December 23, 2009

The Forrester Wave™: Email Marketing Service Providers, Q4 2009

by Carlton A. Doty and Julie M. Katz
for Interactive Marketing Professionals

FORRESTER® *Making Leaders Successful Every Day*

December 23, 2009

The Forrester Wave™: Email Marketing Service Providers, Q4 2009

Responsys And ExactTarget Edge Ahead In A Tight Pack Of Eight Leaders

by Carlton A. Doty and Julie M. Katz
with Christine Overby, David Daniels, Shar VanBoskirk, and Emily Murphy

EXECUTIVE SUMMARY

In Forrester's evaluation of email marketing service providers (ESPs), we reviewed 15 vendors against 69 criteria and found that Responsys and ExactTarget are at the front of the Leader pack. All eight Leaders were narrowly separated and achieved Leader status through innovation and a commitment to advancing client education and sophistication. Evaluated vendors include: Acxiom, Alterian, BlueHornet, ClickSquared, Datran Media, e-Dialog, Emailvision, Epsilon, ExactTarget, Experian Marketing Services, Lyris, Responsys, Silverpop, Yesmail, and Zeta Interactive.

TABLE OF CONTENTS

NOTES & RESOURCES

Forrester conducted product evaluations in Q2 2009 of 15 email marketing service providers: Acxiom, Alterian, BlueHornet, ClickSquared, Datran Media, e-Dialog, Emailvision, Epsilon, ExactTarget, Experian Marketing Services, Lyris, Responsys, Silverpop, Yesmail, and Zeta Interactive. The services evaluation included vendor and executive surveys as well as executive interviews. We also surveyed 218 clients of these vendors online and interviewed 48 customers by phone.

Related Research Documents

"The ROI Of Email Relevance, 2009"
September 16, 2009

"US Email Marketing Forecast, 2009 To 2014"
June 12, 2009

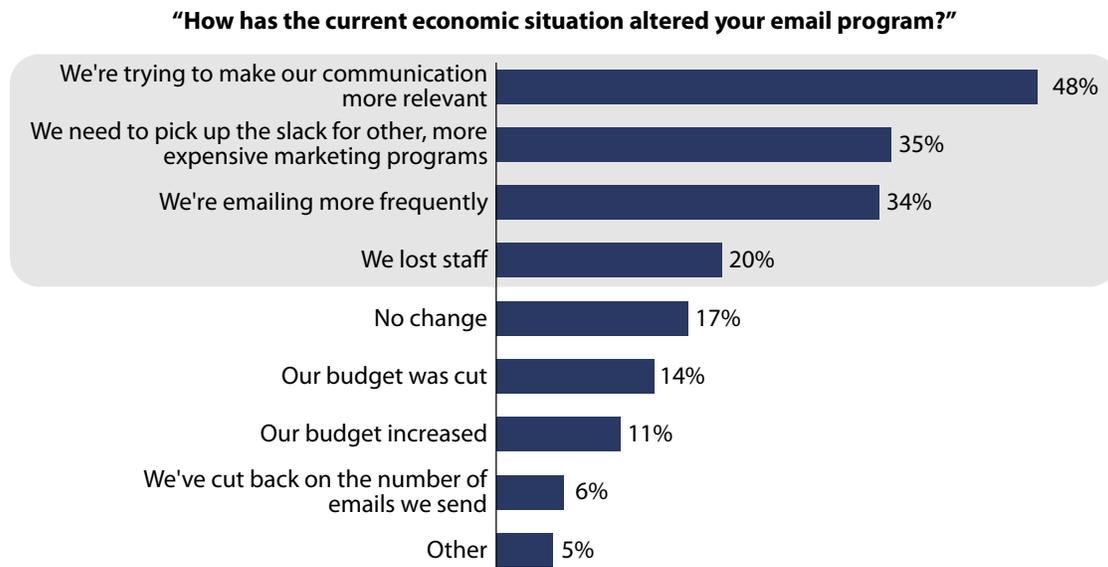"Optimizing Email Marketing In An Economic Slowdown And Its Impact On Vendor Selection"
March 13, 2009

A SOFT ECONOMY IS DRIVING RENEWED FOCUS ON EMAIL MARKETING

The soft economy of the past year coupled with the maturation of the email marketer is exerting positive pressure on the email marketing industry. While there is still a vast need for improvement, the sophistication of email marketers is increasing.[1] Forrester's March 2009 US Interactive Marketing Forecast Online Survey found that 92% of respondents are currently using email marketing and spending is expected to balloon to $2 billion dollars by 2014.[2] Additionally, the weak economy is driving a renewed focus on email due to its low cost and increased efficiency of the channel.[3] When Forrester surveyed 218 clients of the vendors in this wave on how the current economic situation is altering their email programs, very few marketers cited budget cuts (see Figure 1). Instead, clients are more demanding of their email service providers because:

- **Marketers are increasing the relevance of their programs.** Forty-eight percent of marketers surveyed indicated that they are attempting to make their communications more relevant. These increases in relevancy will drive the need for data integration and increased adoption of relevancy-empowering tactics — like dynamic content and testing — as well as strategic and tactical services.

