



The Value of Competitive Intelligence

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Research Sponsored by eDataSource
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Executive Overview

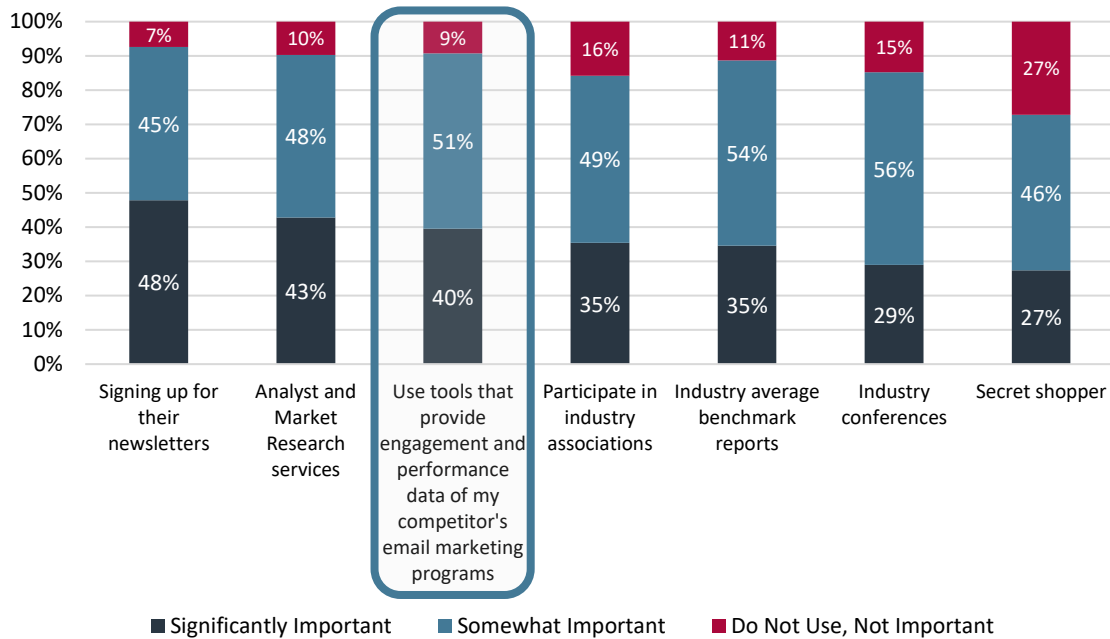
Benchmarking one's business against competitors is a time-tested and proven tactic to define gaps and identify remedies to optimize against such weaknesses. Strength Weakness Opportunity Threat (SWOT) analysis is so common in business today, that it has been parodied for good reason in entertainment (e.g. the TV program 'Silicon Valley'). While informative, the SWOT process isn't nearly specific enough to define which marketing levers need to be adjusted. Herein for the first time, we will define the competitive intelligence methods and document those that have a real impact on email marketing revenue. Spoiler alert! Marketers must invest in Competitive Intelligence Applications (CIA), and implement a systemic process to harness the value of such insight. While one-off projects and market research methods can be helpful, they will not bring the same impact that providers of CIA can deliver. Marketers utilizing CIA enjoy 3x more monthly email revenue than marketers that do not invest in these applications.

Marketers Must Place Greater Significance on Competitive Intelligence Applications

Watching one's competitors is a tried and true aspect to running any business. From peaking over the fence to secret shopping, it has been an integral aspect of business operations for centuries. The tools for gathering this intelligence come in many forms. The Relevancy Group asked marketers to rate these tools in a survey of 486 marketing executives conducted in the summer of 2016. We selected a handful of email marketing competitive intelligence tactics and asked marketers to rate their importance (Figure 1).

