

SPARKPOST

TRANSACTIONAL EMAIL

BENCHMARK REPORT

2018

Transactional Email: Essential to the Cloud Economy

Email Is Vital to Modern Apps and Services

Email is part of daily life that most of us take for granted. Email underpins nearly all the information we receive.

Many of those emails are not interpersonal communication and correspondence, or even marketing messages. They're e-commerce receipts, event or airline tickets, social network notifications, and alerts from business apps. Mailboxes have become our de facto system of record, and one that continues to grow in importance.

As users, we appreciate how email notifications from SaaS apps and services help us keep tabs on our workflows and give us confidence in the security of our accounts. For software-as-a-service (SaaS) and e-commerce providers, these transactional messages are a fundamental part of the customer experience.

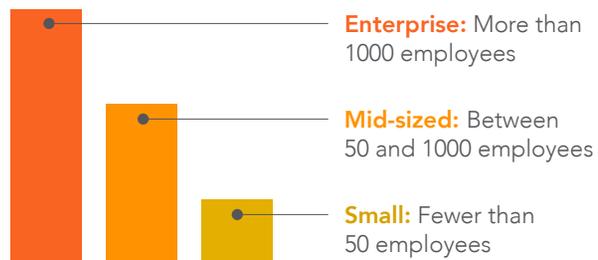
In this Report

SparkPost recently conducted a survey of more than 1800 businesses to assess how they're using transactional messages and other email notifications. In this report, we present a snapshot of the state of transactional email in 2018. The results include eight key findings that provide insight to:

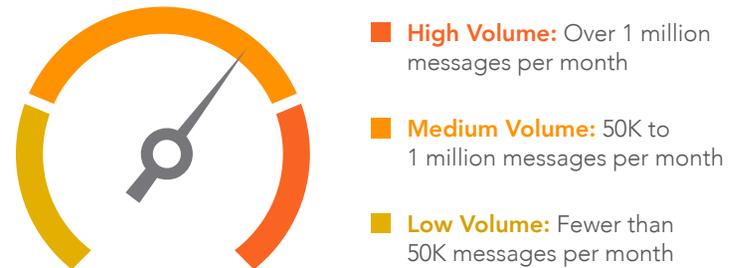
- The types of businesses that use transactional email
- Transactional email sending patterns
- Goals and objectives for transactional email
- Roles and responsibilities for sending transactional email
- Delivery and other technical challenges these senders face

SparkPost's experts analyzed the results and conclude with five core recommendations for any business that relies on transactional email.

More than 1800 companies of all sizes participated in this survey.



Businesses surveyed reflect a diverse range of sending behaviors.



Defining Transactional Email

What Is Transactional Email?

Transactional emails are an example of automated messages that are sent in response to a specific user action or other event. In the most literal, legalistic terms, transactional emails are messages that facilitate an agreed-upon transaction between the sender and the recipient. Historically, that has meant utilitarian emails that notify recipients of an e-commerce receipt, shipment notification, and password reset.

But as transactional emails have grown in importance to the modern economy, they've evolved to encompass a broad range of needs. Senders use transactional emails and notifications for customer setup and onboarding, and ongoing engagement and education. These messages convey essential information, drive site and app activity and visits, and nurture user relationships.

Common Examples of Transactional and Similar Emails:

- Account creation and activation emails
- Welcome and onboarding messages
- User invitations and shares
- Security and account alerts
- Password resets and two-factor authentication
- Purchase receipts and shipping notifications
- Legal notices

Typically, every transactional email is unique and generated on demand, in response to a specific trigger or transaction. Because of this, transactional emails usually are sent by e-commerce or other software when it calls an email API to generate and send the message.



Activation Email



Welcome / Onboarding



Two Factor Authentication



User Invites and Sharing



Activity Notifications



Product Updates



Password Resets



Reports / Dashboards



Email Volume

Transactional email volume varies widely, and industry rather than company size determines behavior.

How many transactional email messages do you send per month?



60% of high-volume senders are not large enterprises.

More than two-thirds of respondents identified as low-volume senders, while five percent of businesses surveyed said they send high volumes of transactional email.

Somewhat surprisingly, 60% of high-volume senders are not large enterprises. In fact, **businesses of all sizes are well represented among the highest-volume senders.**

- Enterprise: 40%
- Midsized: 35%
- Small: 25%

Industry may be a more significant determinant of sending volume than company size. **More than 2 out of 3 high volume senders are clustered in four industries:**

- Software and technology: 30.7%
- Media and publishing: 14.8%
- Financial services and insurance: 14.8%
- Retail and e-commerce: 8.0%

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Business Goals

Transactional emails are workhorses for modern apps. They reflect diverse use cases and serve multiple business goals.

Operational functions remain a core use case for transactional emails. Nearly half of respondents cite these operational needs as a significant business purpose of their dispatches.

