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The Forrester Wave™: Email Marketing Service Providers, Q4 2007

by Julie M. Katz
for Interactive Marketing Professionals



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Responsys And e-Dialog Lead, With Epsilon And Yesmail Close Behind

by Julie M. Katz

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EXECUTIVE SUMMARY

The email market is a mature one. Vendors provide similar technologies, and all want to establish email as the pillar of a multichannel marketing program. Forrester evaluated eight leading email marketing service providers across 64 criteria and identified Responsys and e-Dialog as standouts, thanks to their solid platforms, easy-to-use features, and focus on marketer needs. Long-time Leader Epsilon and recently overhauled Yesmail round out the Leader category. Strong Performers Acxiom Digital, Experian CheetahMail, and Harte-Hanks have easy-to-use tools but lack Leader-level functionality. Datran Media, the study's lone Contender, presents a different model and vision than the others in the evaluation but needs a feature and platform upgrade.

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NOTES & RESOURCES

Forrester conducted in-depth evaluations in Q4 2007 of eight email marketing service providers: Acxiom Digital, Datran Media, e-Dialog, Epsilon, Experian CheetahMail, Harte-Hanks, Responsys, and Yesmail. The services evaluation included vendor surveys and executive interviews. We also surveyed 128 vendor-supplied references online and interviewed more than 32 customers by phone.

Related Research Documents

["Relationships Write The Next Chapter For Email"](#)
October 30, 2007

["US Interactive Marketing Forecast, 2007 To 2012"](#)
October 10, 2007

["Interactive Marketing Channels To Watch In 2007"](#)
March 27, 2007

["The Forrester Wave™: Email Marketing Service Providers, Q4 2005"](#)
December 22, 2005

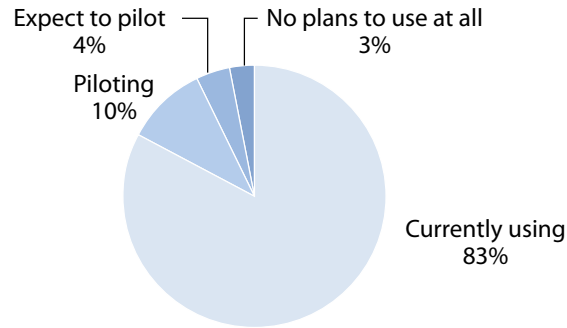
MARKETERS DEMAND EMAIL EXCELLENCE

Because email has been a staple of the marketer toolbox for more than a decade, delivery has become a commodity. Today's email marketers are counting on email's effectiveness to increase over the next three years and so expect top-level service and marketing know-how from their partners (see Figure 1).¹ Specifically, they seek:

- **Strategic guidance.** Due to an increased focus on marketing accountability in general and tight email budgets in particular, email marketers must continually prove their programs' worth and improve returns. Clients recognize that vendors can help: Their perspective on multiple email programs and the capabilities of the channel provide added value to marketers. Said one email marketer: "We're looking for more than just a delivery engine. . . . We need more frequent ideas to come from [our vendor]."
- **Triggered communication abilities.** Nearly every customer reference we interviewed aims to employ triggered email messages in the coming year. Why? Marketers realize a strong ROI from triggered programs. In the words of one interviewee: "Automation will help us be more responsive to our customers. We have to be more responsive and give them a reason to read." For email marketing service providers, triggered communication abilities mean combined excellence in integration, system responsiveness, and guidance on appropriate triggers and messaging.
- **Analytics proficiency.** Analytics provide a way for marketers to make sense of email's overall performance within the context of the larger marketing picture. As one marketer put it: "We want to look at the bigger picture — trending across campaigns and overall strategic development. How do we take our email campaigns to the next level?" Marketers also express the need to tie back to ROI using their vendor's analytics functionality. Specifically, marketers look to leverage information from multiple sources, determine ideal communication frequency, optimize profitability, and calculate sophisticated metrics like lifetime value.
- **Strong channel integration.** Email marketing service providers have made steady progress in their ability to integrate multiple streams of data for use in segmentation and reporting. Some have also streamlined communication delivery in multiple channels, including mobile, print, and RSS. Marketers also plan to integrate more data sources and applications, such as call centers and customer ratings and review tools. The holdups? 1) Privacy rules and restrictions prevent marketers from sharing data outside of company walls, and 2) marketers are confused about when to execute through non-email channels.

