

Introduction

It seems like marketers are under constant pressure to perform. Even if your marketing programs are working well, management is always looking for improvement. When you add in today's tight economic climate, budget and staff cuts and a moving landscape of new marketing technologies, success seems further and further out of reach. Sound familiar?

Luckily marketers can test their way to success. With a well-planned testing program, we can measure the return on investment (ROI) on every campaign. Testing helps us prioritize programs, justify budgets and provides a road map of possibilities for future campaigns.

This ROI Accelerator discusses the following:

- Why your company should test
- How and when to test
- What to test
- How to determine ROI

While this ROI Accelerator focuses on email programs, we will also touch on web analytics and other direct marketing campaigns to demonstrate how analysis can be integrated.

It's encouraging that it doesn't usually take much get a program on track. The sections below will show you how to maximize your time and your testing program with ease.

Why test?

Testing email programs helps you bring in new customers and find a better way to connect with your existing customers. If management is cutting budgets, testing gives you positive results to protect the best performing programs. Test results also allow you to buy time to refine programs that have potential by demonstrating a path of improvement. You can also use successful test results to your advantage in year-end budget planning - gaining a larger share of budget or staff because you are armed with hard facts instead of hunches.

No matter what your company sells, testing programs are vital for email program success. If you are marketing for a B2B company with a goal of lead generation, you need testing to refine and optimize your lead programs, develop the most effective lead funnel and prioritize time for your sales force. If your company is making cuts in the sales budget, you may also need to refine existing executions to compensate for a smaller sales force, or to replace lead sources that have been eliminated such as trade shows and conferences, or to develop completely new sources of qualified leads.

If you are a traditional retailer you're likely experiencing the negative impact of today's economic climate. Customers are spending less and retail stores are struggling. You need to look for new ways to bring customers into your store when your customers are increasingly discovering the value of online shopping. Testing your way into online marketing will help you prioritize programs before you commit more dollars - so you avoid expensive experiments. You can eliminate programs that don't demonstrate a return and focus on those programs that bring traffic into your store.

Etailers need to test as well, and for similar reasons. Right now, customers are spending less and the competition for customer dollars is fierce. Like traditional retailers, etail survival depends on a steady stream of traffic. And with a limited marketing budget, you can really only afford to focus on programs that can demonstrate a return on investment. Testing enables your company to find what programs work best.

How to Test

A testing program is an ongoing commitment, not a one-time effort. If you test two email campaigns against each other, you're not done. Don't stop your efforts and make a decision on that one result. Every campaign you conduct should contain a testing component. And be careful about how results are gathered. The best testing program won't help marketing efforts if the output is a stack of undecipherable spreadsheets that don't enable you to easily read results or that don't immediately provide you with insights into program improvements.

The most important thing is to design a test for what you need to know. That seems simple, but too often, companies test in areas where the gain is minimal or only test the things that their analytics measure easily.

Useful testing starts by determining your marketing objectives and goals. Are you looking to generate leads? Acquire customers? Increase revenue per customer? Make your key objective the goal of your testing program. Then build hypotheses from the objective. Start with a list of information you wish you had or a hypothesis of outcomes. Then build your test design around that. . This enables you to define metrics that you want to capture.

If you have any current results, use those to set a benchmark – for example, “Our cost per lead is \$200” or “Our average number of customer transactions are three per year”. If not, use anecdotal information from sales or customer service to start the program. This kickoff figure will help you develop testing goals – say “Let's bring our cost per lead down to \$150” or “Let's increase our transactions per year to four per year”.

Then create testing campaigns to meet these goals. Review your current customer acquisition, lead generation and activation emails. From your perspective, are they the right offers, creative and list to meet the goal you've set? For example, to increase customer acquisition, are there elements in your email (list, offer or creative) that could be refined to get more attention from prospects who may not be familiar with your company?

Test one thing at a time and go after larger things first. A graphic image in an email is not going to have the same impact as a test of a list, subject line or offer, so test for most impact.

For testing ideas, review the suggestions below, search the web, take a look at your competitor's sites and ask your sales and customer service team what they think should be tried next. Think outside the box where you can. Of course, no one would recommend you throw out all good sense in any marketing execution, but occasionally throw a wild card in to see if something a bit unconventional will help your efforts.

However, before you test, be sure to set up your tracking mechanisms. Ideally, you have technology in place that enables you to create, send and track email campaigns to different customer or prospect segments. You'll also need a mechanism to track deliverability to help ensure your messages get into the Inbox. Your tools should tie into your Web analytics as well. No matter what your solution, before you

execute campaigns, be sure to ask yourself how you are going to read the results. If you don't have an answer to that essential question, postpone marketing efforts until you do.

Most companies conduct their tests in a basic A/B split test (half version A, half version B). This way programs test one variable - such as an offer of "free shipping" versus "10% off" or two different lists without skewing results by having different timing. Feel free to run A/B/C/D split tests to test more than two things at a time, just be sure your cell sizes are large enough to be statistically valid. If you can't predict that you will get at least 25 responses to any one test cell, increase your cell size until you can be sure you'll get that number of responses. Anything less may be too small to read valid results. Testing as many cells at once as possible will accelerate your access to metrics – which will, in turn, accelerate your ability to deliver increased ROI.

