

GartnerG2 Says E-Mail Marketing Campaigns Threaten Traditional Direct Mail Promotions

Analysts Say Advertisers Must Build a Cost-Effective, Permission-Based E-Mail Campaign

STAMFORD, Conn., March 19, 2002 - In an effort to manage advertising dollars, many businesses are using e-mail marketing campaigns instead of traditional direct mailings, according to GartnerG2, a research service from Gartner, Inc. (NYSE: IT and ITB). GartnerG2 analysts said e-mail marketing has become a more cost-effective way to acquire and retain customers.

GartnerG2 research shows e-mail advertising revenue is projected to reach \$1.26 billion in 2002, up from \$948 million in 2001. By 2005, e-mail advertising revenue is forecast to total \$1.5 billion.

"Direct mail has reached its peak and will account for less than 50 percent of mail received by U.S. households by 2005, down from 65 percent in 2001," said Denise Garcia, research director for GartnerG2 covering the media industry. "As e-mail use, familiarity and trust increases, consumers will become more comfortable with accepting advertisements through their computer."

E-mail marketing campaigns have proven to be more efficient, and their success can be measured more easily. On average, it takes four to six weeks to complete a direct mail campaign vs. just seven to ten business days for an e-mail campaign. Responses to direct mail take an average of three to six weeks, while responses to e-mail take an average of three days.

"Within days of launching an e-mail campaign, response can be measured and actions taken. Marketers can gauge response quickly and react by making adjustments on an e-mail campaign before delivery of a direct mail campaign is complete," Garcia said. "Thus, the entire cycle time of the e-mail campaign from creation to delivery and response is one-tenth the time of traditional direct mail."

In addition, e-mail campaigns are significantly less expensive to execute than the traditional direct mail campaigns. Currently, e-mail costs range from \$5 to \$7 per thousand while direct mail costs range from \$500 to \$700 per thousand.

GartnerG2 analysts said that permission-based and opt-in marketing strategies are critical to higher e-mail response rates. In general, response rates measured by action taken from direct mail are the same as e-mail, hovering at 1 percent. On permission-based e-mails, the average clickthrough rate is between 6 percent and 8 percent.

"Advertisers must begin to incorporate these types of personalized e-mail strategies in conjunction with their traditional direct mail efforts in order to maximize the reach, penetration and effectiveness of their campaigns moving forward," said Garcia.

GartnerG2 recommends that advertisers take the following steps:

- Use advanced personalization to address your customers, making sure to acknowledge your relationship with specifics
- Always allow your customers and prospects to provide feedback, then acknowledge and use it to better your next communication
- Limit the number of e-mails to no more than two per day for consumers, and three per month for business audiences
- When sending permission-based e-mails, develop the mailing lists from addresses

collected through opt-in means and ensure that the e-mail includes a working mechanism for opting-out.

Additional information is available in the GartnerG2 report "E-Mail Savings Threaten a \$196.8 Billion Direct Mail Market." This report examines current e-mail campaigns, and it provides predictions for the future of the industry. Findings in this report are based on information and research gathered from DoubleClick, Pitney Bowes, Direct Marketing Association, Microsoft, eUniverse, YesMail and the U.S. Postal Service.

GartnerG2 is a research service from Gartner that helps business strategists guide and grow their businesses. For more information on the report visit www.GartnerG2.com.

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