



Winter 2004

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Recommended Citation

Micu, Anca et al. "An Economic Model of Permission Marketing: Win-win-win Relationship Building Among Marketers, ISPs, and Internet Users." *AMA Winter Educators' Conference Proceedings* 15 (2004): 86-94.

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AN ECONOMIC MODEL OF PERMISSION MARKETING: WIN-WIN-WIN RELATIONSHIP BUILDING AMONG MARKETERS, ISPs, AND INTERNET USERS

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ABSTRACT

A model is proposed for ISP customers to accept e-mail marketing in exchange for a discount on the Internet fee. Adherence to the model appeared to vary with age, number of e-mails received per day, and with the amount of the current fee. Authors recommend marketers send fewer, better-targeted, and personalized e-mails.

INTRODUCTION

Businesses and organizations often struggle to find effective use of Internet technologies. E-mail, given its one-to-one communication characteristics and its ubiquitous use, is thought to hold the potential to provide access to consumers with fewer barriers. Unsolicited bulk e-mail, commonly known as "spam," is becoming a phenomenon of gigantic proportions. Brightmail, an anti-spam technology company, estimated that 41 percent of all e-mail messages sent daily are spam, up from only 8 percent in 2001 (Weaver 2003).

The authors propose an economic model that stems from three antecedent aspects of unsolicited commercial e-mail: the perceptions held by individual Internet users about spam, the high spam-related costs supported by companies and Internet service providers (ISPs), and the Federal Trade Commission (FTC) limitations and public criticisms faced by spam-using advertisers. In this model e-mail marketing would only be sent to users willing to accept it and, in return, the advertisers would support some of the consumers' Internet connection costs, in the form of a discount on fees offered by the ISPs.

The study used an exploratory online survey of a Midwestern university community to determine how willing people were to accept e-mail marketing in exchange for an ISP discount. Employing induced compliance and diffusion of innovation theoretical concepts, the authors sought to find the preferred amount of incentive for e-mail users to accept e-mail marketing and how this acceptance varies with different demographics. In a parallel study, the authors determined through content analysis the characteristics of permission marketing e-mails.

E-MAIL AS AN ONLINE DIRECT MARKETING TOOL

Direct marketing is defined as an interactive system of marketing which uses one or more advertising media to generate a measurable response and/or transaction at any location (Shimp 1990). With the burgeoning of the Internet and the development of e-commerce, e-mail has become an important tool in direct marketing. According to Tezinde, Smith, and Murphy (2002), at the end of 2000, there were 891.1 million active electronic mailboxes in the world, up 67 percent from 533.1 million in 1999 (United Messaging 2001).

The big challenge is distinguishing permission marketing from spam. Spam is an e-mail message of a commercial nature that has been sent without the receiver's explicit permission (Krishnamurthy 2000). In contrast, permission marketing is often characterized as "You have opted in." Permission marketing imposes segmentation and targets consumers more precisely and therefore cuts through advertising clutter on the Internet (Tezinde et al. 2002). However, for many consumers, spam and permission marketing are not easy to tell apart. This lack of differentiation may drive attitudes toward opt-in e-mail down to the same level as attitudes toward spam (Tezinde et al. 2002).

The increasing spam trend has impacted Internet users both at individual and at organizational levels. Any permission-marketing model would have to consider all parties affected by the spam phenomenon.

1. *The Individual Users:* An online survey by SurveyNet in 1997, found that 80.3 percent of a sample population of more than 4,000 found spam annoying or excessively annoying. The same survey found that 47.9 percent of the surveyed population considered that unsolicited e-mail costs them time and money (SurveyNet 2003).
2. *The Companies:* Spam costs companies some impressive amounts. In their study, "Spam Control: Problems and Opportunities," San Francisco-based

Ferris Research estimates that cost of dealing with the extra volume of e-mail and the processing of spam messages amounted to \$8.9 billion for businesses in the United States (Salierno 2003). Spam filters are a solution that ISPs like AOL, MSN, and Earthlink have implemented to fight unsolicited bulk e-mail. However, this appears to be a temporary fix because spam-using advertisers are constantly changing their addresses to avoid detection (Weaver 2003).

