



The Big Rewards of Email Deliverability

Inbox Performance and Its Bottom-Line Impact

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INTRODUCTION

The software industry is rife with companies who experience rapid growth but whose success seems to catch them by surprise. Perhaps it's happened to you: you've worked on an innovative new service, but under-estimated how quickly it would become popular. The growth pains can manifest in many ways, from databases that were not sized and sharded, to web servers becoming overwhelmed. While certainly a short-term challenge, the best practices and resources for scaling a website or a web service are well known and relatively straightforward.

Yet the same technical architect who considers scaling web infrastructure to be a routine matter very often overlooks the much more difficult challenge of email. Perhaps that's because in its basic form, email seems so simple; sending an email message to your user takes nothing more than calling `.Send()` in the language of your choice, right? The average developer assembles a few lines of a message in their code, adds a subject line and a sender address, and calls the send function. The message shows up in their inbox when they test it, it looks like what they assembled, and they move on to the next part of their code.

The difficult challenges come when things start to scale. What the developer didn't realize is that while mail delivery is a trivial task when sending one message here or there, the Internet service providers (ISPs) who host most consumer mailboxes—services such as Gmail, Microsoft, and AOL—become much more picky when you send thousands of messages at a time. In order to protect their customers from spam, they'll often divert unusual, high-volume bursts of traffic from the inbox to the spam folder.

THE BOTTOM LINE

- The Direct Marketing Association attributes an average of 18% of total business revenue to email marketing.
- According to 250ok, an average of 28% of all legitimate email lands in the spam folder or doesn't arrive at all.
- Poor deliverability can be directly correlated to increased churn and decreased revenue. Conversely, improvement in email deliverability can be shown to lift revenue.
- Third party data confirms that SparkPost has the industry's best email deliverability and inbox placement, outperforming all other email delivery services.
- SparkPost comes from the company whose infrastructure delivers 25% of the world's legitimate email.
- SparkPost delivers specifically measurable business impact, with both top-line revenue gains and bottom-line operational savings.

So consider what happens when a growing company takes off. Message volume suddenly increases, and key communication such as welcome emails or account verifications never arrive in the inbox, affecting the user experience and introducing unexpected roadblocks to continued growth.

That's why, in email, the inbox is king. Your ability to reach the inbox is commonly referred to as your deliverability, and your deliverability can make or break your business.

According to industry analysts at 250ok, 28% of email traffic ends up in the spam folder (or goes missing entirely), and 73% of businesses report having problems with email deliverability. These missing messages not only cost senders money, they also result in lost revenue, lower customer satisfaction, and increased customer churn.

Continue reading to learn what deliverability is, how it is measured, what it's worth to your bottom line, and why choosing the right approach to email delivery can help you achieve higher deliverability.

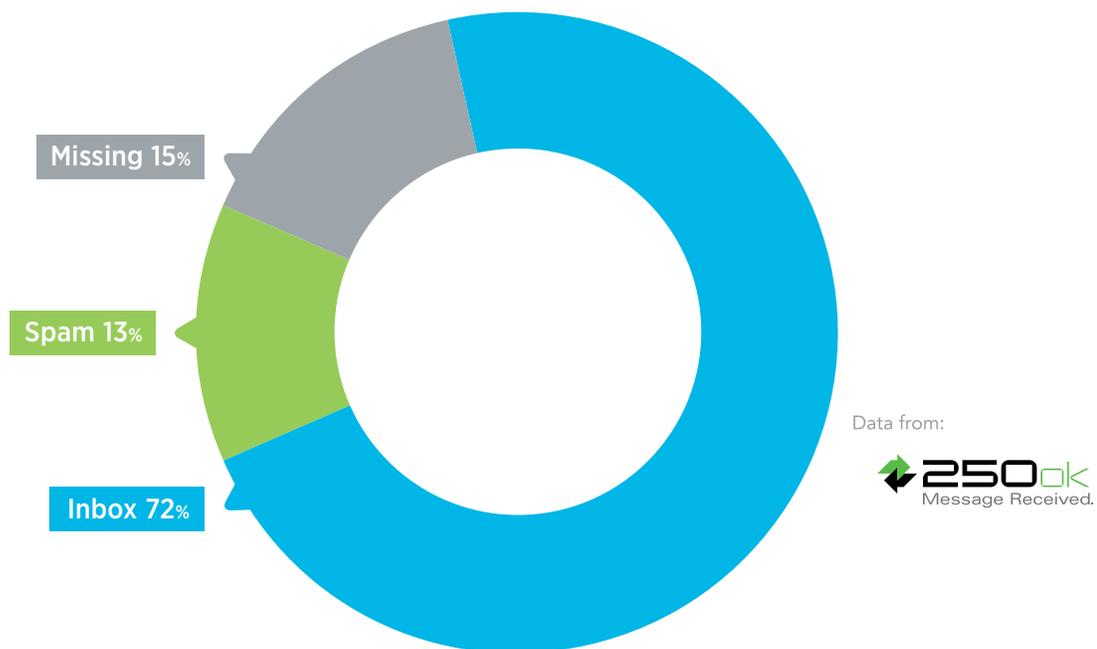
WHAT IS DELIVERABILITY?

