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## **A Comprehensive Analysis of Permission Marketing**

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### **Abstract**

Godin (1999) has proposed a new idea- permission marketing. Here, consumers provide marketers with the permission to send them certain types of promotional messages. This is seen as reducing clutter and search costs for the consumer while improving targeting precision for marketers. This paper makes three contributions: First, a critical analysis of the concept and its relationship to existing ideas in the marketing literature is discussed. Second, a taxonomy of four models used to implement permission marketing today, direct relationship maintenance, permission partnership, ad market and permission pool, is presented. Permission intensity is seen as a key differentiator among models. Finally, a comprehensive conceptual cost-benefit framework is presented that captures the consumer experience in permission marketing programs. Consumer interest is seen as the key dependent variable that influences the degree of participation. Consumer interest is positively affected by message relevance and monetary benefit and negatively affected by information entry/modification costs, message processing costs and privacy costs. Based on this framework, several empirically testable propositions are identified.

### **Introduction**

Permission marketing (also called invitational marketing) envisions every customer shaping the

targeting behavior of marketers (Godin, 1999). Consumers empower a marketer to send them promotional messages in certain interest categories. Typically, this is done by asking the consumer to fill out a survey indicating interests when registering for a service. The marketer then matches advertising messages with the interests of consumers.

This is a new idea. Even though targeting appropriate customers has been recognized early on as a core marketing principle (Smith, 1956), most targeting today can best be described as “targeting on averages.” The advertiser obtains the average profile of the consumer (e.g., a marketer may identify the proportion of a show that meets a certain pre-specified demographic or behavioral category using Simmons data) and chooses, say, a TV show that matches the target consumer profile most accurately<sup>1</sup>. This leads to low targeting precision since not all consumers match the profile.

Theoretically, direct marketing holds the promise of improving targeting<sup>2</sup>. One-on-one marketing proposes thinking about a segment of size one (Peppers & Rogers, 1993, Pine, Victor & Boynton, 1993). Given the new capabilities of addressing each individual (Blattberg & Deighton, 1991) the goal is to customize the marketing mix in accordance with the needs of a consumer. Relationship marketing takes a long-term orientation in targeting as opposed to a short-term transactional orientation (Dwyer, Schurr & Oh, 1987; McKenna, 1991, Sheth & Parvatiyar, 1995). The idea is to understand the lifetime value of the customer and allocate resources in accordance with these values (Day, 2000). The emphasis is on retaining existing customers rather than on obtaining new ones (McGahan & Ghemawat, 1994).

However, since one-on-one marketing and relationship marketing both propose marketer-initiated targeting, several problems arise. For example, consumers receive an excessive volume of proposals for relationships with firms, they do not perceive control over the terms of the relationship and do not perceive much value addition from such relationships. As a result, these techniques breed consumer cynicism (Fournier, Dobscha & Mick, 1998). This is especially a problem with the Internet because the marginal cost of sending an additional promotional message is nearly zero for the firm (Shiman, 1996).

Our goal in this paper is threefold. First, a critical analysis of the concept of permission marketing and its relationship to existing ideas in the marketing literature is provided. Second, a taxonomy of business models implementing permission marketing today is presented. Finally, a comprehensive conceptual cost-benefit framework that captures the consumer experience in permission marketing programs is presented. Based on this framework, several empirically testable propositions are identified that might serve to guide future theory-building and empirical research in this area.

## Permission Marketing and the Internet

Clutter is a big problem on the World Wide Web (“Web” hereafter). The increased size of the Web- “an estimated lower bound on the size of the Web is 320 million pages” (Lawrence & Giles, 1998, p. 98)- has led to increased search costs. More recent estimates put this number much higher. For example, the “bow tie” research study by IBM, Compaq and Alta Vista reports sampling over 600 million pages ( <http://research.compaq.com/news/map/www9%20paper.htm>) and the search engine, Google, claims to index over a billion pages. Debris on the Internet (e.g., pages that are no longer updated) further exacerbates search costs.

Search engines (e.g., [www.google.com](http://www.google.com)) and Internet portals (e.g., <http://www.yahoo.com>) were attempts at helping consumers navigate through this clutter. But when individuals search for information at these places, they are presented with hundreds of selections. Consumers will not go through all selections and are most likely to focus on the first few results. Hence, search-engine optimization has become an important research area (Bradlow & Schmittlein, 1999). However, due to heterogeneity in the algorithms used by search engines, it is not always possible for one’s site to be featured in the top few.

Therefore, it is clear that search engines alone will not help consumers find sites relevant to their needs. Increasingly, search engines tap into smaller and smaller fractions of the overall Web (Lawrence & Giles, 1998) with no engine capturing more than 16% of the Web content (Lawrence

& Giles, 1999).

Individuals may cope with the increased search costs by focusing on firm reputation (Choi, Stahl & Whinston, 1997, Chapter 6). For example, recently *The Economist* reported that 75% of all business to consumer e-commerce originates from five sites- Amazon.com, Buy.com, eBay, Yahoo and America Online (AOL). Hence, it is clear that these sites have established a reputation that is better than others<sup>3</sup>. However, that does not necessarily ensure the delivery of relevant information since each of these sites contain a lot of information (For example, as of August 2000, Yahoo! had links to at least 1.5 million pages on its site- <http://searchenginewatch.com/reports/directories.html>) - not all of which is relevant to any single consumer. Moreover, consumers may be interested in newer sites whose reputation may not be fully established.

Banner advertising and sponsorships were tools that were considered to have the potential to provide consumers with relevant information. However, despite the early promise detailed in pioneering research (Hoffman & Novak, 1997), the click-through rates have not improved<sup>4</sup>. Average rates are in the 0.5% range. Banner advertising is also plagued with measurement problems. Getting a reliable estimate of the number of consumers who viewed a banner is a big challenge (Dreze & Zufryden, 1998) and so is reliably identifying the top websites globally. Moreover, a recent eye-tracking study presents troublesome evidence that Internet users may "actually avoid looking at banner ads during their online activities" (Dreze & Hussherr, 1999, p. 2). If this is true, then placing banners around web content may be a poor way of delivering the message.