3. **The Advertisers:** Pressures from consumer groups determined the FTC to regulate spam-related advertising. On May 17, 2002 the Senate Commerce Committee approved the anti-“spam” e-mail bill that would make it a crime to send false or misleading unsolicited e-mails or ones that do not have a valid return address (*Advertising Age* 2002). On February 3, 2003, the FTC announced it would hold a three-day workshop to discuss the problems of spam and possible regulatory action (*Advertising Age* 2003).

This paper proposes a model where all parties should be satisfied: the customers, the ISPs, and the marketers. The authors identified the preferred incentive amount for the sampled Internet customers to accept e-mail marketing and the demographics of the segment of the sample willing to accept. The characteristics of permission marketing e-mails were assessed through a content analysis.

THE MODEL

The authors' proposed new model would have ISPs send bulk e-mail advertisements to customers in return for a discount on their monthly Internet service fee. This model is an application of the Web banner ad model employed by Juno or Netzero, both of which offer lower Internet service monthly fees in exchange for accepting a

toolbar of ads on the top of the screen when customers access the World Wide Web.

In the proposed model, e-mail marketing would have to be accepted by the Internet user when signing up with the ISP, in order to receive the lower monthly fee. The ISPs would recover their costs from the advertisers who would send the marketing e-mail messages. This model is a win-win-win situation; all three sides – the consumers, the ISPs, and the advertisers – would be satisfied.

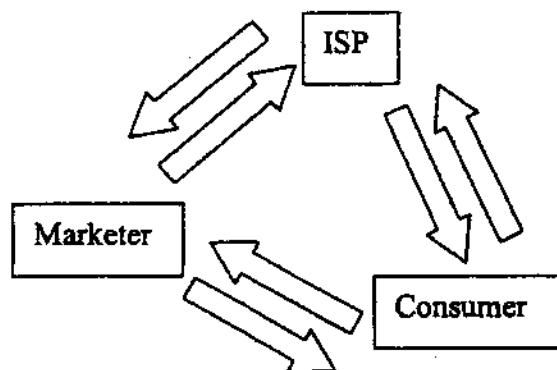
- The consumers would be satisfied because they would pay less for Internet service and only receive marketing e-mails they agreed upon.
- The ISPs would service clients who either like (for discounted monthly fee) or do not like e-mail marketing (for full price monthly fee), covering their discount costs with money from the advertisers.
- The advertisers would be more efficient in sending e-mails to consumers who stated they accept e-mail marketing.

In order for this model to work, the first question to be answered is whether there are Internet users who would accept marketing e-mails in exchange for a lower monthly rate and what are the shared characteristics of these users. This study attempts to answer these questions, while also providing details about features of permission-based marketing e-mail messages.

THEORETICAL PERSPECTIVES

There are two theoretical aspects to the questions asked in this study: the concept of induced compliance (Festinger 1957; Festinger and Carlsmith 1959) and the adoption of innovation concept (Rogers and Shoemaker 1971).

FIGURE 1
The Win-Win-Win Model Between Marketers, ISP, and Consumers



Induced Compliance Theory

After Festinger (1957) established cognitive dissonance theory, many researchers studied and wrote about what became to be called induced compliance (Elms 1969; Darley and Cooper 1972; Davis, Inman, and McAlister 1992; Eagly and Chaiken 1993; Raghuram and Corfman 1999). Induced compliance is said to occur when an individual is induced to act in a way discrepant from his or her beliefs and attitudes (O'Keefe 2002).

Induced compliance situations must have both an incentive and cognitive dissonance. The incentive is offered to the consumer to act in a way discrepant from his or her beliefs. The dissonance appears after the act. Dissonance theory suggests the larger the incentive, the less the dissonance (Festinger and Carlsmith 1959) and consequently the lower the motivation to change attitude toward the unwanted product.

According to O'Keefe (2002), an example of induced compliance process is provided by the familiar marketing ploy of "low price offer." From a dissonance theory view, the lower price represents an incentive for the consumer to purchase the product he does not necessarily prefer (to engage in the counter attitudinal behavior of purchasing the product). However, marketers must use caution when offering incentives either too high (Doob et al. 1969) or too low (Darley and Cooper 1972).