- *Signing up for newsletters* was rated as significantly important by 48% of marketers. In fact, it was the top response in the survey. Newsletter sign-ups are easy and friction-free, that is, until an intern or team member is tasked with putting the data into some unmanageable spreadsheet for analysis. Marketers should throw away that chaotic spreadsheet and subscribe to competitors' newsletters for a quick view into their world. But this alone will not drive any substantial competitive advantage.
- *Analyst and market research services* is the second most important tactic for marketers and for obvious reasons is a status I can appreciate. As someone that has been in the analyst/market research industry for nearly 20 years, I know this tool is valuable but also that it typically only offers a small glimpse or place in time view to competitors. For product-driven organizations where software may change annually, the learnings are typically cherished. But there are better tools to measure something as fluid and frequent as email marketing offers.
- *Use tools that provide performance and engagement data of my competitor's email programs, a market segment*, which The Relevancy Group is formally referring to as Competitive Intelligence Applications (CIA). This era of real-time data, contextual email and moment-marketing demands a systemic programmatic approach to email marketing competitive intelligence. Only CIA providers have the capability to hasten time to market and deliver near immediate optimization opportunities. Forty percent of marketers state that they view CIA as significantly important, signaling that this market sector is about to move from nascent to mainstream in short order. These verticals are adopting CIA at a slightly greater rate than the overall market: Education (51%), Manufacturing (49%), Media/Publishing (43%).
- *The other tactics* as depicted in Figure 1 are all worthy too, but will not provide the insight and competitive measures that providers of CIA can deliver at scale.

Figure 1. Email Marketing Competitive Tactics Utilized – 2016



Question: From the following list please rate the importance of the following email marketing competitive tools/tactics that you utilize? (Select One for each) Source: The Relevancy Group Executive Survey n=486, 6/16 US Only.

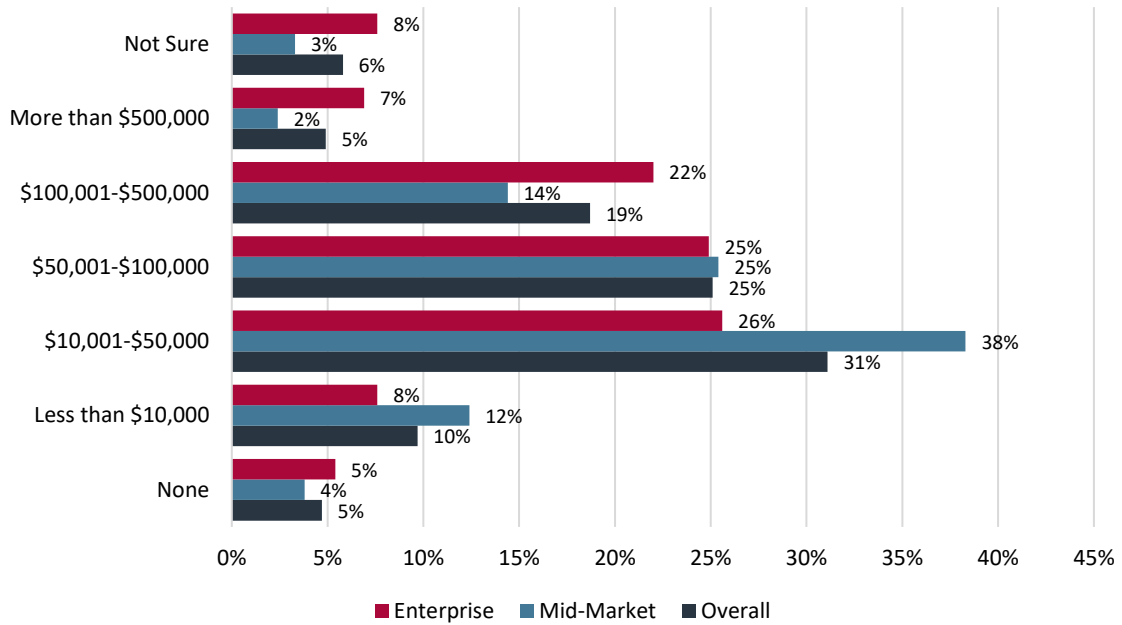
Competitive Intelligence is a Necessary Expense to Drive Email Marketing Optimization

If you have not put aside budget for competitive intelligence endeavors you should. Why? Most marketers that invest in this endeavor spend \$125,000.00 dollars annually. This approach across all formal and informal tasks may include things such as conferences, association and CIA investments. Clearly, marketers that are not investing in this area are likely to miss out on optimization opportunities and be left behind their competitors. The spending also indicates and underscores that this intelligence is soon to move beyond emerging market sector to perennial budget item served by CIA providers. The Relevancy Group has already documented the following spending trends:

- *Large Senders* – Those that are sending more than 60 million email messages a month are spending upwards of \$225,000 annually on competitive intelligence.
- *Market Size* – On average those that identified as enterprise organizations (1,000 or more employees and/or market in the US and abroad) have an average annual competitive intelligence budget of \$150,000, as compared to their mid-market peers (fewer than 1,000 employees and markets in the US) average annual budget of \$94,000.
- *Vertical* – There are many ways to look at vertical adoption, but the Financial Services industry seems to be the most primed for competitive insight, as their average annual budget is \$156,000. While Media/Publishing adoption is higher than others, their average budget is about half of what it is for the Financial Services segment. These industry and market size differences in spending are to be expected. (See Figures 2 and 3).

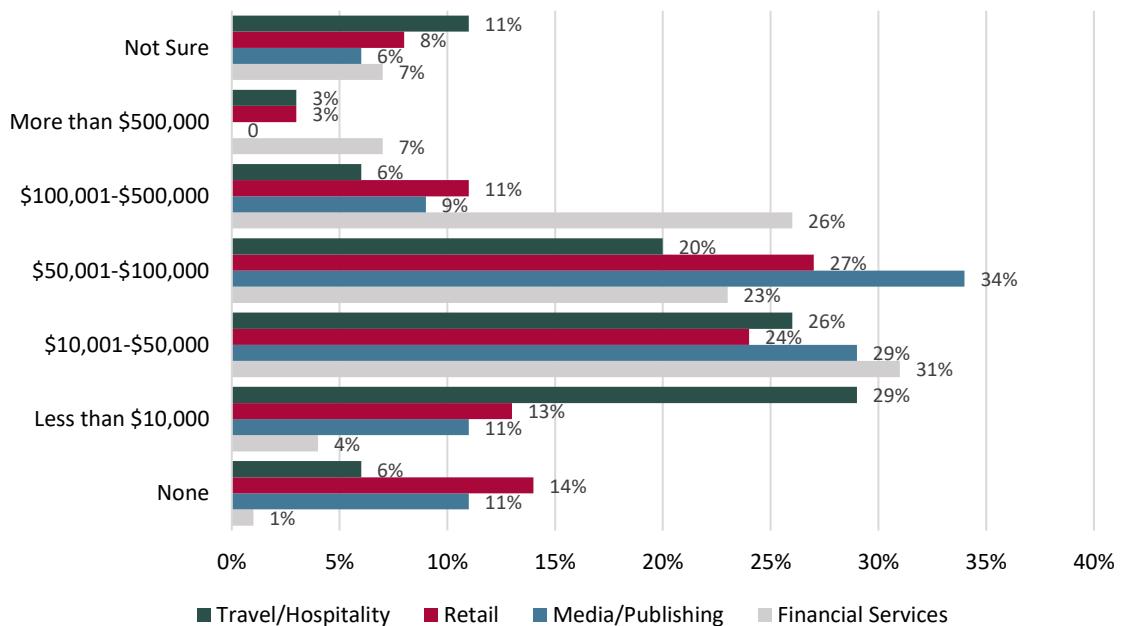
With such impressive budget numbers and low upfront resource requirements, we expect to see continued investment into CIA providers in the next 12 to 16 months.

Figure 2. Annual Spending on Competitive Intelligence by Market Size – 2016



Question: On an annual basis, how much do you spend on competitive intelligence? (Select One)
 Source: The Relevancy Group Executive Survey n=486, Mid-Market n=209, Enterprise n=277 6/16 US Only.

