CHAPTER 1
THEORETICAL BACKGROUND OF THE STUDY

INTRODUCTION

The concept of Permission-based-marketing is a novel one but its roots are in the well-established and widely used marketing practices such as Database marketing, Telemarketing, Direct mail, and Customer Relationship Management (CRM). These practices are implemented by most of the marketers to earn maximum revenue from the customers but these have troubled the customers. Instead of helping customers, the marketers knowingly or unknowingly disturb the smooth relationship established with the customers. Marketers have forgotten or possibly ignored the customers’ convenience and they have only targeted to reach maximum number of customers and have provide the customers with the most possible large quantity of information about their company, its products or services or the concepts.

The need of permission-based-marketing has arisen on account of increasing customers’ complaints about troubling customers with the advertisements and other communications which are not required or wanted by the customers. In today’s customer centric business era, the prime duty of the markets is to see whether the information sent to the customers are useful only or welcomed by the customers too. Many a time the same information perceived very useful and receptive by the marketers, is not wanted and customers do not want these at that time. The customers may be interested to know more about that information later.

Information sent to the customers is more educational and less promotional in permission marketing practices.\(^1\) Collecting detailed information about customers helps marketers to increase permission levels. Companies such as General Motors, Ford Motor Company, DaimlerChrysler etc. have used permission marketing programs. Permission marketing programs build stronger and longer customer

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\(^1\)Clow Kenneth E and Baack Donald, *Integrated Advertising, Promotion, and Marketing Communications*, 2\(^{nd}\) ed, PHI, 2003, p 383.
relationship. Moreover, the programs have less clutter, competition, brand parity, and short life.

But marketers are always in hurry to sell the products or services and that is also to as many customers as they can. To save time and money of the organization, marketers send a common message or advertisement to many customers at a time. Today’s smarter customers can easily judge that the organization has not taken care to send an advertisement to each customer separately as there is no personal salutation or name mentioned in the advertisement, particularly in the communications sent via email or direct mail. Permission-based-marketing suggests the solution of all these problems created by the marketers and faced by the customers. By knowing customers’ preference through internet, marketers can offer better services to the customers. It helps the marketers in increasing their revenue too. Many internet marketing communication strategies such as e-mail opt-in are based on permission marketing. American Airlines, Amazon.com, and AllAdvantage.com are some examples of this.

In India, one of the biggest allurements for telemarketers is the superior income demographics of country’s mobile phone users with compare to non-users of mobile phones. IIMS Datawork revealed interesting findings in its Invest India Incomes and Savings Survey 2007. The survey has given following information:

1. There are 73 million households with mobile phones in India.
2. The average annual household income of mobile owners is `1,86,322 and that of non-owners is `56,654.
3. In the metros like Delhi and Mumbai, the average annual household income of mobile phone owners is `3,17,872 while that of non-owners is `1,18,773.
4. This income is `1,33,326 for mobile-users and `52,344 for non-users respectively in rural India.

3“Mobile users are thrice as affluent non-owners”, Business Standard, New Delhi, October 4, 2007.
1.1. Spamming

Spamming refers to sending unwanted commercial emails. The internet users find it difficult to filter out important and interesting emails from the heap of these spam messages. All e-mail services providing websites offers a button in the mailbox. The users can click on this button and the service provider will consider that email as spam or junk email. It will take a note of sender’s address as spam and next time the mailbox receives the email from the same sender, it will filter out and will keep it away from getting this email into inbox. Spam kills much time of the email users. To sort out important emails, the users have to at least glance at all the emails in the inbox, including junk emails. The users have to be very careful while deleting junk emails so that important emails may not be deleted by mistake. It requires lots of time and energy. Invention of email is to speed-up communication but spam eats up email user’s majority of the time. Junk emails are unwanted and useless. Marketers hardly take into consideration this trouble caused to the users. Permission marketing helps the users in selecting the types of emails they want to receive. There would be hardly a user who has not experienced spam mails. A research conducted to know how online users respond to privacy concerns reveals that only 10% of respondents never received unsolicited email.\(^1\) Companies are always in a search of ways to reach a large number of people within less time period. Companies try to reach the maximum number of people with minimum possible cost. There are many such websites which attract internet users to visit the websites and give their email addresses. They fish the customers by the way of encouraging them to take part in contests and other programs. Once the website gets the list of participants and their email addresses, they send junk emails on these email addresses. Companies pay them for sending promotional messages to the customers. [www.4anything.com](http://www.4anything.com) is one of these.\(^2\)

