

ASSESSING THE RESPONSE TO AND SUCCESS OF EMAIL MARKETING PROMOTIONS

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ABSTRACT

With the growth of the Internet has come a new method for organizations to advertise and promote their products and services: email marketing. Although some research and common wisdom may suggest that rich, HTML messages generate more click-throughs and purchases, this paper suggests that text-based email marketing can perform as well as HTML messages. The paper reports on the results of a study that analyzed email marketing messages to nearly 800,000 registered users of a large, direct-to-consumer site featuring home and lifestyle products over the period of three months. An analysis of the data showed the text-based messages performed as well and in some instances outperformed rich, HTML messages through higher click-through rates and conversion-to-purchase rates.

Keywords: E-mail marketing, e-commerce, text-based messages, HTML messages, graphics, Internet

INTRODUCTION

The growth of the Internet has spurred changes in almost every aspect of businesses and business operations. Among other things, the Internet has provides organizations a new method of advertising and promoting products: email marketing. A recent report by Jupiter Communications estimated that commercial e-mail advertising will become a \$7.3 billion business by 2005, a substantial jump from \$164 million businesses spent in 1999 (16). In an attempt to quantify and track the success of e-mail marketing, marketing researchers generally gauge the success of an e-mail campaign in terms of two key factors: click-through rates and conversion-to-purchase rates. Click-through rates are the percentage of users that actually click on a hyperlink within the e-mail to access the company's web site. Conversion rates are the number of click-throughs that result in an actual purchase.

Initially, companies enjoyed the low costs and high conversion rates of communicating with their customers via e-mail. However, with the rapid increase in commercial e-mail, companies face a more difficult task of maintaining high response rates and low unsubscribe rates (customers who do not wish to receive email solicitations).

Recently, marketers have tried to lure customers into visiting their company sites and buying their products by replacing traditional text-based messages with beautifully designed, HTML-formatted messages to their customers. These HTML-rich e-mails, which look like "mini web pages," often have unique designs and colorful graphics. Some companies claim that HTML messages have a response rate two to three times higher than traditional, text email promotions—asserting that rich messages better attract the attention of new and existing customers, driving

more traffic to Web sites, generating more interest in products, and ultimately resulting in higher sales (1, 4, 9).

Such claims would support various theories about the role of visual images and the performance of what has been termed information-rich media. For instance, cognitive and Gestalt psychology suggest graphics can be startlingly effective in attracting attention (3, 6, 15, 18). Additionally, information richness theory posits that multimedia- or graphic-rich media can be distinguished from text-only media in terms of “richness”: the ability to transmit cues more effectively to facilitate understanding an action (7, 11, 12). These theories would support the assertion that HTML-email messages would increase web traffic and generate more sales than text-only email.

HTML messages differ from text-only messages in significant ways. Often, companies will include pictures of featured products allowing the receiver to click directly on the image and ultimately purchase the product, along with a text link to the featured product. In addition, HTML messages may contain signature graphics or other visually rich elements that add visual interest as well as a sense of personalization, elements that information richness theory suggests could explain greater responses to HTML messages. Attempting to empirically verify the popularity of successful HTML email marketing campaigns (seemingly supported by cognitive psychology and information richness theory), this study addresses the following two research question:

- Is there a difference between text-based and HTML-based email messages in terms of click-through rates?
- Is there a difference between text-based and HTML-based email messages in terms of conversion rates?

METHODOLOGY

To assess the difference between text-based and HTML-based email messages in terms of click-through and conversion rates, the authors examined archival data obtained from the E-Commerce Department of a large distributor/retailer of a direct-to-consumer company (given the pseudonym E-Live), which features home and lifestyle products. In addition to its direct sales to customers via the Internet, the company also publishes a monthly lifestyle magazine and has a weekly home and lifestyle television program. The company provided comparative data about click-through and conversion rates for a promotional campaign conducted over 15 week time period. E-Live sent email messages (in text-based or HTML formats) to users of its website who registered as email subscribers.

