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UPPSALA UNIVERSITY
Department of Business Studies
Master Thesis
Spring Semester 2012

**The optimization of transactional emails
in a marketing perspective**

-Incomedia Case -

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Date of submission: 25th May 2012

Abstract

Aim: Optimize the usage of transactional emails, going beyond their communicative nature and combining it with marketing purposes. The project has been developed in collaboration with Incomedia, Italian software developer and vendor.

Objective: Understand how Incomedia can exploit the benefits of transactional emails in a marketing perspective in order to increase the sales of its software.

Limitation: The specificity of the topic, strictly related to Incomedia's activities, products and consumers. Limits of time and variables tested with the A/B experiment.

Theory/Methodology : It helped us to leverage the potential of transactional emails through the improvement of one particular element, the price discount offers. Due to the particularity of the software "medium-price" level, we have choose to do an A/B test experiment of the new transactional email by presenting the discount in two different ways: monetary and percentage terms.

Result: The new transactional email, with the price discount, drove us to satisfactory results. The price discount expressed in percentage was better perceived and accepted by consumers; thanks to this, Incomedia during the experiment could highly increase its sales.

Keywords: Incomedia, Customers, Email marketing, Transactional Emails, Sales promotion, Discount presentation, Percentage, Euros

Abstract	2
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1. Introduction

1.1 Purpose of the study.....	5
1.2 Problem Statement	7
1.2.1 Preamble	7
1.2.2 Problem	8
1.3 Aim of the Research.....	9
1.4 Objectives of the Research	10
1.5 Research Question	11
1.6 Limitations	12
1.7 Outlines of the thesis	12

2. Literature Review

2.1 Email marketing	14
2.2 Transactional Emails (TEs)	15
2.3 Sales Promotion Classification	17
2.4 Consumers' perception, evaluation and decision	19
2.5 Prospect theory	20
2.6 Price Discount Presentation	21

3. Methodology

3.1 "Exploratory case study"	23
3.2 Abductive Approach	24
3.3 Research Strategy	25
3.4 A/B Test Experiment	26
3.5 Experiment Design	27
3.6 Data Collection.....	28

4. Data Collected

4.1 Secondary Data	30
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4.1.1 Incomedia Registration Process (IRP)	30
4.1.2 Transactional Emails Data	31
4.1.3 WebSite X5 Data	32
4.2 Primary Data	32
4.2.1 A/B Test Experiment Data	32
5. Analysis	
5.1 Incomedia Registration Process Analysis	34
5.2 Transactional Email Analysis	35
5.3 A/B Test Analysis	38
5.4 The optimized transactional email	41
6. Conclusion	43
6.1 Managerial implication and Future research	44
References	46
Appendix	
Appendix 1: WebSiteX5 Smart 9 – 2011 Data	49
Appendix 2: Incomedia Registration Process	49
Appendix 3: Incomedia’s Transactional Emails	52
Appendix 3.1: Manual procedure and Automatic procedure “No Answer”	52
Appendix 3.2: Automatic procedure “Yes Answer”	52
Appendix 4a: Email A	52
Appendix 4b: Email B	53
Appendix 5: Experiment Data from 4th till April the 25th of 2012	53
Appendix 6: Incomedia Data - April 2011	54
Appendix 7: Sales Forecast	54
Appendix 7.1: Experiment data –April 2012	54
Appendix 7.2: Past Data – April 2011	54

1. INTRODUCTION

This chapter starts with an introduction of the study, which has been developed in collaboration with an Italian company, Incomedia S.r.l. Then we present the problem statement, the aim, the objectives and finally the presentation of the research question. After that, the chapter ends with the limitations and outlines of the whole thesis.

1.1 Purpose of the Study

This research project is an “exploratory case study” about the optimization of transactional emails for marketing purposes in a real-business context, developed in collaboration with an Italian company, Incomedia S.r.l, specialized in the development and commercialization of multimedia solutions.

We believe this particular topic is relevant and interesting for both Incomedia and other companies that are involved in e-commerce business activities and are currently using transactional emails as a tool of communication with their consumers.

Transactional emails (TEs) are defined as automatic confirmation messages, usually sent by the company to the users during and/or after a transaction made by the users through a website. (Diennea MagNews, 2009). The message of these emails are implemented merely for communication service needs with the purpose of giving confirmations, solicitations, status notification or commercial information to consumers (Contact Lab, 2008). For example, typical TE could be a welcoming message after the registration, or the purchase confirmation that a consumer receives after buying a product online. In this way, the company conveys information regarding the action that the user is currently doing or has just completed. These kinds of emails are most of the time synthetic and essential communicative message that do not provide the consumers with more information than the ones she/he really needs.

Nowadays, 78% of the companies (Contact Lab, 2008) use transactional emails only as a communicative medium, without leveraging their potential by improving their contents and enlarging their objectives.

Previous studies about TE showed that these emails have a high potential of communication and offer a high possibility to reach the attention of the readers, because they come after an action accomplished by the user and, therefore, expects this email. As it is, these emails have a higher performance in terms of opening, read and click-through rate which goes from 60% to 80% compared with the 15% to 30% of others e-mail messages (Marketing Sherpa, 2007). That is why, we believe that the common usage of transactional emails, purely practical and informative, does not fully exploit the advantages of high performance in terms of opening rate and customers' attention.

Thanks to Incomedia's support, know-how and resources, we will analyze how transactional emails are currently used in their context in a traditional communicative way; in order to exploit and leverage transactional emails' benefits and advantages from the communicative perspective to the marketing one.

The interest and the fascination of this project relies on the fact that it faces the matter of transactional emails under a new and untraditional light, willing to understand if and how TE can be exploited and used from a different perspective, in particular the marketing one.

Due to the lack of research and studies about TE, it is believed that companies tend to underestimate the potential value of this tool. This lack is also the reason why the awareness about the potential value of TE from the marketing perspective, is still not clearly developed and acquired by the majority of companies.

We believe this project would contribute sensibly to the consolidation of a more complete and deeper consciousness about the usage and value of transactional email. Making companies realize that TE are not just the practical and underestimated tool that most of the time they are thought to be, but they can be optimized in order to drive positive and valuable results to the company.

Although this research is based on a specific case, industry, product, and company, we believe that it could be relevant and helpful for many other businesses that use transactional emails (TEs). They could find in this project valuable insights and hits, inspiring a more accurate reflection on the way

they are currently using their TEs. Therefore, the contribution of this research is definitely oriented to all companies that make usage of TEs without exploiting their actual benefits and characteristics. In particular, we give an incentive to the 78% of companies that still do not recognize transactional emails as a strong potential tool and how they could optimize and exploit this tool in order to use them as a resource that could generate great tangible benefits.

1.2 Problem Statement

1.2.1 Preamble

In order to explain clearly the problem that we identified as the basis of the topic chosen for this research project, we consider necessary to provide the readers with some fundamental information about the company, its activity and product.

Incomedia is an Italian company, European leader in the development and distribution of multimedia software for PC. Its flagship product is WebSiteX5, a software created to allow the users, without any programming and web design skills to create their own websites, blogs and online stores.

At the moment, the last version of WebSiteX5 on the market is WebSiteX5 Evolution9, available in four different versions. For our research study we are going to consider the following two versions, which can be both downloaded from the online store of Incomedia or bought in the retail market:

- ❖ WebSiteX5 Evolution9 which is the most complete version and allows to create professional websites, blogs and online shops. Its market price is 69,95€
- ❖ WebSiteX5 Smart9 which is a limited version, with the main functions of the software to create websites. Its market price is 9,99€

For a full understanding of the problem, it is also important to know that the customers who already have the Smart or Compact version of WebSiteX5 Evolution9 or the old version of the software (Evolution8), can buy the upgrade to the full and latest version WebSiteX5 Evolution9 on the online store for 49,95€.

Particularly relevant for this research project is the Smart Version. Incomedia uses it for marketing activities and promotional campaigns, mainly offering it to PC and ITC magazines for “cover mount actions” which is when the company provides the magazine with a sample copy of the software in exchange for an advertising page or review of the software. In the magazine will be included a CD with the sample version of the software offered by the company. Similar operations are developed with online marketing or specialized blogs and download portals related with the information and communication technology (ITC) world, where the users can read a review of the software and download for free WebSiteX5. The aim of this strategy is to spread the product and “brand”, to make the consumers try the software and simultaneously gain new customers, increase sales and therefore market share.

1.2.2 The Problem

The central issue around which the research problem is built, concerns the transactional emails sent by Incomedia during the registration process to the users who hold the Smart version of WebSitesX5. Once the users have the Smart version, they need to install it through the registration process (Incomedia registration process - Appendix 2 p.49). This registration process enables the company to guide users, with messages and transactional emails, through all the steps of the entire registration.

In this context, the company knows that 98% of the users who hold the Smart version are new and the registration process is the first contact that the company has with the new consumers. Moreover, through the registration process the company gets to know which type of version the user is installing.

Last year Incomedia registered 14 125 installations of the WebSiteX5 Smart9, but only 0.5% of these users bought the upgrade to the full version, WebSiteX5 Evolution9 (Appendix 1 p.49). This rate is called “conversion rate”, it refers to the purchase of the upgrade from WebSiteX5 Smart9 to WebSiteX5 Evolution9. The conversion rate of 0.5 %, is very low because in 2011 only 53 users over 14 125 holding the Smart version bought the upgrade (Appendix 1).

It is believed that the main reason for such a low rate, is the lack of strategies and initiatives that Incomedia adopted in order to stimulate the purchase of the upgrade. In fact, during and after the installation of the Smart version of WebSiteX5, Incomedia never implemented any tool to promote the purchase of the upgraded version and only a small amount of users spontaneously bought the upgrade to WebSiteX5 Evolution9.

During the registration of WebSiteX5, Incomedia uses TE's to guide the users until the successful conclusion of the process. These messages are sent through emails which contain, for example, the request of the users' email address validation, the confirmation of the activation, congratulations and thanks for the installation.

