Towards Improved Performance: 
A Model for Testing Email Newsletter Design

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ABSTRACT

This study concentrates on the opportunities of developing email marketing performance based on testing the design of an email newsletter. Drawing from existing literature, the paper presents a model for testing email newsletter design. The model consists of email marketing response process, factors affecting response, and corresponding metrics that are based on clickstream data. Multivariate tests were used to test permission-based newsletters sent by a European airline company regularly to its clients, verifying that the model has potential to be used in real decision-making situations. The paper shows how messages can be tested easily, accurately and objectively with retrievable results that are interesting from a marketing perspective.

KEYWORDS
Clickstream Data, Email Design, Email Marketing, Interactive Marketing, Multivariate Testing

INTRODUCTION

Online marketplaces are gaining market share from brick-and-mortar stores everywhere around the globe (OECD, 2013). There are industries that make almost half of their sales online (OECD, 2012), and companies without any physical store such as Amazon are blooming (Bogaisky, 2014). Research shows that more often the customers visit an online store, more probably they buy (Moe & Fader, 2004). It is, therefore, essential to keep the online store in the customer’s mind. There are several means to do that, one of the most popular being email marketing. In Europe, 94% of the organizations use promotional emails as part of their marketing mix (FEDMA, 2010), with a good reason: the use of email is often profitable for the marketer. According to the Direct Marketing Association’s 2015 Response Rate Report, email campaigns provide the highest median ROI, of 21–23%, leaving behind telephone campaigns (19–20%), social media and direct mail (15–17%) mobile (12–14%), paid search (9–10%) and Internet display ads (6%) (MarketingCharts, 2015). When compared with other online channels, email is the most effective also in terms of purchase incidence and dollar sales (Danaher & Dagger, 2013) and has the best long-term effect (Breuer, Brettel, & Engelen, 2011).

While email seems to be viable in economic sense, there is room for improvement in terms of response rates. Compared with telephone campaigns (9–10%) and direct mail (3.7%), the 0.1% response rate for email is modest although at the same level as for mobile advertising (0.2%), social media (0.1%) and paid search (0.1%) (MarketingCharts, 2015). Therefore, finding ways to improve response rates would be beneficial for email marketers. One method of achieving this is to test the...
email newsletter to understand what kind of content the recipients find interesting and relevant enough to give the desired response. Testing also reveals content that makes email ineffective and even leads to its classification as spam, which again affects response rates.

Testing is no news to traditional direct marketers who have decades of experience in optimizing messages, targeting and timing in order to improve the response rates of their campaigns (Stone & Jacobs, 2008). Email, however, has a clear advantage in comparison to offline channels: clickstream data. It is fast, easy and unobtrusive way of collecting detailed information on individual activities (Bucklin & Sismeiro, 2009), objectively and economically. Clickstream data is collected in the user’s own environment in real decision-making situation, opening research opportunities into such topics as the modelling of decision making processes and stages (Bucklin & Sismeiro, 2009; Moe, 2006).

The article has three goals: to explore the recipient’s response process in the context of email marketing, to study how the behavior of the recipient can be measured with clickstream data, and to explain how multivariate testing can be used when aiming to generate a more positive reaction from the recipient. The purpose is to build a simple and easily understandable model for testing email newsletter design, and to demonstrate the feasibility of the model with multivariate tests studying regular, permission-based email newsletter sent by a European airline company. Internet sale is central to the business of airline companies today (Ferguson, 2014), making the case company a good example of a marketer that uses email newsletters to attract customers to the online marketplace.

Although previous academic literature has described some models for testing email newsletter design (Cases, Fournier, & Dubois, 2006; Czernik, Fuchs, & Höpken, 2008), the emphasis of the studies has not been on explaining the model but on the characteristics of the email (Ellis-Chadwick & Doherty, 2012 explain these characteristics in more detail). Some of these characteristics change in each newsletter, usually, subject line, headline, the message content (copy, images, animations etc.), hyperlinks and length. There are also more fixed design characteristics such as sender (from:), the overall message layout or template (e.g. the use of illustrations or animations, the placing of logos and links, colors used etc.), and the message format (HTML or text) that tend to remain unchanged for a longer period, when the question is about newsletters that are sent regularly.

In general, the design of the email newsletter has been suggested being worth examining (Cases, et al., 2006; Haq, 2009; Lewis, Whitler, & Hoegg, 2013), and there is empirical evidence showing that response rates can increase by 62% when the email’s design is customized (Ansari & Mela, 2003). Some executional tactics have been found to be more effective than others, but their generalizability is limited (e.g. conclusions in Lewis, et al., 2013). Therefore, it is essential for email marketers to conduct tests on their own operational environment, to find out what kind of tactics work the best in their case. Modern email marketing tools often offer some testing features, making testing easy by automating it (Schreiber, 2015). The model for testing email newsletters also serves marketers using these tools by clarifying the steps and metrics of the email marketing conversion funnel, and unfolding the multivariate testing procedure.

The rest of the paper is organized as follows: First, the email marketing response process is described and the model for testing an email newsletter introduced. Performance metrics is described next. After that, possible factors affecting response are summed up and the difference between A/B and multivariate testing is explained. To provide a proof-of-concept evaluation for the model, a field experiment is then presented. Finally, the findings are discussed as well as implications, limitations and opportunities for further research offered.

CONCEPTUAL FRAMEWORK

Email Marketing Response Process

From the email marketer’s point of view, after the newsletter is designed and sent, the first step is to reach the recipient, then persuade the recipient to open the message, to click a link in the message, and
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