Permission marketing offers the promise of improving targeting by helping consumers interface with marketers most likely to provide relevant promotional messages. Many permission-marketing firms (e.g. yesmail.com- now part of the business incubator, CMGI) claim customer response rates in the region of 5-20% and since most use e-mail, they are not affected by the measurement problems of banner advertising. Since the ads arrive in the mailbox of the individual, it is likely that more attention would be paid to them in comparison to banners.

Even though permission marketing can be implemented in any direct medium, it has emerged as a serious idea only with the advent of the Internet. The two reasons for this are: (1) on the Internet, the cost of marketer-to-consumer communication is low (Hoffman & Novak, 1996; Shiman, 1996); (2) the Internet has enabled rapid feedback mechanisms due to instantaneous two-way communication (Hoffman & Novak, 1996).

Another motivation for permission marketing on the Web has been the failure of the direct mail approach of sending unsolicited promotional messages. The prime example of this is unsolicited commercial e-mail or "Spam" (Cranor & LaMacchia, 1998). Senders of spam realize three things- the cost of obtaining a new e-mail address is minimal, the marginal cost of contacting an additional customer is nearly zero (Shiman, 1996) and it is easy to deceive the consumer. Spammers can easily obtain new e-mail addresses from websites and Usenet groups using software programs that "troll" the Internet. Individuals provide their addresses at these places for other purposes and hence, this violates their privacy rights (Bloom, Milne & Adler, 1994). In addition, marketers incur similar costs if they send out 1 million or 10 million e-mails. Moreover, there are now programs that enable the large-scale use of deceptive practices (e.g. forged e-mail headers). Due to these problems, Spam cannot be a legitimate form of marketing communication<sup>5</sup>. Using it would lead to an excessive message volume for consumers, weakening of brand reputation and a slowing of the entire network. Hence, permission marketing is seen as a feasible alternative for Internet marketing communication.

Permission marketing is now a large-scale activity on the Internet. A leading Internet business periodical recently noted that, "permission marketing was once a niche business. Now, everybody is doing it." (Business 2.0, April, 2000, p. 176). In addition, permission marketing has been incorporated in leading texts on marketing management, e.g., Kotler's millennium edition.

## Literature Review

Although the term "permission marketing" was coined by Godin (1999)<sup>6</sup>, the general idea of

customer permission in direct marketing had surfaced earlier in the marketing literature, mainly in the context of privacy issues in direct marketing. For example, Milne and Gordon (1993) discuss the role of customer permission along with volume, targeting and compensation in the context of direct mail. However, their reference is to an individual's providing a direct marketer the permission to share his or her personal information with others. In other words, they see permission as a tool to establish privacy rights rather than to enhance targeting. Moreover, the privacy issue is different now since an infomediary (Hagel & Singer, 1999) retains all the personal information and supplies ads based on that information; the advertisers never see the information.

Recently, Sheth, Sisodia and Sharma (2000) have proposed the concept of customer-centric marketing, which includes what they call co-creation marketing. Co-creation marketing envisions a system where marketers and consumers participate in shaping the marketing mix. In the authors' own words, "Co-creation marketing enables and empowers customers to aid in product creation (e.g., Gateway computers), pricing (e.g., priceline.com), distribution and fulfillment (e.g., GAP store or GAP online delivered to the house), and communication (e-mail systems)" (Sheth, Sisodia & Sharma 2000, p. 62). Hence, permission marketing can be viewed as focusing on the communication aspect of a larger concept called co-creation marketing. Gilmore and Pine II (1997) had also earlier identified collaboration between marketers and consumers as one form of one-on-one marketing.

The direct marketing literature has also pointed out the importance of consumers controlling the terms of their relationship with marketers. Phelps, Nowak and Ferrell (2000) point out that individuals like to control "how personal information about them is used by marketers, the kinds of advertising mail and catalogs that they receive and the volume of advertising mail they receive" (p. 29). In this literature, direct mail is viewed as a social contract between the consumer and the marketer (Milne & Gordon, 1993). Moreover, there is recognition that what is necessary to improve direct marketing relationships is not just a reduction of privacy concerns of individuals, but rather an improvement in the consumer's trust of the marketer (Milne & Boza, forthcoming).

Marketing scholars have long been disenchanted with the marketer-initiated approach to direct marketing. For example, in a critique on database marketing, Schultz (1994) noted

*If the database works for the consumer and not just the marketer, duplicate mailings should never exist. For the database to have value for customers, it should simplify and improve their personal lives, not just complicate them with unwanted offers or ridiculous solicitations. Also, if the database was really working for the consumer - and not just the marketer - privacy would not be the issue it is. Perhaps the greatest concern about the value of the database is the one-way marketing systems that are being developed- systems that favor the marketer and are disincentives to the consumer* (emphasis added). (p. 4)

Hence, it is not surprising that several marketing scholars have begun to indicate their acceptance of permission marketing as a viable concept. For example, Petty (2000) proposes "shift(ing) property rights for soliciting and selling information about consumers to the consumers themselves thereby reducing the marketing costs imposed upon consumers without their consent" (p. 52). Further, he argues that "by bearing the costs of identifying disinterested customers, marketers get an audience interested in their message. Consumers get fewer messages and only ones that they are interested in receiving" (Petty 2000, p. 52). Similarly, Sheehan and Hoy (2000) also suggest that permission marketing may be a technique to reduce privacy concerns of individuals. Even though they do not use the term permission marketing, Milne, Boza and Rohm (1999) propose that "opt-in methods (can act) as a trust-building alternative to more effective information control".

## Permission Marketing Business Models on the Web

In order to understand how permission marketing is currently being practiced on the Web, we define a key construct: *permission intensity*.