- **Email marketing frequency is growing.** Marketers increasingly choose email over more expensive channels creating marketing clutter. This inflation in messaging volume and soaring sending sizes drive even more price compression in the market — further encouraging marketers to adopt relevancy empowering tactics.

- **Marketers look to ESPs to offset staffing losses.** While 20% of marketers surveyed indicated that they lost staff, Forrester finds that they are leveraging production services of the ESPs to offset their downsized marketing organizations.

Figure 1 The Impact Of A Down Economy On Email Marketing Programs

"How has the current economic situation altered your email program?"

We're trying to make our communication more relevant	48%
We need to pick up the slack for other, more expensive marketing programs	35%
We're emailing more frequently	34%
We lost staff	20%
No change	17%
Our budget was cut	14%
Our budget increased	11%
We've cut back on the number of emails we send	6%
Other	5%

Base: 218 email marketers who are customers of vendors in Forrester's Wave evaluation

Source: Q2 2009 Global Email Marketing Service Provider Forrester Wave™ Customer Online Survey

47833   Source: Forrester Research, Inc.

TOUGH CHALLENGES ARE RAISING EMAIL MARKETERS' EXPECTATIONS OF VENDORS

Marketers anticipate continued challenges in list growth and optimizing their email marketing programs. Additionally, they have high expectations for the continued improvement in email marketing effectiveness (see Figure 2). In order to meet today's challenges and prepare for the future, email marketers seek the following:
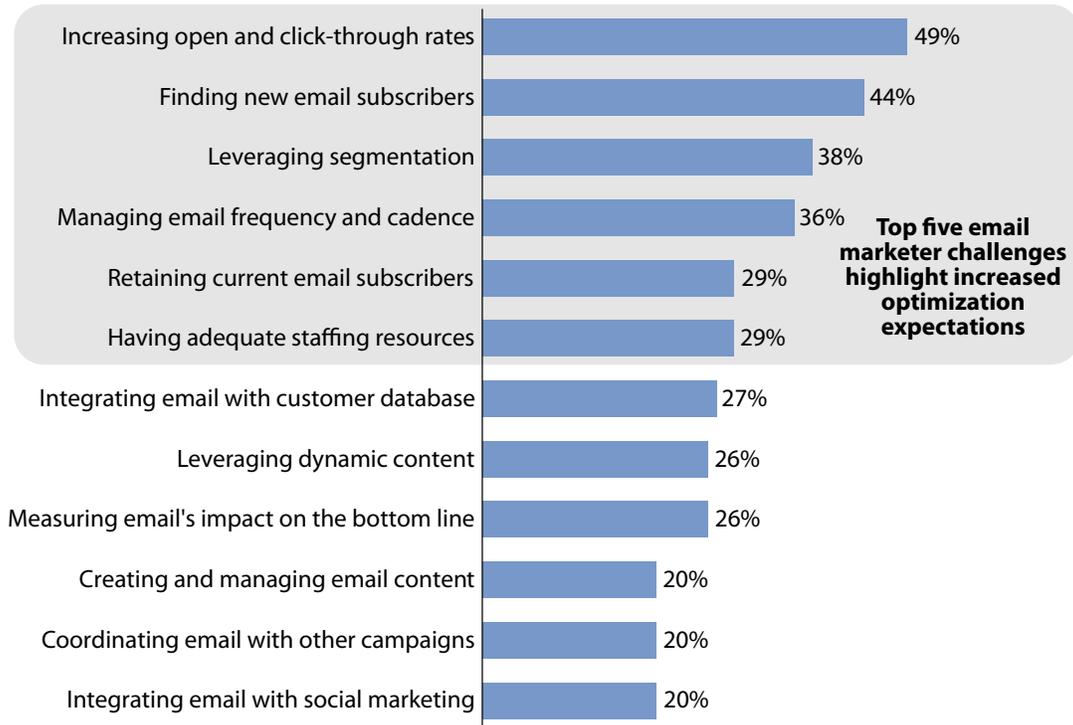
- **Strategic guidance from vendors to aid in advancing program sophistication.** Email marketers must continually prove their worth to the rest of the organization and perpetually optimize their email marketing programs. The vendors with the highest levels of client satisfaction have clients that repeatedly told us that their vendors were pushing them to be more sophisticated and relevant. Given the increasing complexity of the email marketing channel — including the need to integrate email with social and mobile channels — the call for strategic guidance will only continue to grow in importance.