Once you have completed a test, pick a winner (which becomes your "control" package that you will use as the standard to test against next time) and repeat! It's that easy.

When to test

Any response-based campaign is an opportunity to test – email, banner ads, landing pages, etc. It's important to test regularly and every single time. By including a testing element into each part of a campaign, you learn, refine and improve consistently while retaining continuity of your test elements. This means you have to commit a percentage of your marketing budget on each execution to testing, but you will reap the benefits in improved results, guaranteed.

What to test

As mentioned above, for email testing, start your testing program with the variables most likely to provide you with the biggest return and that tie most closely into your objectives. But never, ever test anything that you can't use. Take time for a quick reality check before you execute a campaign. If you are a retailer and want to test a new email list, make sure those on the list are located within a reasonable drive of your store. Or for a financial offer, make sure that those on the list will qualify for what you're offering.

Some testing categories include:

Targeting

- List quality: Test segments of your house list to identify best performers. See what segments are worth emailing and which you can eliminate from future campaigns.
- Outside rental or trade lists: Test outside lists to see how they perform. In some cases, the number of lists on the market can make choosing overwhelming. If you have a long list of potential lists to test, segment them into categories (say response lists like subscription lists, versus lists from catalogs, compiled lists off of public records, etc) and test one per category each time to read results. This enables you to ease test lists into your mix without having to conduct large, unmanageable campaigns.
- New selections from a winning source: Try finding more names from a source that is working for you. If a certain magazine's email list brings customers into your store, see if the publisher has other magazine titles you can test or a masterfile of combined names from all of their publications. If you find a hobby or interest list works for your retailing site, test just outside of that interest area – say, sewing for knitting or cat care for dog care, etc. And if you usually do well with purchasers from a catalog list, try the inquirers.

- New titles: Try new job function titles. If you traditionally market to CEO's, try dropping down a title or two in your B2B list purchases. Or vice versa to see if a higher level decision maker responds better.
- Different demographics: Try different incomes, geographic locations, ages, etc. Although males over the age of 45 are still your sweet spot, you may find that you get decent results from women in the same age group as well.

Offers:

- For retailers and etailers: Try repackaging your discounts – maybe a \$10 off versus a percentage off.
- For retailers: Try new offers that a customer can bring into your stores – these will help tracking as well. Some ideas to try include coupons, invitation-only sales, gift with purchase, etc.
- For lead generation: Test new content and when you have success, try repackaging the content as well. Does the topic for your white paper lend itself to repackaging into a podcast, webcast or online calculator?
- Richness of offer: What offers work the best? Can you dial up or down? Does your 10% offer work almost as well on response as 20%, but pay off better financially? Does \$15 off work better than \$10 off without a huge financial burden?
- Number of offers: Does it help to have more than one offer? Do you get increased response? Can you take your winning offer and add a second offer as a sweetener?

Creative and Content:

- Subject line: The easiest test in the world for email is a 50/50 split on a subject line. Test specific versus general, different versions, longer versus shorter, etc.
- From address: Does a real name such as John Doe work better than customerservice@abc.com?
- Message Design: What designs are easy for your customers or prospects to read and respond to? What colors, photos and layouts are the most effective? By testing designs, you can come up with something that will become your new template for your best success.
- Copy (including copy length): Historically the wisdom is that short copy works better, but test to see if adding more detail means a higher level of customer engagement. Or cut copy to see if getting to the point works better with your customers.
- Text only versus HTML: This is an age old debate and is still a valid test. Text can still pull, particularly with B2B and service-related emails or those sent to particular segments of your target audience.
- Content: Is the messaging you are using working well when combined with your offer and target? What can you do to tell the same story with a different slant that may just resonate a bit more? Can you use emotional appeals like fear or fun? More business-like factual appeals? Testimonials? Celebrity names or endorsements?
- Format and Design: These elements can play a part in testing too. Test buttons versus links, navigation bars, snippets versus buttons, number of images, number of links or a P.S.

Timing

- Frequency: Increasing the frequency of email deployments can increase spam complaints and unsubscribes, but if you consistently get good results from your email campaigns, test a segment of your list to see how much you can increase frequency before you get subscriber backlash. And vice versa, see how slowing down your frequency works in increasing order size, response rate and reduced complaints.
- Time of day and day of week: Traditional wisdom says that consumers are at their computers on weekends and evenings and business customers are at theirs during the day. It's not unheard of,

however, to find some pleasant surprises. Strangely, a lot of companies have great success with emails on Monday mornings or Friday afternoons. Why not give it a shot?

