

Permission Marketing : An Analysis with Reference to Banking Promotional E-mails

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Abstract

Permission marketing is a strategy which utilizes e-mail and mobile technology to send consumers information that they have agreed to receive. It seeks permission from the consumer to receive marketing messages. In short, customers volunteer to be marketed to. Permission marketing aims to build a customer group with a high-interest level by sending certain types of marketing information only to those who have specifically requested it. Banks require permission from customers before sending e-mails. Customers assess the behavior of banks and make a judgment about the integrity of a bank. The results of the present study revealed the factors which affected the permission given by customers to banks for sending promotional e-mails. The importance of the paper lies in the fact that it sheds light on the factors which affected the grant of permission based e-mails, the findings of which are presented in this paper. This research paper has implications for both academicians and the different practitioners who include bank marketers, especially practicing e-mail marketers in various capacities.

Keywords: permission, permission marketing, banks, bank marketing, e-mail marketing

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The marketing of products/services and the techniques in which communication takes place with customers are changing worldwide at a rapid pace. Consumers have changed tremendously over the last two decades and are still evolving in their pattern of behavior. Consequently, marketers have to change the ways in which they conduct their marketing communication activities and should move towards holistic and customer-oriented marketing. In this new environment, marketers are being forced to adopt new paradigms to survive and grow in the intense competition by meeting ever rising consumer demands. These developments have endless opportunities in terms of large, free global markets and improved ability to meet the challenges by using technology. This evolution has become the turning point for new-age marketers, especially who are practicing marketing communications. As a result, marketing communication will not provide the desired results if it is not targeted to the right customers at the right time. Moreover, the approval of customers is required before marketing of various products. This led to the formulation of the concept of "Permission Marketing" which is based on the premise of customer centricity, in which consumers give their consent to receive marketing information of their choice (Godin, 1999). Permission marketing, as the name suggests, offers a consumer an opportunity to volunteer to be marketed to. It is, therefore, anticipated, personal, and relevant.

The definition of permission marketing mainly focuses on marketing practices which are centered on obtaining customer consent to receive information from a marketer. Permission marketing gained the attention of media in early 2000. Various studies have been undertaken since then. The key to permission marketing is understanding customer interests and information needs (Sterne & Priore, 2000). Thus, a permission relationship begins with the consumer's explicit and active assent to receive commercial messages and always give consumers the power to unsubscribe at any time. It is said to be an effective tool of marketing because the prospect is more receptive to a message that has been requested in advance by him/her. It is not surprising that several marketing scholars worldwide have begun to indicate their acceptance of permission marketing as a viable concept now.

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Over the years, the banking sector has undergone many changes, including nationalization, use of technology, and liberalization. The banking sector has been going through constant changes during the last decade. These changes were caused by establishment and bankruptcy of new commercial banks, changes in monetary policy, establishment of foreign capital banks, bank mergers, and acquisitions. Due to so many changes which are happening in the banking sector, the level of competition has increased. Globalization of the world economy and global economic reforms led to deregulation of the banking sector. This further evolved the concept of bank marketing in the Indian context. Consumers of banking services now have more choices available to them. As a result, banks have started exploring new approaches for satisfying “stated” as well as “unstated needs” of customers. Customers are now choice-empowered and, therefore, the marketing strategy of banks should be capable enough. Given the vast number of products and services, marketers of financial services are challenged to differentiate themselves from the competitors. Banks, therefore, will be successful if they offer the services as required by the target group of customers (Zineldin, 2000). If the information, as communicated by the banks, is reliable, it will lead to loyalty. Banks send personalized and targeted electronic messages to the targeted groups of customers and provide information of banking products, events, and offers. Therefore, online banking has become the hottest new customer service trend for banks.

Permission-based e-mail marketing is a useful tool of contemporary marketing. It is a very cost-effective method to market offerings to both existing and new customers. Permission Marketing appeals to advertisers because it enables global diffusion of communication messages, while enabling customization without sacrificing the economies of scale of a one-source message originator. Like few other media channels, opt-in e-mail potentially results in synergies, even though multiple audiences are targeted and multiple themes are used. Permission based e-mail marketing has emerged as a best practice that allows banks to take advantage of e-mail's low cost at one end and building consumer trust on the other end.

Literature Review

Faced with media fragmentation along with escalating demand for measurable results, marketers are shifting their expenditure from mass media to response-oriented promotional channels. Even the industry is propagating 360 degree marketing, as it is also confronted with wafer-thin margins (Shukla, 2010). The modern day customers can be captivated by designing innovative products and implementing innovative marketing practices like ambient and digital media, creative product placements, permission marketing, and e-stores to name a few (Agrawal, 2010). Given the competition that exists in today's environment, every organization comes out with novel programmes to delight the customers (Venkatesh, 2013). Permission marketing is one such innovative marketing concept which is evolving in nature.