Under these circumstances, the TEs sent are purely standardized communications, synthetic and impersonal, used only for the mere and practical scope of guiding the users towards the end of the registration process. Moreover, in this framework, TEs are the first way of communication and interaction between the company and the new customers. As it is, we believe Incomedia should take the maximum advantage from this interaction.

Additionally, Incomedia has never invested much attention and time on the preparation, content and usage of transactional emails. Therefore, the scarce attention and care of these TEs resulted in the synthetic and practical messages that the company is sending to users. We believe this is a parallel problem for the company and is probably related to the low conversion rate.

Therefore, the focus of the research study for the optimization of transactional emails is mainly oriented to the usage of TEs in the registration process of the WebsiteX5 Smart9.

1.3 Aim of the Research

The aim of the research is to understand how Incomedia, as other companies, could optimize transactional emails for promotional purposes. In particular, going beyond the communicative nature of this email and combining it with marketing purposes.

The result expected is to use and optimize this kind of email for both communicative and promotional purposes. In this way, the company could benefit from two main advantages: the acceptance of transactional emails, as a communicative medium, and the promotional and advertising feature of standard marketing emails. Thus, this will permit the company to understand if TEs could be an effective tool in reaching their marketing objectives.

The aim of the research is to find a way to optimize the usage of transactional emails and extend their positive effects for the achievement of marketing goals, in increasing Incomedia's sales of the WebsiteX5 Evolution9 version.

To reach this aim, we have identified a "sub" aim which is to increase the conversion rate of upgrades from the WebsiteX5 Smart9 version to WebSiteX5 Evolution9. As we have already mentioned, for the installation of the software, the TEs are the only tool of communication between company and the consumers. Therefore, we believe that through the optimization of the TEs sent from Incomedia to the users, we could increase the actual conversion rate (0.5%) of the software and therefore Incomedia's sales.

1.4 Objectives of the research

In line with these aims we have identified co-related objectives. The first objective concerns the understanding of how Incomedia can optimize TEs by keeping into consideration its uses in the framework of the registration process, its benefits and limits as a communicative medium with consumers.

Consequently to this, we need to understand which element can be changed or added for example which sales promotion can be the most effective to increase the sales of the upgrades of WebSiteX5 Smart9 version. The main challenge of this research is to find the best solution to improve the email message in order to achieve the goal of increasing Incomedia's sales, without losing the benefits and acceptance of the transactional emails.

1.5 Research Question

According to the problem statement, aim and objective stated before, the research question that is going to be discussed in the thesis is the following:

How can Incomedia exploit the benefits of transactional emails for the achievement of marketing purposes?

To answer this research question, we will first focus our attention on the general concept of transactional emails. In the theoretical section we will consider some definitions and information about TEs in order to understand which are their specific characteristics, benefits, and limits. Based on this, we will try to define if transactional emails could represent a possible effective tool under a marketing perspective for Incomedia case.

The project will start with an analysis of how Incomedia uses TEs in their business context (Incomedia Registration Process (IRP) and actual Incomedia's transactional emails). This analysis will permit us to understand how to optimize Incomedia's TEs for increasing the conversion rate of the WebsiteX5 Smart9. Moreover, this will permit us to understand which sales promotions is more effective and efficient for Incomedia's case, considering the product and price.

After choosing the sales promotion and developing the new TE, we tested it through the A/B test experiment strategy. This permitted us to implement the new optimized TE in the real-business context of the company. Moreover, considering the low degree of studies on this topic, the choice of the experiment strategy will bring a high degree of reliability to the research.

The experiment will allow us, first, to trace and monitor the results obtained with the new optimized transactional emails; second, to compare the new results with earlier ones. Moreover, the experiment strategy will allow us to determine if the TE really is an unexploited potential marketing tool. Additionally, a quantitative analysis of the experiment data would underline the success or breakdown of this new marketing tool.

1.6 Limitations

In the project we have identified some limits from different perspectives. The first limit is linked to the specificity of the Incomedia case, that does not allow a high degree of generalization to external contexts, different activities and company profiles. For example, the parameters chosen to improve the benefits of transactional email in a marketing perspective are directly associated to Incomedia. This however does not mean that other companies with similar needs, products and activities could not take this research as a valuable example.

Moreover, another limitation is related to the timeline of the experiment, which was made in a period of three weeks. This limited period however was enough to obtain a representative number of responses in order to execute a reliable analysis of the data, confirm or not the success of the choices made in this framework and to answer to the research question. On the other hand, a larger temporal scale of the experiment could have allowed the achievements of more precise results and enable us to extend the experiment to other areas or products where Incomedia uses TEs, instead of focusing only on part of the registration process.

Another limitation regards the type of sales promotions and discount presentations chosen, as a variable of change within TE. The choices made, were believed to be the best choices considering Incomedia's objectives and characteristics of the product; even if other choices in terms of sale promotions or discount presentations would have been possible. Thus, other strategies could have been implemented to improve the TEs.

1.7 Outlines of the thesis

In *Chapter 2* we present the literature review which includes the explanation of email marketing and transactional emails, sales promotions, a brief overview about customers' perception and evaluation of deals, the prospect theory and price discount presentation. In *Chapter 3* we explain the methodology of the thesis, from the purpose of the research, the strategy, the experiment design and finally the data collection. In *Chapter 4* we present the data collected, first, the secondary data, in particular the Incomedia's Registration Process and transactional emails, and second, the presentation of primary data through the A/B experiment. In *Chapter 5* we present the analysis of both secondary and primary data based on the theoretical knowledge and the contextual situation.

The analysis ends up with a model which demonstrates how consumers react to two different TEs. The project ends with *Chapter 6* where we illustrate the conclusions of the research, managerial implications and the need for future research.

2.LITERATURE REVIEW

The chapter starts with the explanation of email marketing and transactional emails, the classification and description of the main sales promotion, a brief overview about customers' perception and evaluation of deals, the prospect theory and price discount presentation.

2.1 Email marketing

Since their early arrival, emails are one of the most used media on the internet (Sweeney et. al, 2006; Jackson and DeCormier 1997). Nowadays, emails are recognized as one of the primary technological tools in the web arena, a medium of communications and marketing (Wind and Mahajan, 2001) that allows interpersonal dialogue. Additionally, emails are considered an efficient and effective electronic marketing tool for digital and direct marketing practice (Sweeney, Dorey, & MacLellan, 2006; Allen et al, 2001; Jackson and DeCormier, 1997).

Thanks to the main characteristics and advantages of emails, this tools is considered to be a valuable and efficient medium over the web (Sweeney et al, 2006; Cheverton, 2004; Allen et. al, 2001). In fact, emails are an easy-to-use and low cost tool. They have a short turnaround of time between preparation and responses, a relatively high response rates and they can be personalized or customized messages (Cheverton, 2004). Those are the main reasons why emails are strongly used in any type of communication, in daily-life or in businesses, for both internal and external interaction between managers, customers and consumers.

The strong communicative advantage that comes from the usage of emails, makes this tool extremely suitable for marketing activities. Through this tool, marketers have the competitive advantage of offering messages that can be highly tailored, personalized and customized (Cheverton, 2004). Additionally, emails are considered an addressable, quick and interactive tool (Wind and Mahajan, 2001) which allows marketers to communicate easily and in real-time with customers; establishing a dialogue and two-way communication with customers (Cheverton, 2004).

Furthermore, emails in the marketing framework are considered both as a “push” or “pull ” medium: “Push” means that marketers send voluntarily emails to users, in order to provide them

with information or advertisement, as in the case of promotional emails. On the contrary, “Pull” means that the users start the communication, for instance asking for specific information or subscribing a newsletter (Sweeney et al, 2006; Wind and Mahajan, 2001). Linked to the "push" strategy is the main issue of email marketing, the junk emails or unsolicited commercial emails, commonly known as spam. These kinds of emails are defined by authors (Morimoto and Chang 2006; Allen et. al, 2001) messages that are negatively perceived since they are unaddressed, unwanted and unsolicited by consumers. Thus, these emails can mislead the email marketing effectiveness.

2.2 Transactional Emails (TEs)

Transactional emails are defined as automatic confirmation messages, usually sent during and/or after a transaction made by users through a website, such as order or purchase confirmations (Diennea MagNews, 2009).

The transactional email’s message is merely used as a communication service and their typical structure is synthetic, simple-text, impersonalized and standard (Diennea MagNews, 2009, Contact Lab, 2008). Generally, they are administrated and created by the IT department and sent automatically. Thus, most of the times these emails have a plain layout, are unattractive or unclear text messages (Diennea MagNews, 2009, Contact Lab, 2008).

TEs are used by companies to inform the consumers about the conclusion of a transaction or purchase process; with the purpose of giving confirmations, solicitations, status notification or commercial information by messages to consumers (Contact Lab, 2008). In this way, the company conveys information regarding the action that the addressee is currently doing or has just completed. This is one of the reasons why TEs have an opened, read and clicked on at a rate significantly higher compared with other standard emails and newsletters (Diennea MagNews, 2009; Contact Lab, 2008). The click-through rate (CTR) of transactional emails is referred to the total number of clicks that the link contained in the email has received (Diennea MagNews, 2009)

In comparison to standard emails, TEs have a higher performance in terms of opening, read and CTR which goes from 60% to 80% compared with the 15% to 30% of other e-mail messages (Marketing Sherpa, 2007).

The high performance of TEs also depends on higher delivery rate, which is one of the major keys of success for transactional emails, since they always deliver a message that is wanted, desired and expected by the addressee. Thus, they contain valuable information for consumers. For this reason the addressee is more prone to open and read the email sent by the company, since consumers do not consider these emails as an interesting or useless communication, that they have never requested (Experian 2010).

This permits a higher level of attention towards TEs, therefore, it is fundamental to send the expected messages to the customers in the right moment, in order not to waste the opportunity of the customers' attention and involvement (Diennea MagNews, 2009). Basically, the competitive advantage of TEs is the way they influence the customers' behavior, in that they are triggered into communication and interaction with the company (Experian 2010).