Figure 1 Marketers Have High Hopes For Email

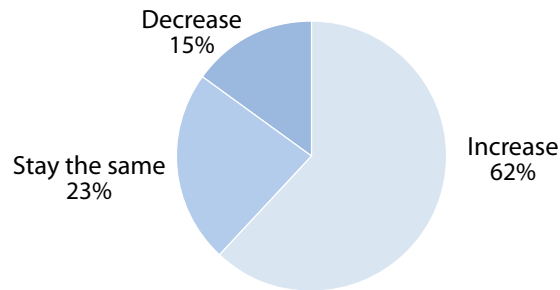
1-1 "Are you using, piloting, or expecting to pilot email within the next 12 months?"



Base: 93 interactive marketers

Source: Forrester's Q4 2006 Marketing Benchmark Survey

1-2 "In the next three years, do you think marketing's effectiveness will increase, stay the same, or decrease for email?"



Base: 235 marketers

Source: Q3 2007 US Interactive Marketer Online Survey

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Source: Forrester Research, Inc.

Market Maturity Renders Email Vendor Selection Challenging

Email marketing service providers recognize the commoditization of email delivery and the need to replace shrinking delivery revenues with relevant, proactive services. Although they've tried to be more all-encompassing, most vendors still don't have much to show two years after mergers and acquisitions.² Many email vendors have similar:

- **Technology platforms.** Once a key differentiator, most vendors' platforms now work off of relational data models. Features like drag-and-drop flow charts for multiwave campaign setup and one-touch A/B testing simplify the email process for marketers, but they are no longer one-of-a-kind.

- **Services.** Enterprise marketers that have large, multifaceted email programs and complex needs rely on the knowledge and experience of email service providers. Common services across most email vendors today include campaign management, strategy, analytics, and creative. Some vendors have an edge because of a large number of staff, a few key executives and account leads, or a services legacy. But all of the vendors in this evaluation provide an acceptable level of marketing and technology service to their users.
- **Growth plans.** Few email marketing service providers want to set their successful programs on autopilot. Some vendors have acquired behavioral targeting, search, or Web analytics firms; others have established tight partnerships with complementary online marketing specialists. All are racing to offer marketers the most integrated, multichannel communications abilities.

EMAIL MARKETING SERVICE PROVIDER EVALUATION OVERVIEW

We assessed each vendor offering against 64 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 eight of the many email marketing service providers that represent the majority of vendors serving the enterprise market. We selected these vendors from a list of 50 email service providers based on (see Figure 2):

- **Revenues from email.** Most email marketing service providers are small companies or don't generate large revenues from their email businesses. To demonstrate that they're adequately established to support enterprise clients, we selected vendors with email revenues of \$25 million or more. This revenue cut-off excluded smaller players like EmailLabs.
- **Service to enterprise-level clients.** We chose to evaluate vendors that cater to enterprise clients, defined as vendors for which at least 25% of the firms that comprise their client base have revenues of \$1 billion or greater. This cutoff point excluded vendors like ExactTarget and Silverpop that serve primarily small and medium-size companies.
- **Direct relationship with customers.** This evaluation focuses on vendors that sell their services directly to customers, as marketers generally send RFPs to and conduct vendor comparisons on this type of player. For this reason, we did not include enterprise marketing platform vendors like Alterian, which sells its services through agency partners.
- **Application service provider (ASP) status.** We evaluated vendors that provide an email platform to their clients in an outsourced fashion. Why? Nearly two-thirds of marketers outsource their email programs — and of those, a majority outsource to an ASP.³
- **Primary platform ownership.** We evaluated vendors that maintain a proprietary email marketing platform. Because a large portion of the evaluation focused on the vendors' platforms, we did not include database marketing service providers like Merkle, which leverages the Quris platform.