Nath and Gupta (2008), in their research survey, acknowledged the future of permission based e-mail marketing. According to them, masses consider this concept to be beneficial for them in the long run. The concept of permission marketing will be a useful concept in the future, primarily because of the finite time and limited attention of the customers. The idea is to understand the lifetime value of the customer and allocate resources in accordance with these values. While permission based e-mail marketing is proposed to have several advantages, the concept has various concern areas. Acquiring customers who give permission is the underlining concern; permission marketing proves to be a restricted customer acquisition tool. Tezinde, Smith, and Murphy (2002) found similar implications. According to them, it was complicated to deploy permission marketing, because obtaining permission of the customer is difficult.

According to Rosenspan (2001), permission marketing is only the beginning of an interactive marketing system and provides few benefits. According to Swanson (2000), Rizzi (2001), and Rosenthal (2001), permission based e-mails provide better means of communication and reach target audiences promptly. According to Yager (2001), permission marketing respects the privacy of targeted customers who actually expressed interest in the product and placed a level of trust and responsibility with the marketer, which may further lead to brand loyalty. According

to Book (2004), in order to market well, organizations should use an integrated multi-channel marketing strategy, where the key focus should be on permission based e-mails. He argued that by using this technique, organizations will be able to synchronize customer marketing activities with the overall business activities.

Won, Lee, and Lee (2004) investigated the role of consumer's e-mail subscription status (i.e., permission-based versus unsolicited e-mails) on their intention to read the message and their attitude towards advertisements. According to them, subject line of a message had a substantial impact on the audience's intention to read the message and their attitude towards these messages. Similarly, Merisavo and Raulas (2004) found that majority of the consumers who had given their permission in form of an opt-in email list reportedly purchased from a particular brand in less than six months of reading the message. Nath and Gupta (2008) acknowledged the future of permission based e-mail marketing. According to them, masses consider this concept to be beneficial for them in the long run. The concept of permission marketing will be a useful concept in the future, primarily because of finite time and limited attention of the customers. The idea is to understand the lifetime value of the customer and allocate resources in accordance with these values.

While permission based e-mail marketing is proposed to have several advantages, the concept is having various concern areas. Acquiring customers who give permission is the underlining concern; permission marketing proves to be a restricted customer acquisition tool. Tezinde et al. (2002) found similar implications. According to them, it is complicated to deploy permission marketing because obtaining permission from the customer is difficult. To keep customers delighted, firms always desire to increase customers' e-mail opt-in rate and decrease their e-mail opt-out rate. To achieve this, marketers would benefit from understanding what makes customers willing to grant them permission (Kumar, Zhang, & Luo, 2014).

Banks are promoting their products and services using various techniques of electronic marketing, thereby creating and communicating unique value. Technology is popular because of less cost of operation, increase in banking habits & number of transactions, lack of time with customers, improvement in customer services, and so forth. However, individual differences, computer literacy, personality and demographic variables reflect the users' intention to adopt E-banking (Jani, 2012). The primary communication channel used by banks is e-mail marketing. E-mail communications provide touch points with banking clients, keeping them engaged with bank financial services. Klang (2001) pointed out that customers assess the behavior of banks and make judgments about the integrity of banks. Customers evaluate past email sending behavior of a bank to decide whether it has provided friendly advises protecting the interest of the customers or has it been an opportunist before making any transaction decision. The usage intention of Internet banking, especially for outbound e-mails, could be affected by customers' perceptions of credibility regarding security and privacy offered by a bank (Wang, Wang, Lin, & Tang, 2003). Perception of lack of security has been identified as an important factor which affects the use of email by banks (Kassim & Abdullah, 2006).

Research Gap

The above discussion reveals the permission concerns relating to banking e-mails by banks and throws light on the theoretical models of permission marketing. In the backdrop of the extensive literature review carried out, it can be seen that literature has mainly emphasized on the emergence of permission marketing as a concept, permission marketing as a customer centric tool, benefits of permission marketing, response rate of solicited e-mails, privacy of customers, and so forth. The literature also revealed that Internet banking has created a win-win situation for both banks and customers as customers get information along with knowledge of products and services, and banks achieve cost efficiency in their marketing activities. It is also evident that technology is going to play an important role in the banking sector. Although various dimensions of permission based e-mails have often been discussed in various research studies ; yet, no research has focused on the reasons why a customer gives permission to a bank to send promotional emails. Hence, a research attempt was made to establish factors which are important while giving permission for e-mails being sent by banks.

