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CHAPTER ONE

THE MARKETING CRISIS THAT MONEY WON'T SOLVE

YOU'RE NOT PAYING ATTENTION. NOBODY IS.

It's not your fault. It's just physically impossible for you to pay attention to everything that marketers expect you to-like the 17,000 new grocery store products that were introduced last year, or the \$1,000 worth of advertising that was directed exclusively at you last year.

Is it any wonder that consumers feel like the fast-moving world around them is getting blurry? There's TV at the airport, advertisements in urinals, newsletters on virtually every topic, and a cellular phone wherever you go.

This is a book about the attention crisis in America and how marketers can survive and thrive in this harsh new environment. Smart marketers have discovered that the old way of advertising and selling products isn't working as well as it used to, and they're aggressively searching for a new, enterprising way to increase market share and profits. *Permission Marketing* is a fundamentally different way of thinking about advertising and customers.

There's no more room for all these advertisements!

I remember when I was about five years old and started watching television seriously. There were only three main channels-2, 4 and 7, plus a public channel and UHF channel for when you were feeling adventuresome. I used to watch Ultraman every day after school on channel 29.

With just five channels to choose from, I quickly memorized the TV schedule. I loved shows like *The Munsters*, and I also had a great time with the TV commercials. Charlie the Tuna, Tony the Tiger and those great board games that seemed to magically come alive all vied for my attention. And they got it.

Growing up, it seemed like everyone I met was part of the same community. We saw the same commercials, bought the same stuff, discussed the same TV shows. Marketing was in a groove - if you invented a decent product and put enough money into TV advertising you could be pretty sure you'd get shelf space in stores. And if the ads were any good at all, people bought the products.

About ten years ago, I realized that a sea change was taking place. I had long ago ceased to memorize the TV schedules, I was unable to keep up with all the magazines I felt I should be reading, and with new alternatives like Prodigy and a book superstore, I fell hopelessly behind in my absorption of media.

I found myself throwing away magazines unopened. I was no longer interested enough in what a telemarketer might say to hesitate before hanging up. I discovered that I could live without hearing every new Bob Dylan album and that while there were plenty of great restaurants in New York City, the ones near my house in the suburbs were just fine.

The clutter, as you know, has only gotten worse. Try counting how many marketing messages you encounter today. Don't forget to include giant brand names on T-shirts, the logos on your computer, the Microsoft start-up banner on your monitor, radio ads, TV ads, airport ads, billboards, bumper stickers and even the ads in your local paper.

For ninety years, marketers have relied on one form of advertising almost exclusively. I call it Interruption Marketing. Interruption, because the key to each and every ad is to interrupt what the viewers are doing in order to get them to think about something else.

INTERRUPTION MARKETING - THE TRADITIONAL APPROACH TO GETTING CONSUMER ATTENTION

Almost no one goes home eagerly anticipating junk mail in their mailbox. Almost no one reads People magazine for the ads. Almost no one looks forward to a three minute commercial interruption on Must See TV.

Advertising is not why we pay attention. Yet marketers must make us pay attention for the ads to work. If they don't interrupt our train of thought by planting some sort of seed in our conscious or subconscious, the ads fail. Wasted money. If an ad falls in the forest and no one notices, there is no ad.

You can define advertising as the science of creating and placing media that interrupts the consumer and then gets him or her to take some action. That's quite a lot to ask of thirty seconds of TV time or 25 square inches of the newspaper, but without interruption, there's no chance for action, and without action, advertising flops.

As the marketplace for advertising gets more and more cluttered, it becomes increasingly difficult to interrupt the

consumer. Imagine you're in an empty airport, early in the morning. There's hardly anyone there as you leisurely stroll towards your plane.

Suddenly, someone walks up to you and says, "Excuse me, can you tell me how to get to Gate 7?" Obviously, you weren't hoping for, or expecting, someone to come up and ask this question, but since he looks nice enough and you've got a spare second, you interrupt your train of thought and point him on his way.

Now, imagine the same airport, but it's three in the afternoon and you're late for your flight. The terminal is crowded with people, all jostling for position. You've been approached five times by various faux charities on your way to the gate, and you've got a headache to top it all off.