TEs are strongly used by companies and organizations but their key success factors such as acceptance, consumers' attitude and performance are often underestimated by companies. (Contact Lab, 2008). In most of the research based on the trends and uses of transactional emails (Experian 2010; Diennea MagNews, 2009; Contact Lab, 2008; Silverpop, 2008), the common highlighted factors were lack of both personalization and promotional offers. These features are considered to be important drivers for improving the benefits of transactional emails (Diennea MagNews, 2009; Sweeney et al 2006). It is believed that TEs can be a powerful and invaluable tool for marketers to increase sales, improve branding, customer service and loyalty (Experian 2010; Diennea MagNews, 2009; Contact Lab, 2008).

Transactional emails can be optimized by leveraging their potential benefits and opportunities by increasing the level of engagement with customers (Experian 2010). This can be achieved by improving the clearness and attractiveness of the layout, adding information, images, photos or contents related to the product or service of the transaction (Experian 2010, Contact Lab, 2008).

Along with this, TEs can be improved with personalized offers, links, suggestions and recommendations.

In the next paragraph we will linger over the different characteristics of the traditional sales promotion, in order to identify the one that could best optimized our TE.

2.3 Sales Promotions

Sales promotions are one of the strongest tools to obtain an immediate response from consumers and to affect their decisions in the purchasing process (Shi, Cheung & Prendergast, 2005; Chandon et al., 2000; Darke and Freedman, 1993). Haugh (1983) defines sales promotions as "a direct inducement that offers an extra value or incentive for the product to the sales force, distributors, or the final consumer with the primary objective of creating an immediate sale" (cited in Shi et al. 2005 p. 496).

The power of a sales promotions is mainly based on the costumer's perception of the amount of money they can save or gain by buying a promoted product (Darke and Freedman, 1993).

Sales promotions are basically divided in two groups: monetary and nonmonetary. Their main difference relies on the effect that these promotions affect consumers' perceptions and, consequentially, their evaluations and decisions. In fact, the monetary promotions seem to decrease the cost of the product; instead, the non-monetary promotions are perceived as they were able to increase the value of the product (Campbell and Diamond, 1993).

The monetary promotion includes price promotions offered through:

1. Coupons are "discounted certificates" offered by manufacturers for selected customers/consumers and for specific products (Smith & Schultz 2005). Through this promotion, only the coupon's holders are entitled of the discount (Shi et. Al 2005). Coupons can be of many types and styles, in all cases the product keeps its actual price and the holder can directly relate its saving to the full price of the product (Smith & Schultz 2005, Shi et. Al 2005). Thus, consumers have the control of their coupons, manage their saving and gain their promotional benefits at the point of purchase (Shi et. Al 2005). Coupon are delivered in different ways, they could be inserted or attached on product's

packages, magazines, newspapers and internet (Smith & Schultz 2005). They are mostly used to accelerate purchases and increase loyalty.

2.Price reduction/discount is referred to the temporary reduction of price on specific products (Smith & Schultz 2005). Price discount needs to be well selected for not dilute the brand's image and quality; and affect indifferently all consumers. Moreover, the price discount needs to be well highlighted, displayed and well promoted in newspapers, in store, on-shelf etc. in order to be effective and attract a wide range of consumers. The price discounts are mainly used for short-term goals to accelerate purchases, increase store traffic, attract new consumers and incentive the brand switching (Smith & Schultz 2005, Shi et. Al 2005).

3.Rebates and refunds are given as a "reward" for the purchase done, known as a delay form of reward (Smith & Schultz 2005). Marketers offer a certain amount of money back in case consumers buy specific offered products or combination of products, and by sending the request of refund or rebates within the time limit set by marketers (Smith & Schultz 2005). Rebates are voucher given at the point of purchases and for high-priced items; instead refund are send my mail and for low-price items (Smith & Schultz 2005). For this type of promotion is very common the high number of slippage, which represents the numbers of consumers buying the product with the intention to send the request of redemption, but they never do it (Smith & Schultz 2005). Both rebates and refund are strongly used to increase brand loyalty, retain consumers and incentive brand switching (Smith & Schultz 2005).

The nonmonetary promotion includes:

1.Extra-product or volume promotion are referred to products offered at a regular price but with one or more additional item; without any additional costs. The aim is not to add the value of the product itself but to add the value of the whole deal. This promotions is highly used for stockpiling products (Smith & Schultz 2005, Shi et. Al 2005).

2.Sample are products that are given out as trial in order to spread the product, reach the consumers and make him/her try it. Samples are offers to consumers either for free or for an irrelevant amount of money. This kind of promotion is used mainly for new products that are not well known and that

would not be bought by the most skeptic consumers who are untoward to new brands or products (Shi et. Al 2005)

3. *In-store demonstrations* are used by retailers to show the consumers the new product, its use and benefits. Through this promotion, marketers' want is to offer to consumers information and experience of the new product in order to be easily accepted and adapted (Shi et. Al 2005).

4. *Sweepstakes or games and contest* are promotion which aims is to involve consumers directly and automatically after the purchases of a product and give to him/her the possibility to win a prize (Smith & Schultz 2005). Through the games, consumers are involved by the chance to win through luck; instead of a contest the prize is earned by the consumers' skill demonstration (Smith & Schultz 2005). The prize cost is paid by the non-winners contribution. This promotion generates instant and direct profit for marketers (Smith & Schultz 2005). They are used mainly to attract customers' attention to certain product and generate store traffic (Shi et al, 2005).

Their common characteristics of sales promotion are the incentive to boost sales, attract new customers, product trial and brand switching (Shi et al, 2005; Smith & Schultz 2005).

2.4 Consumers' perception, evaluation and decision

Consumers' perception and evaluation of promotions are based on how deals or offers are presented in context (DelVecchio et al, 2007; Gendall et al, 2006; Estelami, 2003; Sinha and Smith, 2000). From these, depend the consumers' decision to buy or not to buy discounted products. Therefore, one of the main important drivers for the evaluation of promotions is the way prices, discounts and offers are presented and communicated. The primary focus for marketers is to understand how to frame discounts and promotion, in the most efficient way, in order to be well perceived by consumers and, consequently, influence consumers' behavior and choices (DelVecchio et al, 2007; Sinha and Smith, 2000).

Monetary promotions, compared to non-monetary ones, are more likely to affect customers' behavior (Diamond and Campbell, 1993). In fact, for consumers it is easier to evaluate the discount when is expressed in terms of money, rather than non-monetary terms, since they can compare the

price offer with their internal reference price, based on previous shopping experience, which is believed to be the “fair” price (Shi et. al, 2005) and reference point (Kahneman & Tversky, 1984). On the other hand, this can influence negatively the evaluation of promotion, if consumers’ internal reference price is lower than the price promoted (Gendall et al, 2006).

The main aim of promotional offers is to communicate to consumers a superior value of the product in respect to its price, in order to be perceived as a real deal and accelerate the purchase decisions of consumers (Sinha and Smith, 2000). In other words, the promotion to be successful needs to be perceived by consumers as a deal (Sinha and Smith, 2000).

2.5 Prospect theory

Behind customers’ perceptions, evaluations and decisions regarding a deal, there is a behavioral economic theory, called prospect theory (Kahneman & Tversky, 1979). This theory describes how people make decisions between alternatives, and assessing a potential value to losses or gains (Kahneman & Tversky, 1979). Thus, people base their decisions on the value given to losses and gains rather than the actual final outcomes of the action. In this way, customers in front of decisions prefer to opt to achieve gains or avoid/reduce losses (Kahneman & Tversky, 1979). Due to this theory, promotions are perceived by customers as small gain, compared to the larger loss represented by the price (Diamond and Campbell, 1993).

Therefore, in front of promotions the consumer evaluates and perceives it either as a gain or a reduced loss (Kahneman & Tversky, 1979). The nonmonetary promotions are easily seen as a gain, since they add value to the product and they are separately evaluated from the reference price. On the contrary, monetary promotions are likely perceived as reduced losses of the full loss to pay, which is the product price. Therefore, the monetary promotions are directly perceived and evaluated upon the internal reference price of the consumers. This explains why customers are more sensitive to monetary promotions such as discounts, rather than nonmonetary promotions such as samples (Diamond and Campbell, 1993).

Due to this, different framing or presentation of promotions, with the same economic value, may be differently evaluated in terms of gain or losses and, consequently, affect differently the customers’

response (Gendall, Hoek, Pope, Young, 2006). Likewise, consumers' response can be differently influenced by the way promotions and price discount are presented and described (DeVecchio et al, 2007; Gendall et al, 2006; Kim and Kramer, 2006).

2.6 Price Discount presentation

Several studies were made on price discount presentation, its use and effectiveness in influencing consumers' evaluations and decisions (Kim and Kramer, 2007; Estelami 2003, Gendall et al, 2006; Chen et al, 1998).

According to these researches, the price reduction can be framed and communicated in two ways, either in absolute terms or in relative terms (Kim and Kramer, 2007, Chen et al, 1998). The discount presented in absolute terms refers to the amount of discount expressed in money (e.g. 20\$ off). In this way, the reduction communicates the exact amount of money that the consumer is going to save, and therefore the discount is directly and clearly perceived by the consumer. On the contrary, the discount presented in relative terms is expressed by an indicator that transmits the measure of the discount (e.g. 20% off); thus, the consumer does not have an immediate and precise perception of the amount of money he/she is going to save (Chen et al, 1998). The discount expressed in percentage does not provide the consumer with a clear and accurate information regarding the actual saving (Estelami 2003).

Additionally, the attractiveness of the price promotion, framed in relative or absolute terms, depends also from the price level of the product (e.g. 20\$ or 20% off on 100\$ or 400\$) which affect differently the customers' perception of the deal. Consequently, the evaluation of the discounted price and reactions to it, differs in accordance to other factors, related to the characteristics of the product, its category and brand (Sinha and Smith, 2000). That is why marketers can decide to present the price reduction in dollar terms or percentage terms depending on the price, product and brand factors in order to express the discount in a more effective and attractive way (Kim and Kramer, 2007; Gendall et al, 2006).