But this is just waste of money for the companies as these emails are bombarded and not well-targeted at the appropriate customers. Many internet users just delete these emails after reading a few initial lines of the email contents. There are readymade spam filter software available, which can be installed and customers can get rid of this

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junk. How do companies know the interests of the customers and which kind of websites do the customers visit much? There is one technology called ‘cookie’. It helps the companies to search the customer’s computers and to know the websites visited by the customers.

1.2. Database Marketing

Database Marketing is an approach that uses different tools to reach the target customers. Marketing companies use advanced software like GIS (Geographic Information System) to reach the customers. Database marketing identifies company’s prospective, current, and past customers. Marketing companies try to collect accurate and complete customer database to market more effectively. Database is not just a comprehensive list of the people to whom companies send emails or catalogs. Marketers try to understand customers’ profile. Marketers find suitable people who can use or think about purchasing the products. If marketers send email containing nail polish advertisement to the email address of a male, then certainly it is a waste of time and money of the company. Recipients of such a piece of communication can make out that the advertiser has not taken enough care to know gender of the email recipient. Such customers feel themselves as just another one among many to whom company is sending product information in a brew.

The marketers have to know age, gender, income, occupation, interests etc. of the people to whom they want to include in the database of the company. It helps the company to filter out the profiles which are not suitable with the product of the company. Knowing the list of customers to be included in the database helps both – the company and the customer. It saves the time, money, and reputation of the company and it helps the customers in a way that it saves time and maintains temper of the customers. Customers feel very annoyed reading the product information about which they would not be capable or fit to purchase. A male receiving nail polish product brochure would always be wondering with anger from where the company might have collected his address and why the company is sending messages to him. In permission marketing, customers themselves grant the company to send them nail polish information emails. So the customer is mentally ready and receptive to the marketing communication. Such marketing communication does not irritate the
customers. In parallel, the companies do not have to worry about filtering the database on the personal profile of the customers.

Companies take help of various resources to develop the customer database. Inquiry forms are kept ready at the customer care counters of outlets and offices of the company. It asks for customers’ personal information such as name, address, contact number, age, occupation, marital status and other behavioral information such as buying habits of the customers. Certain companies have inquiry form available online on their websites. Customers fill them up and companies put these customers on their database. Collecting customer information through inquiry forms is completely legal and willful way of creating customer database, though it is not cheaper and quick. There are many companies such as ICD and Experian, which are in the business of selling mail addresses of the targeted customers to the marketing companies. Marketing companies also make deal with companies like consumer goods sellers to purchase customer contacts.

The other way to collect personal information from the customer is to convince them rather uninvitingly collect it. One reason why customers will be ready to share information is they will be convinced that this information will help the company to offer the products specially designed according to the customers’ needs and preferences. Companies should not even hesitate to spend money on customers in return to the information because this amount will certainly be lesser than money wasted by communicating with wrong customers. Customers will be ready to offer their details if attractive payment is offered to them. However, the customers should not feel that the marketers are just ‘buying’ the details. Rather marketers should make the customers feel that the marketers are offering something valuable in return to the precious information. Hagel and Rayport call such companies infomediaries that work as agents or brokers between customers and marketing organizations.¹ On behalf of the customers, these companies market customer information with privacy protection. There is a huge potential for upcoming infomediaries in this business. These companies will set a bargained deal in the benefits of marketers, customers, and themselves. Customers must be in confidence that the information given to the

marketers will not be misused and it will help the customers after all. At the same time, marketing companies should also have assurance that they get accurate information and not the dummy one. Marketing companies must use this information to serve the customers with better offerings, not just to advertise their offerings. It is up to the marketers how they utilize this information.

