A PAYTRONIX BRIEF: EXTRACTING CUSTOMER INSIGHTS FROM BIG DATA

Email Frequency: Why you should send 5.75 emails per subscriber, per month

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Let's start with the obvious question: How do you send 5.75 emails? What constitutes 75 percent of an email? Is it a message missing your header and signature, so only three-quarters of the content makes its way to the recipient? Well, that's not exactly how it will work. You aren't really going to send 5.75 emails to every subscriber. Rather, there will be variations from customer to customer and from month to month, but 5.75 is the volume where the average email strategy reaches peak effectiveness. Let's take a look at why.

How do you determine email value?

Clearly, the more emails you send in a particular month, the more total opens you'll get that month. But that isn't the end of the story – each subsequent email is less effective than the one sent before it, and sending more emails increases the opt-out rate.

At Paytronix, we think the goal of your email program is to drive as many customer visits as possible over the long term, so we use the following email value framework:

$$\text{TOTAL VALUE} = \left\{ \text{\# OF EMAILS SENT PER SUBSCRIBER} \times \text{OPEN RATE} \times \text{VISITS PER OPEN} \right\} - \text{LOST FUTURE VISITS FROM OPT-OUTS}$$

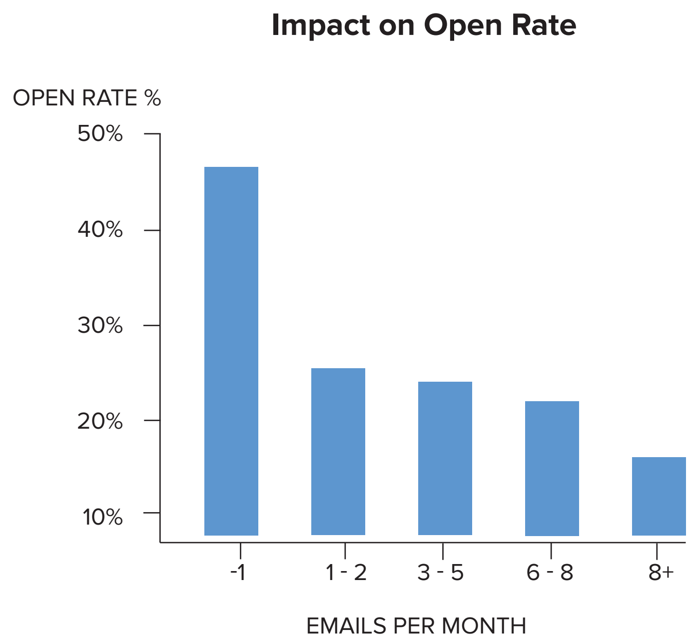
Imagine this framework in your environment. Sending more emails will result in more customers choosing to ignore your messages, and you will start to see a decline in the open rate. Furthermore, if your average customer visits, say, twice per month, then how successful can that extra email be at driving another visit? If you have already sent eight emails this month, can that ninth email possibly be as effective? Combining the decline in open rate and visits per open as you send more, it is clear that each email adds less value for your business than the one before it.

You probably have already figured out that as you send more emails, more customers will choose to unsubscribe from your mailing list. Once someone has unsubscribed, you lose the ability to email them FOREVER. You need to find your tipping point, when sending emails stops helping and starts hurting the value of your strategy.

Unless messages are highly relevant, the more emails you send, the more they are ignored.

