E-MAIL: A MESSAGE ON DIGITAL INTEGRATION

July 22, 2019

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Key Takeaways:

- **Email has grown slightly faster than industry averages, despite a lack of integration with other media.**

- **Email could be an even more powerful tool for organizations if it was better integrated into their marketing function and other systems.**

- **Marketers should take cues from other successful integrations on how to better integrate email to support brand building objectives.**

Marketing technology continues to grow in importance, and email software one of the its most important sub-sectors. From analysis of our recurring tracker of headcount data via LinkedIn covering hundreds of pure-play companies in the ad tech and marketing technology software sectors, we estimate that the combined group of companies grew by +10% year-over-year during 2Q19, similar to growth observed during the first quarter. Growth among these companies presents a stark contrast with ad tech-focused companies, which account for around a quarter of the activity captured here, and which were once again weak, declining by -1% year-over-year in 2Q19. One sub-sector performing better than this average is the collection we are tracking which are centered around or generally reliant on email service platforms, with component companies expanding by +15% during 2Q19.

Email software enables media exposures. At a high level, email can arguably be viewed as more of a form of media than marketing technology, focused as it is on capturing consumer attention or driving a consumer action following an exposure. While practitioners who focus on email often characterize the medium as focused on retention or other loyalty-based marketing goals, it can be used to support brand-building objectives typically satisfied by other media. For example, a consumer who has chosen to engage with a brand and provide an email address may do so because they like that brand or its content; however, the brand may not always be top-of-mind without recurring reminders. Email is one way to provide those reminders.

Email also serves as a critical source of data for marketers. More generally, an email address is often the best representation a marketer has for an individual customer and, consequently, email marketing software can attempt to serve as a "database of record" by capturing data on all of a marketer's customers. For this reason, "marketing cloud" suites featuring a wide array of marketing technology software are often centered around email marketing software, which helps to plan, execute and monitor campaigns. Most of the industry's largest players established their presence in this space via acquisition, as with Salesforce buying ExactTarget, Oracle buying Responsys and Eloqua, and Adobe

buying Neolane and Marketo. Many other marketing cloud services featuring significant email offerings exist today, such as HubSpot, and then there are a wide range of independent point solutions including Mailchimp.

Email has many intersections with other forms of media. Most prominently, email addresses are core to important ad products such as Facebook's Custom Audiences and Google's Customer Match. This is because of email's capacity to identify unique customers and to build customized segments of actual customers, lookalikes, prospects and non-customers alike. Further, when brands send engaging content through email, they will have permission from a consumer to land in their inbox and deliver exposure to a subject line, even if the email is never read. This can have the effect of reinforcing media activity on other channels by providing consumers with brand-related reminders. The symbiotic relationship between awareness/acquisition focus of other digital media and retention/loyalty goals of email requires a focus on the right kind of awareness – among consumers likely to be loyal, for example – versus those not likely to become customers or likely to churn quickly. This can dramatically impact the effectiveness of a total media budget.

Marketers tend to intentionally segregate responsibilities for email. Despite email's potential to play a more powerful role, it is often segregated within marketers' organizations, with email falling under teams responsible for CRM and not necessarily aligned with media management. Integration would allow more flow between awareness and loyalty-focused activities. Ideally, more integration between these functions would mean more seamless application of data and better customer segmentation for email and non-email-based platforms alike. The result: more efficient resource allocation overall.

While there are certainly examples of marketers doing this well, direct brands and others with direct relationships with consumers probably do it better than others. This kind of integration doesn't appear to happen often enough. Why?

One rationale frequently relates to the more general separation between responsibilities for loyalty programs and CRM versus media and the different tactical goals associated with each type of spending. Budgets are then assigned and managed separately which reinforces silos. Once this has happened, a marketer's procurement professionals may entrench these silos because of a common focus on optimizing individual functions rather than entire organizations.

The need to "break down" silos and integrate marketing activity is not unique to email. Lessons learned from other silo-busting efforts are likely to be applicable here. Marketers can realize benefits from tying email campaigns, CRM-related activities, loyalty programs and other digital-centric activities to paid digital media campaigns. They can more tightly integrate email and digital media budgeting on a more dynamic basis, or they can foster collaboration more generally between different teams.

Many marketers demonstrated that they can support collaboration between different functions, as with efforts to encourage creative and media to work together in the years following the unbundling of these disciplines. The view that the two related functions work better when integrated rather than segregated is likely as applicable to email and other digital media as it is to creative and media. Marketers who believe that integration should exist in one sphere will probably find similar benefits from others as well.