- **Programmed repeatability to ease integration and campaign optimization.** In order to increase both campaign effectiveness and efficiency, marketers need the ability to easily automate programs by using triggers. In fact, we heard from several reference clients that they desire more repeatable integrations and custom programs from their vendors. One client stated,

"We see what they have done for another one of their clients and we want to implement that, but they tell us it will be a custom deployment. We wish they could more easily deploy for us what they have built for others." In Forrester's evaluation, vendors that package integrations and triggered campaign libraries achieved higher levels of client satisfaction than those that do not.

- **Analytics capabilities to measure effectiveness and discover new opportunities.** Given the proliferation of multiple digital channels, marketers have a greater need for analytics, which is fueling the ESPs' quest to offer integrated marketing solutions. One client stated that, "We would like to implement some of these new social offerings that they are pitching us, but we feel that the vendor should be investing more in their current analytics offering so we can find more value in our current lists before we add new functionality." Marketers are clearly primed to implement relevancy-empowering tactics in the future. Accordingly, their appetite for more robust analytics will increase as they strive to measure program effectiveness across channels.

**Figure 2** Marketers' High Expectations And Challenges

2-1 **"What are the biggest email marketing challenges you expect to face in the next two years?"**

Challenge	Percentage
Increasing open and click-through rates	49%
Finding new email subscribers	44%
Leveraging segmentation	38%
Managing email frequency and cadence	36%
Retaining current email subscribers	29%
Having adequate staffing resources	29%
Integrating email with customer database	27%
Leveraging dynamic content	26%
Measuring email's impact on the bottom line	26%
Creating and managing email content	20%
Coordinating email with other campaigns	20%
Integrating email with social marketing	20%

Top five email marketer challenges highlight increased optimization expectations

Base: 218 email marketers who are customers of vendors in Forrester's Wave evaluation

Source: Q2 2009 Global Email Marketing Service Provider Forrester Wave™ Customer Online Survey

2-2 **"In the next three years, do you think email marketing's effectiveness will increase, stay the same, or decrease?**

Not applicable 1%

Decrease 12%

Stay the same 19%

Increase 68%
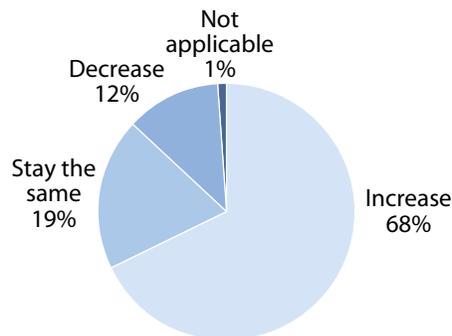
Source: Forrester Research, Inc.

EMAIL MARKETING SERVICE PROVIDER EVALUATION OVERVIEW

To assess the state of the email marketing service provider market and see how the vendors stack up against each other, Forrester evaluated the strengths and weaknesses of top ESP vendors.

Evaluation Criteria

After examining past research, user needs, and vendor and expert interviews, we developed a comprehensive set of evaluation criteria. We evaluated vendors against 69 criteria, which we grouped into three high-level buckets:

- **Current offering.** We looked at each vendor's offering in terms of functionality, technology platform, and services. To align with customer needs, we paid particular attention to vendors' campaign automation capabilities, analysis and reporting functionality, integration abilities, and breadth of both analytical and strategy services.

- **Strategy.** As in years past, we assessed each vendor's management team, executive vision, and product road map. We included criteria to gauge the strength of their employee base, ability to support specific vertical industries, and the breadth of marketing needs that the vendors can support.

- **Market presence.** To benchmark the relative size of each vendor's email business, we evaluated financial growth, employee distribution, and the size and sophistication of its customer base. In addition, we considered the financial stability of parent companies and the percent of parent revenues contributed by email.

This evaluation of the email service provider market is intended to be a starting point only. Readers are encouraged to view detailed product evaluations and adapt the criteria weightings to fit their individual needs through the Forrester Wave Excel-based vendor comparison tool.

Evaluated Vendors Have Established Market Viability And Customer Success

We assessed each vendor offering against 69 criteria and on the basis of conversations with key executives and customer references, platform demonstrations, and a review of supporting documents. We limited our evaluation to 15 email marketing service providers that serve today's market. We selected these vendors from a list of 40 email service providers based on (see Figure 3):

- **Software as a service**. All vendors in this evaluation deploy their solutions as hosted ASP solutions. This deployment model typifies the ESP marketplace. This precluded solutions that are primarily deployed in an on-premise fashion such as Strongmail.

