Strength in Numbers: Email

Jeremy Benson
Benson Marketing Group

WITS
WINE INDUSTRY
TECHNOLOGY
SYMPOSIUM

July 15, 2008 - The Napa Valley Marriott

Email: Systems

- **Two Main Options**
  - Outsource to Application Service Provider (e.g., Vertical Response, Constant Contact, etc.)
  - In-House Hosting: Bolted onto E-com Functionality

- **Advantages**
  - Excellent Reporting, List Creation Capacity
  - Low Cost
  - ASP: Superior Email Deliverability

- **Disadvantages**
  - Some Not Linked Directly to Other Systems
  - But, Marketing Capacity/Flexibility is More Important

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Email: Management Point of View

- Email is Integrated: Complements other media
- Email is a Means to an End
- Email can be Tailored to Fit Organizational Needs
  - Internal Comms: Create a "staff" list that receives all emails
  - Ops Costs: Drive callers to lower-cost e-commerce purchase
  - Upsell: Drive club members to <u>phone</u> sales (high up-sell)
  - Inventory: Blow-out sales to highly targeted lists

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Email: Key Metrics

- Email Drives 50%-70%+ E-com Revenue

- Key Metrics of Campaigns*:
  - Open Rate: 35% - 45% and dropping
  - Click-through-Rate: 5% - 15%+
  - Click-to-Buy Online Rate: 1% - 3%
  - Average Wine Order: $125 - $400+

- Isolate Email Campaign "Lift"
  - Workaround for Non-Integrated System: Compare week-of-campaign SKU sales to previous week

* Source: Benson Marketing Group monitors results of 250 email campaigns/yr.

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Dashboard Report: Includes Email

Sales:	May 2008				May 2007					YTD 2008	YTD 2007	
	Sales $	# Trx	Avg Sale	% DTC	Sales $	# Trx	Avg Sale	% DTC	$ % Chg	Sales $	Sales $	% Chg
Direct To Consumer												
Club												
Online												
Phone												
Email												
Tasting Room Shipped												
Tasting Room												
Wine Club:												
Wine Club Members BOM												
New Members												
Lost Members												
Wine Club Members EOM												
Tasting Room Visitors												
New List/Club Members												
% Conversion												
12 Month Buyers (WC+List)												
Email Campaigns:												
Sales												
# on List												
Open %												
Click %												
Web Traffic:												
# Visits												
# Page Views												
# Unique Visitors												

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Email: Organizational Alignment

- Email: Part of Larger DTC Data Mining Function
- Example of Data Mining based on RFM
  - Recency-Frequency-Monetary: Aggregates Value of <u>ALL</u> Consumers Regardless of Channel
  - Uses Transaction-level data
  - Web+Club+VC+Phone+Email Orders Dumped into SQL Dbase
  - Database Runs Queries Against Data
  - Decile Analysis Surfaces Revenue Opportunities
- Summary: Email Ideal for Exploiting these Opps

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RFM Analysis Benefits

- Customer Segmentation into 10 equal groups of customers:
  - 1,000 customers = 10 Deciles of 100 Customers per Decile

- One Benefit: Isolates Channel Preferences
  - Does your Top 10% Decile Use the Web?
  - Do you Woo Back the Bottom 10%?
  - What SKUs are the middle deciles not buying?
  - Isolates SKUs purchased outside club shipments

- Where are Untapped Club Opportunities?

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Decile Reporting:
Distribution of Revenue

Decile	# Customers	Rev/12-Mo	% Total	$/Cust.	# Orders	Avg # Orders	Ave $/Cust.
1	450	$2,543,492	45%	$5,652	2810	6.2	$905
2	450	$1,454,883	26%	$3,233	2302	5.1	$632
3	450	$636,218	11%	$1,414	3528	7.8	$180
4	450	$221,386	4%	$492	2123	4.7	$104
5	450	$195,025	3%	$433	1801	4.0	$108
6	450	$160,244	3%	$356	1425	3.2	$112
7	450	$145,467	3%	$323	1334	3.0	$109
8	450	$132,468	2%	$294	1313	2.9	$101
9	450	$122,166	2%	$271	1237	2.7	$99
10	450	$85,454	2%	$190	880	2.0	$97
Total	**4500**	**$5,696,804**	100%	$1,266	**18,753**	4.2	$304

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Channel Reporting
Where Are Purchases Made?