Simply put, your deliverability rate is the percentage of your messages that arrive in your recipient's inbox. Your deliverability rate should not be confused with your acceptance rate, which is the percentage of your messages that are accepted by the Internet Service Providers (ISPs) before they decide whether to place your message in the inbox or the spam folder (or drop it completely).

Deliverability is where everything starts. No amount of effort in composing or targeting your message will help if your email doesn't arrive. If it's in the spam folder, you have a reputation or content problem—or both. More importantly, if it's in the spam folder, you have a revenue issue, making your choice of email delivery platform a critical one for your business.

Major ISPs have made tremendous strides towards simplifying and improving their (and your) customers' experience with email—notably, in controlling the onslaught of spam and malware. Sophisticated algorithms better identify malicious and spam traffic, authentication standards verify sender identity, and blacklists limit the reach of unscrupulous senders.

Yet, that gain has come at a price for legitimate senders; a significant proportion of email never arrives in the intended recipient's inbox. Research from objective experts at 250ok report that 28% of legitimate email lands in the junk folder or goes missing.

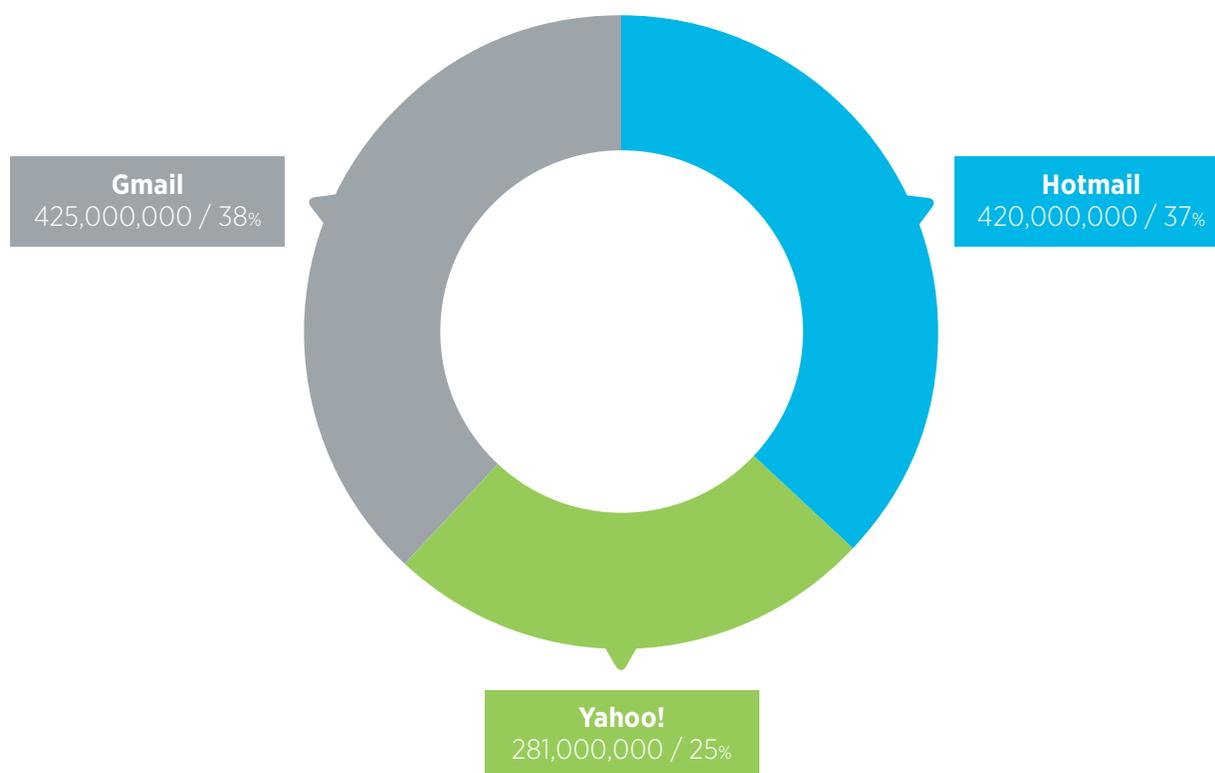


Think about what 1% of email delivered to the inbox is worth. What would you do to improve your deliverability by even 1% if you knew that improvement would be worth \$1,000, \$5,000, or \$100,000? To the top ten Internet retailers, even a 1% increase could mean millions!