Same guy comes up to you and asks the same question. Odds are, your response will be a little different. If you're a New Yorker, you might ignore him altogether. Or you may stop what you were doing, say, "sorry," and then move on.

A third scenario is even worse. What if he's the fourth, or the tenth, or the one hundredth person who's asked you the same question? Sooner or later you're going to tune out the interruptions. Sooner or later, it all becomes background noise.

Well, your life is a lot like that airport scene. You've got too much to do and not enough time to get it done. You're being accosted by strangers constantly. Every day, you're exposed to more than four hours of media. Most of it is optimized to interrupt what you're doing. And increasingly, it's getting harder and harder to find a little peace and quiet.

The ironic thing is that marketers have responded to this problem with the single worst cure possible. To deal with the clutter and the diminished effectiveness of Interruption Marketing, they're interrupting us even more!

That's right. Over the last thirty years, advertisers have dramatically increased their ad spending. They've also increased the noise level of their ads—more jump cuts, more in-your-face techniques—and searched everywhere for new ways to interrupt your day.

Thirty years ago, clothing did not carry huge logos. Commercial breaks on television were short. Magazines rarely had three hundred pages of ads (as many computer magazines do today). You could even watch PBS without seeing several references to the "underwriter."

As clutter has increased, advertisers have responded by increasing clutter. And as with pollution, because no one owns the problem, no one is working very hard to solve it.

CONSUMERS ARE SPENDING LESS TIME SEEKING ALTERNATIVE SOLUTIONS

In addition to clutter, there's another problem facing marketers. Consumers don't need to care as much as they used to. The quality of products has increased dramatically. It's increased so much, in fact, that it doesn't really matter which car you buy, which coffee maker you buy, or which shirt you buy. They're all a great value and they're all going to last a good long while.

We've also come a long way as consumers. Ninety years ago, it was unusual to find a lot of brand name products in a consumer's house. Ninety years ago, we made stuff, we didn't buy it. Today, however, we buy almost everything. Canned goods. Bread. Perked coffee. Even water. As a result, we already have a favorite brand of almost everything. If you like your favorite brand, why invest time in trying to figure out how to switch?

We're not totally locked in, of course. It wasn't too long ago that cake mix was a major innovation. Just a few years ago, we needed to make major decisions about which airline was going to be our supplier of frequent flyer miles. And today, if you're going to get health care, you've got to make a serious choice. But more often than not, you've already made your decisions and you're quite happy with them.

When was the last time someone launched a major new manufacturer of men's suits? Or a large nationwide chain of department stores? Or a successful new nationwide airline? Or a fast food franchise? It can be done, certainly, but it doesn't happen very often. One of the reasons it's such a difficult task is that we're pretty satisfied as consumers.

If the deluge of new products ceased tomorrow, almost no one would mind. How much more functional can a T-shirt get? Except for fast moving industries like computers, the brands we have today are good enough to last us for years and years. Because our needs as consumers are satisfied, we've stopped looking really hard for new solutions.

Yet, because of the huge profits that accrue to marketers who do invent a successful new brand, a new killer product, a new category, the consumer is deluged with messages. Because it's not impossible to get you to switch from MCI to Sprint, or from United Airlines to American Airlines, or from Reebok to Nike, marketers keep trying. It's estimated that the average consumer sees about one million marketing messages a year-about 3,000 a day.

That may seem like a lot, but one trip to the supermarket alone can expose you to more than 10,000 marketing messages! An hour of television might deliver 40 or more, while an issue of the newspaper might have as many as 100. Add to that all the logos, wallboards, junk mail, catalogues, and unsolicited phone calls you have to process every day and it's pretty easy to hit that number. A hundred years ago, there wasn't even a supermarket, there wasn't a TV show, and there weren't radio stations.

MASS MEDIA IS DEAD. LONG LIVE NICHE MEDIA!
Technology and the marketplace have also brought the consumer a glut of ways to be exposed to advertising. When the FCC ruled the world of television, there were only three networks and a handful of independents. Networks made a fortune because they were the only game in town. Now there are dozens, and in some areas, hundreds of TV channels to choose from.