By using acceptance of e-mail marketing as the counter attitudinal behavior and a discount on the monthly Internet fee as the incentive, this study looks at establishing the preferred amount of incentive for accepting e-mail marketing.

RQ1: What would be the percent discount on the Internet monthly fee at which users would accept e-mail-marketing messages?

Diffusion of Innovation Theory

According to Rogers (1962), there is an increase in the rate of diffusion if potential adopters perceive that the innovation: (1) has a relative advantage (the relative degree to which it is perceived to be better than what it supersedes); (2) is compatible (with existing values, past experiences, and needs); (3) is not overly complex but instead is easy to understand and use; (4) is trial-able (the degree to which it can be experimented with on a limited basis); and (5) offers observability (visible results). These five factors may explain why the e-mail-marketing phenomenon has been growing at such a fast pace. Receiving information through e-mail offers some competitive advantage in terms of time and cost, is compatible with current needs, and it is simple and trial-able.

Rogers and Shoemaker (1971) conducted research on adopter characteristics that enable diffusion. Their findings related innovativeness to socio-economic status, personality variables, and communication behavior. Age, income, and education relate to socio-economic status. The authors decided to first look at the impact of income and age on the consumer's attitude toward e-mail marketing. Age appeared to be an important variable in Internet usage (Jupiter Media Metrix 2001). In their study of adoption of innovation, Burkhardt and Brass predict that age is related to adoption of innovation (Burkhardt and Brass 1990). The number of unsolicited e-mails received per day and the current monthly Internet fee paid were also added in the analysis.

H1a: The younger a person the more supportive of e-mail marketing he/she is.

H1b: The higher a person's income the more supportive of e-mail marketing he/she is.

H1c: The lower the number of marketing e-mail messages received by a person per day the more supportive of e-mail marketing he/she is.

H1d: The higher the amount of the Internet monthly fee paid by a person the more supportive of e-mail marketing he/she is.

The authors then decided that the consumer's attitude toward e-mail marketing could be classified as a personality variable and analyzed the influence of demographic and personality-related variables on the willingness to accept e-mail marketing for a discount on the monthly Internet fee. The number of marketing e-mails received per day and the current monthly Internet fee paid were also included.

H2a: The younger a person the more willing to accept e-mail marketing in exchange for a discount on the monthly Internet fee she/he is.

H2b: The higher a person's income the more willing to accept e-mail marketing in exchange for a discount on the monthly Internet fee she/he is.

H2c: The more supportive of e-mail marketing a person is the more willing to accept e-mail marketing in exchange for a discount on the monthly Internet fee she/he is.

H2d: The lower the number of marketing e-mails received by a person per day the more willing to accept e-mail marketing in exchange for a discount on the monthly Internet fee she/he is.

H2e: The higher the amount of the Internet monthly fee paid by a person the more willing to accept e-mail marketing in exchange for a discount on the monthly Internet fee she/he is.

To triangulate on the e-mail marketing issue, the researchers also conducted a content analysis to determine what permission marketing e-mails looked like and what was their framing strategy.

RQ2: What characteristics identify permission marketing e-mail messages?

METHODOLOGY

A questionnaire was posted online and the URL mass-e-mailed to all members of a Midwestern university community. The sender of the e-mail was a professor at the university and the subject line read "spam research." More than 2,500 responses were received, a response rate of almost 8 percent. Tse et al. (1995), Smith (1997), Tse (1998), and Jin, Cropp, and Cameron (2002) reported e-mail response rates of 8 percent or lower. The questionnaire had three sections: (1) number and topics of unsolicited e-mail messages received per week and attitudes toward spam; (2) percentage of ISP-fee discount preferred to accept the model; (3) demographics and type of Internet connection. The questionnaire was drafted and distributed via (www.FreeOnlineSurveys.com) software.

Since the focus was on the respondents' interest in accepting marketing e-mail messages in exchange for a discount on their Internet fee, the respondents who indicated they have free Internet access (provided by the university) were excluded from the analysis. Entries with missing values were also excluded, leaving 1,656 cases for the analysis. The sample of 1,656 is a convenience sample. The link to the online questionnaire was e-mailed to the whole population, as in a census.