MEASURING EMAIL DELIVERABILITY IN THE REAL WORLD

Measuring your accept rate is easy, the real challenge comes in measuring how much of your mail actually reaches the inbox. Most companies use a combination of seed testing, click tracking, and conversion tracking as a measure of how well they are reaching their users. All of these are good practices and reasonable proxies for measuring message performance. This data tracks whether mail arrived in the recipient's inbox, the spam folder, or was never delivered at all.

Our goal was to understand how deliverability varied across the three largest ISPs: Gmail, Yahoo! and Microsoft's Outlook.com/Hotmail service. These three mailbox hosts are the largest on the planet and account for nearly 30% of all email accounts globally. Most B2C mailers have anywhere from 40–75% of their database composed of addresses at "the big three."



Number of Mailboxes by Free Mailbox Provider

THE HIGH COSTS OF POOR DELIVERABILITY

Successful senders are those who send messages people want to receive, and ideally those that people are expecting and awaiting. The most successful sends are for transactional messages: messages that are triggered on a 1:1 basis as a result of user actions. Examples of transactional messages include password resets, purchase receipts, notifications, and security confirmations.

Because these messages are expected and wanted, they are interacted with by your users and are not marked as spam, all signals used by the ISPs to determine that your messages are legitimate and deserve to be placed in the inbox.

The challenge with poor deliverability comes when these messages are not delivered. Let's say your app is growing at a rapid pace, and that each transaction produces a confirmation email that your user is expecting and awaiting. Perhaps it's a notification that they have a payment waiting, tickets that they ordered, or a code that they need to continue their user experience, and that you send 1,000 of these per day. If you are seeing 28% of your messages fail to reach the inbox this means 280 of your users didn't get their message, per day!

So what do these 280 users do? They really need that message, so they call your customer support line. According to Gartner's 2017 research into key IT metrics, it typically costs \$15 per call to a help desk or support line. Charges like that add up, adding \$4,200 per day in costs, or around \$1.5 million dollars per year!

This of course assumes that each of those users was determined enough to contact you and remain a user. What if your email is part of the signup flow? In that case your poor deliverability can generate churn, not only creating costs, but costing you in lost revenue as well.

HOW POOR DELIVERABILITY AFFECTS REVENUE

Say that you have a monthly recurring revenue of \$10,000, and that you're experiencing 10% monthly growth. By the end of five years you're looking at a monthly revenue of over \$2.7 million! You're doing great!

But (there's always a but), you have to deal with churn. Due to that 28% of your mail being lost you're churning 3% of your users due to either lost signups, missing confirmations, or frustration at lost receipts. Instead of that \$2.7 million in monthly revenue, suddenly you're only bringing in half a million dollars per month at the end of five years. That is **\$2.3 million dollars per month** in lost revenue growth because of customer churn.

If our hypothetical company could improve churn by one percentage point as a result of improving their deliverability, they would see monthly revenue almost double at the end of five years.

Now, let's consider the effect email has on sales revenue. The Direct Marketing Association attributes an average of 18% of total business revenue to email marketing, something we can use to determine what a typical business stands to benefit from improved deliverability. The math is surprisingly straight-forward:

$$\text{Deliverability Opportunity (Per Percent Inbox Improvement)} = \left\{ \text{Total Company Revenue} \times \frac{0.18 \text{ (TCR attributed to email)}}{100} \right\}$$

As an industry, retailers rely heavily upon email marketing to drive their business. Take Macy's, for example. With 2016 revenue of \$27 billion, the DMA's figures suggest the company had email-derived revenue of \$4.8 billion. That's a pretty impressive number, but it actually could be significantly better.

Here's why: if we assume that Macy's is getting industry-average deliverability, their current revenue number was achieved with only 72% of their messages reaching the inbox.

In this case, that means the ideal revenue at 100% of mail delivered for Macy's would have been \$6.6 billion, resulting in 20% more revenue attributed to email. This means that Macy's **would have lost \$66 million dollars for each percentage point of deliverability lost.**

Now you can see how costly it can be to miss the inbox!

Whether you have billions or thousands of dollars riding on your sales efforts, the same principle applies. Getting more of your messages to the inbox will help your bottom line.