- Repeat emails: Can you eliminate responders and send a second identical email to the same list and get a similar return? As long as you don't repeat content too quickly, this test often pays off with minimal planning.
- Trigger emails: Use your email solution to create a special offer based on a specific action. If someone clicked on an email, but didn't respond, test what would make them buy. Or if they abandon their shopping cart, what offers would get them to complete the transaction? Or if they registered for a webcast, but didn't attend, will they watch it later if it's offered in an archive? Using an automated trigger email system and testing to make sure it's the right one is a way to automate your success.
- Newsletters: Try a bundle or "best of" version to see if you get better readership, opens or lowered unsubscribes by offering a weekly or monthly digest of content.

Delivery

- Non-deliverables: It's important to know how much of your list is undeliverable and to try to prevent this in the future. Does adding an "update your address" link help? Can you build your emails to be more interactive so your customers make sure you keep their information? Does it make economic sense to try to call or postal mail a customer who has become non-deliverable to see if they update? If you are using an email solution, are there tools available that you can use to assure deliverability before the email is sent?
- Unsubscribes and Spam Complaints: While it is inevitable that a certain portion of the customer list will unsubscribe or complain each time, why not see if altering certain variables makes more attractive percentages? Does emailing less frequently reduce complaints? Do certain offers mean lower complaints? How about more targeted messages – do they lower the unsubscribe rate? If your unsubscribes and Spam complaint levels are acceptable, test a small segment to see what the risk is if you increase frequency or the promotional aspect of your emails. Can you get a bit more aggressive with minor backlash (yet bigger financial payback)?

Other Analytics

There are other analytics that can provide additional insights into the success of your email campaigns. Web analytics in particular add more depth to straight email metrics and allow you to track what happens to your prospect or customer after they click on a link within an email. Combination metrics are also useful as they tie different metrics into a more robust information source.. A few to review:

- Results from promotion: Does the way the offers are promoted on the website affect the path an email respondent takes? How does an email visitor interact with the site, what are the pages that get the most traffic or longest visits, how does their experience differ from other visitors – say general visitors or those from search or PPC?
- Landing page copy and questions: Do certain landing pages work better for email response? Are you finding a high click rate and then a low response rate? What can you test to make sure you're not scaring off customers? What information could you ask for without increasing the abandon rate that you haven't asked in the past?
- Usage metrics: Knowing that the average user time on your site was 60 seconds is useful. More useful is a combination metric that tells you an email responder spent 4 seconds more than the average user or that PPC visitors stayed longer. What can you do to get the same results with both audiences? Can you review which pages a returning visitor visits to and test them for email campaigns?
- Keywords: These are great targeting ideas for list purchases. Look at the top performing keywords for your site and see what you can learn. Don't be afraid to group well-performing

words into a few categories to rate their success. For instance, you can easily see that dog lovers are a good target for your emails if you put all the dog related keywords together without separating words like “dog food” and “dog toys”). Time based data – if weekend traffic volume from certain sources is underperforming – such as banners or PPC - you may be able to save money by turning those off on the weekends. And use these results to predict good times to test for email campaigns.

- Campaign exit rate: How many people reached your landing page but didn't convert? If you see high exit rates, you'll probably want to reconsider how well your landing page reflects the promise you made in your email message. For instance, if your email offered free shipping with a purchase of \$100 or more, does your landing page reflect this offer prominently so that the visitor knows they are in the right location and can take immediate action?
- Abandonment figures: Where did visitors bail or where they did they go after the landing page? If you can identify a page with high abandonment, you can then do some troubleshooting to ultimately optimize landing pages. Or if you can identify that a high percentage of visitors went to a different page than expected, maybe you can roll that content into email content or landing pages or offers.
- On-site search: If a significant number of your visitors searched for "webcast" while you only offer "information kits", you may be missing an opportunity to refine your offers or products
- Postal mail or advertising results: What advertising pulls well? What did you learn from your last postal mail campaigns? Can this information be tied into your email planning?

Analyzing Results

Reading results is the final step in a testing campaign. It's often tempting to put it off, but if you've planned your campaigns correctly, you have a process in place before you execute to quickly read results and to make smart decisions. Email results are usually fairly immediate. 3-5 days after your campaign ends, you should be able to pull results and start planning your next test.

While it's important to review a number of factors, an ROI calculation is the cornerstone of a profitable program.

In order to calculate ROI you need the following information:

1. Number of emails sent
2. Number of bounces (indicates quality of the list and a true universe size)
3. Click through rates: How many unique visitors actually clicked and took action on the email.
4. Response rate or conversion rate defined as the number of purchases and/or signups: Total revenue (for a purchase campaign), or projected revenue to include the lifetime value of a customer
5. Campaign cost
6. Gross margins

Once these metrics are collected, go to the Lyris ROI Calculator to determine the total return on your investment. <http://www.emailabs.com/tools/roi-calculator.html>

Next Steps:

Once you have determined the ROI on your programs, you will have the information you need to create a plan for future campaigns. A consistent “test and improve plan” ultimately will mean that each campaign executed is more effective than the last – whether your goal is to bring in more customers at an improved

cost, to retain and activate existing customers or to change customer behavior. Be armed with the facts that ensure your ultimate success.