



A growing number of pet retailers are tapping the power of e-mail marketing—a new, inexpensive way of reaching customers more easily and effectively than ever before. By Joe Fucini

What if you could change your customers' buying patterns, so that:

- Pet owners who bought only food at your store started purchasing other supplies, too.

- Shoppers who visited your store monthly start coming in every week.
- More customers started buying high-ticket items such as crates and beds.

Think how your bottom line would improve if you could get even

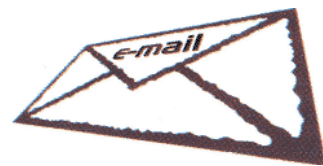
a small percentage of shoppers to alter their buying habits as described above. The good news is that it now may be possible to do this more easily and effectively than ever before, thanks to a new form of electronic-age advertising—permission-based e-mail marketing.

A growing number of pet supply retailers are using this type of marketing to generate greater loyalty among their existing customer base, resulting in more frequent visits and bigger sales.

What It Is and What It DOES

Here's how a permission-based e-mail program typically works: Sales employees collect e-mail addresses from customers, who consent to receive electronic messages from the store. Retailers then send e-mail transmissions to these customers at regular intervals, generally monthly.

In some cases, retailers do the actual e-mailing. However, the majority of store operators we interviewed for this article



reported that they use an outside service to handle the mechanics of sending e-mail. Moreover, some pet retailers are partnering with suppliers, who act as co-sponsors of the e-mail marketing program in exchange for an "ad" or coupon in the message.

The e-mail messages generally give information about store events, new products and, in some cases, facts about pets and pet care. Most important, the e-mails almost always contain coupons and special offers designed to drive customers into the store.

Total Pet Care (Holbrook, N.Y.), a 6,000-square-foot supply store with an adjacent 3,000-square-foot training facility, has enjoyed early success with such an e-mail marketing program. Total Pet Care's program, co-sponsored by The Iams Co. (Dayton, Ohio), has an enrollment of 450 customers.

Every month these customers receive e-mails, which contain discount coupons for Eukanuba food from Iams, as well as a message from Total Pet Care that includes additional store-generated coupons. Merchant Internet Group (Detroit, Mich.), an e-mail marketing company, takes care of the actual transmission of the messages.

"We usually use our e-mail messages to provide information about our dog training classes," said Joe Manzi, owner of Total Pet Care. The store's e-mail coupons offer a generous discount of \$10 off a \$50 purchase, which can be used on any merchandise carried at the store. Manzi wanted his coupon offer to be very attractive, because "if I was going to invest all the time and energy into an e-mail marketing program, I wanted to offer something that would really create attention, so I could find out if customers responded."

So far, Total Pet Care's e-mail program is generating an extraordinary response, said Manzi. "We're finding that redemption is running about 50-50 between the Eukanuba coupons and our store coupons," he said. "What we're especially pleased about is how well our \$10-off coupon is working to pull people into

the store and get them to make bigger purchases. They want to reach that \$50 figure to qualify for the discount, so they're buying more high-ticket items like crates and gates from us."

Although it's too early to compile actual coupon redemption rates, Manzi said, he believes his e-mail program will ultimately be more effective than direct mail.

Service providers in the e-mail marketing industry, such as Chuck Rothschild of MIG, the company that runs Total Pet Care's e-mail program, agree with this assessment. The overall redemption rate on e-mail coupons runs from 3 percent to 8 percent—three to four times higher than the percent to 2 percent redemption rate for direct mail coupons, Rothschild said, and that's just the beginning. "E-mail marketing is still so new that we expect these rates to rise even higher in the future," he said.

E-Marketing Benefits

Proponents of e-mail marketing say that it's more effective than other forms of advertising because, first, it is permission-based. Only consumers who agree to give out their e-mail addresses receive the advertising message. Second, it's a two-way form of communication, with the potential for retailers to obtain precise information about their customers' purchasing habits. Retailers then can tailor coupons and special offers to the individual consumer's wants and needs.

"With e-mail marketing, you can follow up and get feedback that you wouldn't be able to get with traditional forms of advertising," said John Salt, managing director of Granular Solutions Inc. (London, Ontario), a company that provides e-mail marketing services to retailers in a variety of industries, including pet supplies. "You can find out what types of offers individual customers respond to, tailor your message to that person, and then your response rate will improve even further. I've seen e-mail coupon redemption rates as high as 15 percent and 20 percent."

When e-mail marketing is used in conjunction with an in-store point-of-

sale customer tracking system, it can be an enormously powerful tool, added Salt. "Say, after tracking a customer's history, you find that they regularly buy cat food but never purchase [cat] litter from you. You can start sending this customer coupons for a discount on a bag of litter. E-mail marketing gives you the potential to alter the consumer's buying habits."

Not only does e-mail marketing have the potential to bring better results than traditional direct mail advertising, industry experts assert, it is also considerably less expensive. The average cost per piece to send e-mail ranges from 5 cents to 25 cents, compared to \$1 for "snail mail," according to Jupiter Research/NFO, a New York City-based Internet marketing intelligence firm.

Because of e-mail marketing's cost-efficiency and impressive results, Jupiter Research estimates that the number of e-mail messages sent by advertisers will soar to 268 billion in 2005—22 times the number sent in 2000. By the end of 2003, the volume of e-mail marketing messages will equal the number of marketing pieces sent through direct mail, predicts Forrester Research, an independent research firm based in Cambridge, Mass.

E-mail marketing is especially well-suited for specialty retailers like pet supply stores, experts agree. "It gives the specialty store another way to contact their customers and establish a dialogue, which will help strengthen their relationship with that customer," said Salt of Granular Solutions. "One of the goals that e-mail marketing can accomplish is to notch customers up a level in their loyalty. It can help turn an occasional customer into a good customer, and a good customer into an extremely loyal customer."