- **Revenues from email.** We focused on vendors that have at least $10 million in global revenue from their email business. This eliminated vendors — such as Bronto — that did not make this revenue milestone.

- **Sending size.** We included vendors that have send sizes of at least 200 million pieces of email per month.

- **Enterprise client focus.** We included vendors that have at least 35 enterprise clients, which we defined as companies with 1,000 or more employees.

- **US market presence.** We required that all vendors have a client servicing center in the United States and that they have an established roster of US-based clients.

Figure 3 Evaluated Vendors: Product Information And Selection Criteria

Vendor	Product evaluated	Product version evaluated	Date evaluated
Acxiom	Impact-X	8.0	Q2 2009
Alterian	Dynamic Messenger	5.3	Q2 2009
BlueHornet	eMS	4.0	Q2 2009
Experian Marketing Services	Experian CheetahMail	N/A	Q2 2009
ClickSquared	Click	3.4	Q2 2009
Datran Media	StormPost	5.0	Q2 2009
e-Dialog	Precision Central	7	Q2 2009
Emailvision	Campaign Commander	7.1	Q2 2009
Epsilon	DREAM	8	Q2 2009
ExactTarget	ExactTarget, Enterprise Edition	Spring 2009	Q2 2009
Lyris	Lyris HQ/Email Labs	N/A	Q2 2009
Responsys	Responsys Interact	6.7	Q2 2009
Silverpop	Engage	7.3	Q2 2009
Yesmail	Yesmail Enterprise	6	Q2 2009
Zeta Interactive	Zeta Mail	5.0	Q2 2009

Vendor qualification criteria

| |
|---|
| Does the vendor provide software-as-a-service? |
| Does the vendor have revenues of at least $10 million from email? |
| Does the vendor send volumes of at least 200 million/month? |
| Does the vendor have at least 35 enterprise-level customers? |

Source: Forrester Research, Inc.

CLIENT SATISFACTION, INNOVATION COMMITMENT, AND SERVICES DEPTH DRIVE SUCCESS

The evaluation uncovered a market in which (see Figure 4):

- **Eight vendors achieve Leader status as champions of innovation and sophistication.** Responsys, ExactTarget, e-Dialog, Acxiom, Yesmail, Experian Marketing Services, Epsilon, and Zeta Interactive all demonstrate highly competitive capabilities, making vendor selection challenging. These leading vendors offer robust integration capabilities, a commitment to product innovation, and the ability to meet client needs on many levels. While narrowly separated, there are distinct differences in key attributes including client satisfaction, emerging channel (e.g., social and mobile) capabilities, and application usability. While nearly all vendors in this Wave provide different service engagement models, these leaders are largely focused on delivering packaged strategic services to assist in advancing client sophistication (see Figure 5).

- **Datran Media, Silverpop, and ClickSquared offer competitive options.** These vendors are strong performers and many have been included in the Wave process for the first time. While they offer much functionality, these service providers' offerings are less comprehensive than their peers' and/or their focus is on niche parts of the broader marketplace. This makes this segment of vendors a strong competitive option for some, but not all, marketers. These firms are most appropriate for specific verticals such as travel or midmarket companies and/or those that are focused on acquisition or partner channel development.

- **Lyris, BlueHornet, Alterian, and Emailvision are safe bets.** While these vendors have their individual strengths, they lack features such as advanced segmentation and analysis tools that would meet the demands of today's enterprise-class clients. The strength of the vendors in this category is that they are specialists in one area — such as service message delivery or mobile message delivery. However, they have yet to illustrate a comprehensive solution that aids the marketer in executing all of the interactive messaging channels that are tied to email as well as the strategic services that are necessary to make these endeavors successful.

This evaluation of the ESP market is intended to be a starting point only. We encourage readers to view detailed product evaluations and adapt the criteria weightings to fit their individual needs through the Forrester Wave Excel-based vendor comparison tool.