The content analysis was conducted on a convenience sample of 246 e-mail messages from a consumer's inbox. All commercial e-mails one co-author received from September 1, 2002 to October 1, 2002 in her MSN Hotmail e-mail account were collected and saved in their original HTML e-mail format. Out of 246 only 72 were explicitly identified as permission marketing messages.

ANALYSIS

All analysis was completed using SPSS. The attitude toward e-mail marketing variable was computed by giving scores responses to statements about marketing e-mails: "I hate to delete them all the time," "They pollute my inbox," "I believe they are sometimes useful," "I sometimes reply to marketing e-mails." The willingness to accept marketing e-mails for a discount was coded as

a dichotomous variable (Yes/No) by coding "Yes" when the respondent indicated a percentage of discount at which he/she would accept marketing e-mails and "No" when the respondent indicated that he/she would not accept e-mail marketing for any discount.

Logistic regression was used to determine the influences of age, income, sex, current Internet monthly fee, and number of spam per day on the consumer's attitude toward e-mail marketing. Hierarchical binary logistic regression was used to check the influence of attitude (block 1), demographics (age, sex, income - block 2), and Internet-related factors (monthly fee and number of spam per day - block 3) on accepting e-mail marketing for a discount on the ISP monthly fee.

The content analysis unit of coding was the e-mail. Coders were graduate students. Six main categories of coding schemes were developed (see Appendix): (1) general features of commercial e-mails; (2) respect for consumers' option; (3) personalization; (4) affiliation reminder; (5) design elements; (6) what is promoted in the e-mail and its category. Holsti's formula (Wimmer and Dominick 1994) was used to calculate inter-coder reliability (.93).

FINDINGS

Acceptance of the Model

RQ1 asked what would be the percent discount on the Internet monthly fee at which users would accept e-mail-marketing messages. Almost 32 percent of the survey respondents (see Table 1) appeared to be willing to accept marketing e-mails for a 40 percent discount on the monthly Internet fee. There were respondents who appeared to agree even for a lower discount (20 or 30 percent).

H1 a-d asked whether age, income, number of marketing e-mails per day, and current monthly Internet fee have an influence on the consumer's attitude toward e-mail marketing. The results of the logistic regression showed an 89.5 percent correct classification in attitude groups, though only age (.00, $p < .01$) and the number of marketing e-mails per day (.03, $p < .01$) were significant contributors.

H2 a-e explored whether age, income, number of marketing e-mails per day, and current monthly Internet fee have an influence on the consumer's willingness to accept marketing e-mails in exchange for a discount on the monthly Internet fee. Running the hierarchical binary logistic regression showed an improvement in classification from 54.8 percentage to 62.4 percentage correctly classified by gradually adding in attitude toward e-mail marketing, demographics, and Internet-related elements.

TABLE 1
Descriptive Statistics

Age	Freq.	%	Cum. %
18 to 25	885	53.40	53.40
26 to 35	322	19.40	72.90
36 to 45	207	12.50	85.40
46 to 55	200	12.10	97.50
above 55	42	2.50	100.00
Total	1656	100.00	
Sex			
Female	1039	62.70	62.70
Male	617	37.30	100.00
Total	1656	100.00	
Income			
below \$10,000	398	24.00	24.00
\$10,000 – \$20,000	230	13.90	37.90
\$21,000 – \$30,000	172	10.40	48.30
\$31,000 – \$40,000	157	9.50	57.80
41,000 – \$50,000	143	8.60	66.40
\$51,000 – \$60,000	114	6.90	73.30
\$61,000 – \$70,000	98	5.90	79.20
above \$70,000	344	20.80	100.00
Total	1656	100.00	
Number of Spam E-Mails Per Day			
none	26	1.57	1.57
less than 3	338	20.41	21.98
4 to 10	590	35.63	57.61
11 to 20	313	18.90	76.51
more than 20	389	23.49	100.00
Total	1656	100.00	
Discount Accepted			
10%	44	2.66	2.66
20%	139	8.39	11.05
30%	142	8.57	19.63
40%	583	35.21	54.83
no way	748	45.17	100.00
Total	1656	100.00	

The acceptance of e-mail marketing for a discount on the Internet monthly fee appeared significantly influenced (.000, $p < .01$) by attitude toward e-mail marketing, age, and current monthly fee paid (see Table 3).