Previous studies on price reduction effectiveness, show that framing discounts in dollar terms for high-price product was more significant than the same price reduction framed in percentage terms.

On the other hand, framing a price reduction in percentage terms seemed more significant for low-price product (Gendall et al, 2006, Chen et al, 1998). For example, a \$1,000 discount on a full price of \$20,000 appears significant in monetary terms, but the equivalent 5% discount seems to be less attractive; this because the consumer does not immediately understand the correspondence in monetary terms. On the other hand, a 50% price reduction on a \$0.50 full price appears more attractive than the actual monetary savings of \$0.25, that does not appear to be a big save of money.

Therefore, the presentation of the discount in absolute terms (\$), for high-price products, seems to be more attractive rather than for low-priced products, that fit more with discount expressed in relative terms (%) (DelVecchio et al, 2007, Gendall et al, 2006, Chen et al, 1998).

As it is, none of the research has taken into consideration how consumers would perceive and evaluate the price presentation for product at “medium” price level; for instance for a product which costs 50\$, the problem is to understand which discount presentation is more efficient and better perceived by consumers. However, much research stated that the larger the percentage/monetary amount of the discount presented, the more attractive and valuable the price promotion is perceived (DelVecchio et al, 2007, Gendall et al, 2006, Chen et al, 1998).

3.METHODOLOGY

In this chapter we present the purpose of the research as an “exploratory case study” about transactional emails in a real-business context, the abductive approach of the research and the strategy chosen to reach our aim. The strategy explains the A/B test experiment with its purposes and limits. The chapter ends with the experiment design and data collection.

3.1 “Exploratory case study”

The purpose of the research is exploratory since it aims to study the potential of transactional emails under an untraditional light: optimize TEs in order to start using them not only as a communicational tool, but also as a marketing tool.

With this research we want to do an in-depth investigation on the usage of TEs in a real-business context, while understanding their characteristics, nature, benefits and limits. Therefore, this research project turns into an “exploratory case study”, with the result of exploiting and leveraging transactional emails’ benefits and advantages from a communicative perspective to a marketing one.

This was made possible by developing this research project through the collaboration and support of Incomedia S.r.l, thanks to their know-how, customers, resources and technological tools.

Incomedia S.r.l is an Italian company, European leader in the development and distribution of multimedia software for PC. We believe this company is a great example of e-commerce businesses thanks to some particular characteristics: small-medium company, their core business is based on the on-line sale of their flagship product (WebSiteX5 software), their marketing activities are mainly focused on online promotions, social media, email and advertisement through ITC specialized magazines.

The choice of collaborating with this company was made by taking into consideration three main factors: 59% of their sales are made by webs and online store (Incomedia Annual report, 2011). Their daily dealing with TEs as a communicative tool with their consumers. Their awareness of the cost of their marketing activities which are highly selected in order to control the costs for their

marketing operations and reach the most efficient results with the lowest economical effort. Therefore, this research project can be an incentive for Incomedia to exploit the transactional email usage for both communication to marketing purposes, as well as other companies. The success of this exploratory case study will allow Incomedia to increase sales without any additional marketing cost, but by only leveraging transactional email's benefits and advantages in different perspectives.

We believe that by turning this research project into an exploratory case study, we will be able to analyze, test and implement TEs in an untraditional way in a real-world situation.. So, thanks to Incomedia we will dive deeper into the analysis of TEs in their daily usage, function and activities in order to get an in-depth sight and understanding of the relationship between the usage of transactional emails and its context. This will allow us to how to optimize this tool in order to make it effective in a marketing perspective.

On the other hand, we are aware that by turning the research project into an exploratory case study, it will not allow a high degree of generalization, due to its specificity (Flyvbjerg, 2011; Yan, 1994). As it is, our aim is not to generalize the specific results obtained from the particular case of Incomedia, but through this exploratory research based on a specific company, we want to offer a possible solution on how optimized transactional emails can lead to positive results and advantages to companies. In particular, we aim to do it by demonstrating the concrete benefits, that an accurate usage of this kind of email, could generate for companies that underestimate the marketing potential of transactional emails.

Consequently, the analysis and conclusion are formulated by sticking to the specific case study, but without neglecting the opportunity to offer new investigations, experiments and in-depth examinations, not exclusively related to the particular case considered in this research.

3.2 Abductive Approach

The research approach of this project is abductive since the results achieved are based on both on theory and empirical analysis (Dubois and Gadde, 2002) and, therefore, it includes elements of the deductive and the inductive approach.

The inductive approach was used to understand the framework of the TEs, starting from the analysis of the empirical data provided by the company, in order to permit the evaluation and selection of the most appropriate theory to use (Saunders, Lewis and Thornhill, 2007). This approach was used mainly in the analysis of the TEs, in order to have a clear understanding of how the company uses them as a communication tool, in which context, for which purposes and what are the benefits that they provide to the company.

The deductive approach refers to the variables presented in the transactional emails which are based on the theory and then tested in real context (Saunders et. al, 2007). The choice regarding the element to change or to improve in the transactional email was evaluated on the basis of previous studies on the potential, trends and characteristics of transactional emails. On the basis of the theoretical background, a similar evaluation has been made for the selection of the type of promotion and presentation.

Finally, this project research presents a flexible structure where different choices of elements or variables would lead to different results (Saunders et. al, 2007).

3.3 Research Strategy

The chosen strategy to answer the research question is the experiment, which is believed to be appropriate for the case. In fact, considering the low degree of studies on TEs in a marketing perspective, we believe that the choice of the experiment will bring a high degree of reliability to the research.

Furthermore, the experiment is an effective strategy to demonstrate how the change of one element, called independent variables (Saunders et. al, 2007) such as promotions, pricing or communication can produce changes in the outcomes of transactional emails' performance, called dependent variables (Saunders et. al, 2007). In this case the variable considered is the discount offer inserted in transactional emails.

The strategy is to implement an A/B test experiment which allows us to test the outcomes of each kind of discount promotion and determine which is the most effective. The aim with this test is to create two TEs, with the same objective, content and with the same discount value, but presented in

two different ways (% and €). Through this experiment it is possible to measure and compare the efficiency of each email in relation with the other. The response will vary by consumers' perceptions and evaluations. This response is represented by the number of WebSiteX5 Evolution9 upgrades sold through the new transactional emails, during the experiment.

3.4 Experiment: A/B Test

A/B, or split test experiment, is a method to test marketing variables in a real-world context (Eisenberg, 2004). This test is used by marketers and companies to understand marketing efforts or changes in e-commerce or online marketing activities before taking decisions upon certain elements.

The test consists of creating two sample versions, defined as A and B, which differ from each other for a single-variable element. Commonly, the variables tested are elements of emails, websites, calls to action, banner ads, landing pages, which can vary from the size, color, image, context length, price and promotional offers, layout etc. (Paras Chopra, 2010; Eisenberg, 2005).

Once the single-variable elements are created, they are compared and tested sending them simultaneously and randomly to a pool of contacts divided in two groups, which are based on certain criteria or goals (Paras Chopra, 2010). This allows us to determine which of the two variables brings better results and which is the most efficient for the achievement of the goal proposed.

The success of one single-variable element is defined by a predefined metric of success, such as click-through, opening rate, sales rate etc., which represents the index to monitor the performance of the single-variable element chosen (Paras Chopra, 2010; Eisenberg, 2005).

On the other hand, the A/B test has some limits concerning the elements that is possible to change between each version. Only one element at a time can be tested and compared, since too many changes create confusion and difficulties to define which element determined the success of one test sample over the other (Paras Chopra, 2010; Kohavi et. al, 2009; Eisenberg, 2005). Therefore, to test more elements one must do several single experiments.

Moreover, this test is based on quantitative metrics, which imply that the results, in order to be effective, need to take into consideration a significant pool of users, proportioned to the total amount of consumers or visitors (Eisenberg, 2004). From that depends also the length of the experiment. (Kohavi et. al, 2009; Eisenberg, 2005). Furthermore, with this test, it is possible to determine numerically the success of a test sample, excluding any reasoning, explanations or clarification of the success or failure of certain elements (Kohavi et. al, 2009).

Considering the features and limits of the A/B test, we believe this is the most appropriate method to test our choices, since we need to test the message of the new transactional email with the two single-variable elements of discount presentations, expressed either in % (Email A) or € (Email B).

Our metric of success is the conversion rate which is referred to the percentage of upgrades purchased through the new email. This will permit us to determine which one of the two discounts is more suitable for the price level of our product and which of the two discounts is the most efficient for the increase of Incomedia's conversion rate.

3.5 Experiment Design

The experiment is implemented by creating two different TEs, with the same characteristics and purposes and with a different price discount presentation. Here follow the two types of messages:

Email A: (Appendix 4a p.52)

- Welcoming sentence
- Discounted in %
- Code with the discount promotion

Email B: (Appendix 4b p.53)

- Welcoming sentence
- Discounted in €
- Code with the discount promotion

The experiment is held through a longitudinal time horizon of three weeks, from the 4th of April until the 25th of April 2012, which permits us to collect a significant amount of data for the aim of the research. Moreover, the experiment is supported by Incomedia's technical resources and tools and we believe that this will bring validity and reliability to the whole research project.

The sample group of our experiment are users who are installing WebSiteX5 Smart, and that are

automatically recognized by the software that controls the registration process. Therefore, the sample group of the A/B test is represented by non-random and representative sampling of Incomedia consumers.

The A/B test software tool is Google Web Optimizer, used by the company, automatically sends the two emails (Type A and Type B), in an alternating mode, in order to have the sample group split in two groups composed by the same number of consumers. The aim of the A/B Test is to monitor and determine which of the two messages reaches faster and more efficiently a higher conversation rate in the established period of time.

3.6 Data Collection

The data and information collected for the development of the research project are both secondary and primary data (Saunders et Al., 2007).