Consumers define the boundaries of their relationship with firms in such businesses. In some cases, they give the business tremendous leeway and in others the firms are held on a tight leash. Formally, permission intensity is defined as the degree to which a consumer empowers a marketer in the context of a communicative relationship<sup>7</sup>.

Compare two scenarios. In the first case, the consumer provides a marketer his or her e-mail address and permits the marketer to send one promotional message a month. No additional information is provided. In the second case, the consumer provides detailed information about tastes and preferences and permits the marketer to target promotional messages at him or her. Clearly, in the second case, the consumer has provided a greater role for the marketer and hence, it represents greater permission intensity.

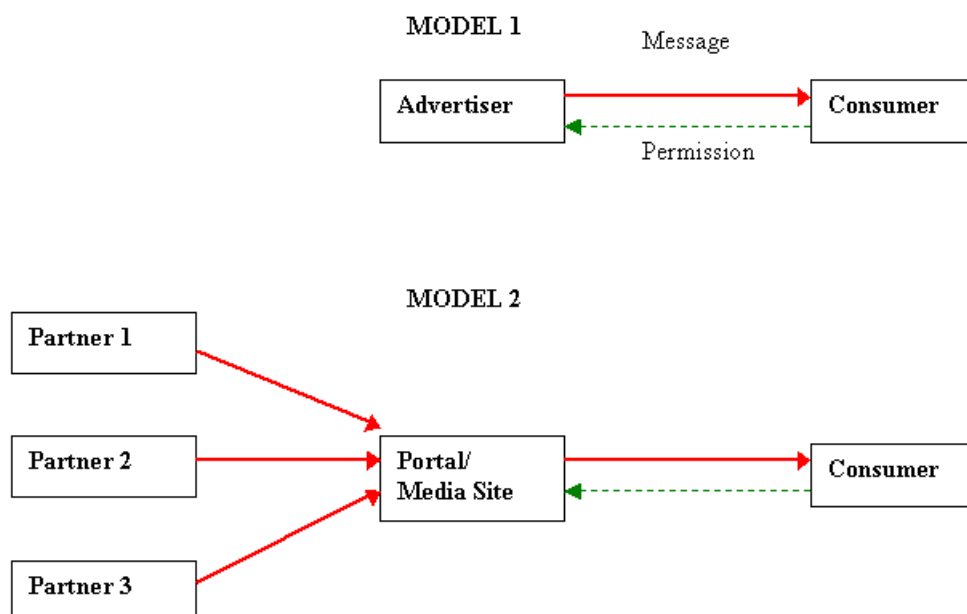
High permission intensity is characterized by three factors: high information quantity, high information quality and information usage flexibility.

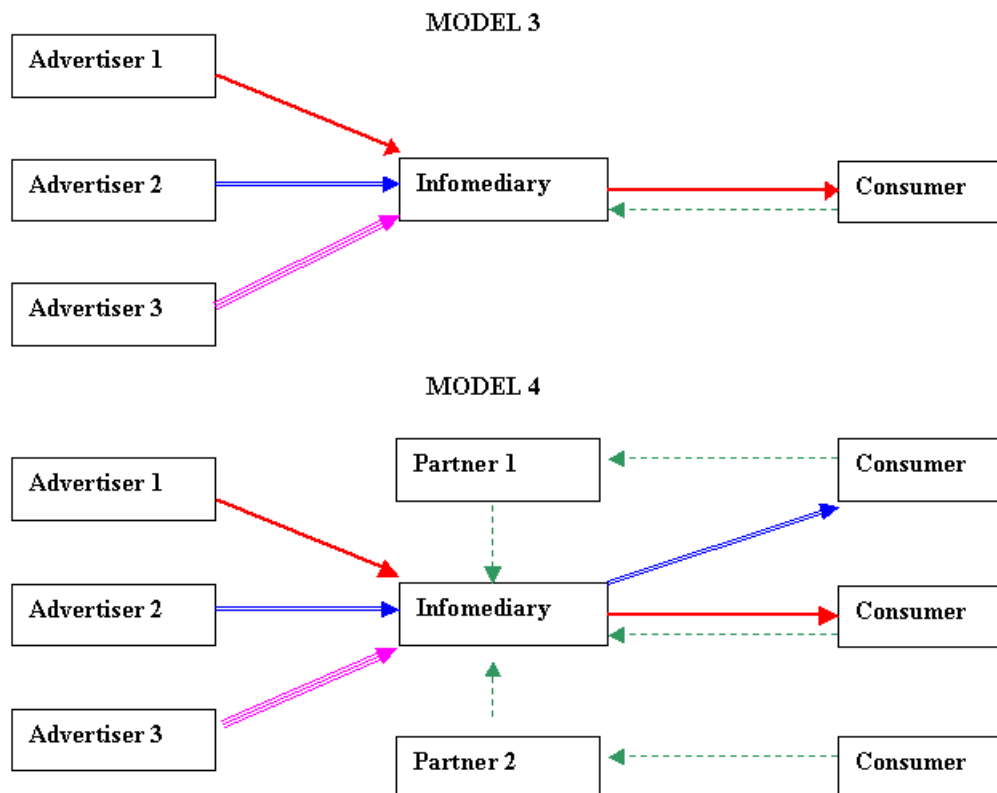
First, an individual recognizes that providing detailed information is in his or her self-interest. As a result, the individual is willing to participate in an exchange of information for a promise of better service in the future (Godin, 1999; Milne & Gordon, 1993). Second, the consumer realizes that his or her life will be most enriched if he or she presents high-quality information (Godin, 1999; Keller & Staelin, 1987). Providing inaccurate information about preferences will only lead to messages of little interest and will increase clutter. In other words, the individual realizes that this is an incentive-compatible (i.e., win-win) program. Third, the consumer will participate in the exchange with few constraints on how that information can be used by the firm to develop marketing messages.