Messages were sent in the alternative formats for 13 of 15 weeks in the summer of 2000. User responses to these email messages, in terms of click-through and conversion rates, provide the data for this investigation. The data are based upon approximately 230,000 impressions for text-based messages and 525,000 for HTML-based messages each week. The text-based messages were sent principally to subscribers of America Online whose version at that time (6.0) did not support HTML-based email messages.

The email messages, sent in the two different formats, were identical in terms of wording. Each e-mail contained approximately three to six hyperlinks directing receivers to special product pages and other featured areas of the company's web site. Both the text-based and HTML-based messages contained a personalized greeting (such as "Dear Steve)," were signed by the company's CEO (a recognized television presence), and highlighted weekly specials, with hyperlinks that could be clicked for additional information. The messages usually consisted of a discounted product, along with other important events centered around the company's various media outlets (television, newspaper, Internet, and magazines). Unlike the text-based emails, the HTML-based messages contained pictures, images, and a graphic signature of the CEO. Identical items were sold each week under both email formats.

The success of each week's e-mail, both text-only and the HTML messages, was tracked, with the response rates of each version compared. Success of a message was measured by percentage of click-throughs and purchase conversions of click-throughs generated directly from the links within the e-mail.

Unfortunately, demographic data about the participants of this study were not available. Thus, we do not know whether those who received text-based messages differed significantly from those who received HTML-based messages in terms of their personal characteristics. A second limitation of this study is that it involves a single company selling certain types of products over a period of weeks. Thus, other researchers are encouraged to follow-up this study using other companies, products, and time periods.

FINDINGS

In evaluating the click-through rates and the conversion rates of e-mail messages, we found that the text-based messages in many instances performed better than the HTML-based messages. The results of this study are shown in Table 1, with the click-through rates and the conversion rates for each of the weeks displayed, along with the mean difference between the two. The type of message that performed the best in a given week is bolded.

Consistent with the research questions presented earlier, the text-based and HTML-based email messages are compared on two measures: click-through rates and conversion rates. As indicated in Table 1, the text-based messages produced higher click-through rates for 10 of the 13 weeks. However, for most weeks, these differences were quite small. For the entire time period, text-based messages produced only a 0.8% higher click-through rate than HTML-based messages.

For the second measure, conversion rates, a similar pattern of results was observed. Text-based messages outperformed HTML-based messages for 6 of the 8 weeks for which conversion rates were available. Yet, as shown in Table 1, the conversion rate for text-based messages for these weeks was only 0.18% higher than for HTML-based messages.

Table 1. Click-Through and Conversion Rates of a 13-Week Marketing Campaign of Text-based vs. HTML-based E-mail Messages

<u>Week Number</u>	<u>Click-through Rates</u>			<u>Conversion Rates</u>		
	<u>Text-Based</u>	<u>HTML-Based</u>	<u>Mean Diffs.</u>	<u>Text-Based</u>	<u>HTML-Based</u>	<u>Mean Diffs.</u>
1	7.6%	5.5%	2.1%	1.71%	2.59%	-0.88%
2	10.2%	10.1%	0.1%	n/a	n/a	n/a
3	5.1%	4.0%	1.1%	n/a	n/a	n/a
4	3.9%	2.4%	1.5%	0.05%	0.05%	0.00%
5	6.2%	5.3%	0.9%	1.68%	1.44%	0.24%
6	10.4%	5.3%	5.1%	n/a	n/a	n/a
7	3.5%	3.1%	0.4%	n/a	n/a	n/a
8	3.4%	2.9%	0.5%	n/a	n/a	n/a
9	7.3%	5.1%	2.2%	0.82%	0.48%	0.34%
10	5.7%	5.9%	-0.2%	1.39%	1.11%	0.28%
11	12.5%	7.4%	5.1%	0.46%	0.32%	0.14%
12	3.8%	10.0%	-6.2%	1.34%	0.68%	0.66%
13	2.2%	4.1%	-1.9%	2.40%	1.73%	0.67%
No. of times method was better	10	3		6	2	
Overall mean difference			0.8%			0.18%

CONCLUSIONS

Although the scope of this study is limited (due to limited demographic data), it provides interesting data about the effectiveness of text-based vs. HTML-based email messages. Both cognitive psychology and information richness theory suggest that the HTML messages, with richer graphics and more signaling cues, would perform better. The results of the study suggest that text-based messages can perform at least as well as HTML messages in some circumstances.