Getting With the Program

How can you tap into this powerful and growing form of marketing? What's required to get involved in an e-mail program?

The first step is to start collecting e-mail addresses from customers. Marketing experts stress that a business should send out e-mail only to individuals who consent to receive it. Not only

Web Sites Influence Brick-and-Mortar Store Sales

According to a 2000 survey by the National Retail Federation (Washington), 59 percent of a retailer's online shoppers will also make purchases at its brick-and-mortar stores. On the other hand, only 4 percent of store shoppers will buy online.

Another survey, this one by Jupiter Research/NFO (New York), reveals that 68 percent of Web surfers will do their research online, and then make their purchases at stores.

-Joe Fucini

does the transmission of unsolicited e-mail-or "spam"-leave consumers with a bad impression of the sender, it also is coming under increasing legislative scrutiny. The federal government and more than 20 states now have, or are considering, some form of e-mail regulatory legislation, according to MIG.

Retailers who already operate some type of customer club or loyalty program have a jump start in obtaining e-mail addresses, because they can tap their membership. Many retailers also report good results collecting e-mail addresses at the point of sale simply by explaining to customers that the store would like to be able to contact them with information and special offers that would be of interest to them.

As part of its service, MIG offers retailers a complete point-of-sale customer sign-up package. "They really made it easy for us," said Frank Frattini, owner of The Hungry Puppy (Farmingdale, N.J.), which entered into an e-mail program with MIG several months ago and has already collected nearly 1,100 addresses. "MIG gave us everything we needed to enroll people in our e-mail club, from cards for our customers to fill out, to buttons for our employees to wear that promote the club," said Frattini.

Indeed, one of the decisions you will have to make is whether to run your e-mail marketing program in-house or use an outside service like MIG. The general consensus among retailers we contacted for this article is that it is easier and more effective to use an outside expert to run the e-mail program.

"We made a couple of attempts to send e-mails to customers ourselves, but

we found we had problems getting the transmissions out," said Dave Ratner, owner of Dave's Soda & Pet City, a three-store Massachusetts chain. So Ratner engaged the services of Granular Solutions to run his e-mail club. Not only does Granular Solutions have the necessary technological capabilities, said Ratner, they also maintain a database and can provide his business with feedback about its e-mail program and customers' buying propensities.

Granular Solutions even conducted an electronic survey of Dave's customers, Ratner said. "We got some really great feedback about what customers think of our store, and what they would like to see improved," said the Massachusetts retailer. "One of the big advantages of going with an e-mail service provider like Granular Solutions is that they do much more than send out transmissions. They have the database facilities to conduct follow-up research with customers and provide us with valuable information."

What does it cost to use an outside e-mail service? Salt of Granular Solutions said its fee for an e-mail program can run anywhere from \$200 to \$500 per month, depending on the services provided. The lower figure covers sending e-mail messages to as many as 2,500 customers, whereas the higher figure includes point-of-sale data analysis, design and implementation of customer surveys, and detailed monthly analysis of consumer response to e-mail coupons.

MIG charges businesses approximately \$189 a month to send out e-mails to their first 1,000 customers, after which "the fee varies depending on the number of patrons," according to Rothschild.

E-Marketing Etiquette

Whether you do in-house e-mailing or use an outside service, you should keep certain rules in mind. First, to make sure the list remains permission-based, each transmission should provide a way for the customer to "opt out" of the program if he or she wishes to cease receiving messages.

Second, it is important to assure customers that their e-mail address will not be given to other marketers. "Knowing that their information will remain confidential is a big factor in customers being willing to give out their e-mail address," noted Manzi of Total Pet Care.

When it comes to formulating the message itself, one of the key e-mail principles is brevity. "You want to keep your message short, because people

seem to have a more limited attention span when looking at a computer screen," said Rothschild. Additionally, the e-mail format should be simple and clean, so that all e-mail programs can open the message.

Another cardinal rule of e-mail marketing is to avoid sending attachments that must be downloaded. Not only does an attachment require that the customer take an extra step, Rothschild pointed out, "but a lot of people are reluctant to download anything because they're afraid of getting a virus."

Bigger and Better

Some retailers include links to other sites, such as the store's own Web site, in their e-mail messages. The Hungry Puppy always puts a link to its Web site in its monthly e-mails, with an eye toward stepping up its e-commerce efforts in the future said Frattini. The Hungry Puppy is especially well-suited to having customers order products over the Internet, because the store already offers a delivery service.

"Right now our Web site is strictly informational, but our plan is to convert it into an e-commerce site," said Frattini. "By putting a link in our monthly e-mails, we can get more customers to take a look at our Web site. We believe that e-mail marketing has the potential to be a very, very powerful tool, especially when we tie it into e-commerce."

Other retailers, too, regard their current e-mail offerings as just a first step toward a more ambitious program. Complete Petmart, a 22-store chain based in Dayton, Ohio, currently participates in a co-op e-mail program with Iams, which sends out monthly electronic messages and coupons to 25,000 customers. The coupons have proven extremely effective, with a 20 percent redemption rate.

Next, Complete Petmart hopes to replace much of its direct mail advertising with more cost-efficient e-mail transmissions, said marketing manager Tim Rogers.

"We're looking to take our store's monthly direct mail flyers, which cost 25 cents a piece to send out, and by the first of the year be e-mailing them all instead," Rogers said. "The e-mails will cost us less than one cent each to transmit. This savings will give us a lot more money to spend on advertising of all types." **PA**

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