The tradeoff in permission marketing is with breadth vs. depth. In the breadth strategy, a firm may develop relationships with a large number of consumers with a low level of permission intensity. On the other hand, in the depth strategy, a firm may focus on a smaller set of consumers, but these consumers may provide detailed information about their preferences, values etc., i.e., high permission intensity. Each firm will have to find the optimal value of the number of customers and the level of permission intensity.

In reality, we observe four business models as shown in Figure 1. Model 1 can best be characterized as direct relationship maintenance. Consider an example. Consumers can sign on for sales alerts from United Airlines. Very little additional information is asked for and hence, there is no sophisticated targeting being conducted here. This is seen as an additional service offered to customers to maintain a strong relationship. Hence, this is characterized by low permission intensity, direct contact with advertiser and minimal targeting.

Figure 1: Current Practice of Permission Marketing- Four Business Models





Model 2 can be described as a permission partnership. Here, the consumer provides a portal or media site with the permission to send him or her promotional offers. After receiving this permission, the intermediary alerts its partners who wish to send out promotional offers. All consumers signed on receive all offers. Examples of this include nytimes.com and lycos.com. This is commonly used to increase traffic to websites. Hence, here we have low to medium permission intensity, contact through an intermediary and low targeting.

Model 3 can be described as an ad market. A consumer provides an infomediary (Hagel & Singer, 1999) with detailed information about his or her preferences and interests. The infomediary then uses this information to identify advertisers. The ads supplied by these advertisers are then carefully targeted to be consistent with the consumer's tastes. Consumers win by reducing clutter and are paid to participate in the process, advertisers find target customers for their promotions with lower cost of targeting and the infomediary makes a profit by facilitating this exchange. Hence, here we have high permission intensity, contact through an infomediary and the potential for high targeting precision. Examples of this practice include mypoints.com and chooseyourmail.com.

Model 4 can be described as a permission pool. Here, different consumers provide different firms with the permission to send them promotional offers. These firms pool the information provided by the consumer and then promotional messages are sent out targeting this larger pool. Examples of this practice include yesmail.com.

The difference between model 1 and the rest is that in the former, an individual firm directly transacts with its customers while in Model 2, an intermediary such as a portal plays this role and in Models 3 and 4, an infomediary matches consumer demand for ads with firm ad supply. Naturally, since it may be inefficient for a consumer to sign up with several firms in the manner of model 1, the other models are likely to be more common.

At this stage, it is important to contrast the notions of opt-in vs. opt-out. Opt-in refers to the case when an individual explicitly gives consent to receive ads ahead of time. Opt-out refers to the case when a marketer initiates contact and then provides individuals an option of not receiving future messages. Hence, permission marketing is opt-in rather than opt-out.



However, I argue that the traditional usage of these two terms is confusing. Opt-in refers to entry into a relationship and opt-out refers to exit. Viewed in this way, I argue that permission marketing systems are both opt-in and opt-out. In other words, customers enter the agreement on their own volition and are free to leave at any point.

Permission marketing models allow for two kinds of exit or opt-out strategies: partial or complete. In partial opt-out, the consumer indicates that he or she wants to stop receiving advertisements in a sub-category. For example, this may occur when the consumer may have been interested in a category for a short period of time only. New models now allow consumers to specify a date after which they will be automatically opted out of a category. In complete opt-out, the consumer decides to terminate a relationship with a particular marketer and hence, will not receive any more promotional messages.

Finally, a distinction must also be drawn between overt targeting systems such as permission marketing and covert targeting mechanisms. In covert targeting mechanisms, cookies<sup>8</sup> are used to track the surfing behavior of individuals and to serve up banner ads, e.g. Doubleclick's DART system. Consumers are unaware of this tracking process. However, in over targeting systems such as permission marketing the consumer is an active participant in the targeting process.

It is interesting to study the different product categories that are currently being promoted using permission marketing. Table 1 shows the top categories chosen by consumers of yesmail.com as of May 15, 1999 and Table 2 provides the same information for chooseyourmail.com in March, 2000.

Table 1: Leading Categories of yesmail.com, May 15, 1999

Number	Category	# of users
1	Computers	4,292,000
2	Internet	3,330,000
3	Shopping	2,912,000
4	Sports and Recreation	2,512,000
5	Business	1,364,000
6	Home and Family	1,335,000
7	Education	1,312,000
8	Society and Culture	1,232,000
9	Entertainment and Games	1,175,000
10	Music	1,139,000
11	Arts and Humanities	1,106,000
12	Health	1,032,000
13	Investing and Finance	830,000
14	Science and Technology	442,000
15	News	439,000
16	Cooking, Food and Wine	414,000
17	Travel	391,000
18	Reference	315,000
19	Electronics	293,000
20	Kids	216,000
21	Automotive	192,000
22	Careers	165,000
23	Real Estate	32,000

Table 2: Top Categories of chooseyourmail.com, March, 2000

Number	Category	Percent of Consumer Base
1	Computer hardware/software	31.70%
2	Travel	28.40%
3	Apparel Women	12.10%
4	Magazines	12.00%