Figure 4 Forrester Wave™: Email Marketing Service Providers, Q4 2009
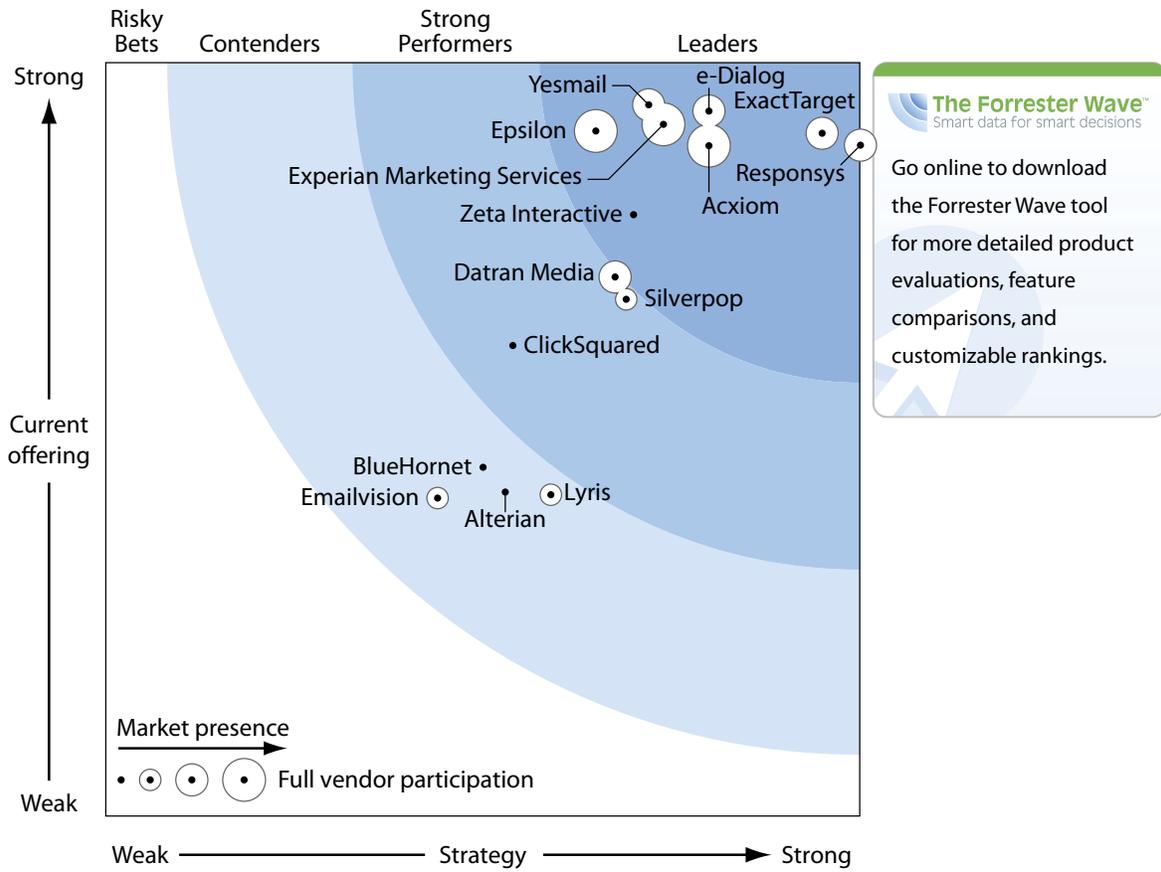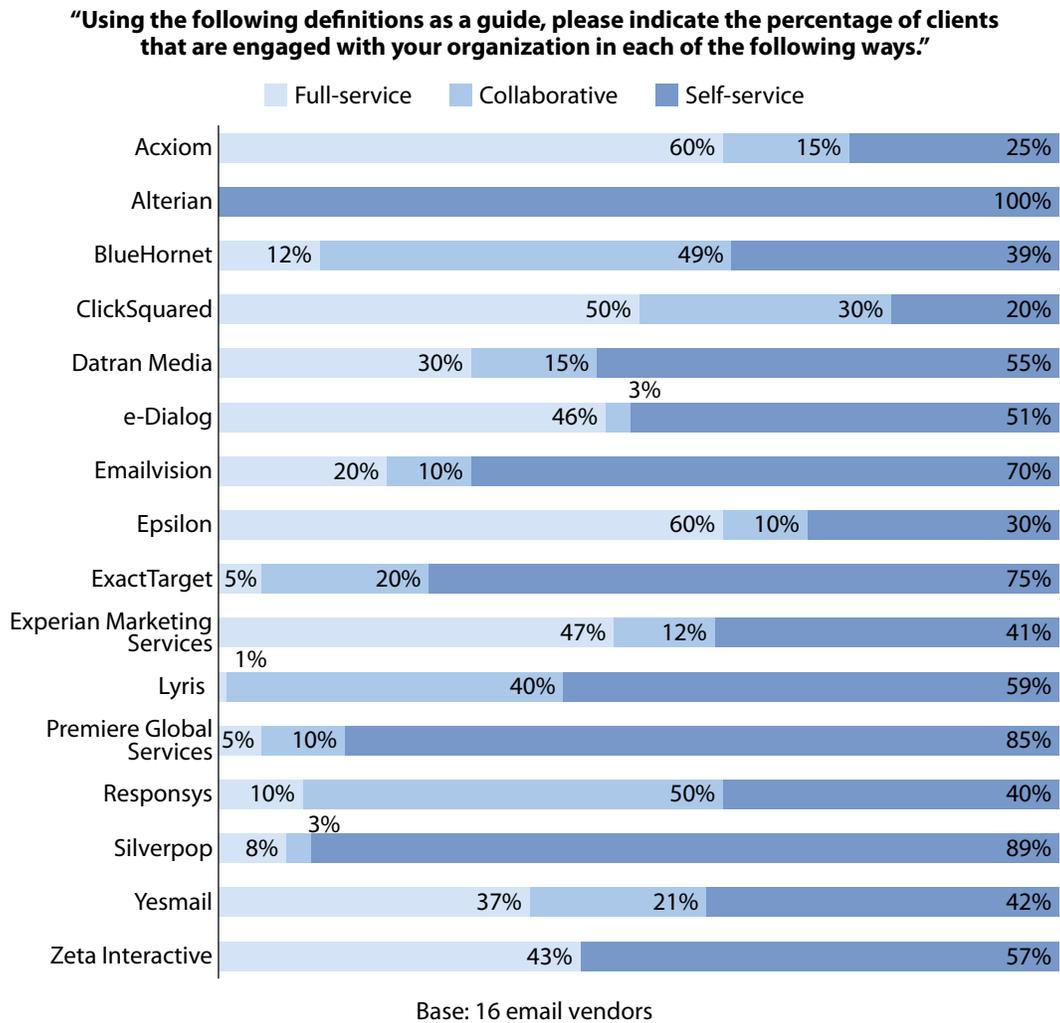
Source: Forrester Research, Inc.

