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DoubleClick 2003 Consumer Email Study

Executive Summary

The fourth of DoubleClick's annual consumer email studies points to an increasing sophistication in consumer usage of email functionality and a corresponding complexity of purchasing behavior. The spam crisis continues to affect consumer behavior online but does not necessarily cloud consumer receptiveness to legitimate marketers: an overwhelming majority of online consumers receive offers by email and have made a purchase online or offline as a result. Consumers are using available tools to limit spam and are employing separate email accounts for purchasing, all in attempts to increase control and improve their email experience.

Nearly 64% of consumers cite the "from" line as the most important factor in opening an email.

Objectives/Methodology

DoubleClick, working with Beyond Interactive and the NFO//net source panel of 900,000 US consumers, polled 1,000 consumers via email from July 30 - August 5, 2003. All respondents recruited use email/internet 1+ times per week, which reflects the usage of the larger online population (94% of the 18+ online population according to Nielsen, 2003). There was an equal segmentation of men and women and the average age was 42.7. This is the fourth of an annual series of consumer research studies and trending information was derived using the data from previous years. The sample mirrored previous studies and is reflective of the online population as a whole.

Key Findings

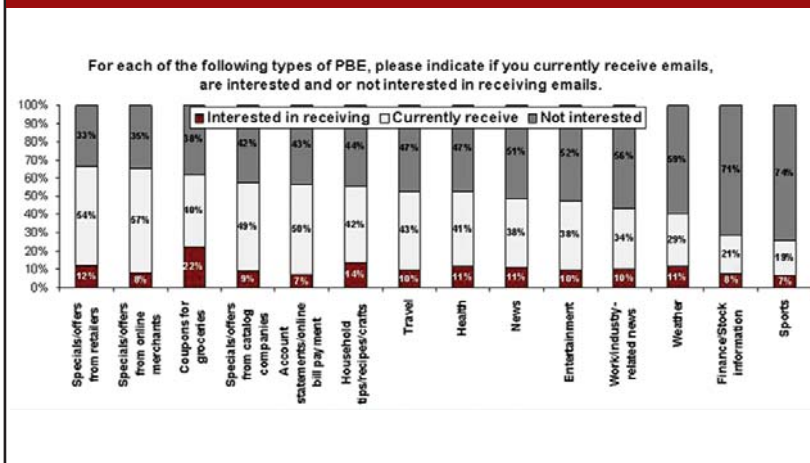
- The majority of consumers receive some kind of marketing email with special offers from retailers most common
- Sender recognition most impacts open rates, while content relevance increases likeliness to purchase
- Frequency preferences, or how often respondents prefer to receive emails of a certain category, are very specific to the category of email but vary greatly from one consumer to the next; frequency of permission based email is clearly a great concern to consumers and has an impact on what they consider to be spam.
- Email drives multi-channel purchases and has an immediate as well as a latent

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impact. It drives consumers most often to the online channel but also results in retail and catalog sales.

- Consumers have become sophisticated in their use of ISP-supplied tools to limit spam and in their usage of various email addresses to manage their varied email activities. Home and free email addresses are most often used for purchasing, with one email address specifically designated for that usage.

Special offers from retailers/catalogers received by at least 50% of respondents



- Men and women have radically different ideas of what spam is and different purchasing behavior related to spam. Women are more receptive to promotions and discounts and correspondingly more interested in and tolerant of marketing emails than men.

Receptiveness to Marketer Emails

The vast majority (91%) of consumers receive some form of permission-based email with 57.2% receiving special offers from online merchants, 55.4% receiving

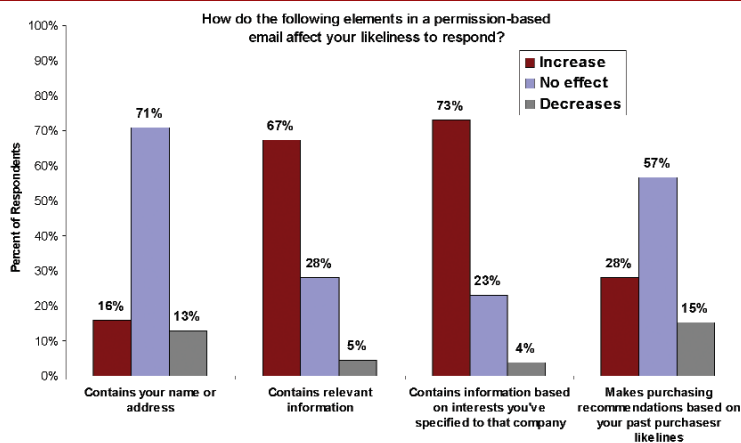
them from traditional retailers, and 48.5% receiving them from catalogers. Other popular types of marketing emails included account statements/online bill payment information (received by 49.8% of respondents), travel emails (43.3%), coupons for groceries (40.0%), health (41.1%) and household tips/recipes/crafts (42.1%). Of categories in which consumers do not currently receive emails, respondents are most interested in receiving grocery coupons (cited by 22.1%) and household tips/recipes/crafts (13.6%). Other categories of strong interest were electronics and computer software/hardware, 13.8% and apparel/shoes at 12.3%. Permission-based email also continues to be the preferred method of contact from the favorite retailer regarding new products, services or promotions (preferred by 59% of consumers), while only 32.1% preferred direct mail.

