

Permission Marketing and Privacy Concerns — Why Do Customers (Not) Grant Permissions?



Manfred Krafft ^{a,*} & Christine M. Arden ^a & Peter C. Verhoef ^b

^a Institute of Marketing, University of Muenster, Am Stadtgraben 13-15, 48143 Muenster, Germany

^b Department of Marketing, Faculty of Economics and Business, University of Groningen, P.O. Box 800, 9700 AV Groningen, The Netherlands

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Abstract

Little is known about the influence of motivators that drive consumers to grant permission to be contacted via personalized communication. In this study, a framework is developed to investigate the effect of select drivers of consumers granting permission to receive personalized messages. The authors distinguish between drivers related to benefit and cost to the consumers. They identify the influence of perceived personal relevance, entertainment, and consumer information control as well as monetary incentives and lottery participation as benefit-related factors. Cost-related factors entail the registration process, privacy concerns, and perceived intrusiveness. The authors find that, except for monetary incentives and lottery participation, the identified drivers significantly influence consumers' decision to grant permission. The strong negative influence of privacy concerns on the probability of granting permission can be lessened by two benefit-related factors, namely message content with entertainment value or personal relevance for the consumer. The study helps to improve firm measures aimed at getting more permissions — granted by customers for interactive campaigns.

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Introduction

Nowadays, potential customers can be reached with relevant and individualized messages. However, consumers often perceive such messages as an intrusion of their privacy, which creates a challenge for companies. To address such concerns and meet legal requirements, upfront permission by consumers provides an interesting option for future interaction. This concept, known as *permission marketing* (Godin 1999), refers to direct marketing activities that require consumers' consent to be contacted by a specific company. These messages are mutually beneficial as they are anticipated, personal, and relevant (Godin 1999).

Permissions do not only have a positive influence on consumers' responses towards interactive marketing activities (Tsang, Ho, and Liang 2004), but they are also a legal requirement and, therefore, crucial for companies that use direct marketing

media. In the USA, this issue was triggered by the global discussion about data exchange and misuse (Court of Justice of the European Union 2015). Similarly, the most recent European data protection law impedes the targeted dissemination of individualized interactive marketing activities. Aimed at giving consumers more control of their personal data, the revised law extends the definition of personal data and establishes a universal need regarding consent for any use of personal data. Experts anticipate this law to cause a damaging impact on the online advertising industry (O'Reilly 2015) and wipe out the enormous profit potential of, for instance, targeted mobile marketing offers (Fong, Fang, and Luo 2015).

Permission marketing appears to be an auspicious solution to legal issues and privacy concerns and provides a suitable way of reaching out to customers (Kumar, Zhang, and Luo 2014). Consumers are likely to choose from a large set of vendors, but will probably only grant permission to a few firms. Consequently, companies with a substantial number of consenting customers have a competitive advantage over their business rivals. These companies are not only able to use targeted media to engage with

* Corresponding author.

E-mail addresses: m.krafft@uni-muenster.de (M. Krafft), c.arden@uni-muenster.de (C.M. Arden), p.c.verhoef@rug.nl (P.C. Verhoef).

current customers, but might also be able to use the existing relationship for cross-selling activities. Without permissions by their clients, in many countries firms are not allowed to actively target customers and are, thus, reduced to passive order-takers.

Designing a permission process aimed at increasing consumer consent is therefore a priority for several companies. Organizations face the question of which factors influence this decision process. On the one side, there is a growing potential for the personalization of messages in the context of online marketing. On the other side, a higher degree of personalization might also cause increased privacy concerns (Tucker 2014). In line with this, the current discussion on consequences of privacy concerns is more and more focusing on the permissible use of data next to the growing potential of illegal data misuse (Shah 2015).