The secondary data collection were provided thanks to the collaboration of the technical staff of Incomedia's IT and Marketing department. The relevant data collected for the research concern Incomedia's registration process system, the existent Incomedia's transactional emails used by the company during this registration process. They have clearly explained to us the registration procedure through some simulations on the computer, showing the different steps of Incomedia registration process (Appendix 2 p.49) and the transactional emails sent during such process (Appedix 3 p.52). These emails have been sent to our email box .

Additionally, the company provided us with necessary data for the development of the project such as the total amount of WebSiteX5 Smart9 installed in 2011 and consequent number of upgrades sold in the same year (Appendix 6 p.54)

Furthermore, Incomedia provided us with specific information and dossiers about their marketing activities and products in particular prices, functions and characteristics of their different software versions and formats. All this information was useful to understand and create the framework for the development of this case study.

This data collection lead us to a qualitative analysis approach of secondary data which permitted us to develop the project through an in-depth sight and understanding of transactional emails in their

context, function and structure for following improvement to reach our aim. This analysis has allowed us to create the framework to collect primary data needed for answer to the research question. The A/B test experiment with the new optimized transactional email was implemented after this analysis.

In addition to secondary data, the whole research project also received a great contribution from primary data that we collected through the A/B experiment implemented in Incomedia Registration process. This allowed us to evaluate the efficiency of the choices made for the optimization of Incomedia's existent transactional emails.

During the experiment, the company collected the data with the software Google Web Optimizer, which was implemented in the last stage (Activation step) of Incomedia registration process (Appendix 2 p.49). Through the activation code that the user needs to insert during the installation, the company can identify which version of the software the user is installing. In this case, if there is the request of installing the WebSiteX5 Smart9, the company knows that new optimize transactional email for the upgrade of the full version WebSiteX5 Evolution9 can be sent to the consumer.

The analysis of primary data is based on a quantitative approach with a comparative analysis of the results obtained from the experiment in April 2012 and the result achieved in the same period in the previous year, from April 4th to April 25th 2011. Upon our request, the company provided us with the specific data concerning the total amount of WebSiteX5 Smart9 installed and the consequent number of upgrades sold from April 4th to April 25th 2011, which were given to us directly from their database.

Regarding the comparative analysis of this primary and secondary data, we can see that a one year gap between the data compared can influence the appropriateness of the comparative analysis, since the results can be affected by different macro and micro-economic variables.

4. DATA COLLECTED

In this chapter we present the data collected for the development of the research project. First, the secondary data, in particular the Incomedia's Registration Process and transactional emails. Second, the presentation of primary data collected through the A/B experiment where the new transactional email with the two promotional offers were implemented in the Incomedia registration process.

4.1 Secondary Data

4.1.1 Incomedia Registration Process (IRP)

The IRP represents for Incomedia a tool of contact with the users; through this registration the company is able to identify which version of the software the consumers is holding and installing.

The software installation can be accomplished through two main different procedures: one manual and one automatic (in the automatic way users have the possibility to register or not to Incomedia's technical support, called "Answers") (Appendix 2 p. 49).

Both the procedures are developed in three sequential steps: "registration" (subscription of users' data), "validation" (of the users' email address) and "activation" (completed registration of the software). The "activation" step represents the final stage of the registration process, where users have already completed the registration, confirmed their email address and accepted the policy concerning their data treatment. The detailed information of the three procedures are shown in the Appendix 2 (p. 49).

In the manual registration, Incomedia recognizes the type of version that the customers is holding only after the validation step, which represents the penultimate step before the registration is completed (Appendix 2). In this procedure, the only TE that the company can send to the user is at the last stage of the process, after the validation and before the activation stage.

In the automatic registration, the consumers can decide from the beginning whether or not to register to Incomedia's technical support platform called "Answers". In this procedure, Incomedia is able to identify the type of version before the registration of the user's email (Appendix 2). In case of no registration to "Answer" ("No Answer" – Appendix 2) the subscription is done only by the user's email address. At this point, Incomedia can send the first TE in order to lead the users to

complete the full registration. Conversely, in case the users register to “Yes Answer” (Appendix 2) users give their data spontaneously (Name, Surname, email address) for the complete registration. As is it, the validation and activation are done at the same moment.

The main difference between these three procedures is that the company has the possibility of action and interaction with the consumers in different stages of the registration. In the automatic procedure the contact starts immediately at the beginning of the registration, before the validation stage. This means that the company can start to send the TEs with promotional offers before the registration and the validation step (Appendix 2). Instead, in the manual procedure Incomedia can get in contact with consumers after the validation and before the activation step. (Appendix 2). That means that the company starts to communicate with the consumers at the activation step, which represents the last stage of the registration process. This means that in the manual procedure Incomedia has less possibility of promotional action with the transactional email.

4.1.2 Transactional Emails Data

The TEs sent by Incomedia in the registration process are slightly different from one procedure to another. In all the three procedures Incomedia sends the transactional emails in the validation and the activation step in order to guide the users to the next step, to conclude the registration successfully and start using the software (Appendix 3 p.52).

The company informed us that TEs with extra promotional information, such as commercial offers, can be sent only after the validation stage, before the activation step, due to the policy for the treatment of consumers’ data.

The first TEs that Incomedia sends is in the validation step (Appendix 3.1 p.52) where consumers are asked to verify their emails address in order to complete the registration. To facilitate the action, the company always gives the link where the customers can click for continuing the process. In the “Yes Answer” the first TE sent is already “personalized”, with the Name and Surname of the consumers (Appendix 3.2 p.52), since in this procedure the consumers have already given, spontaneously, their full data for the complete registration of the software.

The last TE sent in the activation stage, includes the confirmation of the activation and a simple instruction to start using the software (Appendix 3). This represents for Incomedia the last email sent to consumers for the registration process of the software.

4.1.3 WebSiteX5 Data

The data provided by Incomedia, upon our request, concerned the total amount of WebSiteX5 Smart9 registered and total amount of upgrades WebSiteX5 Evolution9 sold, in a period of time of three weeks from April 4th to April 25th in 2011 (Appendix 6 p. 54)

This data has been used as a term of comparison with the primary data collected from the experiment, framed in the same period of time, in order to determine the success or failure of the new transactional emails optimized by us and implemented in IRP.

This data showed that in 2011, 430 TEs without commercial offers had been sent to the users in the same registration process of the experiment (Appendix 6). In this period of three weeks, over a total of 430 installations of WebSiteX5 Smart9, only 2 users bought the upgrade to the full version Evolution 9. The conversion rate is 0.5% of the total installations of WebSiteX5 Smart9 (Appendix 6). We will analyze this data in the following chapter.

4.2 Primary Data

4.2.1 A/B Test Experiment Data

This primary data is the result of a three week A/B test experiment conducted from April 4th to April 25th in 2012. Through this experiment, 398 new TEs with discount offer have been sent to the consumers during the registration process of WebSiteX5 Smart9 (Appendix 5.2 p.53). The A/B test allows us to monitor the rate of upgrades coming from each version and, therefore, determine which kind of discount is more effective for this kind of product and price level.

More precisely, Incomedia sent a total of 430 validation emails (Appendix 5.1 p.53) but only 398 of new transactional emails. This is important information because customers, in order to continue the registration process, needed to validate their email address. This validation allows the users to continue the registration and receive the new transactional email with the discount offer. This means that 32 customers did not validate their account and, therefore, did not complete the registration. In

this case, 398 users out of 430 concluded the installation of the Smart version and received the new TE with the discount offer.

The software split the sample into two equal groups and sent 199 users email A (with the discount framed in %) and 199 users email B (with the discount framed in €). Along with this, Email A managed to register 19 upgrades and Email B registered 11 upgrades (Appendix 5.3 p.53).

From the result obtained, by the TE with the discount presented in % (Type A), the conversion rate increased to 9.5% of the total emails sent (199) and for the discount presented in € (Type B) the conversion rate increased to 5.5% of the total number of emails sent (199) (Appendix 5.3).

5. ANALYSIS

The analysis of both secondary and primary data would help to clarify the decision made based on the theoretical knowledge and the contextual situation. The analysis ends up with a model which demonstrates how consumers react to two different transactional email messages.

5.1 Incomedia Registration Process Analysis

Before implementing the experiment of the new TEs, we made an analysis of IRP. This analysis was necessary to understand at which stage of the registration process it is possible to introduce the new transactional email and how it was possible to intervene in order to obtain the maximum value in terms of customers' acceptance, response and promotional effectiveness.

Along with this, it was important to understand when the company can start sending TEs with or without promotional offer at each step of the software installation. Considering the registration process presented in the previous chapter, the common step for all the three procedures is the activation step, which represents the final stage of all the three registration processes. At this stage the customers have already completed the registration, agreed on the policy and received the last transactional email from the company.

This analysis lead us to understand how Incomedia could improve TEs sent through this software registration in order to get more opportunity to interact with consumers. This tool is the first medium of communication that Incomedia use to interact with new consumers.

Among all the three steps mentioned before, the step which we consider most convenient and appropriate to introduce the new transactional email is in the activation step. This stage represents the last opportunity for the company to communicate with the consumer and therefore there are more chances that the user will keep the promotion in mind. At this stage the company can still take advantage of customers' involvement, exploiting TEs and using them for marketing purposes. Moreover, we decided to realize an optimized TEs that could fit with all three procedures at the same time, in order to have a bigger and unique sample for the A/B test experiment, instead of fragmenting the experiment creating an A/B test for each procedure and three weeks would not have been enough to make the A/B test experiment representative.

Taking into consideration this evaluation, we optimized the transactional email in a way that could fit with all the three installation procedures and in three weeks could reach more consumers and monitor a higher number of installations.

5.2 Transactional Email Analysis

Considering the analysis of the TEs used by Incomedia, in the registration process, we noticed that TEs are used and structured exactly as defined in the theoretical explanation: automatic and communicative messages, structured in a synthetic simple-text, impersonalized and standardized.