Figure 4 Forrester Wave™: Email Marketing Service Providers Q4 2009 (Cont.)

	Forrester's Weighting	Acxiom	Alterian	BlueHornet	ClickSquared	Datran Media	e-Dialog	Emailvision	Epsilon	ExactTarget	Experian Marketing Services	Lyris	Responsys	Silvepop	Yesmail	Zeta interactive
CURRENT OFFERING	50%	4.45	2.15	2.31	3.12	3.60	4.68	2.11	4.54	4.53	4.59	2.14	4.45	3.43	4.72	3.99
Breadth of offering	0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Functionality	40%	4.35	2.51	2.57	2.98	4.14	4.35	2.47	4.57	4.70	4.15	2.10	4.78	4.52	4.53	3.84
Technology platform	30%	4.43	2.86	2.40	3.41	4.09	4.81	3.07	4.80	4.80	4.91	2.29	4.47	4.29	4.70	4.11
Services	30%	4.62	0.95	1.88	3.04	2.42	5.00	0.67	4.23	4.05	4.86	2.04	3.99	1.12	5.00	4.08
STRATEGY	50%	4.00	2.65	2.50	2.70	3.40	4.00	2.20	3.25	4.75	3.70	2.95	5.00	3.45	3.60	3.50
Strength of management team	20%	3.00	3.00	3.00	3.00	3.00	5.00	3.00	1.00	5.00	5.00	3.00	5.00	5.00	5.00	3.00
Strength of employee base	25%	5.00	1.00	3.00	3.00	3.00	5.00	3.00	4.00	4.00	5.00	3.00	5.00	3.00	3.00	3.00
Executive vision	20%	5.00	3.00	1.00	2.00	3.00	3.00	1.00	5.00	5.00	3.00	5.00	5.00	1.00	1.00	3.00
Product road map	30%	3.00	4.00	3.00	3.00	4.00	3.00	2.00	3.00	5.00	2.00	2.00	5.00	5.00	5.00	5.00
Vertical strategy	5%	5.00	0.00	1.00	1.00	5.00	5.00	1.00	3.00	5.00	5.00	0.00	5.00	0.00	3.00	1.00
Cost	0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARKET PRESENCE	0%	4.32	1.30	1.45	1.55	3.10	3.60	2.05	4.11	3.90	4.90	2.44	3.17	2.72	3.81	1.82
Financial viability	40%	4.15	1.35	1.40	1.40	3.55	3.35	2.25	4.80	2.75	5.00	1.85	2.30	1.85	4.65	1.20
Total employees	25%	5.00	0.00	1.00	1.00	2.00	4.00	2.00	4.00	5.00	5.00	3.00	3.00	3.00	3.00	2.00
Physical locations and geographic reach	10%	5.00	5.00	3.00	3.00	3.00	4.00	3.00	5.00	3.00	5.00	2.00	5.00	4.00	5.00	3.00
Customers	25%	3.65	1.05	1.35	1.75	3.50	3.45	1.40	2.75	5.00	4.60	3.00	4.00	3.30	2.80	2.15

All scores are based on a scale of 0 (weak) to 5 (strong).