Figure 1 Linkages among customers, infomediaries, and marketing companies

![Diagram showing linkages among customers, infomediaries, and marketing companies]


Linton Ian explains how to use customer database to handle phone calls effectively.¹ Industries such as computer hardware and software, car insurance, stationery, catalog-based products etc. use telephone ordering process. 90% of the orders of the U.K. based Freeman company are taken by phone. The Rover Group sold 3,000 cars worth more than £ 2 million through 1,20,000 phone calls. Telemarketing database is important in improving customer handling, selling proactively, and collecting and using additional information of the customers. Telecalling centers use advanced technology such as Automatic Call Distribution, Computer Telephony Integration, Interactive Voice Response, Voice-based Bulletin Boards etc. The biggest threat before the customers in providing information is privacy. When customers are assured about cent percent privacy, they would be willing to provide the information.

Guidelines from TRAI define telemarketing as “transmission of any message through telecommunication services for the purpose of informing about, or soliciting or promoting any commercial transaction in relation to goods, investments or services.”

1.3. High profiles are not exemptions

The practice of taking prior consent from the individual before making marketing call or sending such other messages is known as Permission Marketing practice but “Calling Anybody, Anytime” seems to be a motto of telemarketers. Marketers call anyone randomly without taking care of whether that customer is busy in office work or driving and unable to take a call or having meal. Here follows notes of a real incident, reported by Indian newspapers.

During the proceeding, a Judge in the court room at Lucknow had come across an unsolicited call from a telecaller from an insurance section of a private bank. The Judge, then, directed police to register a case against that caller. This real incident shows that the telecalling harassment leaves no one from attacking and it has no sympathetic consideration for the receivers of those unwanted calls. Telecallers did not verify the background of a person to whom they are making cold calls. Not only a Judge but a phone user of as high position as the Finance Minster of India too got a disturbing call while the minister was busy in an important meeting with Opposition leaders. After this incident, Then Communications and IT Minister A. Raja said, “A wide range of products and services is nowadays offered through telemarketing which results in inconvenience and disturbance to telecom consumers. These calls are made at any time of the day encroaching on the privacy of consumers…” Raja wrote a note to then Telecom Secretary P. J. Thomas asking for a reply from the telecom operators regarding what action they have taken to stop this nuisance. Raja termed it “intrusion of privacy” of subscribers.

Talking to a newspaper - The Hindu, then Minister of State for Communications and IT, Sachin Pilot said the onus of curbing unsolicited and unwarranted calls and SMS

1 “ORDER ORDER ”, The Times of India, Nov 22, 2007
lay on operators. As they had the list of subscribers, they should be ready to face action. “People not only lose precious time, it also hurts them financially when they receive such calls while on national or international roaming. It is unfair for operators to allow such calls.”

Let us now understand from where this permission marketing evolved and what its implications are.

1.4. Permission Marketing Defined:

“Permission Marketing is an approach to selling goods and services in which a prospect explicitly agrees in advance to receive marketing communication.”

“Permission Marketing is marketing centered around obtaining customer consent to receive information from a company.”

These definitions explain how the concept of permission marketing is different from the customary and conventional marketing practices. Permission marketing is about taking prior permission, agreement or consent by the marketers from the prospects or customers, before sending any marketing information to them from the company. This research focuses on the present and future developments in this area in India considering its implications in the western countries so far. Permission marketing is also known as unwanted marketing or invitational marketing or Solicited marketing or Opt-in marketing. It is widely used in Electronic marketing and CRM (Customer Relationship Management). It is the opposite if Interruption marketing. It is said that, “Business goes where business is invited.”