Characteristics of Permission-Marketing E-Mails

Services (62.5%) were most frequently promoted in this permission marketing sample; products were second (34.7%); memberships and others accounted for 2.8

TABLE 2
Regression Table for IVs Influencing Attitude Toward E-Mail Marketing

Predicting Attitude Toward E-Mail Marketing				
	B	S.E.	df	Sig.
Age	0.27	0.07	1.00	0.00
Income	0.02	0.03	1.00	0.64
Number of spam e-mails per day	-0.16	0.08	1.00	0.03
Monthly Internet Fee	-0.03	0.08	1.00	0.65

TABLE 3
Regression Table for IVs Influencing Acceptance of the Model

Predicting Acceptance of the Model				
	B	S.E.	df	Sig.
Age	0.33	0.05	1.00	0.00
Income	0.03	0.02	1.00	0.25
Number of spam e-mails per day	-0.03	0.05	1.00	0.52
Monthly Internet Fee	-0.31	0.05	1.00	0.00
Attitude Toward E-mail Marketing	-1.16	0.19	1.00	0.00

percent ($\chi^2 = 38.583, p < .00$). Among services, finance occupied the largest portion (30.6%) of this sample; media services and medical care accounted for 20.8 percent; other categories only accounted for small percents each ($\chi^2 = 66.111, p < .00$).

Characteristics of permission marketing e-mails were identified to answer RQ2:

1. **Link to an Outside Website:** 72.2 percent of the e-mails featured "Click here" or "Go" phrases or buttons to lead a consumer to an outside Website while 27.8 percent did not ($\chi^2 = 14.222, p < .00$). Only 38.9 percent of the e-mail messages included words or phrases to solicit the consumer's direct response/reaction ($\chi^2 = 3.556, p < .06$).
2. **Incentives:** 63.4 percent of the e-mails did not provide the consumer any incentives compared to 15.5 percent that offered lower prices. Other incentives were infrequent ($\chi^2 = 116.352, p < .00$).
3. **Opt-Out Feature:** A mere 8.5 percent of the sampled messages provided the consumer with the opt-out feature that would remove her from the marketer's e-mail list ($\chi^2 = 49.028, p < .00$).

4. **Personalization:** Of the sampled messages, 38.9 percent bore just an e-mail address as the name of sender, 26.4 percent used a non-name word/phrase/sentence, and 25.0 percent used a company/an organization's name. Only 9.7 percent used a person's name ($\chi^2 = 12.333, p < .01$). However, 80.6 percent of the e-mail messages seemed to have been sent specifically to the e-mail account owner, compared to 19.4 percent that were addressed to a list of e-mail addresses ($\chi^2 = 26.889, p < .00$). Ninety-three point one percent of the e-mails did not include any statement reminding the consumer of her previous relationship with the marketer, compared to the tiny 6.9 percent that did ($\chi^2 = 53.389, p < .00$).
5. **Image/Text Ratio and Color:** 66.7 percent of the sampled e-mails were in image-text mixed format, compared to 20.8 percent in full HTML format and 12.5 in pure text format ($\chi^2 = 36.750, p < .00$). In addition, 76.4 percent of the e-mails were dominated by text, compared to 4.2 percent that were image-dominated and 19.4 percent that had text and images combined ($\chi^2 = 62.583, p < .00$). Seventy-seven point eight percent of the e-mails used full color in text, compared to 19.4 percent that used color only for hotlinks and only 2.8 percent that used just black and

white ($\chi^2 = 67.000, p < .00$). For non-text images, 68.1 percent used full color and only 1.4 percent used color only in hotlinks. The remaining 30.6 percent did not insert any images ($\chi^2 = 48.250, p < .00$). There was no significant difference between the frequency of e-mails that included photographs and those did not. Only 11.1 percent included 2-D cartoons ($\chi^2 = 43.556, p < .00$); 31.3 percent free drawings ($\chi^2 = 34.407, p < .00$); and 13.9 percent included 3-D animation, ($\chi^2 = 37.556, p < .00$).