Source: Forrester Research, Inc.

Figure 5 Vendors' Client Mix By Type Of Services Deployment

**"Using the following definitions as a guide, please indicate the percentage of clients
that are engaged with your organization in each of the following ways."**

Legend: Full-service · Collaborative · Self-service

Vendor	Full-service	Collaborative	Self-service
Acxiom	60%	15%	25%
Alterian			100%
BlueHornet	12%	49%	39%
ClickSquared	50%	30%	20%
Datran Media	30%	15%	55%
e-Dialog	46%	3%	51%
Emailvision	20%	10%	70%
Epsilon	60%	10%	30%
ExactTarget	5%	20%	75%
Experian Marketing Services	47%	12%	41%
Lyris	1%	40%	59%
Premiere Global Services	5%	10%	85%
Responsys	10%	50%	40%
Silverpop	8%	3%	89%
Yesmail	37%	21%	42%
Zeta Interactive	43%		57%

Base: 16 email vendors

Source: information provided by vendors

47833   Source: Forrester Research, Inc.

VENDOR PROFILES

Leaders Are Best Aligned For Large Enterprise Deployments

- **Responsys.** The vendor offers a suite of six different marketing modules including a comprehensive module for creating and executing campaigns. Additional modules provide functionality that is specific to planning and analysis. Clients are overall very pleased with the company's continual ability to innovate.

- **ExactTarget.** ExactTarget has vastly expanded its organization to cater to marketers in any market segment. It offers a highly usable self-service application and has a growing services organization that offers the ability for its personnel to be deployed at the client location. With high satisfaction scores and online community, ExactTarget can successfully meet marketers' complex business needs.

- **e-Dialog.** The vendor offers a comprehensive application functionality including robust analytics, the ability to quickly segment and query large amounts of data, and the ability to automate the testing process. The firm offers a large services organization and boasts a very high services personnel-to-client ratio.

- **Acxiom.** Acxiom has been quick to integrate mobile and social functionality to meet the growing needs of the email marketer. The application includes a flexible online analytical processing (OLAP)-like cube analysis tool. Acxiom is well equipped to manage large global enterprises particularly in a full-service manner.

- **Yesmail.** The vendor has a good mix of self-service, collaborative, and full-service clients and serves a variety of market segments. The vendor offers a rather robust tool for managing all aspects of email campaign deployment. This includes visual tools, a marketing calendar, and OLAP analytics for campaign analysis.

- **Experian Marketing Services.** Experian Marketing Services' platform has excellent production services capabilities as well as a comprehensive self-service application (Experian CheetahMail) that caters to the 40% of its clients that work with the vendor in that fashion. It earned a perfect customer satisfaction score and has a long history of complex data integrations as well as a global footprint.

- **Epsilon.** The vendor's DREAM messaging platform is comprehensive offering all of the necessary functionality to manage and execute mailings. Seventy percent of Epsilon's clients engage with them in a full or collaborative service manner. Overall, 60% of their clients are full-service, and most are satisfied with the overall account service.

• **Zeta Interactive.** Zeta Interactive was built via a number of acquisitions, and the vendor offers a comprehensive set of interactive marketing tools that transcend email. The application is very robust including the ability to easily design email campaigns as well as integrate them to other marketing channels including social.

Strong Performers Offer Compelling Solutions For Specific Uses And Verticals

• **Datran Media.** Datran Media's StormPost is an email marketing, social media, and audience monetization platform. It has a proprietary network and focuses on reactivating dormant segments of its house-file on a pay-for-performance basis. The vendor is best suited for those marketers who are focused on acquisition and audience monetization.

• **Silverpop.** The vendor offers a comprehensive email marketing application for all facets of the campaign deployment. The vendor is primarily focused on self-service technology-driven deployments, and services account for about 15% of its client base. Its clients report a high degree of satisfaction with the application, particularly the segmentation tools.

• **ClickSquared.** ClickSquared provides a host of digital services by leveraging its own proprietary Web-hosted platform that supports self-, managed, and blended service models. It has good provisions for enabling multichannel communications including email, direct mail, and SMS. Its ability to leverage loyalty data particularly within the travel vertical is a plus.

Contenders Are Largely Focused On Self-Service-Oriented Deployments

• **Lyris.** Lyris primarily services mid-market clients seeking a self-service solution. While easy to use, some of the features lack the sophistication of other solutions on the market, including the ability to personalize hosted versions of mailings and implement testing within dynamic content cells. Forty percent of its clients engage with Lyris in a collaborative service manner.

