of growth opportunities for innovative new products and services. However, the competition among email marketing service providers is tough, and bound to get tougher still.

In order to ensure the growth and productivity of email marketing, businesses will need to deal with the issue of spam email. So far this has been attempted with legislation, direct marketing association's 'best practise' guidelines and technological solutions such as spam filters. However, these measures have not been sufficient and spam email remains as a threat to email marketing. This dissertation views that the technological solution – commercial spam filters – has provided the best results and concludes that the final solution to marginalise spam email will be a technological innovation and not a governmental or industry set of regulations.

Some academics and businesses see more opportunities with social media than email marketing and view the two channels as substitutes to each other; however, additional research has shown a synergy between email and social media. Since the results procured by the two marketing communication channels differ as well, this dissertation concludes that the marketer should attempt to integrate the two channels. However, both sides on of the argument should remember that both communication channels are relatively new, especially social media, and the way their mutual existence will affect direct marketing and CRM might be very different than the current predictions are.

The challenges that face new email marketing service providers are the ever increasing quality requirements for their products and the difficulty in convincing companies unfamiliar with email marketing to invest in it. Combined with the large volume of commercial email and the number of different hardware devices and software used to view emails, it creates a challenging environment for the marketer. Although the problem of spam is most likely to be solved by technical means, these issues will need to be solved by marketing skill. The successful email marketer will need to adhere rigorously to the testing

phase of their email campaign and utilise the potent targeting and content creation functions of email marketing software to the fullest.

The limitations and threats to email marketing are outweighed by the considerable strengths and opportunities of email marketing. Multitude of factors are pushing the growth of email marketing, such as technological development, governments' policies to develop their ICT infrastructure and the current global recession which is realigning preferences among marketers. The growth of the market for email marketing software and services is visible by examining the forecasts made by market analysts, academic sources and company press releases about multimillion investments in email marketing companies. Also, email marketing, when used correctly, has been proven to yield high results with low cost. In addition to its high ROI and low initial investment requirements, the marketing channel is young and is still developing and it is reasonable to argue that its full potential is still to be seen.

The market for new email marketing software is reasonably attractive; having intermediate competitive forces. First Directory Ltd. could grab a profitable niche in the UK market among small businesses that are looking to invest small amounts and then expand to other countries through online sales. Furthermore, the survey shows interest and willingness to invest in email marketing among small businesses. The cost-effectiveness of email marketing has been noted by business owners/managers across industries and they are receptive for easy-to-use software that they can utilise quickly.

This dissertation concludes that email marketing will have much more prominent role as a marketing communication channel and recommends that First Directory Ltd. continues development of REM and launches it to small businesses in the United Kingdom.

## LIST OF REFERENCES

- Business Wire. (2009a) Forrester Forecast: US email marketing spending to reach \$2 billion in 2014. *Business Wire*, Monday June 15 2009.
- Business Wire (2009b) Reportlinker adds retail e-mail: Online marketing strategies report. *Business Wire*, Tuesday October 20 2009.
- Business Wire (2009c) E-mail preferred marketing channel; 75% of consumers impulse buy from e-mail marketing, reveals smartFOCUS survey. *Business Wire*, Tuesday October 27 2009.
- Charlesworth, A. (2009) *Internet marketing: a practical approach*. Oxford, Butterworth-Heinemann Elsevier.
- Cross, R and Neal M. (2000) Internet retailers are creating their own brand of service. *Direct Marketing*, 63 (2), 20.
- Direct Marketing. (1999) Savvy e-mail marketing. *Direct Marketing*, 62 (3), 14.
- Dutta, S and Mia, I. (2009), *The global information technology report 2008-2009*. Geneva, World Economic Forum.
- ExactTarget. (2009a) Features and tools. *ExactTarget, Inc.*
- ExactTarget. (2009b) Is email marketing endangered? *ExactTarget, Inc.*
- ExactTarget. (2009c) The marketing almanac 2009. *ExactTarget, Inc.*
- Evangelos, M *et al.* (2006) E-mail marketing at the crossroads: A stakeholder analysis of unsolicited commercial e-mail (spam). *Internet Research*, 16 (1), 38-52.

Fernandez, J. (2009) Email marketing: Personal touch sends out the right message. *Marketing Week*, Thursday June 25 2009, 27.

Forrester Research. (2007) Forrester US Interactive Marketing Forecast 2007 To 2012. *Forrester Research*.

Hamilton, L. (2009) Fine-tuning blogs, tweets becoming essential. *Boulder County Business Report*, 28 (9), 17-30.

Hosford, C. (2009) Is there anything e-mail can't do? *B-to-B Chicago*, 94 (3), 12.

Jenkins, S. (2009) *Truth about email marketing*. Harlow, Pearson Education Limited.