5	Coupons	10.90%
6	Office supplies	10.50%
7	Pet supplies	10.20%

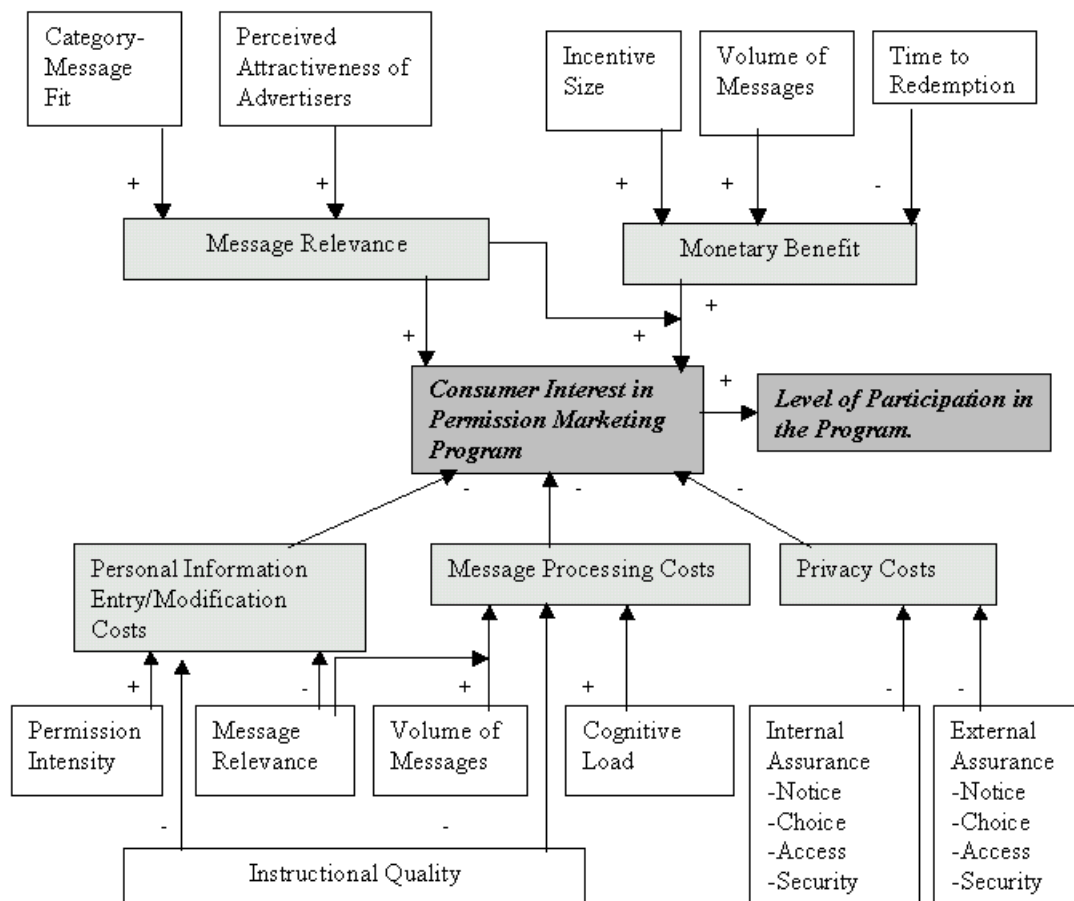
Initial analysis of the data shown in these two tables suggests that permission marketing may work well in categories with a high degree of innovation/new product introduction (e.g. Computers, Internet) and categories with frequent promotional activity (e.g. Travel). However, this is clearly a preliminary observation.

## Conceptual Framework

Next, a comprehensive cost-benefit conceptual framework is proposed to capture the consumer's experience with a permission-marketing program. The goal was to develop a conceptual framework at a sufficiently high level of generality that would apply to all four business models described earlier.

Based on this framework shown in Figure 2, a series of empirically testable propositions is presented. This framework can act as a guide for future empirical research in the area.

Figure 2: Conceptual Framework



### Overall Framework

The central tenet of permission marketing is consumer-initiated communication followed by an active two-way exchange. Even though exchange is considered to be the bedrock of marketing theory (Bagozzi, 1975; Houston & Gassenheimer, 1987), most exchange is initiated by the marketer. Hence, consumers may not perceive themselves as legitimate partners in a



relationship (Fournier, Dobscha & Mick, 1998). Since consumers are required to provide detailed information continually in a permission-marketing program, they must perceive some value in the relationship if it is to be successful.

Consumers care about receiving messages that are relevant to them (Milne & Gordon, 1993). Hence, they will continue to be interested in a permission marketing system if they perceive themselves as participating in a meaningful exchange that provides a tangible benefit. Therefore, the central dependent variable in the proposed conceptual framework is the level of customer interest in the program.

Consumer interest is defined as an individual's overall judgment of the effectiveness of the program in adding value to his or her life. If an individual receives promotional messages that are not well targeted or if the promotional messages are for disliked brands, he or she may well conclude that the program is uninteresting. On the other hand, if the messages closely map the needs of the consumer, there will be interest.

The key difference between permission marketing and previous ways of thinking about direct marketing is that consumers are asked to do much more in the former. Unlike, say, direct mail, where consumers simply respond to what they receive, in permission marketing consumers must take the time and make the effort to provide considerable information about interests and preferences before a single ad is sent out. For example, My Points, a permission marketing service, requires consumers to fill out more than ten pages of questions. This increase in effort will only be seen as worthwhile if an individual perceives future value in return. If the messages do not appear worthwhile, the individual may decline to provide future information. Therefore, in permission marketing, establishing and escalating customer interest is the key managerial challenge.

Consumer interest is a broad judgement based on multiple elements of the permission-marketing program. Consumers may hold attitudes towards specific program elements, e.g., design of user interface or question format. Consumer interest is the overarching construct that takes these specific attitudes into account while assessing potential value. For example, a consumer may conclude that she hates the design of the forms she has to fill out, but she may still be interested in the program if she received a great deal on a product that matters to her. Consumer interest is distinct from satisfaction with the program since its focus is on potential value added to one's life rather than assessment of a specific element of the program vis-à-vis expectations.

Consumer participation is defined as the extent to which an individual is willing to engage actively in a two-way exchange with the marketer. The lowest level of consumer participation is exit. The highest level of consumer participation is active engagement. This is characterized by two types of consumer actions. First, consumers make every effort to provide accurate and timely information to the marketer. Second, consumers attend to the messages and respond to the relevant ones appropriately. In between the extremes of exit and active engagement, there are several shades of gray. For example, some managers report that individuals "virtually opt out". Here, individuals do not exit, but rarely attend to any message sent their way.