Research Objectives

Thus, against this backdrop, an attempt was made to discover the factors affecting permission for e-mails by banks with the following set of objectives:

- (1) To understand the respondents' general attitude towards permission marketing.
- (2) To explore the underlying factors relating to permission based e-mails by banks.

Methodology

For collection of primary data, a questionnaire was developed for reliable and first hand data collection. I used a structured questionnaire for this purpose, which was pretested among 50 respondents. On the basis of review, the questionnaire was redesigned. The questionnaire was tested for content validity and reliability. The reliability of the questionnaire(s) was tested by using Cronbach's alpha IBM-SPSS Version 19 software. It was found to be above 0.60, which is acceptable (De Vellis, 1991; Nunnally & Bernstein, 1994; Spector, 1992). Data was collected from a sample size of 200 respondents living in Delhi-NCR. The study was conducted during the period from February 2012- July 2013. In order to reduce data complexity and extract meaningful factors, exploratory factor analysis was used to identify the factors affecting permission based e-mails by banks.

Data Analysis and Results

The research had almost 67% male respondents as against 33% female respondents. Most of the respondents belonged to the age group of 18-25 years. This age group was suitable for the present study. Majority of the respondents had accounts in private banks followed by public and foreign banks.

An attempt was made to identify the factors affecting permission based e-mails by banks. Factor analysis was used for this purpose. All individual scale items were statistically significant at the 5% level of significance. Hence, all items were deemed to be reliable. To find out whether an item is a part of a factor, factor loading of at least 0.3 was used as the cut-off point. For this, initially, Kaiser- Meyer-Olkin (KMO) test and Bartlett's Test of Sphericity were tested to proceed with the analysis. The Table 1 shows the results of KMO and Bartlett's Test of Sphericity which measures the adequacy of samples and association among variables.

KMO value of .758 (> 0.5) was found to be acceptable and hence, the sample was adequate enough to perform factor analysis. The value of Bartlett's Test of Sphericity was also found to be significant at the 5% level of significance, which reveals that there was an association between various items of the scale. The factors were extracted using principal component analysis and varimax rotation with Kaiser's normalization. Three factors were extracted which explained for 60.088% of the variation as can be seen from Table 2, which shows cumulative % of the squared loadings. Factor loadings can be seen in the Table 3, where three factors were identified keeping the factor loadings into consideration of all the components examined in this study. Similar confirmation can also

Table 1. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling		
Adequacy.		.758
Bartlett's Test of	Approx. Chi-Square	628.423
Sphericity	df	55
	Sig	.000

Table 2. Initial Eigen Values and Variance Table

Component	Initial Eigenvalues			Extraction Sum of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.594	32.676	32.676	3.594	32.676	32.676	2.341	21.284	21.264
2	1.920	17.452	50.128	1.920	17.452	50.128	2.205	20.042	41.326
3	1.096	9.959	60.088	1.096	9.959	60.088	2.064	18.762	60.088
4	.806	7.327	67.415						
5	.760	6.910	74.326						
6	.696	6.324	80.649						
7	.565	5.137	85.786						
8	.486	4.420	90.206						
9	.415	3.769	93.975						
10	.377	3.431	97.406						
11	.285	2.594	100.00						

Table 3. Factor Loadings

Factor Loadings				
		Factor 1	Factor 2	Factor 3
Factor 1 (Perceived Benefit)				
I have more updated information of my choice.		0.700	x	x
I can avail offers and discounts.		0.783	x	x
It can be a good way of getting rewards/benefits.		0.707	x	x
Permission Marketing based e-mails give choice to select marketer.		0.609	x	x
Factor 2 (Trustworthiness)				
I lose my privacy.		x	x	0.779
Permission Marketing based e-mails flood my inbox with too many e-mails.		x	x	0.629
Permission Marketing based e-mails are not of any advantage /use/benefit.		x	x	0.735
Less trust prevails in using PM based e-mails.		x	x	0.676
Factor 3 (Ease of Differentiation)				
I generally click on each Permission Marketing based e-mails.		x	0.840	x
Permission Marketing based e-mails receive more clicks than spam.		x	0.729	x
I use the information given in Permission Marketing based e-mails in decision making.		x	0.562	x

be made from the Figure 1 depicting the Scree Plot, which shows three points where the Eigen value is more than 1 and variances are observed.