In particular, the TE involved in the activation stage, which includes the welcoming message and confirmation of the installation, represents the most important email for the company, since it is the last email sent to consumers. As it is, this could represent the last opportunity for the company to communicate with consumers. Considering, we found the last transactional email to be too simple, synthetic and unattractive. It needs to be improved (Appendix 3 p.52).

In light of the context and information provided in the literature review, there are high margins for optimization for Incomedia's transactional email, starting with the attractiveness of the layout and proceeding with the improving the content.

Taking into consideration the aim and objective of the research, we decided to contribute to the improvement of Incomedia's transactional email with two main modifications: the content of the message and the addition of a promotional offer. We believe that the combination and improvement of these two elements would sensibly increase the efficiency of this email from both the promotional and the communicative point of view.

More precisely, the optimization concerns the re-elaboration of the new TE, making it less synthetic and standardized, but more friendly and attractive. We also added a promotional offer with a discount on the upgrade to WebSiteX5 Evolution9. This last element will be tested with the A/B experiment.

Relying on the concept provided in the theoretical section, the promotional offer is one of the most important features for the improvement of the benefits of transactional emails. (Diennea MagNews,

2009; Sweeney et al 2006). We identified that the promotional offer could be an ideal tool to optimize Incomedia's transactional email and leverage the potential of transactional emails.

The idea to add a promotional offer, in particular a price discount, was because a "reward" strategy, makes the consumers perceive such discounts as a reward/deal for the successful conclusion of the registration. Additionally, the company knows from the registration process that 98% of the customers are new, therefore we are aware of the difficulties to convince new consumers to buy the upgrade, since they do not know the software really well. Thus, the discount can be a new incentive for the consumers, since it is one of the strongest tools to obtain an immediate response and to affect customers' decisions in the purchasing process (Shi et al, 2005; Chandon et al., 2000; Darke and Freedman, 1993).

On the other hand, among all the types of sales promotions presented in the literature review, we believed it was necessary to do an accurate evaluation of the discount choice for not losing the benefits of transactional emails and gain the maximum value for the type of promotion offered.

Since consumers, in this circumstance, are expecting a communication message rather than a promotional offer. Therefore, to add an elaborated or aggressive promotional offer could represent the risk of misleading the consumers' attention from the content of the message, diluting the importance of the transactional communication and, consequently, be perceived as an undesired message by the consumers.

Among all the type of sales promotions, the evaluation was made by taking into consideration both the type and price of the product. Since the product to be sold is the upgrade of a software, generally, consumers buy this product only one time. This means that extra product promotions are the least efficient choice to do, because it would just affect few interested consumers, with specific needs. The same goes for the sample or in-store demonstration promotions, since consumers are already holding a "sample" of the product. Additionally, it would not drive profit to Incomedia, since consumers have already tried the product, they know what it is about and they already know if it is worth buying or not.

Consequently, sweepstakes/games/contest promotions could be an option for this type of product but we believe that, in this case, it is not the best solution considering the aim of the company and the resources available. This type of promotions would request additional costs, time and effort to

create “best game and contest” to create profit for the company without loses. Conversely, to offer a rebate or refund was another possible choice where Incomedia can give the opportunity to consumers, once they have bought the product to get a cash-back for a certain act (Smith & Schultz 2005). But this from our point of view, would not stimulate the consumers for an immediate purchase rather for long-term choice of purchase, since the offer is not immediately perceived and utilized. Furthermore, refunds are more suitable to increase brand loyalty, retain consumers and incentive brand switching (Smith & Schultz 2005).

The most efficient sales promotions for our case, we believe are coupon and price discounts, considering the product’s characteristics and price level. As it is, the coupon fits with this type of product since it gives the discount only to consumers who are buying the upgrade of WebsiteX5 software. Additionally, the product keeps its actual price and the coupon holder can directly relate its savings to the full price of the product (Smith & Schultz 2005, Shi et. Al 2005). The same goes for the price discount which are temporary reductions of price on specific products (Smith & Schultz 2005) in order to attract a wide range of consumers, accelerate purchases and increase store traffic (Smith & Schultz 2005, Shi et. Al 2005). Moreover, consumers with price discounts can perceive easily and directly the amount of money to save (Shi et. al, 2005) since they compare it with their internal reference price, based on previous shopping experience, which is believed to be the “fair” price (Shi et. al, 2005) and reference point (Kahneman & Tversky, 1984). Taking into consideration both promotions and characteristics, we believe that what suites our case best is the price discount promotion to Incomedia’s customers who buy the upgrades of WebsiteX5 Evolution9.

Likewise, we did not know if the simple addition of the price discount (e.g. 10€) was going to be effective, taking into consideration the full price of the product (64,95€) which can be considered to be a “medium-price” level. As it is, it was necessary to decide how to present the price discount in the most effective and attractive way.

Based on literature reviewed we did not find any clear answer to overcome our doubt, even though, several studies (Gendall et al, 2006, Chen et al, 1998) stated that the discount expressed in monetary terms is more effective with high-price products and for low-price product the percentage terms is more attractive. Furthermore, the larger the amount of the discount presentation, the more attractive

and valuable the price promotion is perceived (DelVecchio et al, 2007, Gendall et al, 2006, Chen et al, 1998).

Due to this uncertainty of which discounts could have been better perceived by Incomedia's consumers, we have decided to add a discount offer with the same economic value but expressed in two different ways, one in percentage and one in monetary terms. Based on the literature, customers' perceptions, responses and decisions regarding deals are related to a behavioral economic theory, is called prospect theory (Kahneman & Tversky, 1979). According to this theory, people base their decisions, between alternatives, by assessing potential value to losses or gains rather than the actual final outcomes. In this way, customers when deciding on deals, prefer to go for sure gains and avoid or reduce losses. (Kahneman & Tversky, 1979).

5.3 A/B Test Analysis

The A/B test experiment was made in order to determine which one of the two price discount promotions is better perceived by consumers within the transactional email, and which one of the two emails is more valuable and effective to increase the conversion rate of WebSiteX5 Evolution9. Therefore, the analysis will follow this aim.

The analysis has been made through a comparative analysis between the results obtained from the experiment realized from April 4th to April 25th 2012 and the results achieved in the same period in the previous year, April 2011. For this one year gap comparison, the company ensured that the data of the previous year was not influenced by related external factors, like particular promotions or marketing activities with the Smart version.

A comparative analysis was also made between the number of upgrades sold through each version of the new transactional email (Email A and Email B). This comparison permits us to understand how customers react to the new transactional email and determine which one of the two discount presentations is better perceived by consumers.

As it is, the two new transactional emails with the two discount presentations produced substantial differences in consumers' response: the Email A with 20% off registered 19 upgrades, the Email B with the 12,99 off only 11 upgrades. Thus, the discount expressed in percentage (Type A), compared with the one expressed in € (Type B), resulted in 73% more valuable compared to the discount

expressed in euros. This great difference is only a matter of consumers' perception, since the economic value of the discount (12,99€) is the same in both emails.

That shows how the presentation of the same promotional offers and with the same economic value, is evaluated differently by customers. Also, in how customers' decisions, to buy or not discounted products, are easily influenced by the presentation and description of offers or deals in a particular context (DelVecchio et al, 2007; Gendall et al, 2006; Estelami, 2003; Sinha and Smith, 2000).

Additionally, the comparative analysis has been made between the total amount of upgrades registered with the new optimized transactional email and total upgrades achieved in the same period last year (April 2011) with the regular transactional emails, in order to evaluate the improvement of the conversion rate of the WebSiteX5 Evolution9. Through this analysis, we found that the new transactional email with the insertion of the discount offer, expressed in percentage (Email A), had significantly improved the conversion rate of WebSiteX5 Evolution9 from 0.5% in 2011 to 9.5% during the experiment.

Thanks to the A/B test experiment we found that the price discount presented in percentages was more efficient and better perceived by consumers than the discount presented in euros, with 4% units of difference.

To demonstrate how the optimized transactional email could be used by Incomedia from a marketing perspective, we decided to use the data collected during the experiment, to make a sales forecast of the upgrades to WebSiteX5 Evolution9, over a period of one year. First, to demonstrate the success or failure of the choice made upon the price discount promotion for the product, price level and context, second, to show how this promotion would help Incomedia increase sales in the short-term and attract the new consumers to buy the full-version of the software, and third, to demonstrate how much Incomedia could gain from the implementation of the new transactional emails if the results achieved during the three weeks of experiment were stable over the whole year (2012). Under these circumstances, we are aware that micro and macro-economic changes would affect the forecast proposed.

It is important to underline that the full price of the upgrade is 64,95€ with the discount of 12,99€ or 20% the total amount of the discounted upgrade comes to 51,96€ (Appendix 7.1 p.54).

In these three weeks for a total amount of 30 upgrades sold, at 51,96€, Incomedia registered 1 559€ of revenues obtained by 987,24€ (Email A) and 571,56€ (Email B). On the contrary, in 2011 Incomedia gained 129,90€ with two upgrades over 430 installations (Appendix 7.2 p.54). That translates to an increase of revenues of 1 428€. This confirms that the choice made concerning the sales promotion was in line with this kind of product, price and the objective. This result could be improved by implementing only the version that produced the best results, the email A with the discount expressed in % (Appendix 7.1).

Incomedia, with the Email A, achieved 19 upgrades in 3 weeks over 199 consumers, which represents half of the sample group. In this case, Incomedia by choosing to optimize its transactional email by this price discount strategy, could sell 329 upgrades yearly at 51,96€ for a total revenues of 17 112€ (Appendix 7.1). We believe that this result can be improved by delivering the Email A to all Incomedia's consumers and not only to half of the sample used in the experiment.

The same procedure has been followed for the data obtained in April 2011, where the upgrades were 2 over a sample of 430 installations made in three weeks. We have estimated that Incomedia sells 35 upgrades in the whole year at the full price of 64,95€. In this way Incomedia received total revenues for 2 252€ (Appendix 7.2).