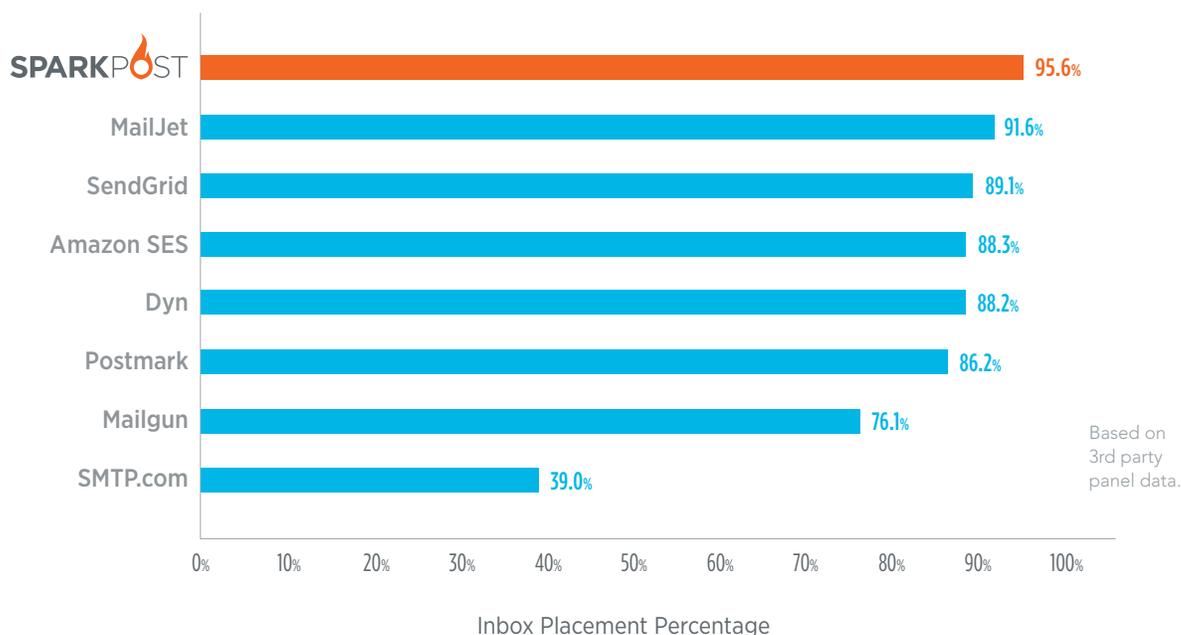
WHY THE RIGHT EMAIL DELIVERY SERVICE IMPROVES YOUR DELIVERABILITY

So how can you improve your deliverability and leverage lower costs and higher revenue? Choosing the right approach to email delivery can mean the difference between the inbox and the spam folder—and the revenue impact that goes with it.

There's good reason why SparkPost has become the world's fastest-growing email delivery service. Our modern technology—and our team of the industry's most experienced email deliverability pros—have helped companies such as Pinterest, LinkedIn, and Twitter send billions of messages per day, all while enjoying deliverability rates significantly higher than the industry average.

The numbers speak for themselves. Third-party data confirms that SparkPost outperforms every other cloud email delivery service.

SparkPost's Deliverability Advantage



Maintaining world-class deliverability at scale requires a level of competence in understanding the characteristics of email in transit, the signals ISPs read to identify spam, and architecting systems compliant with industry established best practices. Building on 15 years of industry leadership, robust implementation, and deliverability experience, SparkPost built the Adaptive Email Network (AEN) to help automate delivery to the more than 12,000 global ISPs and mailbox providers. The AEN intelligently categorizes bounces, throttles email traffic in real time in response to sending conditions as they arise, and maintains over 2000 rules that optimize the delivery and sending of email.

We combine our unique technology advantages with a team of expert deliverability professionals who continuously monitor the sending of our customers, identifying problems often before they become an issue to ensure our sending meets the expectations and requirements of the various ISPs. In addition, our team of Technical Account Managers act as dedicated experts that work with our largest customers to ensure they are successful, through services that range from strategy to support.

Our combination of people and technology is what helps our customers break away from average and enjoy the benefits that come from improved deliverability.

ABOUT SPARKPOST

SparkPost is the cloud solution from the world's number one email infrastructure provider, whose customers—including Pinterest, Twitter, CareerBuilder, LinkedIn, Groupon, Salesforce, Marketo, Zillow, and Comcast—send over 3 trillion messages a year, over 25% of the world's legitimate email. Our service outperforms every other cloud or on-premises alternative, and these companies choose us to provide the deliverability, speed and insight they need to drive customer engagement for their business.

Improve Your Inbox Deliverability Today.

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SparkPost.com • 301 Howard St., Suite 1330 • San Francisco, CA 94105 • tel +1 415-578-5222 • toll free usa 877-887-3031
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