Decile >>>	Totals			Decile 1			Decile 2			Decile 3		
Channel	**Revenue**	**#Trx**	**% Total**	Revenue	#Trx	% Total	Revenue	#Trx	% Total	Revenue	#Trx	% Total
Club Shipment	$3,067,557	25505	53.8%	$1,470,138	3663	57.8%	$757,211	2991	52.0%	$111,547	1499	17.5%
Website	$232,292	754	4.1%	$60,267	90	2.4%	$56,609	114	3.9%	$43,643	158	6.9%
Phone/Email	$1,434,085	3696	25.2%	$791,336	1096	31.1%	$300,972	704	20.7%	$239,628	862	37.7%
Tasting Room	$949,030	4898	16.7%	$222,601	602	8.8%	$330,265	745	22.7%	$235,650	978	37.0%
Other	$13,840	200	0.2%	-$850	59	0.0%	$9,826	48	0.7%	$5,749	31	0.9%
Total	$5,696,804	35053	100.0%	$2,543,492	5510	100.0%	$1,454,883	4602	100.0%	$636,218	3528	100.0%
Average per customer	$1,266			$5,652			$3,233			$1,414		
Index				4.5			2.6			1.1		

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Channel Reporting
Where Are Purchases Made?

Decile >>>	Tot...			Decile 1			Rev...			Decile 3		
Channel	Reve...			Revenue	#Trx	% Total	Rev...			Revenue	#Trx	% Total
Club Shipment	$3,06...			$1,470,138	3663	57.8%	$7...			$111,547	1499	17.5%
Website	$232,292	754	4.1%	$60,267	90	2.4%	$56,609	114	3.9%	$43,643	158	6.9%
Phone/Email	$1,434,085	3696	25.2%	$791,336	1096	31.1%	$300,972	704	20.7%	$239,628	862	37.7%

Finding: >85% Decile 1 are Club Members

Finding: < 40% of Decile 3 are Club Members

Opportunity: Create Club Offer via Email that Appeals to Decile 3 Consumers.

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Item Reporting Example
What is Purchased Beyond Club Shipments, and Where?

Wine	Qty	Revenue	% of Total	Tasting Room $ Sales	%	Online $ Sales	%	Phone $ Sales	%
2004 best wine #1	1056	$113,958	33.6%	$18,211	16.0%	$792	0.7%	$94,955	83.3%
2004 best wine #2	290	$35,484	10.4%	$11,304	31.9%	$7,788	21.9%	$16,392	46.2%
2004 best wine #3	219	$35,040	10.3%	$4,480	12.8%	$0	0.0%	$30,560	87.2%
2004 best wine #4	95	$19,620	5.8%	$390	2.0%	$804	4.1%	$18,426	93.9%
2004 best wine #5	148	$18,784	5.5%	$1,120	6.0%	$1,920	10.2%	$17,152	91.3%
2004 best wine #6	414	$17,856	5.3%	$6,480	36.3%	$562	3.1%	$9,130	51.1%
2004 best wine #7	26	$11,984	3.5%	$944	7.9%	$0	0.0%	$11,040	92.1%
2004 best wine #8	55	$8,800	2.6%	$4,800	54.5%	$0	0.0%	$4,000	45.5%
2004 best wine #9	274	$7,714	2.3%	$2,016	26.1%	$1,750	22.7%	$3,948	51.2%
2004 best wine #10	7	$6,464	1.9%	$0	0.0%	$0	0.0%	$6,464	100.0%

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Bringing it Back to Email

- ## Data Mining Leads to Targeted Email Offers
  - Previous Example: Promoting Benefits of Club to High-Decile Non-Members
  - Based on Product Preferences: E.g., Pre-Release Offers
  - Greetings on Birthdays, Anniversaries
  - Surveying Customers to Unlock New Opportunities

- ## Keys:
  - Promote Benefits of (Email) Subscription Membership
  - <u>Consistent</u> Email Communications: 12+/year

- ## Other Ideas that Drive Recency, Frequency:
  - Event invitations: Winemaker Dinners, Seminars
  - Club Shipment Pick-up Parties

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Thank You

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