In looking at the data, several questions arise that additional demographic data may help to answer. For example, what is the age, gender, socioeconomic status, and computer experience of the users? What is the breakdown of the recipients of the text-based vs. HTML messages according to these variables? Do any of these variables correlate more directly with the click-through or conversion rates than does text vs. HTML messages?

Additionally, it would be helpful to compare these findings with other research about Internet shoppers. For instance, had those making purchases as a result of the email marketing made online purchases before? How brand and cost conscious were the purchasers? What motivating factors led the individual to make the purchase? Cost? Convenience? Quality of product?

Recent research (8) identifies demographic data that helps to profile individuals who make purchases over the Internet, as seen in Table 2.

Table 2. Profile of Internet Shoppers

Characteristics of Individuals Making Internet Purchases
<ul style="list-style-type: none"> ▪ Over 35 years old ▪ Higher income (over \$35K) than non-shoppers ▪ Convenience and variety seekers ▪ More impulsive and innovative than non-shoppers ▪ Less risk averse than non-shoppers ▪ Less brand and price conscious than non-shoppers ▪ Possess positive attitude toward advertising

The lack of demographic data connected with the study makes it impossible to determine which of these characteristics were possessed by those who made purchases as a result of the email marketing campaigns. Additional research should attempt to collect such data in evaluating click-through and conversion rates.

In addition to demographic data, technological issues may have impacted. Email messages with HTML are larger than text messages; consequently, they take longer to download and display. Some research suggests that users will wait no longer than 5-10 seconds for a screen to display before changing tasks (13). Lower number of click-throughs and subsequent conversion rates could be tied to slower download times.

Moreover, the HTML messages were at times twice the length of the text-only messages, requiring users to scroll more to read or view the entire message. Depending upon the type of tasks users are performing, required scrolling can diminish the amount of time and the level of focus users give a particular message (17).

Besides the demographic data and the technological issues, the newness of HTML email marketing may have affected the response of email readers. Exploring the limitations of information richness theory, Carlson and Zmud (5) propose a channel expansion theory to augment notions of information richness. Carlson and Zmud's study suggests that the newness of a technology and unfamiliarity of it (irrespective of the added richness it may convey) may affect its ability to communicate rich messages: "[C]ommunication effectiveness and richness perceptions are strongly bounded by a channel user's communication experiences" (p. 12). Users go through a learning process to become proficient with a technology. As users get acquainted and familiar with a technology or type of communication, they become more willing to use it, and the effectiveness of its communication increases. Since research suggests that by the end of 1999, less than half of all e-mail recipients could read HTML messages (10), the use of HTML messages at the time of the study was limited. As users become more accustomed to HTML messages, their use of and preferences for the richer medium may increase.

Although some cognitive psychology suggests that the HTML message would elicit greater responses by users, additional research suggests learning styles and preferences may also play a significant role in the reaction of users. For instance, some individuals are verbal rather than visual learners. Such persons may prefer the text messages that favor their particular cognitive (2). Individuals who learn or perform better visually may prefer media rich, interactive HTML messages.

Finally, the type of product being market may also impact the preferred type of message. Palmer and Griffin, evaluating some of the deficiencies of information richness theory, posit that more complex products and messages lend themselves to richer media: “greater the information richness of a product” greater the need to exploit the richness of a medium (14). For instance, a complex product such as a computer lends itself and may be benefited by a richer and more interactive medium like HTML messages than bedspread or kitchen decoration. According to Palmer and Griffin, the information intensity of product offerings ought to determine the design of messages.

Rather than accepting the cliché, “a picture is worth 1000 words,” this study suggests from a limited sample that text-only messages can perform as well as HTML messages in certain circumstances. The authors suggest additional research using other products and companies, with more attention to demographic differences as well as other customer variables. With greater revenue forecast to be spent on IT resources used to promote organizational products and services via the Internet, understanding how to make informed choices and to create effective messages become increasingly important.

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