However, it's clear businesses understand that these **application-generated messages accomplish other goals as well**. Large shares of senders use transactional email to support ongoing user engagement and education as well as initial customer setup and onboarding.

What is the business purpose of transactional emails?



 **Operational functions**



 **User onboarding and setup**



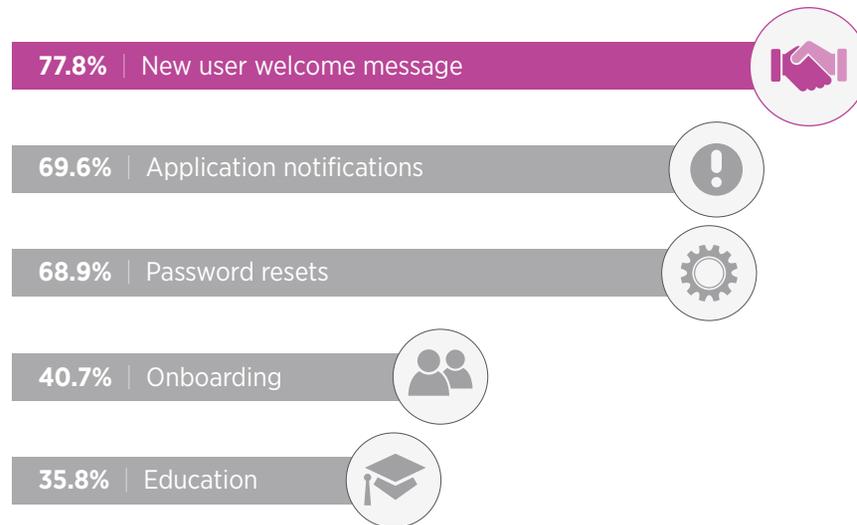
 **Ongoing engagement and education**



User Lifecycle

Transactional email is essential throughout the user lifecycle, but it is especially valued for engaging and retaining existing customers.

What types of transactional emails do you send?



Respondents were asked to judge transactional email's importance at three major stages of the customer lifecycle: conversion, engagement, and retention. **An overwhelming majority see transactional email as important to all three of these stages.**

This sentiment is supported by the actual emails sent. Senders deploy transactional email at key steps throughout their users' interaction with applications and web sites. However, fewer respondents have implemented transactional messages to support user onboarding and education.

Is transactional email very important or somewhat important for:





User Engagement

Senders know user engagement with transactional email matters. However, most have not adopted key practices for optimizing performance.

3 out of 4 senders measure success by either delivery, open, or click rates.



72.5% of senders don't A/B test their transactional email.



When asked how the success of transactional emails was judged, senders made clear that **user engagement metrics such as opens and clicks are important**. Smaller shares of respondents measure if a message was delivered, or how long it took for the message to arrive. Success of transactional emails is measured by:

- Opens: 65.5%
- Clicks: 69.7%
- Delivery: 48.4%
- Time to delivery/latency: 19.5%

All told, 74% of senders measure success by either delivery, open, or click rates. That's even more important to larger companies—76% say these metrics matter.

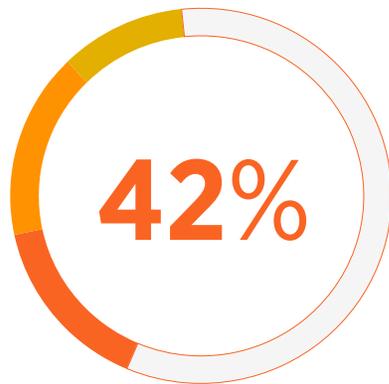
Given these priorities, it is surprising that testing user engagement with transactional messages is an uncommon practice. **Barely a quarter of senders surveyed report A/B testing their email.**

Even in businesses that consider transactional email to be very important to the customer life-cycle, only 41% A/B test their transactional email to optimize results.



Ownership and Governance

Responsibility for transactional email is largely in the hands of engineering or operations. Business owners are noticeably absent from the process.



of businesses surveyed leave transactional email copywriting to engineering, IT, or operations teams.

Despite findings that transactional email is essential to customer engagement, **many businesses have left responsibility for crafting transactional emails to tech implementers** rather than business owners.

Even in companies that might know better, business owners are not in control of transactional emails. At 53% of organizations where transactional email is considered very important to the customer lifecycle, someone other than a business owner writes transactional emails.

Even at companies that know better, over half have someone other than business owners write transactional emails.





Deliverability Challenges

Lost or undelivered messages is a common complaint. This deliverability challenge risks undermining the business impact of transactional emails.

Industries with the highest rate of delivery complaints.



Although delivery and user engagement are important measures of success, problems with emails being undelivered or lost in the spam folder are common for all senders.

- 36.3% of enterprise and midsize businesses received delivery complaints.
- 41.0% of senders who consider transactional email to be “very important” to the customer lifecycle received delivery complaints.

Message **delivery complaints are high in the four industries that represent the highest-volume senders of transactional email**—in fact, all but one exceed the overall complaint level.