Figure 2 Vendor Selection Criteria

Vendor qualification criteria
Vendors had email revenues of \$25 million or more.
Firms with revenues of \$1 billion or greater comprise at least 25% of each vendor's client base.
Vendors sell their services directly to customers.
Vendors are application service providers (ASPs) that provide an email platform to their clients in an outsourced fashion.
Vendors maintain a proprietary email marketing platform.

Source: Forrester Research, Inc.

Evaluation Criteria

To assess the email market and compare the vendors, Forrester evaluated the strengths and weaknesses of top email marketing service providers. We developed a comprehensive set of evaluation criteria based on past research, user need assessments, and vendor and expert interviews (see Figure 3). We then grouped these 64 criteria 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. This year, we added 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, from acquisition and branding to loyalty programs.
- **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.

Figure 3 Evaluation Criteria

CURRENT OFFERING	
Breadth of offering	What are the primary products or services that the vendor offers?
Functionality	How comprehensive is the vendor's functionality for planning, designing, executing, and measuring email campaigns?
Technology platform	How comprehensive and easy to use is the vendor's technology?
Services	How significant is the vendor's services business? How heavily do users rely on its professional services?
STRATEGY	
Strength of management team	What is the strength, depth, and general stability of the vendor's management team?
Strength of employee base	What is the strength, depth, and general stability of the vendor's employee base?
Executive vision	How strong is the executive team's vision for the future of email marketing and the long-term growth of the company? How does the company plan to execute on the vision?
Product road map	How clear is the vendor's road map for enhancing the product and services offering and increasing the flexibility of its platform?
Vertical strategy	What vertical industries is the vendor specifically targeting? What industry-specific resources, services, expertise, and/or client base does the company offer to this industry?
Breadth of marketing needs supported	How well can the vendor support marketer goals besides commerce? What products or functionality does the vendor provide to enable marketer activities across the purchase funnel (e.g., lead generation and branding)?
Cost	How much do the vendor's services cost? What is the pricing model for the platform and services?
MARKET PRESENCE	
Financial viability	How strong is the vendor's financial position?
Total employees	How many total employees does the vendor have dedicated to its email business?
Physical locations and geographic reach	How many office locations are there for clients to interact directly with the vendor?
Customers	How strong and diverse is the vendor's customer base?

Source: Forrester Research, Inc.

A DEEP FOCUS ON MARKETING STRATEGY BREEDS EMAIL SUCCESS

To stand out in a mature and flooded market, we found that email marketing service providers must do more than merely serve as an email post office. The top providers in the space connect with their clients as marketers and impart analytical and strategic guidance that improves the clients' business — whether or not it results in additional revenues for the vendor (see Figure 4 and see Figure 5). The evaluation showed that:

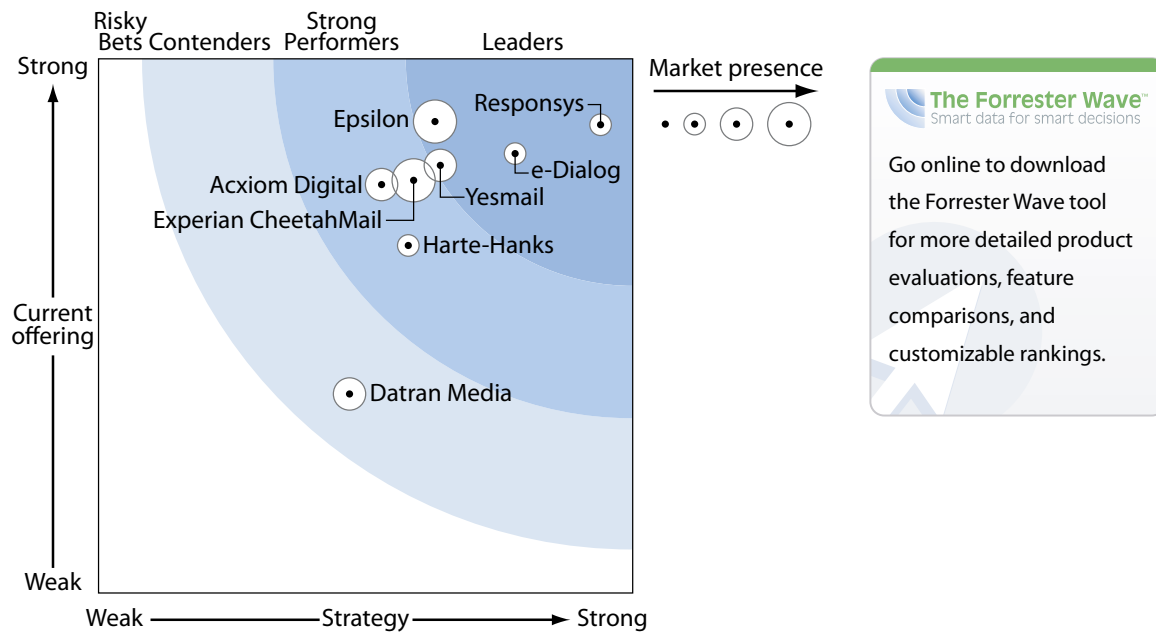
- **Responsys and e-Dialog lead the email market.** Responsys and e-Dialog — both small, independent email marketing service providers — offer exceptionally strong segmentation and data integration capabilities, as well as open architecture and flexibility. Responsys has a fabulous campaign automation tool; e-Dialog's strategy services are one of its greatest assets.
- **Epsilon and Yesmail round out the Leader category.** Epsilon and Yesmail make up the next tier of Leaders. Both are owned by a larger parent company, but each brings different strengths. Epsilon continues to offer the most scalable platform, but its strategy for providing multiple coordinated interactive services does not align with Forrester's view that one-stop shops don't help marketers manage their interactive marketing processes.⁴ Instead, that job will fall to simple technology hubs with broad networks. Yesmail has experienced a complete turnaround and moved up from the Contender category to edge into the Leader realm. How? A new CTO and his team revamped the vendor's technology by elevating its platform to the level of the other vendors and embracing development processes that enable flexible and fast innovation.
- **Experian, Acxiom, and Harte-Hanks are Strong Performers.** All owned by large database marketing organizations, Experian, Acxiom, and Harte-Hanks have not advanced their platforms or presented as plausible a vision as the Leaders. Specifically, Harte-Hanks falls down on scalability, data storage, and reporting flexibility, and Acxiom's and Experian's lack of strategic services and dynamic content process weaken their current offerings. Acxiom and Harte-Hanks have effective campaign automation and customer survey capabilities, and Experian brings able integration and a consistent focus on retailers.
- **Datran Media lacks advanced functionality but turns email into a media channel.** Datran Media, although not as functionally or technologically advanced as the other vendors, offers capabilities that they do not. The vendor is building an ad network specifically for email that enables users to monetize their email programs through third-party advertising, a strategy embraced by firms like United Corporation. It also offers clients with sensitive data needs the ability to bring its software in-house.

Figure 4 Evaluated Vendors: Vendor Information

Vendor	Product evaluated	Product version evaluated	Version release date
Acxiom Digital	IMPACT	7.0	September 2007
Datran Media	StormPost	3.0	September 2007
e-Dialog	Precision Central	6.0	October 2007
Epsilon	Dream	6.3.6	June 2007
Experian CheetahMail	Cheetah 2.0	1.18	April 2007
Harte-Hanks	Postfuture Enterprise Edition	6.0	October 2007
Responsys	Responsys Interact	6.0	October 2007
Yesmail	Yesmail Enterprise	6.0	March 2007

Source: Forrester Research, Inc.

Figure 5 Forrester Wave™: Email Marketing Service Providers, Q4 '07



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Source: Forrester Research, Inc.

Figure 5 Forrester Wave™: Email Marketing Service Providers, Q4 '07 (Cont.)