Figure 3. Annual Spending on Competitive Intelligence by Industry – 2016



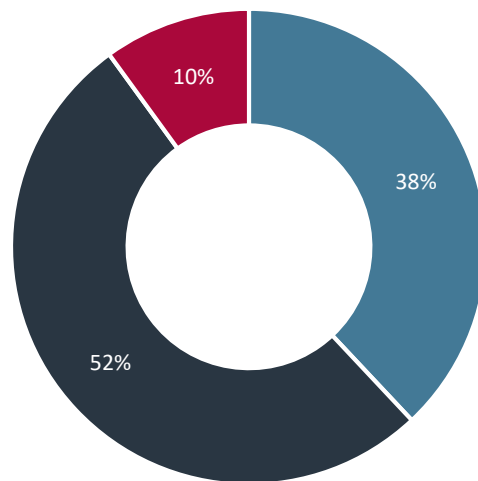
Question: On an annual basis, how much do you spend on competitive intelligence? (Select One)
 Source: The Relevancy Group Executive Survey n=486,
 Financial Services n=70, Media/Publishing n=35, Retail n=63, Travel n=35 6/16 US Only.

Tremendous Demand Exists For Competitive Intelligence Applications

When asked specifically if they would use a tool that allowed the marketer to view their competitors' email, including performance data, just over one third (38 percent) stated that they are already utilizing such an application. Such adoption of CIAs signals an established ecosystem that is buoyed by the additional 52 percent of marketers that stated that they would use such an application (Figure 4). The favorable adoption rates and marketer aspiration for such a tool makes sense: who wouldn't want their competitors' Key Performance Indicators (KPIs) and email creative to benchmark against their own? The rate of CIA adoption will make a difference, as we believe it will have a significant competitive and revenue impact – a hypothesis that we document in this research. But before we get into those return numbers, what are the general benefits that you the marketer should seek when shopping for CIAs?

- *Tracking Actionable Capabilities* – What is trackable and actionable? Measure against other senders using attributes such as time of day, subject word performance, frequency measurement and automation that alerts the marketer and allows for customization.
- *Measure and Optimize Inbox Placement* – Email optimization begins with getting things into the inbox. Delivery services help, and so does list quality, but here it is important how those delivery measures can be utilized to optimize the overall email marketing plan.
- *And about six other things* – Email optimization is so necessary, we suggest a six-point vendor selection process (Figure 5).

Figure 4 – Utilization of Competitive Intelligence Applications (CIA)



■ Yes, we currently use an application, i.e. eDataSource, ReturnPath ■ Yes, we would use it ■ No

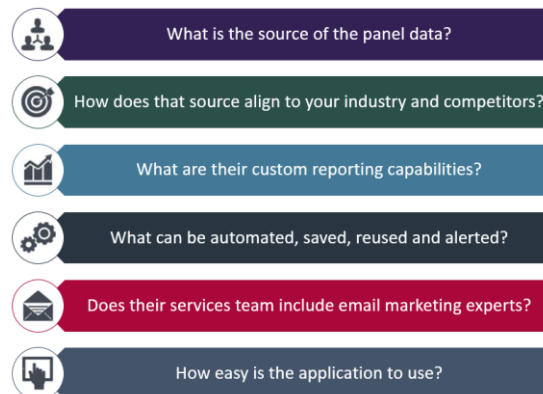
Question: If a tool existed that allowed you to view your competitors email performance data including open rate, click-through rate and delivery rate, would use it? (Select One) Source: The Relevancy Group Executive Survey n=486, 6/16 US Only.

Selecting the Right CIA Provider Demands a Rigorous Vendor Evaluation

All things are not similar in this growing ecosystem. Accordingly, we believe there are six major areas that any prospective CIA buyer must thoroughly evaluate (Figure 5).

1. *What is the source of the panel data?* Investigate how the CIA is amassing their competitive data at the source. In comparison is it spring water or filtered water that makes up this bottled water? Meaning, ask how they get their data and how representative it is of ISPs and demographics that might matter to you.
2. *How does that source align to your industry and competitors?* This is where things can quickly fall apart, particularly if you are a niche retailer or specialized boutique. It is also the place where some CIA vendors will rise to the moment and detail their coverage of your industry and your specific competitors.
3. *What are the custom reporting capabilities?* While most CIA vendors offer some stock reports about basic KPIs, marketers often transcend those rules and measures quickly. Investigate if your prospective CIA vendor has custom reporting capabilities and how those items are included in the agreement. For those that need services, expertise begins to matter immensely.
4. *What can be automated, saved, reused and altered?* There is so much one-off in the marketing cloud world, so make sure your CIA can save things for future re-use. Items such as X Competitor and Y dates or Z offers. When things change, will you be alerted? How much can be automated so that you can begin to utilize these tools in a competitive intelligence lifecycle. If it can't be, then ask when it can be.
5. *Does their services team include email marketing experts?* This is huge, in that the insight that may be discovered in the CIA translates immediately into findings, some of which may require external services expertise to decipher. Often CIA tools emerge from delivery or only inbox placement experts. While that is welcome, ensure you understand the services fees, especially if the vendor plans to boot you to a “marketing expert partner” for a fee.
6. *How easy is the application to use?* Time is money and some CIA applications are so easy to use that they only require an hour of training. Ensure you keep usability in mind. While ease-of-use is in the eye of the beholder, it has lasting benefit or penalty for the marketer’s time, particularly when that time is money.