38.5% of senders received delivery complaints from their customers.



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Technical Solutions

Despite complaints from users about message delivery, many companies have not employed technical fixes.



23%

of respondents who report delivery problems do not use email authentication.

46% of respondents do not use dedicated IP addresses to send their transactional email.



Among senders with delivery problems, **many have not implemented technical solutions** such as email authentication or dedicated IP addresses that can improve email deliverability.

Even the presumably more sophisticated senders at midsize and enterprise businesses have room for improvement—particularly with email authentication.

- 27% of larger senders do not use email authentication
- 24% of larger senders do not use dedicated IP addresses



Infrastructure Misalignment

Delivery problems are common when using misaligned email infrastructure. The problematic impact is worse for larger senders.



Delivery problems often are the result of non-optimal email infrastructure. That mismatch is exacerbated for larger senders. Of enterprise and midsize businesses with delivery complaints, more than one-third are using in-house mail servers or marketing email service providers (ESPs) to send transactional email.

There's a good deal of room for improved alignment. 36.9% of larger senders with delivery problems are using DIY or marketing infrastructure to send transactional email. Even in the four industries that represent the highest volume of transactional email, DIY approaches to email infrastructure are widespread.

Senders by industry who employ in-house or marketing tools to send transactional email:



Financial services and insurance



Media and publishing



Retail and e-commerce



Software and technology

Recommendations for Senders

In light of these findings, SparkPost's experts offer five core recommendations for any business that relies on transactional email.

1. Put customer engagement at the center of email strategy.

Make transactional email notifications an integral part of the customer engagement strategy. Give transactional emails the same level of visibility as other customer-facing functions. Take advantage of the power of transactional emails as a touch point with the customer to improve customer engagement and satisfaction.

2. Treat transactional email as a core product feature.

Give a product manager and an associated development team ownership and bottom-line responsibility for transactional messages. Design and develop requirements and specifications for transactional email just like any other core product development. Allocate adequate time for internal and external testing of your transactional emails.

3. Focus on quality, not quantity.

Develop a process and curriculum to ensure that each interaction with the customer is both necessary and well thought through. Care will go a long ways towards ensuring that your emails are considered valuable by the recipient and not flagged as spam.

4. Business owners must oversee transactional email.

Ensure that business owners have responsibility for transactional email and their outcomes. Let business requirements define the strategy and design of the transactional email program. Apply best practices from other domains such as marketing to transactional messages, including effective messaging, branding, and A/B testing.

5. Reconsider email infrastructure used to send transactional messages.

Use an email API provider with focus and expertise on delivery of transactional messages. Leverage their understanding of the problem space and technology. In-house email infrastructure or email marketing products are not well-suited to the problem.



About the Data

In late 2017, SparkPost conducted an online survey of 1,859 individuals in a wide variety of industries who are using transactional emails to communicate with their customers and users.

Definition of sending volume

Survey respondents were asked how many transactional emails they send each month. We grouped responses into three tiers:

- High volume: More than 1 million messages per month
- Medium: Between 50,000 and 1 million messages per month
- Low: Fewer than 50,000 messages per month

Definition of company size

Survey respondents were asked how many people worked at their company. We grouped responses into three tiers.

- Enterprise businesses: more than 1000 employees
- Midsized businesses: between 50 and 1000 employees
- Small businesses: fewer than 50 employees

Responses by company size

- Enterprise: 124 | 7%
- Midsize: 264 | 14%
- Small: 1,470 | 79%

Responses by industry

- Technology – Consumer Software & Services: 352 | 19%
- Technology – Enterprise Software & Services: 287 | 15%
- Business Services & Consulting: 223 | 12%
- Retail & E-commerce: 146 | 8%
- Media & Publishing: 145 | 8%
- Technology – Other: 104 | 6%
- Education & Schools: 94 | 5%
- Charities, Foundations & Non-Profits: 60 | 3%
- Financial Services & Insurance: 60 | 3%
- Healthcare: 46 | 2%
- Leisure, Sports & Recreation: 42 | 2%
- Technology - Hardware & Internet of Things: 36 | 2%
- Real Estate Services: 36 | 2%
- Hospitality & Travel: 33 | 2%
- Manufacturing: 30 | 2%
- Telecommunications & Utilities: 21 | 1%
- Personal Services: 18 | 1%
- Other: 126 | 7%

About SparkPost

SparkPost is the world's #1 email delivery provider. Our customers—including Pinterest, Twitter, Intercom, LinkedIn, Zillow, and Comcast—send over 3 trillion messages a year, over 25% of the world's non-spam email.

SparkPost delivers any application's emails on time and to the inbox, with the performance, deliverability, flexibility, and analytics product development teams need to drive customer engagement and growth. Follow us on Twitter [@SparkPost](https://twitter.com/SparkPost) or go to sparkpost.com.