	Forrester's Weighting	Acxiom Digital	Datran Media	e-Dialog	Epsilon	Experian CheetahMail	Harte-Hanks	Responsys	Yesmail
CURRENT OFFERING	50%	3.80	1.84	4.09	4.39	3.84	3.23	4.36	3.98
Breadth of offering	0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Functionality	35%	3.42	1.45	3.86	4.60	3.35	3.24	4.31	3.87
Technology platform	35%	4.03	2.37	3.65	4.38	4.45	2.63	4.63	3.70
Services	30%	3.98	1.68	4.88	4.15	3.70	3.93	4.13	4.43
STRATEGY	50%	2.65	2.35	3.90	3.15	2.95	2.90	4.70	3.20
Strength of management team	20%	3.00	3.00	5.00	3.00	3.00	3.00	4.00	4.00
Strength of employee base	10%	3.00	4.00	3.00	2.00	4.00	4.00	5.00	4.00
Executive vision	30%	2.00	1.00	4.00	2.00	2.00	2.00	5.00	2.00
Product road map	25%	3.00	2.00	3.00	4.00	4.00	3.00	5.00	5.00
Vertical strategy	10%	3.00	4.00	4.00	5.00	3.00	3.00	4.00	1.00
Breadth of marketing needs supported	5%	2.00	3.00	5.00	5.00	1.00	5.00	5.00	1.00
Cost	0%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MARKET PRESENCE	0%	3.78	3.16	2.80	4.49	4.33	2.61	2.90	3.70
Financial viability	25%	3.50	4.25	1.00	4.75	4.50	2.25	1.00	3.00
Total employees	25%	5.00	2.00	3.00	5.00	5.00	2.00	2.00	3.00
Physical locations and geographic reach	25%	3.00	3.00	3.00	4.00	4.00	3.00	4.00	5.00
Customers	25%	3.60	3.40	4.20	4.20	3.80	3.20	4.60	3.80

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

Source: Forrester Research, Inc.

VENDOR PROFILES

Leaders

- **e-Dialog.** A small, independent email marketing services provider, e-Dialog combines a solid platform with an attainable, appropriate vision. Key features, tools, and services teams help email marketers focus on the relevance of their email marketing programs. e-Dialog clients include British Airways, NFL, and SmartBargains.com.⁵
- **Epsilon.** Epsilon, a division of Alliance Data, merges the email experience of the former Bigfoot Interactive and DoubleClick organizations. The vendor provides a strong current offering, especially in terms of its vertical approach to email, with advanced analytics proficiency. Epsilon clients include AOL and Northwest Airlines.⁶

- **Responsys.** Independent email marketing services provider Responsys continues its reign as a Leader. The vendor improved its campaign automation tool to enable marketers to easily visualize and execute multichannel, multiwave campaigns. Responsys clients include KeyBank, philosophy, and Jewelry TV.⁷
- **Yesmail.** After two consecutive evaluations with little or no change to its platform, Yesmail has emerged from the Contender category to be a Leader in the email space. Credit for the turnaround goes to a new CTO, who strengthened the vendor's campaign management, reporting functions, and technology platform and instituted Agile processes for the continual release of new features. Yesmail clients include Aeropostale, HP, and Time Life.⁸

Strong Performers

- **Acxiom Digital.** Focusing almost exclusively on enterprise-level clients that require full-service interaction, Acxiom has strong campaign automation capabilities and a robust delivery management practice but lacks dynamic content and reporting functionality. Acxiom clients include Intuit, CVS, and Marriott.⁹
- **Experian CheetahMail.** As a result of its strong campaign management services, CheetahMail is still the email vendor of choice for retailers like Neiman Marcus and Borders. The vendor is launching a new platform in 2008 to remedy some of the pitfalls we note in this evaluation. Although new clients will benefit from the new platform, the vendor has no definite plans to transfer current clients to it.¹⁰
- **Harte-Hanks.** Harte-Hanks is still a good choice for marketers looking for a vendor that understands their needs beyond eCommerce. But its email solution has gotten lost in the large database marketing company. As a result, its platform hasn't seen the advances of the Leaders. Harte-Hanks clients include L'Oréal and ProFlowers.¹¹