S.F. Allen says that permission marketers focus on developing customer relationship and respecting the customers. If permission marketing is carried out correctly, it can become the most sustainable marketing methodology. Permission marketing is a scientific process. Here, the traditional branding and Customer Relationship

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1 www.bitpipe.com
2 www.marketingterms.com
3 www.dancingflower.com/permission marketing/permission marketing.html
Management are blended with modern internet technologies. Allen describes three pillars of permission marketing as follows:

1. Anticipated for acceptance
2. Personalized for relevance
3. Trusted for dependence

Customers accept the marketing communication messages, which are anticipated or expected because these messages are filtered out as per the interest and relevance selected by the customers. Marketers can take the customers in trust for the present as well as future relationship.

From the psychologists’ point of view, studies say that when the conscious part of the brain is eager and concentrated to collect the information, the new stimuli are accepted very quickly and more effectively.¹ The consumers collect the information about brands at retail outlet more effectively as time and place of collecting information are important. So, it is suggested that to get better returns on marketing communications, marketers should advertise at points-of-purchase instead of bombarding messages without considering the readiness of the consumers’ brain to accept those information messages.

The term “Permission Marketing” is coined by Seth Godin, Former Vice-President, Direct Marketing, Yahoo! Inc.

Godin describes following three aspects of permission marketing:

1. It is anticipated
2. It is personal
3. It is relevant

It is anticipated because the customers expect certain messages from the marketers; the messages are not unwanted now. It is personal as the messages are made for the individuals. The messages are of the interest of the customers.

Permission marketing takes lessons from the problems found in interruption marketing and converts the weaknesses of interruption marketing into strengths of permission marketing. The much disturbed consumers by the interruption marketing will be more inclined and will welcome the permission marketing practices.

This marketing strategy can positively affect the corporate image and profit. Customers view the company as customer friendly, which cares for likings, interests, preferences and willingness for messages of customers. Personally company can allocate the marketing budget only on specific interested target audience and save the useless cost of advertising to mass without aiming at selected customers. Thus, with limited budget the company can reach to the customers and maintain the profit margin in this ‘narrow margin but high turnover’ age.

Today, customers have little time to select the best alternative among the list of products or services available in the marketplace. Out of this little time, if the marketers try to waste customers’ time and energy in informing about the offers in which the customers are not interested, then, the customers will certainly not like this behavior of the marketers.
After recognizing the need for the particular product or service, the customer needs to search the information regarding alternatives such as price, point of purchase, benefits, After Sales Service etc. Not all the purchases are impulse buying. Most of the time customers know what do they purchase? Why do they purchase? From where do they purchase? How do they purchase? For how much do they purchase? When do they purchase? and for whom do they purchase? Marketers should not throw the advertising messages to any customer they come across, rather they should sort out the right customers to inform and then to persuade. Permission marketing helps marketers to sort out such customers who are ready to get the information and product related details.

Roper Starch Survey revealed that an average user searching on the internet gets frustrated within on an average 12 minutes.¹ No customer will get angry if the marketers can reduce their frustration by helping the searchers in finding out the product or service the customers want.

The customers will feel comfortable by informing the marketers about their offers of interests by informing the marketers well in advance. Permission marketing will perform this task on behalf of and in the interests of the customers.

1.5. Information On-Demand

Actually, this practice is not radically new. Many customers would have asked the sellers, in advance, to inform the customers regarding new stock, say, for example, new issue of favorite magazine or the latest edition of the book arrival in the store. The customers leave contact details with the sellers and the sellers calls the customers up whenever the stock arrives. This is permission marketing practice in informal and simple form, where the seller has not disturbed the prospect by calling them as and when the stock arrives. Rather, the seller has checked the list of the requests left by the customers and has accordingly informed the interested customers.