The level of consumer interest at any point determines the level of his or her participation in the program. If an individual feels that the program has the potential to add value to his life, he or she may participate enthusiastically. However, if the individual is disenchanted with the program, it is likely that he or she may simply stop responding to any messages. This leads us to the first proposition:

**Proposition  
1:**

*The higher the level of consumer interest in the permission marketing program, the greater the level of participation in the program.*

## Overview of Benefits and Costs

An individual's level of interest in a permission marketing program is positively affected by the benefits from the program and negatively impacted by the costs. There are two potential benefits: *message relevance* and *monetary benefit*.

The central reason that motivates individuals to join a permission marketing program is the promise of receiving relevant messages. Individuals value the relevance of promotional

messages (Biel & Bridgwater, 1990; Grunert, 1996; Milne & Gordon, 1993; Reynolds, Gengler & Howard, 1995). At every point in their participation in the program, the consumer arrives at a judgment about how relevant the advertising messages are to his or her needs. If this judgment is negative, there will be a loss of interest in the program. If it is positive, there will be an enhancement in interest. Thus it is proposed that:

<b>Proposition 2a:</b>	<i>The higher the message relevance, the higher the interest of the consumer in the permission marketing program.</i>
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Permission marketing programs realize that it is burdensome for individuals to go through messages. As a result, several offer consumers incentives to process messages. For example, consumers can earn points by reading a message at mypoints.com. These points can be redeemed for rewards ranging from airline frequent flyer miles to discounts for online purchases. Since individuals are interested in deriving some monetary benefit from direct marketing programs (Milne & Gordon, 1993), these incentives are likely to generate greater interest. Hence, it is proposed that:

<b>Proposition 2b:</b>	<i>The higher the monetary benefit, the higher the interest of the consumer in the permission marketing program.</i>
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Most individuals are unlikely to join a permission marketing program simply to make some money<sup>9</sup>. The main attraction is to receive promotional offers consistent with one's needs. Hence, we hypothesize that the message relevance moderates the impact of the monetary benefit. Specifically, we hypothesize that if the message relevance is high, individuals will be less likely to lose interest if the level of monetary benefit is low. In other words, if the promotional messages are highly relevant to an individual's needs, he or she would be willing to accept little or no monetary benefit in exchange for participation. Indeed, some large permission marketing firms believe that providing relevant messages is sufficient to maintain consumer interest, e.g., Net Creations' postmasterdirect.com and chooseyourmail.com. Therefore, it is proposed that:

<b>Proposition 2c:</b>	<i>The higher the message relevance, the lower the impact of monetary benefit on consumer interest in the permission marketing program.</i>
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At the same time, individuals face three potential costs: *information entry/modification costs*, *message processing costs* and *privacy costs*.

The first two categories of costs are transaction costs that an individual has to incur to participate in a permission marketing program. The first type of costs refer to an individual's providing detailed personal information (e.g., product interests) to a marketer and the second category refers to the cost of processing a promotional message. Even though the Internet was initially seen as reducing transaction costs (Kambil, 1995), there is now a growing consensus that the Internet may add to the transaction costs faced by individuals (e.g., Beck, 1999). For example, one study found that students who were forced to receive classroom instruction using e-mail complained of information overload (Latting, 1994). We argue that understanding the impact of such transaction costs on consumer interest is vital for every permission marketing program.

High permission intensity programs will require individuals to provide detailed personal information. Moreover, individuals are expected to revisit their information and make sure it is current. This is a huge transactional burden on individuals. Therefore, consumers will find the act of entering or modifying personal information onerous (Blattberg, Buesing, Peacock & Sen, 1978; Oliva, Oliver & Macmillan, 1992). The more burdensome the data entry/modification process (e.g., longer forms, hard-to-understand questions), the lower an individual's interest in the program. Hence, it is proposed that:

<b>Proposition 2d:</b>	<i>The higher the cost of entering or modifying personal information, the lower the interest of the consumer in the permission marketing program.</i>
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In addition to the costs of providing new information or modifying information already provided, individuals are faced with the cost of processing all the promotional messages that they receive. Individuals will have to go through the message before determining if it is of any value. The decision faced by individuals is "scan and discard" vs. "scan and read more" and this places a cognitive burden on them.

If the design of the message is complicated and does not follow a logical sequence, greater cognitive effort may be required by the individual (Bajaj & Krishnan, 1999; Kim & Yoo, 2000). While consumers desire message relevance, the transactional burden of processing the messages can affect their interest in the program. The cost of processing messages described here corresponds closely to the contact costs described in Petty (2000). Thus it is proposed that:

<b>Proposition 2e:</b>	<i>The higher the cost of processing messages, the lower the interest of the consumer in the permission marketing program.</i>
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Finally, individuals incur privacy costs. Privacy costs are defined as the mental burden of coping with the uncertainty of how one's personal information is used by the marketer. Individuals have serious concerns about the privacy of the information that they provide to direct marketers (Equifax, 1996; Phelps, Nowak & Ferrell, 2000). Moreover, when consumers on the Internet are concerned about their privacy, they are much more likely to take actions such as providing incomplete information to web sites and notifying Internet Service Providers (Sheehan & Hoy, 1999). Individuals will differ in terms of how they cope with privacy costs (Milne, Boza & Rohm, 1999; Milne & Gordon, 1994) and some may place convenience ahead of privacy concerns (Swaminathan, Lepkowska-White & Rao, 1999). However, it is clear that most individuals will have some privacy concerns and if there are strong and credible assurances that will lead to a lowering of these costs, individuals are likely to be more interested in the permission marketing program. This leads to the following proposition:

<b>Proposition 2f:</b>	<i>The higher the privacy cost, the lower the interest of the consumer in the permission marketing program.</i>
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### Causal Antecedents to Message Relevance

Message relevance is influenced by two constructs: *category-message fit* and *perceived attractiveness of advertisers*.