Figure 5 – CIA Selection Criteria Questions



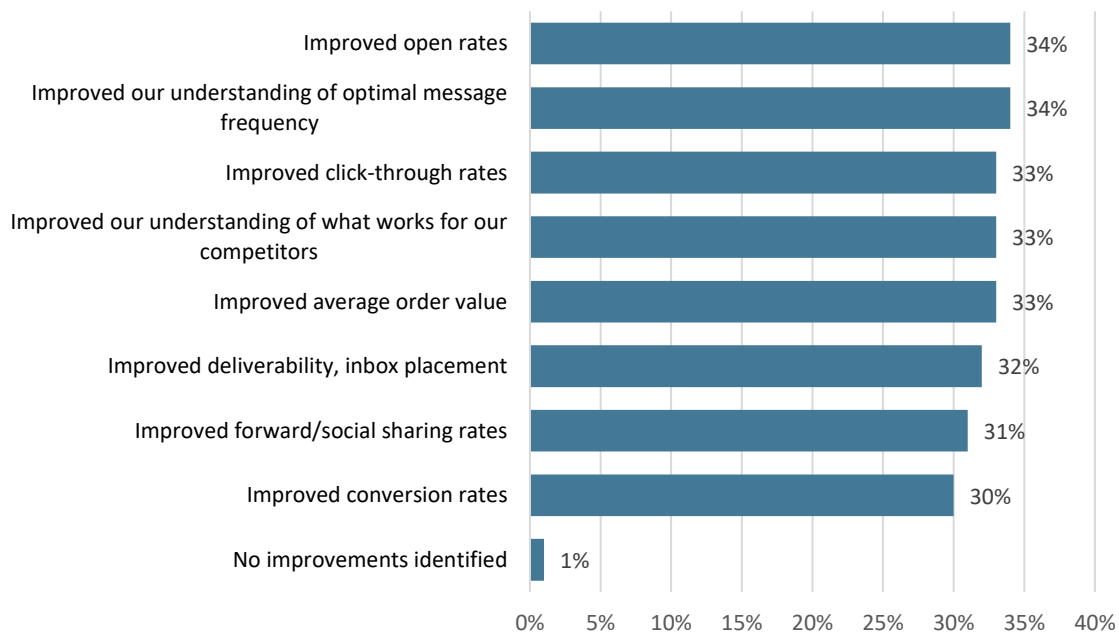
Source: The Relevancy Group, 10/16

Competitive Intelligence Applications are Key to Driving KPI Improvements

More than one third of companies that utilize CIA recognized KPI improvements (Figure 6). Some of the benefits cited include:

- *Improved Open Rates:* When one begins to utilize competitive insight and see peer emails, items such as subject lines can be evaluated and leveraged as a mechanism to improve open rates.
- *Improved Understanding of Optimal Message Frequency:* From nearly 30 years of experience in marketing, my question is how many? Which day? The answer is test. But imagine if you know your competitors' cadence, might that only help or be an interesting input?
- *Improved Click-Through:* The ability to optimize the offer and deliver content with competitive knowledge helps marketers improve response rates. Thirty-three percent of these CIA marketers are reaping engagement benefits.
- *Improved Understanding of What Works for Our Competitors:* This might be a bi-directional looking glass. If your brand is in a highly competitive space, your competitor might be looking at your work. In love so is war, so why not trial CIA tools to understand what is working for your competitors. Thirty-three percent of marketers cite understanding the competition as a CIA benefit (Figure 6).