Sender Recognition, Content Relevance Most Impacts Purchasing, Consideration Behavior

The “from” line continues to be the most compelling reason to open permission-based email, cited by 63.3% of all respondents, an increase from 59.9% in 2002. This speaks to the growing significance of user recognition of sender and the power of brands — even more important in an era of spam. Of all types of subject lines, discount offers are the primary motivational factor for opening permission based email (increased to 59.5% of all respondents from 56.7% in 2002), while compelling news and information fell from 57.6% of all respondents to 48.6% in 2003.

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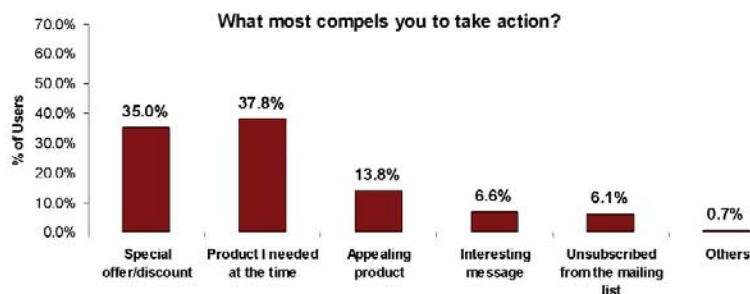
Relevant content, information specified by user increases likeliness to respond



When asked what most compelled them to take action on a permission based email, “product I needed at the time,” a reflection of the relevancy of the offer, was noted by 37.8% of all respondents, outranking the next most common choice, “special offer or discount,” cited by 35.0% of respondents. Likelihood to respond could be increased if an email “contains relevant information” (noted by 67.3% of respondents) and

Consumers take action on emails corresponding to “product need”

- While discounts have impact, relevance is even more important



“contains information based on interests specified to that company.” Consumers found recommendations based on past purchasing behavior less appealing (noted by only 28.1% of all respondents). Consumers clearly want a degree of control over what marketers send them and would like their specified interests taken into account.

Consumers are also very specific in their frequency preferences, with news and weather most often preferred daily, special offers from retailers, online merchants and catalogers most often preferred weekly, and account statements/bill payment communications monthly. However, there are significant numbers of consumers who vary in these preferences, with just over 20% of those who receive special offers and discounts from retailers, online merchants and catalogers preferring the communications to come monthly. In accordance with specified frequency statements, when asked what concerned them about their inboxes, frequency of permission-based email was second only to spam, cited by 42% of respondents. This danger is even more pronounced considering only 28% noted “frequency of permission-based email” as a concern in 2002. Clearly marketers need to test for optimal frequency and solicit customer preferences.

Email Drives Multi-Channel Purchases — But at the Expense of Offline Retail

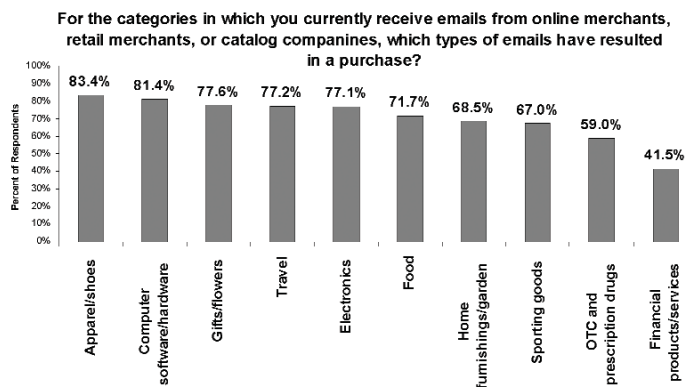
Permission-based emails clearly drive purchases. Sixty-seven percent of respondents received an email offer from a

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retailer, cataloger or online merchant that resulted in a purchase. Top purchasing categories were: apparel/shoes at 83.4% making a purchase, computer software/hardware at 81.4%, gifts/flowers at 77.6%, travel at 77.2%, electronics at 77.1% and food at 71.7%. The only underperforming category was financial products and services at 41.5%, which could relate to the high consideration necessary for these products, the incidence of spam in this category or lack of interest due to the economy.