Individuals provide permission marketers with information about their needs. If an advertisement is consistent with the information that they provided marketers, the level of category-message fit will be high. Consider a consumer who has indicated an interest in technology. If the consumer receives an advertisement for a new handheld computer, the level of fit is high. On the other hand, if the message is for a financial brokerage it is low.

Individuals who receive ads consistent with the information they initially provided feel that their initial effort was worthwhile. Hence, their interest in the program is likely to increase. On the other hand, individuals who receive ads that fit poorly with the information are likely to come to the conclusion that the marketer did not pay close attention to the information provided or was unscrupulous. In either case, the consumer is likely to lose interest quickly. Permission creep, for instance, is expected to reduce the level of message relevance.

This idea of fit is somewhat similar to the discussion in the brand extension literature where the focus is on the fit between the category of the parent brand and the brand extension (Keller & Aaker, 1992; Morrin, 1999). Hence the next proposition is:

<b>Proposition 3a:</b>	<i>The higher the category-message fit, the greater the level of message relevance.</i>
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Although individuals would like to receive ads in categories that fit their needs, they also care about the advertisers. If they receive ads only for brands that they perceive as less prestigious or of a lower quality (Keller, 1993), they may not value the permission marketing program very highly. For example, if a consumer only receives promotions for private label brands, he or she may not have a very high opinion of the program. Hence, if the permission marketing program disseminates ads of strong brands (Aaker, 1996), consumers are more likely to consider that the ads are relevant. Therefore, it is proposed that:

<b>Proposition 3b:</b>	<i>The better the perceived attractiveness of the advertisers, the greater the message relevance.</i>
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### Causal Antecedents to Monetary Benefit

Two antecedents to the perception of monetary benefit are proposed: the *size of the incentive*

and the *time to redemption*.

First, obviously, the size of the incentive affects an individual's perception of the monetary benefit. Previous studies have shown that the greater the face value of the coupon, the greater the redemption rate (Dhar, Morrison & Raju, 1996; Reibstein & Traver, 1982). Similarly, the greater the size of the deal offered by a retail store, the greater the sales (Blattberg & Neslin, 1990; Blattberg & Wisniewski, 1987; Wisniewski & Blattberg, 1983). Hence, it is proposed that:

**Proposition 3c:** *The greater the size of the incentive, the greater the perception of the monetary benefit received.*

Permission marketing programs view incentives as a mechanism to encourage individuals to process more messages. Therefore, most incentive programs provide greater rewards if more messages are processed. Obviously, this leads to greater message processing costs as well (which we discuss later in the section on costs). Hence, it is proposed that:

**Proposition 3d:** *The greater the volume of messages, the greater the perception of the monetary benefit received.*

Individuals will value rewards that can be redeemed instantaneously or in a short period of time in comparison to those that can be redeemed only after a significant period of time<sup>10</sup>. Many firms offer a point system (for example, mypoints.com) where individuals receive rewards for each message read. In this case, the rewards are mostly redeemable right away. However, if the firm instituted a policy where the rewards would be handed out at later points in time, it is likely to decrease consumer interest. Hence, it is proposed that:

**Proposition 3e:** *The greater the time to redemption, the lower the perception of the monetary benefit received.*

### Causal Antecedents to Information Entry or Modification Costs

High permission intensity entails providing a large quantity of high-quality information to the permission marketer. Individuals may have to fill out a detailed set of forms indicating very specific interests, brand preferences etc. This is a burdensome process that takes up time and requires effort from individuals. Hence, it is proposed that:

**Proposition 4a:** *The greater the permission intensity, the greater the information entry or modification costs.*

The promise of permission marketing is relevant messages (Godin, 1999) and consumers care about receiving messages relevant to their needs (Milne & Gordon, 1993). Hence, if the level of relevance of the messages is high, individuals will have little need to go back to their original information scheme and modify it. Therefore, it is proposed that:

**Proposition 4b:** *The greater the message relevance, the lower the information entry or modification costs.*

The design of the promotional message matters. If the instructions are very clear and laid out in a simple and logical pattern, individuals will be able to navigate easily through the message (Bajaj & Krishnan, 1999; Kim & Yoo, 2000). If that is not the case, individuals may get confused and may spend a great deal of time and effort searching for the right screen or trying to interpret what a question means. Therefore, it is proposed that:

**Proposition 4c:** *The better the instructional quality, the lower the information entry or modification costs.*

### Causal Antecedents to Message Processing Costs

When individuals start receiving the promotional messages, it adds to their overall information inflow. The consumer will have to read each message, process the information and understand if the message is relevant to his or her needs. As a result, individuals bear the cognitive load of processing the text in each message (Shugan, 1980). Some consumers may relish the additional information made available to them (Takacs, 1997). However, we do not expect this group to form the majority.

We are not arguing that all individuals will have to cognitively process all the promotional information in the message. Rather, we are arguing for a “scan and discard” vs. “scan and read more” decision that will lead to a cognitive load. Hence, this will also be faced by peripheral processors of information (Cacioppo, Kim, & Yoo, 2000; MacInnis & Jaworski, 1989; Petty, 1985). Hence, it is proposed that:

**Proposition 5a:** *The greater the cognitive load, the greater the message processing costs.*

When an individual receives an e-mail from a company, he or she has to read it and then decide to take an action. If an individual receives a lot of e-mails, the cost of processing increases monotonically. As the quantity of promotional messages go up, individuals' attitude towards the promotional vehicle decline (Ha, 1996). This is especially true with e-mail messages since this is an intrusive form of communication (Ha, 1996). Moreover, receiving the same message multiple times leads to tedium in consumers (Tellis, 1997). Finally, direct marketing studies have shown that consumers care about reducing the volume of messages that they receive (Milne & Gordon, 1993). Hence, it is proposed that:

**Proposition 5b:** *The greater the volume of messages received by an individual, the greater the message processing costs.*