Figure 6 - Improvements from Utilizing a Competitive Intelligence Application (CIA)



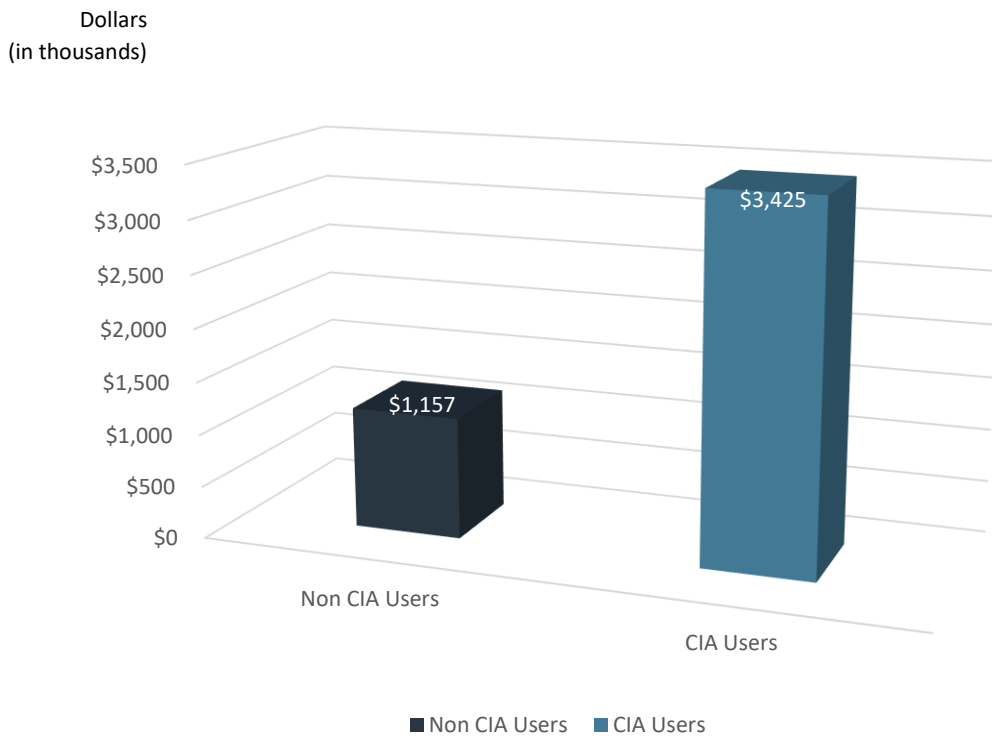
Question: Select the following responses that accurately reflect how this email marketing competitive intelligence has improved your email marketing efforts? (Select All) Source: The Relevancy Group Executive Survey n=186, (those that use a CIA) 6/16 US Only.

Marketers That Utilize Competitive Intelligence Applications Generate 3x the Monthly Email Marketing Revenue Than Those That Don't

Imagine if you had a tool that you could utilize to understand your competitor's patterns, email sending frequency, creative, use-of-offers, use of keywords, and frequency in order to immediately understand success metrics. If you are a marketer that utilizes a CIA, then you know the value that such an investment can deliver versus those marketers that decide to go it alone without a CIA provider.

Here The Relevancy Group took two self-described selected segments: those that use a CIA provider and those that don't. Then we looked at the major email marketing KPIs that were reported for each segment including: delivery rate, open rate, click rate, and conversion rate. We applied both CIA and non-CIA users to the same average email monthly volume and average order value (AOV), which are depicted in the following charts (Figure 7 & 8). The KPIs for each segment are actual against the mean send volume and AOV.

Figure 7 - Monthly Revenue Comparing Those That Use Competitive Intelligence Applications (CIA) vs. Those (Non CIA Users) That Don't



TRG Model: Assumes average monthly send volume of 19.4 million emails and average order value of \$121.86 and applies actual KPIs-Delivery, Open, Click-thru & Conversion Rates. Source: The Relevancy Group Executive Survey n=234, (those that use a CIA + those that don't) 6/16 US Only.