For example, many radio stations (channels) ask the listeners to send their song requests. Suppose, the listener has sent the listener’s favorite song request and the listener finds it playing on the radio channel, the listener will be more interested, excited, delighted, and thankful to the radio channel. On the other hand, the listener will not be happy to listen to all the songs requested by other audience members. Favorite song for listener A may be irritating for listener B. And that listener will surf the radio channel and listen to another channel. This is how the permission marketing helps marketers to understand the difference between likings of customer A and dislike of customer B.

The other form of permission marketing is found in the e-mail with the footnote - “Click here to unsubscribe if you don’t want to receive further e-mails.” Though it is a good practice but the prior permission is replaced with post conveyance of the message. In fact, this type of e-mail has disturbed the no-interested prospects at least once. But permission marketing is one step ahead and advanced. Before carpet bombing marketing messages, the permission marketers know the interested customer database. It saves customers’ time and marketers’ money.
Companies are adopting micromarketing and saying adieu to obsolete mass marketing.\textsuperscript{1} The final level of individuals in micromarketing represents ‘segments of one’, ‘customized marketing’ or ‘one-to-one marketing’. Gone are the days when Henry Ford was reluctant to produce his cars in any other color than black. Today, marketers have to know the customers’ choice and make them aware about the suitable offers matching with the requirements of the customers.

\textbf{Figure 3  Shift from Mass Marketing to Micro marketing}

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\caption{Shift from Mass Marketing to Micro marketing}
\end{figure}

(SOURCE: Kotler, Keller, Koshy, and Jha, \textit{Marketing Management}, 12\textsuperscript{th} ed, Pearson, 2007, p 200)

In today’s customer centric era, the customers can not be the other party or just profit source. Companies form strategies, where customers are made strategic partners or advisers for the organizations. By bonding with the customers, companies get the customers into the trust. Now every customer is separate business for the marketers. A customer has become separate entity rather than a part of the large customer group. A marketer has to understand each entity in separate and must know the difference between one entity and the other.

Leading holiday Company of India - \textit{Club Mahindra} has adopted permission marketing. This company believes that any form of mailers or calls can only be done after permission from the prospect has been taken. The company discards spamming.\textsuperscript{2} If marketers give the customer interesting information, the customer will become

\begin{itemize}
\item[] \textsuperscript{1} Kotler; Keller; Koshy; Jha, \textit{Marketing Management}, 12\textsuperscript{th} ed, Pearson Education, New Delhi, 2007, p 200.
\item[] \textsuperscript{2} Permission Marketing, \textit{Businessline}, Chennai, 29\textsuperscript{th} Dec, 2008 (Contributed by Ashok R. Sankethi, CEO, Kaybase).
\end{itemize}
happy, but if marketers give the customer repulsive information, the customer will not become just unhappy but more than unhappy. The customer would be averse, opposed, repugnance or have antipathy towards the marketing organizations. Permission marketing is like ordering a product on the phone and got it delivered at home while traditional marketing like the vendor who moves door to door for selling a product in a hope that someone will buy, without knowing who is interested to buy. In the former case, the customer decides about the product and finds it out. While in the latter case, the seller shoots for the moon and may get among the star. The vendor doesn’t know that House No. 10, in the second raw of the next Colony wants the product. The vendor doesn’t know where the customer is and where is the business?

The percentage of actual buyers converted out of prospects will be lesser in traditional marketing because marketers know that all the prospective buyers may not be real buyers. Many of them will be filtered out. There is no question about filtering in the permission marketing practice because marketers contact only eager-to-buy individuals. Sam Hill and Glenn Rifkin in the book “Radical marketing” suggested ‘respecting customers as individuals’. They suggested not treating customers as numbers. Permission marketing is No-objection marketing.

Though permission marketing is used more in online marketing practices, an attempt has been made in this research to include mobile marketing, direct marketing and other integrated marketing communication tools in the practice of permission marketing in India.
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