Permission-based offers generate sales

- Apparel/shoes leads for purchase; 59%+ respondents/category (except financial services) said email resulted in a purchase



The channel purchased in as a result of permission-based email is highly specific to the category of product: travel had the highest incidence of online purchase at 70% with only 13% purchasing by catalog/phone/mail, while apparel/shoes had a relatively high incidence of online purchase, 58% with 41% purchasing via offline retail and 23% via catalog, and over the counter and prescription drugs had equal levels of online and retail purchase at 32%.

Email marketing promotes use of the online channel.

In comparing the typical channel purchase behavior of respondents in a variety of categories to where they were most likely to purchase after receiving permission based email, the results show that respondents are more likely than usual to use the online channel for purchasing after receiving a permission based email; this is true in all categories except financial services. In apparel/shoes, where 31% would typically buy online, a permission-based email resulted in an increase of online channel usage to 58%, gifts/flowers saw online channel lift from 45% to 61%, and electronics from 45% to 60%.

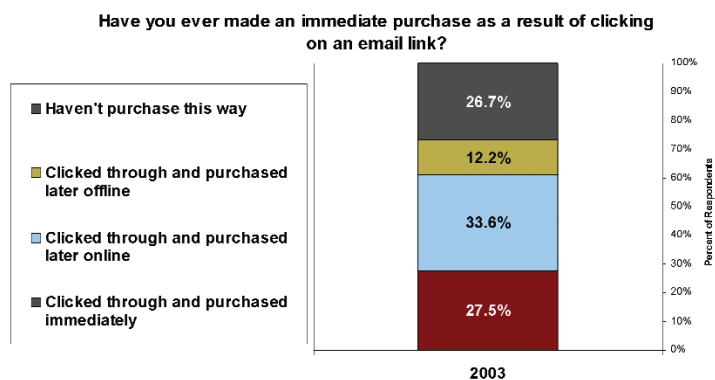
For consumers who receive email offers from retailers in the apparel/shoes category, email marketing does increase use of the catalog channel. Of those who receive emails from catalogers, 16% reported that they typically bought via catalogs. This number rose to 23% saying they had purchased though a catalog after receiving permission based email. This example illustrates the direct connection between catalog drops with effectively sequenced email marketing used as a purchase driver.

The Latent Impact of Email Marketing

Most action taken in response to email marketing does not result immediately from the click. While 27% clicked through and made a purchase during that same online session, an even greater number, 33.6%, clicked through to find out more information then purchased online at a later date. An additional 12.2% clicked through to find more information and then purchase offline through catalog or retail.

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Latent impact: nearly 46% purchase online or offline some time after clicking through an email



As was demonstrated by the great interest in discounts and special offers, email usage for couponing is on the rise and has offline — thus latent — impact as well. Seventy two percent of respondents reported having used coupons or offer codes (an increase of 57% over the 46% who reported using them in 2002). Fifty-eight percent of respondents used the coupon or offer code at an offline store. All of this latent activity resulting from email marketing demands that marketers increase their own cross-channel sophistication in data capture: unless they are measuring both online and offline purchase activity, immediate and latent impact, they are not capturing the full effect of their email performance.

Consumers Become More Selective in their “Open” Practices, Increasingly Use Tools to Limit SPAM

Email volume as reported by consumers was up but not markedly so (264 emails

per week vs. 254 in 2002). Spam remained the number-one concern about their email box, noted by 89% of respondents (consistent with last year). The percent of email received that was spam — 56% — was also consistent with 2002. What has changed is their opening practices: Only 27% opened 90% of their permission based email, while about a third (30%) did so in 2002. In regards to what they are most likely to do with spam, an increasing number are deleting without reading (65% as compared to 60% in 2002) and only 4% are reading to determine whether it is of interest (as compared to 5% in 2002 and 18% in 2001). The likeliness of unsubscribing has declined markedly (from 33% in 2001 to 24% in 2003). Perhaps consumers have gotten fed up or decided the activity was futile.

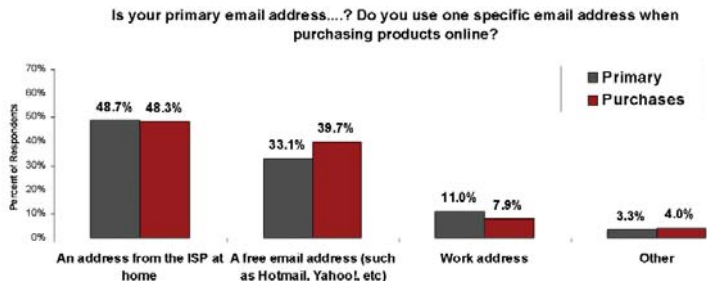
When asked what specifically they were doing to eliminate or limit spam, a vocal minority, 36.1% reported using a spam function of their email program, 15.9% downloaded spam filtering software and 13.7% created a secondary email address for making online purchases.