We expect message relevance to moderate the impact of the volume of messages on message processing costs. Specifically, as message relevance increases, the impact of volume on message processing costs will decrease. The *raison d'être* of a permission marketing system is message relevance (Godin, 1999). If a large proportion of the messages is relevant, consumers will not mind receiving a large number of messages. Hence, it is proposed that:

**Proposition 5c:** *The greater the message relevance, the lower the impact of number of messages on message processing costs.*

When an individual receives a promotional message, if the instructions on the actions are very clear then that will require a low time and resource commitment from the individual. On the other hand, if the message has a number of instructions that the individual has to weed through, greater cognitive processing costs are incurred (Bajaj & Krishnan, 1999; Kim & Yoo, 2000). Therefore, it is proposed that:

**Proposition 5d:** *The greater the instructional quality, the lower the message processing costs.*

### Causal Antecedents to Privacy Costs

Privacy costs can be reduced if the firm provides consumers with the assurance the information that they have provided will be used responsibly. The Federal Trade Commission (FTC) has provided five elements that need to be present in such policies- Notice, Choice, Access, Security and Redress (FTC, 1998). Culnan (2000) provides a longer discussion of these elements.

Such privacy policies on the Internet are still not universal. Culnan (2000) indicates that “while approximately 67% of the sites sampled posted a privacy disclosure, only 14% constituted a comprehensive privacy policy” (p. 20) (i.e., did not incorporate all elements suggested by the FTC). Similarly, Miyazaki and Fernandez (2000) found that only about 42% of sites posted a privacy policy. Hence, if a permission marketing program provides a comprehensive and credible privacy policy, consumers are more likely to feel interested in the program.

**Proposition 6a:** *The greater the internal assurance, the lower the privacy costs.*

In addition, there are several external organizations that audit the privacy policies of websites. The three leading companies in this arena are TrustE, Better Business Bureau Online and WebTrust. Consumers who view assurances from external agencies are likely to be much more interested in the program. Hence,

**Proposition 6b:** *The greater the external assurance, the lower the privacy costs.*

## Discussion

In this paper a critical analysis of the concept of permission marketing and its relationship to existing ideas in the marketing literature has been presented. A taxonomy of permission marketing business models has been offered, along with a conceptual framework that describes the causal antecedents to a consumer's interest in a permission marketing program. Future research might focus on testing the propositions that have been derived from this framework.

While the introduction to managerial audiences has focused on the benefits of permission marketing (Godin, 1999), the aim here has been to present a balanced view of the costs and benefits. While it is true that permission marketing can improve the relevance of messages, consumers are asked to do more in comparison to previous direct marketing approaches. Consumer interest is determined by the net impact of benefits and costs.

The focus of this paper has been on the consumer experience in a permission marketing program. Several interesting issues also exist in the realm of inter-firm interaction in this area. An example is the nature of the contract. Permission marketing companies today charge advertisers on the basis of the number of consumers who will receive the message. This arrangement has been justified by claims of high conversion rates. However, in the future it may give way to a pay-for-performance contract.

The managerial implications that can be derived from the framework are simple: work to improve the benefits and reduce the costs. Many managers believe that some costs should not be reduced. For example, some believe that if they made it very easy for an individual to obtain access to his or her personal information, he or she will simply opt-out of many categories. As a result, they believe that they should make it difficult for people to access their information. However, this is a fallacious argument. If this is done, individuals will be locked into an informational scheme that may be out of date. As a result, message relevance will decrease, leading to lower interest and participation.

The Internet has enabled new marketing possibilities. The future success of ideas such as permission marketing will depend on the wisdom of managerial action. Only firms that will enhance benefits and reduce costs will survive in the long-run.

## Footnotes

1 We continue to observe this practice on the Internet, e.g., subscriptions on portal or media sites.

2 This is not to claim that direct marketing has fulfilled this promise. See the criticism of direct marketing ideas in the next paragraph.

3 The reason these firms have such a reputation may be an open question. For example, some suggest that they have this level of trust because of being first-movers.

4 This is not to say that the only metric by which one evaluates banner ads is the click-through rate. A high click-through rate does not imply effectiveness. For example, the click-through may be due to a tricky banner leading to customer confusion. Similarly, a low click-through rate does not imply that the ad is ineffective; for example, consumers may remember the name and return later. Banners must be evaluated on a series of metrics including awareness, knowledge, consideration and attitude. However, click-through rate has become the *de facto* measure of banner effectiveness (Dreze & Hushherr, 1999). Further, this is not to say that all banners are ineffective; far from it. However, on average, click-through rates have been rather low.

5 Some legal scholars have argued that spam is free speech and must be treated as such (Samoriski, 1999). They predict major legal battles on this point in the near future.



6 Even though Godin coined the term permission marketing, others had implemented this idea earlier. An example is Net Creations. See, for example, Resnick (1997). Moreover, direct marketers have asked individuals for their permission to send certain items through regular mail, for example, catalogs. But Godin(1999) achieved an industry-wide focus on the concept.

7 Low permission intensity does not necessarily mean that a firm does not have a detailed customer profile. Several firms do not ask for detailed information since they already have customer information through an off-line database or through cookies.

8 A cookie is a small text file, set by a Web server, that is installed on the client computer to identify the client upon subsequent visits to the site or other sites in the same advertising/marketing networks.

9 Indeed, if this is the case, it may be a sign of a poorly designed permission marketing program where the site has emphasized the incentives over all else. Website names such as <http://www.okpayme.com/> are likely to lead to such results. At the same time, some consumers may be more interested in the monetary incentives in comparison to relevant messages.

10 The “illusion of delayed incentives” does not apply here (Soman, 1998). The difference between rebates, for example, and permission-marketing programs is that in the latter the reward is not delayed. Rewards accrue over time and individuals have the ability to redeem the rewards right away. In some cases, a minimum threshold may have to be accumulated and in that case, this effect may show up. However, we do not expect it to be dominant.

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