Jones, S. (2008) *Business-to-business internet marketing: Seven proven strategies for increasing profits through internet direct marketing*. Maximum Press.

Kent, R and Brandal H. (2003) Improving email response in a permission marketing context. *International Journal of Market Research*, 45, 489-503.

MacPherson, K. (2001) *Permission based e-mail marketing that works*. Dearborn Trade.

Market Line. (2009a) *Global advertising strategies acquires 41% stake in Blueliner Marketing*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD309884> [Accessed 25<sup>th</sup> February 2010].

Market Line. (2009b) *ExactTarget raises \$70 million in new round of venture capital funding*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD310171> [Accessed 25<sup>th</sup> February 2010].

Market Line. (2009c) *StrongMail Systems acquires email advisor*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD312153> FD309884 [Accessed 25<sup>th</sup> February 2010].

Market Line. (2009d) *Mansell Group acquires email marketing business of Premiere Global Services*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD316504 FD309884> [Accessed 25<sup>th</sup> February 2010].

Medical Marketing & Media. (2008) The anatomy of an email. *Medical Marketing & Media*, 56-57.

Merisavo, M and Raulas M. (2004) The impact of e-mail marketing on brand loyalty. *Journal of Product & Brand Management*, 13 (7), 498-505.

Parkin, G. (2009) *Digital marketing: Strategies for online success*. London, New Holland Publishers (UK) Ltd.

Pavlov, O. *et al.* (2005) Mitigating the tragedy of the digital commons: The problem of unsolicited commercial e-mail. *Communications of the Association for Information Systems*, 16, 73-90.

Pew Internet. (2009). *Trend data: Online activities*. [Internet]. Pew Internet. Available from: <http://www.pewinternet.org/Static-Pages/Trend-Data/Online-Activites-Total.aspx> [Accessed 9th March 2010].

PR Newswire Association. (2009a) Epsilon signs 19 new email clients in Q1 2009. *PR Newswire Association*, Wednesday May 6 2009.

PR Newswire Association. (2009b) Email marketing requires more sophisticated tactics to remain relevant and engaging; Silverpop offers client services, training and strategic counselling to support stronger campaigns. *PR Newswire Association*, Thursday November 12, 2009.

Rosenfield, J. (2000) How the Internet changes direct mail. *Direct Marketing*, 63 (1), 28.

Singleton, S. (2004) *E-mail: Legal issues*. Thorogood.

Sipior, J. *et al.* (2004) Should spam be on the menu. *Communications of the ACM*, 47 (6).

Smith, PR and Chaffey, David. (2005), *eMarketing eXcellence: The heart of ebusiness*. 2<sup>nd</sup> Edition. Oxford, Butterworth-Heinemann Elsevier.

Tech Crunch. (2009) *TA Associates buys €60 million stake in European email marketing leader eCircle*. [Internet]. Tech Crunch. Available from:  
<http://eu.techcrunch.com/2010/01/11/ta-associates-buys-60-million-stake-in-european-email-marketing-leader-ecircle/> [Accessed 12<sup>th</sup> January 2010].

Topseos. (2009) *Best email marketing companies*. [Internet]. Topseos. Available from:  
<http://www.topseos.com/rankings-of-best-email-marketing-companies> [Accessed 9th March 2010].

Turcot, R. (2009) Go organic – build your email lists the natural, permission-based way. *Target Marketing*, 32 (11), 32.

Yudkin, M. *et al.* (2002) MarketingSherpa's best practices in marketing with email newsletters. *MarketingSherpa, Inc.*

Zhou J. *et al.* (2005) Optimized multi-party certified email protocols. *Spain Information Management & Computer Security*, 13 (5), 350-366.

Zmuda, N. (2009) How e-mail became a direct-marketing rock star in recession. *Advertising Age*, 80 (17), 27.

## BIBLIOGRAPHY

Business Wire. (2009a) Forrester Forecast: US email marketing spending to reach \$2 billion in 2014. *Business Wire*, Monday June 15 2009.

Business Wire (2009b) Reportlinker adds retail e-mail: Online marketing strategies report. *Business Wire*, Tuesday October 20 2009.

Business Wire (2009c) E-mail preferred marketing channel; 75% of consumers impulse buy from e-mail marketing, reveals smartFOCUS survey. *Business Wire*, Tuesday October 27 2009.

Charlesworth, A. (2009) *Internet marketing: a practical approach*. Oxford, Butterworth-Heinemann Elsevier.

Cross, R and Neal M. (2000) Internet retailers are creating their own brand of service. *Direct Marketing*, 63 (2), 20.

Datamonitor. (2009) *Industry profile: Global application software*. April 2009.

Datamonitor. (2009) *Industry profile: Global Internet software & services*. March 2009.

Direct Marketing. (1999) Savvy e-mail marketing. *Direct Marketing*, 62 (3), 14.