• **BlueHornet.** BlueHornet primarily services mid-market clients seeking a self-service solution. The tool has all of the necessary features to design and execute and report on email campaigns. Some of the functionality that is lacking — including "household" subscriber data — was not present in the evaluated product but is on the vendor's 2009 road map. Commerce integrations are a strength.

• **Alterian.** Alterian is best suited for basic marketers not requiring advanced segmentation capabilities only offered in its "Plus" application. The solution relies heavily on user-built SQL queries. Its complete lack of services makes Alterian's solution most appropriate for vendors that wish to embed email functionality in their own user interfaces, applications, and services.

• **Emailvision.** Emailvision primarily services mid-market clients seeking a self-service solution. The application has the necessary functionality for marketers to build and save segments as well

as manage reports on campaign results; however, the usability — particularly on more advanced features such as dynamic content — is more difficult than that of its peers. The application has good mobile functionality, and the vendor offers email marketing training.

SUPPLEMENTAL MATERIAL

Online Resource

The online version of Figure 4 is an Excel-based vendor comparison tool that provides detailed product evaluations and customizable rankings.

Data Sources Used In This Forrester Wave

Forrester used a combination of four data sources to assess the strengths and weaknesses of each solution:

- **Vendor surveys.** Forrester surveyed vendors on their capabilities as they relate to the evaluation criteria. Once we analyzed the completed vendor surveys, we conducted vendor calls where necessary to gather details of vendor qualifications.

- **Product demos.** We asked vendors to conduct demonstrations of their products' functionality. We used findings from these product demos to validate details of each vendor's product capabilities.

- **Customer reference calls.** To validate product and vendor qualifications, Forrester also conducted reference calls with four of each vendor's current customers.

- **Customer satisfaction survey.** To further augment the customer reference calls, we surveyed 218 clients of the ESPs in this report. The survey further illuminated customer satisfaction and marketer challenges.

The Forrester Wave Methodology

We conduct primary research to develop a list of vendors that meet our criteria to be evaluated in this market. From that initial pool of vendors, we then narrow our final list. We choose these vendors based on: 1) product fit; 2) customer success; and 3) Forrester client demand. We eliminate vendors that have limited customer references and products that don't fit the scope of our evaluation.

After examining past research, user need assessments, and vendor and expert interviews, we develop the initial evaluation criteria. To evaluate the vendors and their products against our set of criteria, we gather details of product qualifications through a combination of lab evaluations, questionnaires, demos, and/or discussions with client references. We send evaluations to the vendors for their review, and we adjust the evaluations to provide the most accurate view of vendor offerings and strategies.

We set default weightings to reflect our analysis of the needs of large user companies — and/or other scenarios as outlined in the Forrester Wave document — and then score the vendors based on a clearly defined scale. These default weightings are intended only as a starting point, and we encourage readers to adapt the weightings to fit their individual needs through the Excel-based tool. The final scores generate the graphical depiction of the market based on current offering, strategy, and market presence. Forrester intends to update vendor evaluations regularly as product capabilities and vendor strategies evolve.

ENDNOTES

[1] For the first time, the number of email marketers using click-through data as a segmentation attribute increased to 51%, its highest point ever. However, the number of marketers using relevancy empowering tactics including tests and dynamic content remains low. See the September 16, 2009, "The ROI Of Email Relevance, 2009" report.

[2] Email's cost effectiveness and ability to drive ROI two to three times higher than other forms of direct marketing will drive spending to grow at 10.8% CAGR from 2009 to 2014. See the June 12, 2009, "US Email Marketing Forecast, 2009 To 2014" report.

[3] Email is still highly effective in driving purchases, as 41% of consumers surveyed stated that email was still inspiring them to purchase. See the April 14, 2009, "The Resilience Of Email Marketing In Tough Times" report.

FORRESTER®

Making Leaders Successful Every Day

For information on hard-copy or electronic reprints, please contact Client Support at +1 866.367.7378, +1 617.613.5730, or clientsupport@forrester.com. We offer quantity discounts and special pricing for academic and nonprofit institutions.

Forrester Research, Inc. (Nasdaq: FORR) is an independent research company that provides pragmatic and forward-thinking advice to global leaders in business and technology. Forrester works with professionals in 20 key roles at major companies providing proprietary research, customer insight, consulting, events, and peer-to-peer executive programs. For more than 26 years, Forrester has been making IT, marketing, and technology industry leaders successful every day. For more information, visit www.forrester.com.

FORRESTER®