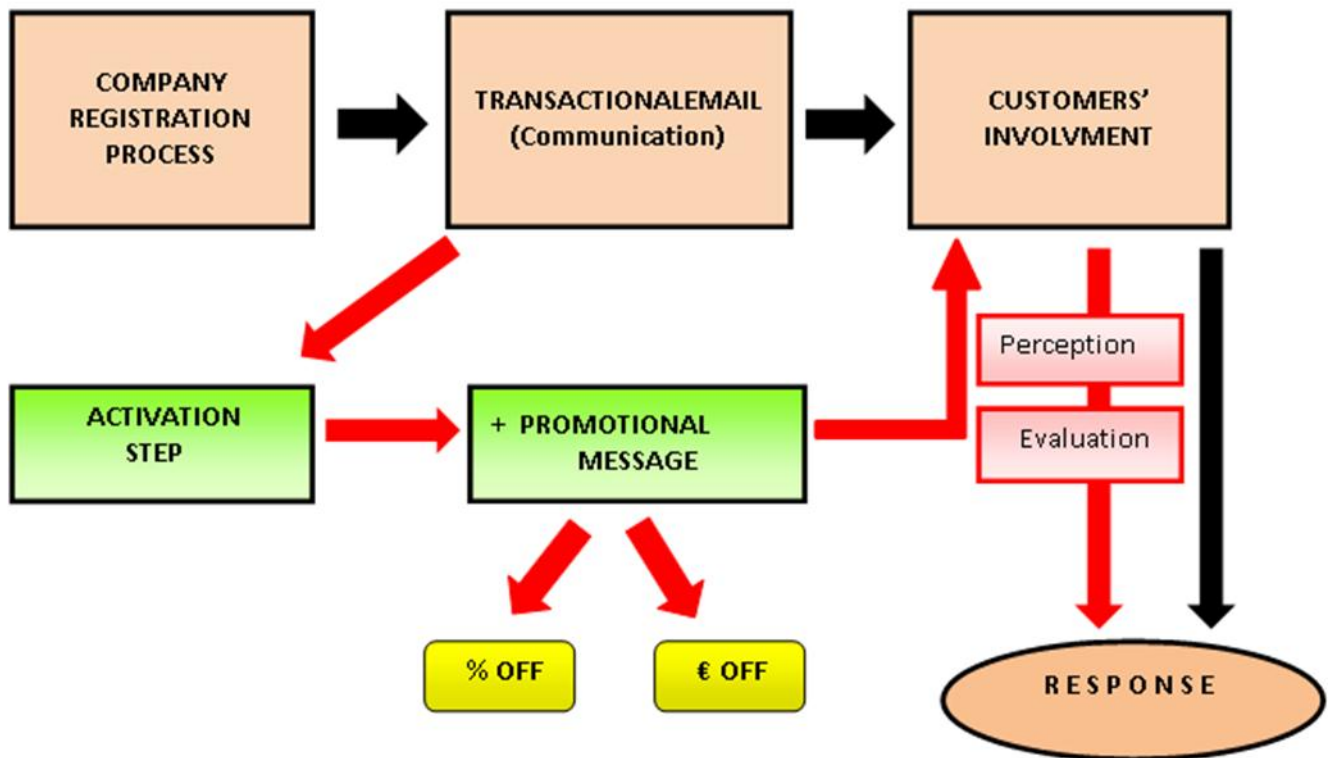
The choice to compare the results with the three weeks experiment was made in order to see how this new transactional email could drive to positive result compared with ordinary transactional email usage. We have not decided to compare the results of the experiment with the yearly data of 2011 in order to make the comparative analysis more reliable and precise, since there are great differences in the size of the samples of customers (430 versus 14 125) and period of time (3 weeks versus 1 year).

We believe that this comparative analysis, by taking into consideration different factors (the optimized transactional email, conversion rate, sales forecast) has demonstrated how the new optimized transactional email, beyond the communicative nature and its usage, is able to lead to positive results for Incomedia's marketing goal (increase of sales). In light of the our research, TEs could be used by Incomedia for both communication and promotional purpose

5.4 The optimized transactional email

To give a better footprint of how optimized TEs work for both communicational and promotional purposes we have created a model based on our findings.

Figure 1:



This model shows how consumers' mind-set and reactions are influenced by TEs sent in a specific context. The three main actors of the model are the company registration process, the transactional emails and the customers (Figure 1).

The model shows two different processes that the customer faces in front of two different transaction messages: one communicative, which is the standard transactional email, and the other promotional, which is the optimized transactional email with the discount offer.

The first process, explained by the black arrow in the figure (Figure 1), underlines the communicative function of transactional emails, between the company and the customers during the

registration process. In this framework, the transactional emails sent by the company has the aim of guiding customers until the complete registration of the software. Thus, the transactional email are synthetic and standard messages and contain only the necessary information for the customers. As it is, the customers are expecting such communication from the company in order to complete the registration successfully. That is why, in this circumstance customers are usually more prone to open, read and respond to the transactional email, since they are in the process of registration already and willing to proceed to completion. In this first process, customers' response is immediate, since the customer is prone to follow the instructions given from the company.

The second process, shown by the red arrow (Figure 1) was created after the analysis of Incomedia registration process (Appendix 2). It underlines the promotional function of the optimized transactional emails.

In this framework, the company sends the last optimized transactional email in the activation step. This emails is more elaborate and offers the consumer a "special" offer as a reward for downloading the software.

Under these circumstances, the consumers open and read the new transactional email, since they are still triggered by its content, but the response is not immediate. At this point the consumers need to evaluate the message and take a decision. The customers' involvement is influenced by the perception and evaluation of the offer proposed, which can turn to a positive or negative response. Thus, in this process the customers' involvement and response is not immediate, but decisions are carefully taken based on their perception and evaluation.

We believe that this model gives way for the last optimized transactional email to be both communicative and promotional, with the aim of achieving positive customers' responses.

6.CONCLUSION

In conclusion, our extensive research on transactional emails has shed light on fact that Incomedia, as well as any other company, can optimize this tool to achieve their marketing goals, instead of simply “wasting” this valuable interaction with their customers.

The literature review and previous studies done on transactional emails were useful to understand the potential of transactional emails as a medium of communication.

The A/B test experiment strategy adopted in the research project lead to a satisfactory answer of the research question and demonstrated that transactional emails can actually be improved in a marketing perspective, leading to concrete benefits in terms of sales and profits.

From the analysis we can clearly understand how Incomedia can obtain significant benefits and earnings by optimizing the last transactional email of the registration process, while adding the price discount offer and improving the content of the message on their original transactional email.

The sales forecast and comparative analysis made (April 2011-2012) underline how Incomedia can easily manage to increase its sales and revenues, beyond the implementation of the new optimized transactional email. Therefore, we can confirm that Incomedia could use this new optimized transactional emails as a marketing tool to increase the sales of the upgrades from WebSiteX5 Smart9 to WebSite X5 Evolution9.

In the framework of this research, the choice to combine the transactional email with the price discount presentation was believed to be the best solution considering the characteristics of the product and the aim of the project (increase the sales of upgrades through the transactional emails). The choice of adding a price discount is just one example of how it is possible to improve the transactional email from a marketing perspective and we are aware that it could have been possible to implement other variables or elements of change according to the specific context and product.

Through this research we found out that the transactional email can be easily improved and adapted in order to become a real and efficient marketing tool. Along with this, the transactional email is a tool that can be tailored and adapted in different ways, to achieve several different advantages, benefits and opportunities, depending on the goals or activities of the company in order to bring benefits for both communicational and promotional purposes.

We believe that the optimization of the TEs represents for the company the opportunity to gain an important competitive advantage over competitors. In fact, the usage of transactional emails for marketing objectives is still not a common practice. Unfortunately, most companies still underestimate this tool and do not implement it by taking advantage of all the benefits that they can produce.

During the project, the collaboration and availability of the company was invaluable. In particular, Incomedia's support was fundamental for the development of the whole case study project by providing us with necessary data, tools, knowledge and resources. The implementation of the experiment and development of the project did not cost Incomedia extra economic resources. The only resources invested were time and personal energies in the improvement of the transactional email, without extra expenses.

On the whole, we hope we have given a concrete contribution for a deeper and more accurate understanding on the optimization of transactional emails from a marketing perspective. Thus, this research demonstrates that transactional emails are able to generate extremely positive results in terms of sales and marketing objectives.

6.1 Managerial implication and Future research

What managers need to consider while reading this project is that the optimization of TEs interest a wide range of business activities. Nevertheless, nowadays, transactional emails and marketing activities are two important factors for most business activities. Thus, this research could fit with many activities and offer important insights for managers who are involved in different business areas. However, the improvements of the transactional emails offered in this research project represents the beginning for the achievement of higher levels of improvement.

It would be interesting to analyze how the introduction of cross-selling items on promotions could increase the sales and awareness of the products' portfolio; or offer extra services to stimulate the sale of new or unknown products.

Additionally, several improvement and changes could be done in order to leverage the benefits of transactional emails from different perspectives such as customer services, relationship and retention. For instance it would be interesting to study the advantage of transactional emails to be used as a customer relationship tool with the introduction of personalized messages or offers, tailor-

made upon previous purchases or based on information requests. Other studies can be done in order to understand how to improve the quality of customer service through transactional emails. For instance the introduction of information or links regarding order status tracking on the purchase made; another possibility could be to introduce useful website links which allow the consumer to search for related information upon their purchases.