DISCUSSION

The interest level in e-mail marketing became very clear as this study was conducted. The software tallied 1000 responses within two hours of posting the survey. As the results of the analysis showed, almost half of the respondents said they would be willing to live with marketing e-mails under the right conditions. E-mail marketing was much more acceptable when it was seen as a viable way to reduce the cost of receiving other Internet content. The current monthly Internet fee appeared to significantly influence the decision of accepting or rejecting marketing e-mails. As induced compliance theory suggested, there is a preferred incentive for convincing people to perform a counterattitudinal action. In this case, it appears that a 40 percent discount of the monthly Internet fee is the incentive that would "convince" most consumers, however there were some who would have been satisfied with a lower discount

As probably was the case with newspapers and broadcasting, the process of people getting used to the way the media operate (getting used to print ads and TV commercials) took a certain period of time. According to diffusion of innovation theory, innovators adapt first, then early adopters and so on till laggards. The current

study found that age is an important factor in distinguishing early adopters from laggards. Also, the number of marketing e-mails received per day appeared to have an influence. E-mail marketers should therefore target younger audiences and send fewer of the better-targeted e-mails.

Based on the results of the content analysis, for the sampled e-mails, services were more frequently promoted in the commercial e-mails than products, and finance, media service and medical care appeared to be the major categories on the center stage of e-mail marketing. More e-mails appeared to provide consumers the option to opt out and be removed from the marketer's e-mail list, which is a good signal for a healthier e-mail-marketing environment. From a design standpoint, image-text mixed format was widely used, promising increasingly consumer-friendly e-mail interfaces.

On the downside, classic features of direct marketing did not seem to be implemented enough. There was scarce usage of "call for action" phrases and incentives, marketers risking losing attractiveness to consumers given the lack of interactivity and benefits. Also, personal addressing was poorly used in the sampled e-mails, which may result in low level of perceived personalization.

As stated earlier, the purpose of this paper was to test a new economic model for permission-based marketing. We hope the findings of this exploratory study will provide direct marketers and researchers an initial picture of what is going on in a consumer's mind and e-mail inbox. We caution though that the convenience sample included only university-affiliated respondents, who either graduated, currently study or have an interest in higher education. The results might apply only to such populations.

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APPENDIX

Description of Content Analysis Coding

General Features of Commercial E-Mails. Items here include: (1) If there is any "click here" or "go" phrase or button linking the receiver to an outside Website; (2) If there is any "call for action" words or phrases or sentences ("now," "today," "Sign up immediately," "Last chance," and so on) reminding consumers of the time urgency of purchase or urging consumers to take action. (1) and (2) variables are coded as 1 = Yes and 2 = No. (3) If there is any kind of incentives provided in the e-mail (coupon; lowered price; gift/premier; free trial; others; no incentive); they are coded from 1-6.

Respect for Consumers' Option. If there is any "to be removed from the list" or "to unsubscribe, click here" option or the equivalent. These two variables are coded as 1 = Yes and 2 = No.

Personalization. For this content analysis, the concept of personalization is operationalized as: (1) The "sender" appeared in the e-mail head (1. A person's name; 2. A company's name; 3. An e-mail address; 4) A non-name word/phrase/sentence; 4. Others); (2) The "receiver" appeared in the e-mail head (1. To the e-mail account owner's e-mail address only; 2. To more than two e-mail addresses). The personalization level here is distinguished by if the e-mail account owner's name is mentioned, and if the e-mail subject is told in a personal tone.

Affiliation Reminder. The measurement here is: If there is any statement about the affiliation or membership the e-mail owner has had with the sender's company or organization (1 = Yes; 2 = No).

Design Elements. (1) The format of the e-mail body (1. Pure text based; 2. HTML full formatted; 3. Image-text mixed); (2) The dominant design element in the e-mail body (1. Text-dominated; 2. Image-dominated; 3. About half-and-half);

(3) The use of color in the text of the e-mail (1. Black and white; 2. Color used only for hotlinks; 3. Full color; 4. No text); (4) The use of color in the image of the e-mail (1. Black and white; 2. Color used only for hotlinks; 3. Full color; 4. No Image); (5) If any photo is inserted; (6) If any 2-D cartoon is inserted; (7) If any free drawing is inserted; (8) If any 3-D animation is inserted. Variable 5) to 8) are all coded as 1 = Yes and 2 = No.