Dutta, S and Mia, I. (2009), *The global information technology report 2008-2009*. Geneva, World Economic Forum.

ExactTarget. (2009a) Features and tools. *ExactTarget, Inc.*

ExactTarget. (2009b) Is email marketing endangered? *ExactTarget, Inc.*

ExactTarget. (2009c) The marketing almanac 2009. *ExactTarget, Inc.*

Evangelos, M *et al.* (2006) E-mail marketing at the crossroads: A stakeholder analysis of unsolicited commercial e-mail (spam). *Internet Research*, 16 (1), 38-52.

Fernandez, J. (2009) Email marketing: Personal touch sends out the right message. *Marketing Week*, Thursday June 25 2009, 27.

Forrester Research. (2007) Forrester US Interactive Marketing Forecast 2007 To 2012. *Forrester Research*.

Hamilton, L. (2009) Fine-tuning blogs, tweets becoming essential. *Boulder County Business Report*, 28 (9), 17-30.

Hosford, C. (2009) Is there anything e-mail can't do? *B-to-B Chicago*, 94 (3), 12.

Jenkins, S. (2009) *Truth about email marketing*. Harlow, Pearson Education Limited.

Jones, S. (2008) *Business-to-business internet marketing: Seven proven strategies for increasing profits through internet direct marketing*. Maximum Press.

Kent, R and Brandal H. (2003) Improving email response in a permission marketing context. *International Journal of Market Research*, 45, 489-503.

MacPherson, K. (2001) *Permission based e-mail marketing that works*. Dearborn Trade.

Market Line. (2009a) *Global advertising strategies acquires 41% stake in Blueliner Marketing*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD309884> [Accessed 25<sup>th</sup> February 2010].

Market Line. (2009b) *ExactTarget raises \$70 million in new round of venture capital funding*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD310171> [Accessed 25<sup>th</sup> February 2010].

Market Line. (2009c) *StrongMail Systems acquires email advisor*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD312153FD309884> [Accessed 25<sup>th</sup> February 2010].

Market Line. (2009d) *Mansell Group acquires email marketing business of Premiere Global Services*. [Internet]. Market Line. Available from: <http://www.marketlineinfo.com/library/FinancialDeal.aspx?R=FD316504FD309884> [Accessed 25<sup>th</sup> February 2010].

Medical Marketing & Media. (2008) The anatomy of an email. *Medical Marketing & Media*, 56-57.

Merisavo, M and Raulas M. (2004) The impact of e-mail marketing on brand loyalty. *Journal of Product & Brand Management*, 13 (7), 498-505.

Parkin, G. (2009) *Digital marketing: Strategies for online success*. London, New Holland Publishers (UK) Ltd.

Pavlov, O. *et al.* (2005) Mitigating the tragedy of the digital commons: The problem of unsolicited commercial e-mail. *Communications of the Association for Information Systems*, 16, 73-90.

Pew Internet. (2009). *Trend data: Online activities*. [Internet]. Pew Internet. Available from: <http://www.pewinternet.org/Static-Pages/Trend-Data/Online-Activites-Total.aspx> [Accessed 9th March 2010].

Porter, M. (2008) The five competitive forces that shape strategy *Harvard Business Review*, Vol. 86, 78-93.

PR Newswire Association. (2009a) Epsilon signs 19 new email clients in Q1 2009. *PR Newswire Association*, Wednesday May 6 2009.

PR Newswire Association. (2009b) Email marketing requires more sophisticated tactics to remain relevant and engaging; Silverpop offers client services, training and strategic

counselling to support stronger campaigns. *PR Newswire Association*, Thursday November 12, 2009.

Rosenfield, J. (2000) How the Internet changes direct mail. *Direct Marketing*, 63 (1), 28.

Saunders, M. *et al.* (2007) *Research Methods for Business Students*. 4<sup>th</sup> Edition. Harlow, Prentice Hall.

Singleton, S. (2004) *E-mail: Legal issues*. Thorogood.

Sipior, J. *et al.* (2004) Should spam be on the menu. *Communications of the ACM*, 47 (6).

Smith, PR and Chaffey, David. (2005), *eMarketing eXcellence: The heart of ebusiness*. 2<sup>nd</sup> Edition. Oxford, Butterworth-Heinemann Elsevier.

Tech Crunch. (2009) *TA Associates buys €60 million stake in European email marketing leader eCircle*. [Internet]. Tech Crunch. Available from:  
<http://eu.techcrunch.com/2010/01/11/ta-associates-buys-60-million-stake-in-european-email-marketing-leader-ecircle/> [Accessed 12<sup>th</sup> January 2010].

Topseos. (2009) *Best email marketing companies*. [Internet]. Topseos. Available from:  
<http://www.topseos.com/rankings-of-best-email-marketing-companies> [Accessed 9th March 2010].