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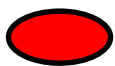
APPENDIX

Appendix 1: WebSite X5 SMART 9 – 2011 Data

	REQUESTED Registration Website X5 Smart 9	Activated/Installed Codes	UPGRADES WebSite X5 Evolution 9
ITA	2329	1813	8
GER	7518	6166	40
PL	3183	2918	0
SPA	657	591	0
CZ	968	775	2
GR (Gen 2012)	113	96	0
TR (Gen 2012)	1399	1292	0
SK (Gen 2012)	222	188	2
AU (Mar 2012)	4	2	0
NL (Feb 2012)	269	225	1
UK (Mar-Apr 2012)	70	59	0
TOTAL	16732	14125	53

Appendix 2 : Incomedia Registration Process

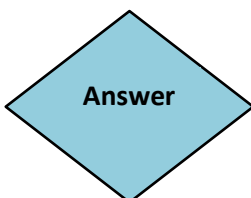
Legend:



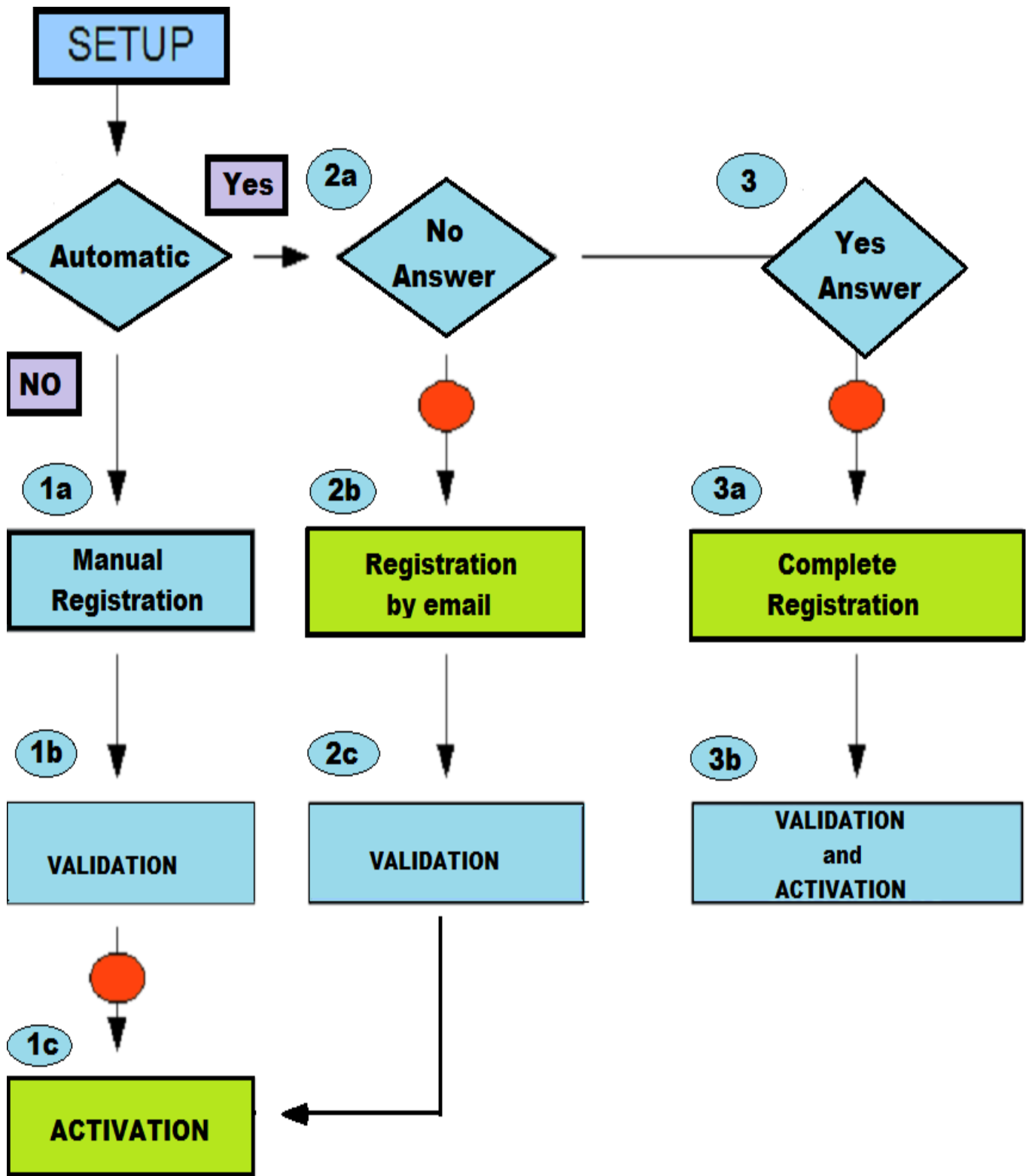
Incomedia recognizes the type of version by the customers



Incomedia can send transactional emails with commercial offers



Incomedia Technical support



The registration process is developed in two main different modes: one manual (1) and one automatic (2). All modes are developed in three main steps: registration (subscription of users' data), validation and activation.

The manual registration starts without internet connection, where users register their data by using a remote page (1a), then they need to validate (1b) their email address during the registration and finally activate (1c) the registration of the software. In this case, Incomedia recognizes the type of version that the customers hold only after the validation step (1b). In this procedure, the only transactional email that the company can send to the user is at the last stage of the process, after the validation (1b) and before the activation step (1c).

In the automatic process (2) the registration is done directly with the internet connection. This mode is sub-divided in two ways: without the registration in “No Answer” (2a) and with the registration in “Yes Answer” (3).

In the first case of “no Answer” the users decide not to register to Incomedia’s technical support platform. Thus, in this case, the registration is done only by the subscription of the user’s email address. With this procedure, Incomedia is able to identify the type of version before the registration of user's email (2b). At this point, Incomedia can send the first transactional email in order to lead the users to complete the full registration. Perhaps, incentive the consumers to subscribe also to the “yes Answer”.

For the third procedure, with the direct registration in “Yes Answer”, Incomedia identifies immediately the Smart version. In this case, customers give spontaneously their data (Name, Surname, email address) for the complete registration (3a). As is it, the validation and activation (3b) are done in the same moment.

In all the three procedures the activation step represents the final moment of the registration process, where users have already completed the registration, confirmed their email address and accepted the policy concerning their data treatment.

The three procedures give a clear understanding of the possibility of action that Incomedia has in the three different cases. In the manual procedure the communication contact with the company starts at the last stage, instead in the automatic procedure the contact start immediately after the second step, where the company is able to send the first transactional email with communication message. In the automatic procedure Incomedia has more possibility of actions, since it has the

possibility to enter in contact with the customers, via email, immediately after the second steps of their registration.

Appendix 3: Incomedia's Transactional Emails

3.1 Manual procedure and Automatic procedure "No Answer":

- VALIDATION STEP: *"Verify your e-mail address. To complete the registration, click on the following link: LINK ."*
- ACTIVATION STEP: *"The activation is completed. Please click on the start button to work with WebSite X5!"*

3.2 Automatic procedure "Yes Answer":

- VALIDATION STEP: *"Dear Mario Rossi, Thank you for starting the WebSite X5's registration process and for registering on Answers! To complete the procedure click on the following link to validate your email address: LINK".*
- ACTIVATION STEP: *"Dear Mario Rossi, The activation is completed. Please click on the start button to work with WebSite X5!"*

Appendix 4a: Email A

Dear Client,

Thank you for validating your email address.

If you enjoyed working with **WebSite X5 Smart**, we are sure that you will find our **WebSite X5 Evolution** even more exiting to work with: in fact, with the same simplicity of use, you will have even more useful functions.

That is why we would like to **offer you 20% OFF** from the Upgrade to the full version WebSite Evolution 9.

If you wish to purchase WebSite X5 Evolution 9 for just 51,96 €, instead of 64,95 €, go to our online store and use this Promo Code:

Promo Code

This Promo Code is valid from xx until xx: Hurry up

Appendix 4b: Email B

Dear Client,

Thank you for validating your email address.

If you enjoyed working with **WebSite X5 Smart**, we are sure that you will find our **WebSite X5 Evolution** even more exiting to work with: in fact, with the same simplicity of use, you will have even more useful functions.

That is why we would like to offer you **12,99 € OFF** from the Upgrade to the full version WebSite Evolution 9.

If you wish to purchase WebSite X5 Evolution 9 for just 51,96 €, instead of 64,95 €, go to our online store and use this **Promo Code**:

Promo Code

This Promo Code is valid from xx until xx: Hurry up!

Appendix 5: Experiment Data from 4th till April the 25th of 2012

5.1)

TYPE OF EMAIL	COUNT (*)
TOTAL Validation Email	430

5.2)

Commercial Offer Type A (%)	199
Commercial Offer Type B (€)	199
TOTAL	398

5.3)

Upgrades after Commercial Offer Type A (%)	19
Upgrades Rate	9,5%
Upgrades after Commercial Offer Type B (€)	11
Upgrades Rate	5,5%
TOTAL Conversion Rate	7,5%

Appendix 6: Incomedia Data - April 2011

Data from 4th till April the 25th of 2011

WebSiteX5 Smart9 Installations IT-EN-GER	430
Upgrades Evolution 9 - IT	0
Upgrades Evolution 9 - EN-GER	2
TOTAL Conversion Rate	0,5%

Appendix 7: Sales Forecast

7.1) Experiment data –April 2012

Experiment WebSiteX5 Smart 9 4th April -25th April 2012									
	Sent	Upgrades Evolution9	Conversion Rate %	Discount	Price	Revenue for 3 weeks	Upgrade sold in 3 weeks	Weeks	Revenue year 2012
Validation Email	430				€ 64,95			52	
Email A %	199	19	9,5	20%	€ 51,96	€ 987,24	6	329	€ 17.112
Email B €	199	11	5,5	€ 12,99	€ 51,96	€ 571,56	4	191	€ 9.907
Nr Installation	398	30	7,5				10	520	
Tot. Income						€ 1.559			€ 27.019

7.2) Past Data – April 2011

WebSiteX5 Smart9 4th April -25th April 2011							
	Sent	Upgrades Evolution9	Conversion Rate %	Price	Upgrade sold in 3 weeks	Weeks	Revenue year 2011
Validation Email	430			€ 64,95		52	
Nr Installation	430	2	0,5		0,7	35	
Tot. Income				€ 129,90			€ 2.252