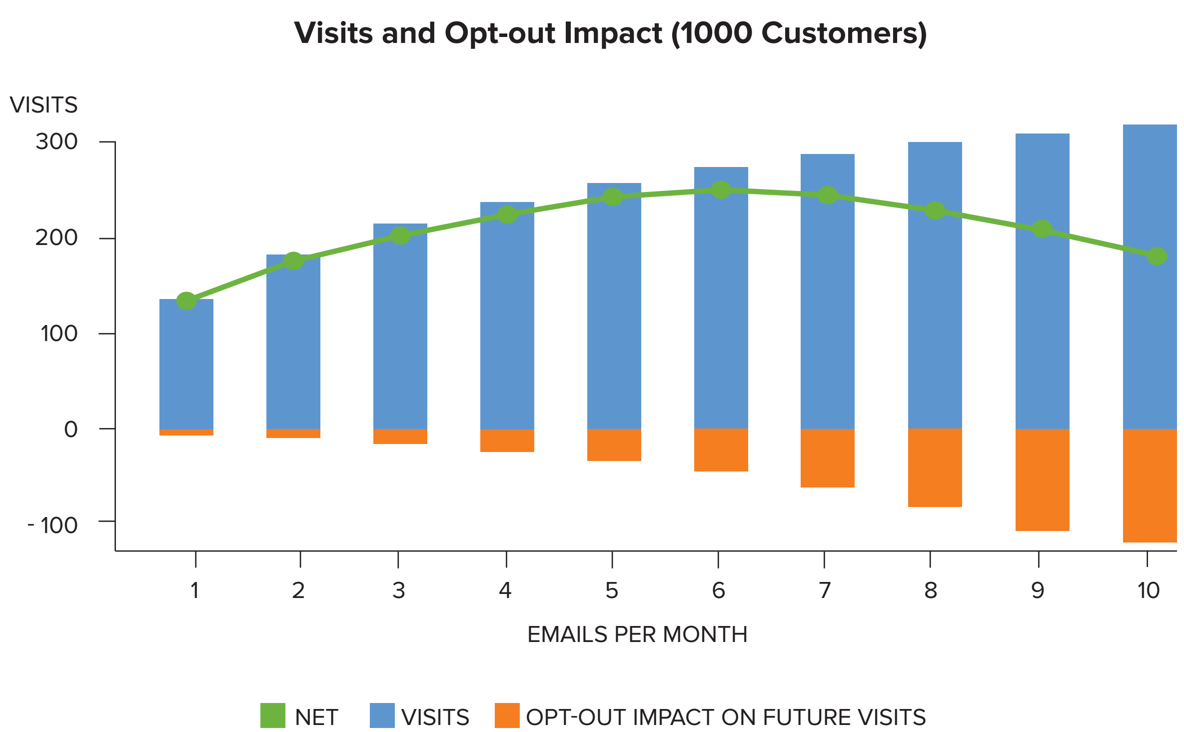
Analyzing the data from Paytronix clients who used our email tool between January 2015 and July 2015, we discovered the optimal number of emails to send. These clients were found to experience open rates of 47.1 percent when less than one email was sent per subscriber, per month. That figure drops to 25.2 percent when one to two emails were sent, 23.9 percent for three to five emails, 21.9 percent for six to eight emails, and 16.6 percent for more than eight emails in a given month.

Visits per open is affected similarly, with the rate being 0.32 visits per opened email when up to one email is sent and then dropping all the way down to 0.07 when five to eight emails are sent.



Opt-outs rise considerably the more emails you send. Although we find that you lose 0.29 percent of subscribers when simply sending one or two emails per month, that figure jumps to 1.13 percent when eight or more emails are sent. So, if you send a lot of emails that aren't necessarily relevant, not only will your message fail to resonate with recipients, but you'll also start to lose people you can engage with.

The image below illustrates the points where the total value peaks and then begins to decline.



You'll notice that while value peaks right before six emails, the curve is relatively flat between four and eight, indicating that figures in this range will all deliver good results for your business. Since you are not going to send specifically 5.75 emails, try to stay within this range and send a quantity that matches the cadence of interactions with your brand.

What makes the most sense for your brand?

Fine-dining restaurants with low visit frequency and high check averages should stay on the lower side of this range. These establishments will suffer a particularly rapid decline in visits per open as they send more emails, and guests who come in once a quarter or less will unsubscribe quickly when faced with six or more emails per month. On the other hand, more than six emails each month could be very effective for high-frequency concepts that see guests who come in several times each week, such as a coffee shop or convenience store.

To recap, *assuming that you have interesting and relevant content to share*, start with a base of about six emails per subscriber, per month. You can then slide up or down depending on your concept and guest visit frequency. Regardless of the visit cadence, the more relevant that message content is to subscribers, the more inclined they will be to interact with your brand. Make it your mission to obtain and leverage as much data as possible to create relevant messages that resonate with your subscribers.

About the Author

Lee Barnes leads the Data Insights team and is a self-confessed data geek who can often be found engaging with his team members and digging into all kinds of data. His undergraduate degree in mathematics and MBA from Harvard Business School give him the unusual ability to both execute complex analyses and translate the results into ideas that business leaders can use.

Lee came to Paytronix from CVS Caremark, where he uncovered millions of dollars in revenue-expansion and cost-saving opportunities through Big Data analytics. He did so by leveraging a combination of in-house transaction data, data from the CVS ExtraCare loyalty program, real estate data, retail industry data, and data provided by CPG brands. In addition to conducting deep-dive analytics on how to better engage guests and sell more product within the aisle, Lee studied which products to stock in which stores, how much inventory to carry, where to place products on shelves, and which promotional vehicles and offers were the most effective. His work resulted in a complete makeover of the aisle across 7,500 locations in order to lift sales and reduce costs. He also worked for L.E.K. Consulting's Retail & Consumer Products practice, where he advised clients on issues that included M&A activity, global expansion, and operational turnaround. Before L.E.K., Lee worked at Capital One, a well-known leader in leveraging large-scale data analytics to make business decisions.