A key finding of the 2002 study had been the usage of on average 2.6 email addresses per respondent. This year, respondents have clearly become tired of the complexity of managing those accounts: this year, only 34% reported having more than two addresses while 44% reported having that many in 2002. Respondents seem to be consolidating, with an average number of accounts at 2.3 in 2003.

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Respondents with multiple accounts likely to use a free one for online purchases

- Home addresses are considered the primary address, while those with free addresses likely to use them for purchases



With more than one in-box, what do consumers consider the primary address? Perhaps in relation to the amount of job instability and the desire of having a more permanent address, the home address was considered the primary one. Of those with multiple addresses, 74% had a specific email address that they used for online purchasing, with either the home

address (cited by 48.3%) and a free address (cited by 39.7%) as this purchasing address. Retail-oriented email marketers clearly need to make special efforts at improving deliverability among the major home ISPs and free email providers as this clearly will impact overall performance.

Mars & Venus: Men Really Are Different From Women in Respect to Email Marketing

Two very specific areas stand out in how men vs. women react to email marketing: men have a much broader definition of spam, while women are much more likely to be active purchasers as a result of permission-based email. More men than women consider spam to fall into these very broad definitions: 65% cited “an email from a company that I have done business with but comes too often” while only 56% of women did so, 61% of men cited “an email that may have been permission based but comes too frequently” while only 55% of women did so and 36% cited “any email that tries to sell me a product or service” while 32% of women did so.

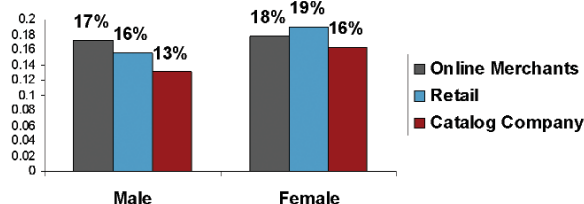
Correspondingly, women are more sensitive to emails of an offensive subject matter (94% women vs. 91% men). Active purchasers, those who purchased in multiple product categories or from various types of companies (multi-channel shoppers) after receiving an email, are more likely to be women than men. All of these data points add up to online behavior that mirrors offline. Women remain the primary household purchasers,

Women more likely to be active purchasers, multi-channel purchasers

Active purchasing by gender



Active purchasing by gender, by channel



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- *For information on DoubleClick's e-mail marketing solutions, please call: 1.866.459.7606.*
- *DoubleClick Strategic Services Group is available for consultation that includes best practices information to help marketers better connect with consumers through email. For more information, contact: strategicservices@doubleclick.net*

they are brand loyal but highly motivated by special offers and couponing, and this offline behavior informs their online behavior. Market to women smartly through email by increasing relevance and creating smart promotional offers and they'll be your most loyal customers.

Conclusions

Email has proven to be one of the most dynamic and rapidly evolving tactics available to marketers today. With four years of data behind it, DoubleClick's Consumer Email Study can be seen as a history of the topic in microcosm. Early editions focused on whether consumers took any kind of action. The study in 2002 took its first serious look at spam, and this year the study examines usage of various accounts and techniques to manage consumer in-boxes along with specific purchasing by category and preferred channels for those purchases. The good news in 2003? Consumers are increasingly sophisticated in their "opening" behavior and their usage of spam limiting tools and at the same time they remain highly motivated to purchase as a result of receiving email. There are product categories like grocery couponing where there is growing demand for email marketing.

What does it take for marketers to succeed in this era of increasingly savvy

consumers? Acknowledgement of the intelligence and the preferences of the consumer. Email marketing is truly a tactic that goes beyond the base level of "permission." Consumers demand relevance to their lives and needs. They trust marketers they do business with and use a simple "do I know who is sending this to me" scan as the most important factor in whether they will ever open an email, relegate it to a junk folder or delete it unread.

Email in the online channel holds extraordinary promise for commerce in just about all product areas — especially for women — and has the power to motivate cross-channel purchases. But it also has given the consumer more power than ever before: they want not just one-directional information and commerce, but communication with customer service via email, reminders of bills and statements online, emails for products that meet their needs in a specific moment in time. The study gives guidance on the future of email marketing and serves as a wake up call to marketers who still believe that email is about mass delivery without customer knowledge. Consumers in 2003 are being direct with marketers when they say: respect me, give me something relevant and I'll take action; mail me too often, keep it generic and I'm gone.