Contenders

- **Datran Media.** Datran Media's StormPost platform doesn't have all the bells and whistles that the platforms of the other vendors in the evaluation do, which limits its ability to help users create multiwave campaigns and customize reports. But the vendor suits media companies like Boston.com and Turner Broadcasting System, which like to keep their data close and might seek to monetize their email programs through third-party ads.¹²

SUPPLEMENTAL MATERIAL

Online Resource

The online version of Figure 5 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 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 product's functionality using a scenario-based testing methodology. We used findings from these product demos to validate details of each vendor's product capabilities. We evaluated each product using the same scenarios, creating a level playing field by evaluating every product on the same criteria.
- **Customer reference calls and online survey of vendor-supplied references.** To validate product and vendor qualifications, Forrester also conducted reference calls with four of each vendor's current customers. In addition, Forrester fielded an online survey with at least 10 vendor-supplied references.

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 readers are encouraged 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 Forrester surveyed its interactive marketer panel in Q4 2006 to gauge marketers' adoption of different channels and found that email, more than any other interactive channel, had been widely adopted. In Q3 2007, Forrester surveyed its interactive marketer panel to help forecast interactive marketing spending. As part of that survey, we asked about marketers' perceptions of the effectiveness of various interactive and traditional marketing channels. See the March 27, 2007, "[Interactive Marketing Channels To Watch In 2007](#)" report and see the October 10, 2007, "[US Interactive Marketing Forecast, 2007 To 2012](#)" report.
- ² In a spate of mergers and acquisitions launched two years ago among database marketing giants, Harte-Hanks acquired the PostFuture email platform, Experian acquired CheetahMail, Epsilon acquired Bigfoot Interactive and DoubleClick's DART email platform, and Acxiom acquired Digital Impact.
- ³ Forrester surveyed marketers in Q4 2006 to investigate the way they adopt marketing technology. See the April 26, 2007, "[Marketing Technology Adoption 2007](#)" report.
- ⁴ Forrester envisions the creation of an online marketing suite to enable a single view of the customer across channels, provide process tools to support collaboration, centralize optimization, and support a partner ecosystem. See the October 17, 2007, "[Defining The Online Marketing Suite](#)" report.
- ⁵ View the vendor summary for more detailed analysis on how e-Dialog fared in this evaluation. See the December 20, 2007, "[e-Dialog Is A Boutique Solution For Email Excellence](#)" report.
- ⁶ View the vendor summary for more detailed analysis on how Epsilon fared in this evaluation. See the December 20, 2007, "[Epsilon Hangs On In The Leader Category](#)" report.
- ⁷ View the vendor summary for more detailed analysis on how Responsys fared in this evaluation. See the December 20, 2007, "[Responsys Continues Its Email Reign](#)" report.
- ⁸ View the vendor summary for more detailed analysis on how Yesmail fared in this evaluation. See the December 20, 2007, "[Yesmail Breaks Into The Email Leader Ranks](#)" report.
- ⁹ View the vendor summary for more detailed analysis on how Acxiom fared in this evaluation. See the December 20, 2007, "[Steady Going For Acxiom Digital](#)" report.
- ¹⁰ View the vendor summary for more detailed analysis on how Experian CheetahMail fared in this evaluation. See the December 20, 2007, "[Experian CheetahMail Is A Workhorse For Retailers](#)" report.
- ¹¹ View the vendor summary for more detailed analysis on how Harte-Hanks fared in this evaluation. See the December 20, 2007, "[Harte-Hanks Provides An Economical Email Solution But Doesn't Live Up To Its Potential](#)" report.
- ¹² View the vendor summary for more detailed analysis on how Datran Media fared in this evaluation. See the December 20, 2007, "[Datran Media Pushes A Different Model But Lacks The Basics](#)" report.

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