The three factors that were extracted are as follows:

(1) Factor 1 - Perceived Benefit : Many factors were considered while giving permission to a marketer for sending e-mails. The first factor comprises of items such as 'Updated information of choice,' 'Availing offers and discounts,' 'Reward/Benefit expectation,' and 'Choice of selecting marketer'. Due to associations among these items, they were collectively identified as a factor Perceived Benefit.

(2) Factor 2 - Trustworthiness : 'Losing privacy,' 'Flooding of inbox,' 'Permission based e-mails are not of any advantage/benefit,' and 'Less trust prevails in using permission based e-mails' constitutes the second factor. As all these items show an association with each other, the factor is termed as Trustworthiness.

(3) Factor 3 - Ease of Differentiation : The third factor - Ease of Differentiation includes three items, 'Clicking of permission based e-mails,' 'Permission based e-mails receive better clicks than spam,' and 'Using of permission based e-mails for decision making'. They variables were collectively named as the factor Ease of Differentiation.

Discussion and Implications

Trust emerged as an important factor, which motivates customers to give (or not give) permission for receiving promotional emails. Online transactions with banks involve the creation of username, password, sharing of e-mail id, mobile number, and sometimes personal details as well. This requires establishment of mutual trust and an agreement in which the bank doesn't leak, share, or sell information to any other person/organization for commercial use (third party). On the other hand, a bank needs to create trust in customers by sending mails regarding awareness of online frauds and educate its customers not to share personal identification number or net banking details with anyone. Thus, an environment of trust needs to be created by banks through e-mail communication from time to time. Trust on a bank about "privacy of details" is very crucial, and sometimes, this factor is the sole decider for the decision of giving permission to a bank for sending e-mails. This finding is further supported by a study of Krishnamurthy (2000) in which the researcher emphasized on the importance of trust as a key variable in obtaining permission.

Banks are considered to be one of the safest places for assets of people. Trust is the linkage which makes people decide which bank to choose. People also trust a bank in case of permission based e-mails that a bank will not harm them in any manner. Permitted e-mails were found to have more acceptability than unsolicited e-mails. This means that the clicking rate improves when the e-mail received was being sent by a bank to which permission was already given for doing so. This was unanimously accepted by all respondents. This supports the study of MailerMailer (2006) in which it was highlighted that click rates of e-mails improved with more personalization in the subject line as well as in the message content. This seems to be obvious as consumers are more receptive to communication which has their consent and is not interruptive in nature. Consent comes with trust and trust leads to granting permission and more acceptability of permitted e-mails. This supports the study of Klang (2001), where the researcher pointed out that e-mail patterns followed by banks become the basis of judgment of integrity of the banks by the consumers.

Managerial Implications

The results of this study are more relevant in today's business world. Banks should encourage the use of e-mails for correspondence with customers and also motivate them to use e-mails in case of feedbacks, queries, or any suggestions. It will also be taken from the point of view of going green as a need of the day. Banks should undertake a special drive from time to time to educate their customers regarding the importance and relevance of e-mail marketing in general, and e-mail based permission marketing in particular. Banks must inform customers from time to time about how banks manage privacy of customer details. This will create an environment of trust and will also bring in transparency. Finally, banks should also seek feedback from customers regarding e-mail communication being sent to them on a yearly basis either through permitted e-mails or net banking techniques.

Conclusion

As revealed by the study, Perceived Benefit, Trustworthiness, and Ease of Differentiation are found to be important factors considered by customers while giving permission to marketers for sending permission based e-mails. Acceptability of giving permission to banks for sending e-mails was found to be good. Respondents were ready to give permission because of the advantages associated with these permitted e-mails. Bank customers agreed with the fact that they became more updated and informed by giving permission to banks for sending e-mails. Bank customers showed concern for the information given by banks through permitted e-mails, provided the information contained in the emails was relevant and useful.

Limitations of the Study and Suggestions for Future Research

Notwithstanding its comprehensive coverage, the present study has been conducted from the marketing view point and did not conduct an analysis of the type psychologists or anthropologists have often conducted. The study did not conduct any psychometric test or econometric test. Permission based e-mails take many aspects of information technology which have not been dealt in this study. The study is totally based on the practices being followed by the banks and has been viewed from the marketing point of view only. In the present study, I examined only three types of banks; future researchers can include cooperative banks, regional rural banks, and non-banking financial institutions and can suggest some more options for better implementation of permission marketing. An independent course of study can be undertaken by the researchers to evaluate the effectiveness of promotional content being sent through permitted e-mails by different organizations. Academicians in the field of management, information technology, and operations need to come together and suggest an integrated model for permission marketing that can be applied in the Indian context.

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