Turcot, R. (2009) Go organic – build your email lists the natural, permission-based way. *Target Marketing*, 32 (11), 32.

Yudkin, M. *et al.* (2002) MarketingSherpa's best practices in marketing with email newsletters. *MarketingSherpa, Inc.*





Zhou J. *et al.* (2005) Optimized multi-party certified email protocols. *Spain Information Management & Computer Security*, 13 (5), 350-366.

Zmuda, N. (2009) How e-mail became a direct-marketing rock star in recession.  
*Advertising Age*, 80 (17), 27.



## APPENDICES

### *Appendix A: Survey questions and answers*



1) Please specify your company size (number of employees).

		Percentage	Responses
<20		68.7	79
21-50		16.5	19
50-150		9.6	11
150<		5.2	6
<b>Total responses:</b>			<b>115</b>





2) Does your company currently use any form of email marketing?

		Percentage	Responses
Yes		59.1%	68
No		40.9%	47
<b>Total responses:</b>			<b>115</b>





3) Have you increased your investment in email marketing in the past 12 months?

		Percentage	Responses
Yes		39.1%	43
No		60.9%	67
<b>Total responses:</b>			<b>110</b>

4) Please specify approximate amount invested in email marketing in the past 12 months.

		Percentage	Responses
<£100		51.9	55
£100- £500		17.0	18
£500- £1000		14.2	15
>£1000		17.0	18
<b>Total responses:</b>			<b>106</b>

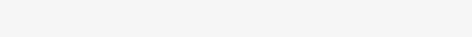
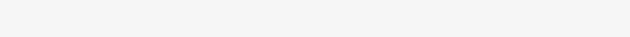


5) Has the Return on Investment for your email campaigns proved to be:

		Percentage	Responses
Non-existent		37.6	38
Less than other direct marketing		19.8	20
Better than average		28.7	29
The highest of direct marketing		13.9	14
<b>Total responses:</b>			<b>101</b>






6) Please specify how your company uses email marketing.

		Percentage	Responses
Product promotion/e-Coupons		21.3	32
Event announcements		12.0	18
Newsletters		24.0	36
Business updates/press releases		22.7	34
Other		20.0	30







7) Do you consider email marketing in your company to be:

		Percentage	Responses
The least important form of marketing		29.8	31
Somewhat important form of marketing		39.4	41
Very important form of marketing		24.0	25
Most important form of marketing		6.7	7
<b>Total responses:</b>			<b>104</b>






8) Please specify reason(s) for using email marketing.

		<b>Percentage</b>	<b>Responses</b>
Ease-of-use of the tool		19.8	37
Cost-benefit ratio		27.3	51
Customisation of sales message		20.9	39
Customisation target audience		16.6	31
Other		15.5	29





9) Please identify other forms of direct marketing your company uses.

		<b>Percentage</b>	<b>Responses</b>
Direct mail		29.0	45
Telemarketing		15.5	24
Couponing		1.3	2
Voicemail marketing		1.9	3
Direct selling		37.4	58
Other		14.8	23

10) What problems/limitations you identify with email marketing?



		<b>Percentage</b>	<b>Responses</b>
Non-familiarity		27.7	33
Inappropriate for business/industry		28.6	34
Lack of product functions/support		8.4	10
Cost		9.2	11
Other		26.1	31

11) Please specify how long have you used email marketing.



		<b>Percentage</b>	<b>Responses</b>
Haven't used at all		35.1	39
Less than a year		16.2	18
1-2 years		17.1	19
More than 2 years		31.5	35

**Total responses:** 111



12) Are you currently considering further investment in email marketing?

	Percentage	Responses
Yes 	44.3%	51
No 	55.7%	64
<b>Total responses:</b>		<b>115</b>



13) Do you communicate with your customers on a continual basis after the point of sale?

	Percentage	Responses
Yes 	77.4%	89
No 	22.6%	26
<b>Total responses:</b>		<b>115</b>



14) Do you consider email marketing to be brand-building tool?

	Percentage	Responses
Yes 	63.5%	73
No 	36.5%	42
<b>Total responses:</b>		<b>115</b>



15) Do you regularly run offer campaigns or promote new products to your market?

	Percentage	Responses
Yes 	32.2%	37
No 	67.8%	78
<b>Total responses:</b>		<b>115</b>

16) Do you consider email marketing to be customer relationship tool?

	Percentage	Responses
Yes 	62.6%	72
No 	37.4%	43
<b>Total responses:</b>		<b>115</b>

17) Do you regularly hold/attend events or trade shows?

	<b>Percentage</b>	<b>Responses</b>
Yes 	39.1%	45
No 	60.9%	70
<b>Total responses:</b>		<b>115</b>