The Details on Competitive Intelligence Application Revenue Model

The model illustrates reported performance metrics from each segment. The KPIs are actual for each segment against the mean send volume and AOV. Results lovers are diving in, as shown here in the plain metrics (Figure 8).

Figure 8 - The Details on Competitive Intelligence Application Revenue Model

Numbers and Metrics	Non Competitive Intelligence Application Users	Competitive Intelligence Application Users
Monthly Email Volume	19,400,000	19,400,000
Email Delivery Rate (number)	87% (16,843,080)	88% (16,978,880)
Email Open Rate (number)	23% (3,946,334)	36% (6,178,614)
Email Click-Thru Rate (number)	11% (425,809)	15% (918,760)
Conversion Rate (number)	2.2% (9,496)	3.1% (28,114)
Average Order Value	\$121.86	\$121.86
Monthly Revenue	\$1,157,127.68	\$3,425,978.74

TRG Model: Assumes average monthly send volume of 19.4 million emails and average order value of \$121.86 and applies actual KPIs-Delivery, Open, Click-thru & Conversion Rates. Source: The Relevancy Group Executive Survey n=234, (those that use a CIA + those that don't) 6/16 US Only.

Conclusion

Given the options available to marketers to identify competitive intelligence, it is clear that CIA investments will deliver a demonstrable return on these efforts. The ROI of CIA is proven. Even with \$100,000 annual investment, marketers are able to drive 3x the email marketing revenue than those who do not utilize CIA providers. The laggards are left with high management demands and complicated spreadsheets that stitch together one-off email insights, analyst inquiry, industry event details or quick Google search results. The winners have a systemic process that is application-driven and surrounded by qualified services personnel. I want measureable investments to drive my marketing optimization future-forward, wouldn't you? The Relevancy Group recommends investing in a Competitive Intelligence Applications (CIA).

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eDataSource is the leading global provider of performance insight and analysis for email marketing, inbox delivery and eCommerce activity, based on real-time monitoring of 1.5 million active consumer inboxes and 90,000 brands. eDataSource empowers marketers, email service providers and digital agencies with the deepest, most accurate and easily accessible information needed about their own email campaigns and those of 90,000 other brands. This provides eDataSource clients with unparalleled access to competitive data to improve critical success metrics and drive more revenue.

About The Author | David Daniels | @EmailDaniels

As CEO of The Relevancy Group, David directs market research and advisory services essential to digital marketing. Direct Magazine said David is “one of the most influential experts in email marketing, if not the most influential.” Co-author of the book ‘*Email Marketing An Hour A Day*’, David has held senior level positions at Forrester, JupiterResearch, Apple, Anthropologie and other top brands. David is also the President and Publisher of [The Marketer Quarterly](http://www.marketerquarterly.com) a digital magazine and app for marketers by marketers available for free with registration at [www.marketerquarterly](http://www.marketerquarterly.com) and Apple, Google, Amazon [app stores](#).

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Measuring consumer and executive behaviors, The Relevancy Group (TRG) provides market research and advisory services that deliver strategies to optimize a return on marketing investments. Each Analyst has a minimum 15 years of experience in digital marketing and many are highly sought after public speakers. In addition to working with some of the top brands and vendors in the digital marketing economy, TRG produces dozens of surveys, research reports and webinars each year. TRG also publishes the digital magazine for marketers by marketers, [The Marketer Quarterly](http://www.marketerquarterly.com).

About The Research | The Methodology

In June 2016 The Relevancy Group conducted a survey that resulted in 468 completed and qualified advertising and marketing executives. We qualified respondents based on the size of their customer database, email sending volume, familiarity of their company's marketing efforts, and other attributes such as the individuals' role/title. Respondents self-identified their company size and market sector category. We collected descriptive information about these organizations including revenue, email marketing, CRM and Advertising. The survey utilized skip ordering and randomization and screener questions. The survey design and final analysis was developed by a team TRG of analysts.

For more information on The Relevancy Group's services, visit www.therelevancygroup.com, call (877) 972-6886, email info@therelevancygroup.com or on twitter @emaildaniels or @relevancygroup

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