Despite the growing importance of permission-based interactive communication and detrimental privacy concerns, scant research attention has been paid to investigate drivers of and impediments to customers granting permission. So far, researchers have primarily focused on responses to personalized marketing, effects of privacy concerns and opt-in and opt-out decisions, but did not focus on granting permission decisions. There is yet no study that develops and tests a conceptual model with a large number of theory-based determinants of the decision to grant permission. A major contribution to the existing literature is that we focus more on costs of permission marketing than earlier studies by including a number of cost variables in study. This is urgently required given the increasing use of (big) data in marketing to target customers with personalized messages (e.g., Verhoef et al. 2010; Wedel and Kannan 2016), that may potentially harm customer relationships (e.g., van Doorn and Hoekstra 2013). To close this gap, the main research objective of this study is the identification and investigation of a list of factors that motivate or discourage customers to grant permission for interactive marketing activities. Our main objective is thus to assess the impact of different determinants of a customer's decision to grant permission for personalized marketing activities by firms.

This is important because recent market studies confirm that consumers are concerned about who has access to their data, would like to have more information about how it is used and are looking for benefits in return for releasing personal information, which is linked to granting permission (see e.g., Groopman 2015). Moreover, the Marketing Science Institute (MSI) named “establishing optimal social contracts with customers” as one of their 11 research priorities for 2014 to 2016. MSI also stresses the relevance investigating the trade-off between personal and relevant content versus potential privacy invasion (The Marketing Science Institute 2016).

We organize the paper as follows. First, we review existing literature to identify potentially relevant factors that influence the permission processes. We examine previous work on permission marketing as well as on related research areas, such as relationship marketing and privacy concerns. Drawing on this review, we develop a framework based on theory and empirical literature. Next, we analyze a representative sample of 1,397 respondents to test our hypotheses. We end with a discussion on the implications of our study for science and practice.

Theoretical Background

Permission-based marketing mainly has its background in the direct marketing literature of the 1990s. With the upcoming of online and digital marketing, direct marketing communication has partially been replaced by personalized online marketing on multiple devices, such as mobile (e.g., Chung, Rust, and Wedel 2009). In this section we thus discuss existing research within the domain of personalized marketing. Because granting permission decisions is related to privacy decisions where customers have to grant permission to firms to collect and store data, we also discuss literature in the area of privacy (e.g., Martin, Borah, and Palmatier 2017). In granting permission, customers approve having the firm contacting them directly with personalized messages through different channels such as direct mail, e-mail or telephone. Importantly, existing research suggests that granting permission improves the effectiveness of personalized communication (e.g., Jolley et al. 2013; Kumar, Zhang, and Luo 2014).

Relevant *research on personalized communication* for our study considers the formation of attitudes towards personalization (e.g., evaluation of direct mailing activities), as well as (intended) behavior regarding the participation in personalized marketing communication. Beyond these studies there is also research focusing on the design of the permission process by studying specific opt-in or opt-out procedures (e.g., Johnson, Bellman, and Lohse 2002). Prior research mainly considers the decisions with regard to receiving personalized communication as a benefit–cost trade-off (e.g., Krishnamurthy 2001; Milne and Gordon 1993). The use of a benefit–cost trade-off has been described in various theories and research streams, such as in Homans' (1961) *social exchange theory*. This theory explains that humans only decide to engage in an exchange situation if they expect the net outcome to be positive. Social exchange theory serves to explain the basics of human interaction and has been frequently applied in the context of information exchange (Culnan and Armstrong 1999; Schumann, Von Wangenheim, and Groene 2014).

In the literature, several benefits and costs have been considered. We summarize this literature in Table 1. One dominant benefit in these studies is the level of personalization resulting in a higher relevance for customers. This has been confirmed by studies showing that personalized marketing campaigns have a higher response (e.g., Ansari and Mela 2003). Table 1 also reveals that incentives and the type of content and specifically entertainment can be important benefits. Cost factors gained less attention in the existing literature. However, existing research suggests that consumers anticipating higher costs to maintain their permission (e.g., by feeling a pressure to regularly update personal information) are less likely to grant permission. Furthermore, an anticipated loss of privacy is considered as an important cost factor, as customers granting permission allow the firm to send them (personalized) communication, which may be considered as potentially intrusive (van Doorn and Hoekstra 2013).

Given the importance of privacy in general and for our study in particular, we also provide an overview of relevant *literature on privacy*. This research has extensively studied the consumers'

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