What Is Promoted in the E-Mail and its Category. (1) What is promoted in the e-mail (1. a product; 2. a service; 3. a brand; 4. a company; 5. an idea/an issue; 6. membership; 7. donation; 8. others); (2) The category of the product/service/brand/company promoted in the e-mail (1. food; 2. Medical care; 3. Real estate; 4. Sex-related; 5. Education; 6. Media service; 7. Travel; 8. Cosmetics; 9. Electronics; 10. Phone service; 11. Finance; 12. Others; 13. No product/service/brand/company).

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AN ECONOMIC MODEL OF PERMISSION MARKETING: WIN-WIN-WIN RELATIONSHIP BUILDING AMONG MARKETERS, ISPs, AND INTERNET USERS

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ABSTRACT

A model is proposed for ISP customers to accept e-mail marketing in exchange for a discount on the Internet fee. Adherence to the model appeared to vary with age, number of e-mails received per day, and with the amount of the current fee. Authors recommend marketers send fewer, better-targeted, and personalized e-mails.

INTRODUCTION

Businesses and organizations often struggle to find effective use of Internet technologies. E-mail, given its one-to-one communication characteristics and its ubiquitous use, is thought to hold the potential to provide access to consumers with fewer barriers. Unsolicited bulk e-mail, commonly known as "spam," is becoming a phenomenon of gigantic proportions. Brightmail, an anti-spam technology company, estimated that 41 percent of all e-mail messages sent daily are spam, up from only 8 percent in 2001 (Weaver 2003).

The authors propose an economic model that stems from three antecedent aspects of unsolicited commercial e-mail: the perceptions held by individual Internet users about spam, the high spam-related costs supported by companies and Internet service providers (ISPs), and the Federal Trade Commission (FTC) limitations and public criticisms faced by spam-using advertisers. In this model e-mail marketing would only be sent to users willing to accept it and, in return, the advertisers would support some of the consumers' Internet connection costs, in the form of a discount on fees offered by the ISPs.

The study used an exploratory online survey of a Midwestern university community to determine how willing people were to accept e-mail marketing in exchange for an ISP discount. Employing induced compliance and diffusion of innovation theoretical concepts, the authors sought to find the preferred amount of incentive for e-mail users to accept e-mail marketing and how this acceptance varies with different demographics. In a parallel study, the authors determined through content analysis the characteristics of permission marketing e-mails.

E-MAIL AS AN ONLINE DIRECT MARKETING TOOL

Direct marketing is defined as an interactive system of marketing which uses one or more advertising media to generate a measurable response and/or transaction at any location (Shimp 1990). With the burgeoning of the Internet and the development of e-commerce, e-mail has become an important tool in direct marketing. According to Tezinde, Smith, and Murphy (2002), at the end of 2000, there were 891.1 million active electronic mailboxes in the world, up 67 percent from 533.1 million in 1999 (United Messaging 2001).

The big challenge is distinguishing permission marketing from spam. Spam is an e-mail message of a commercial nature that has been sent without the receiver's explicit permission (Krishnamurthy 2000). In contrast, permission marketing is often characterized as "You have opted in." Permission marketing imposes segmentation and targets consumers more precisely and therefore cuts through advertising clutter on the Internet (Tezinde et al. 2002). However, for many consumers, spam and permission marketing are not easy to tell apart. This lack of differentiation may drive attitudes toward opt-in e-mail down to the same level as attitudes toward spam (Tezinde et al. 2002).

The increasing spam trend has impacted Internet users both at individual and at organizational levels. Any permission-marketing model would have to consider all parties affected by the spam phenomenon.

1. *The Individual Users:* An online survey by SurveyNet in 1997, found that 80.3 percent of a sample population of more than 4,000 found spam annoying or excessively annoying. The same survey found that 47.9 percent of the surveyed population considered that unsolicited e-mail costs them time and money (SurveyNet 2003).
2. *The Companies:* Spam costs companies some impressive amounts. In their study, "Spam Control: Problems and Opportunities," San Francisco-based