The final episode of Seinfeld made media headlines. Yet thirty years ago, Seinfeld's ratings wouldn't have made Nielsen's list of top 25 shows of the season. With an almost infinite number of options, the chances of a broadcast, even a network broadcast, reaching almost everyone are close to zero.

Even worse is the World Wide Web. At last count, there were nearly 2,000,000 different commercial web sites. That means that there's about 25 people online for every single website...hardly a mass market of interest to an interruption marketer.

Alta Vista, one of the most complete and most visited search engines on the internet, claims to have indexed 100 million pages. That means that their computer has surfed and scanned 100 million pages of information, and if you do a search, that's the database you're searching through.

It turns out that in response to people who do searches online, Alta Vista delivers about 900 million pages a month. That means that the average page that they have indexed in their search engine is called up exactly nine times a month. Imagine that. Millions of dollars invested in building snazzy corporate marketing sites and an average of nine people a month search for and find any given page of information on this search engine.

This is a very, very big haystack, and interruption marketers don't have that many needles.

Marketers have invested (and almost completely wasted) more than a billion dollars on web sites as a way of cutting through the clutter. General Electric has a site with thousands of pages. Ziff-Davis offers a site with more than 250,000 pages! And a direct result of this attempt to cut through the clutter is the most cluttered, least effective marketing of all.

THE FOUR APPROACHES TO KEEPING MASS MARKETING ALIVE

A quick look at the newsstand at Barnes & Noble will confirm that the problem of clutter saturation isn't limited to electronic media. There are enough consumer magazines (ignoring the even larger category of trade magazines for a moment) to keep a reader busy reading magazines full time, 24 hours a day, seven days a week.

Obviously, the mass market is dying. The vast splintering of media means that a marketer can't reach a significant percentage of the population with any single communication. That's one reason the Super Bowl can charge so much for advertisements. Big events are unique in their ability to deliver about half the consumers

watching TV, so they're the perfect platform for Interruption Marketing aimed at the mass audience.

Other than buying even more traditional advertising, how are mass marketers dealing with this profound infoglut? They're taking four approaches:

(1) First, they're spending more in odd places. Not just on traditional TV ads, but a wide range of interesting and obscure media. Campbell's Soup bought ads on parking meters. Macy's spends a fortune on its parade. Kellogg's has spent millions building a presence on the World Wide Web—a fascinating way to sell cereal.

Companies have seen that a mass market broadcast strategy isn't working as well as it used to, especially when targeting the hard-to-reach upper income demographic. As this lucrative audience spends less time watching TV, marketers are working overtime trying to find media with less clutter, where their interruption techniques can be more effective.

Marketers hire Catalina Corporation to print their coupons on the back of receipts at the grocery store. They buy ads on the floor of the cereal aisle. There are ads atop taxis in New York City and on the boards around the rink at the hockey game. Fox even figured out a way to sell the rights to the small area over the catcher's shoulder, so TV viewers would see the ad throughout an entire baseball game.

(2) The second technique is to make advertisements ever more controversial and entertaining. Coca-Cola hired talent agency CAA to enlist top-flight Hollywood directors to make commercials. Candies features a woman sitting on a toilet in its magazine ads (for shoes!). Spike Lee's ad agency did more than fifty million dollars in billings last year.

Of course, as the commercials try harder to get your attention, the clutter becomes even worse. An advertiser who manages to top a competitor for the moment has merely raised the bar. Their next ad will have to be even more outlandish in order to top the competition, not to mention their previous ad, to keep the consumer's attention.

The cost of making a first-rate TV commercial is actually far more, per minute, than a major Hollywood motion picture. Talking frogs, computer graphics and intense editing now seem to be a requirement.

A side effect of the focus on entertainment is that it gives the marketer far less time to actually market. In a fifteen second commercial (increasingly attractive as a cost-cutting way to interrupt people even more often), ten or even twelve seconds are devoted to getting your attention, while just a few heartbeats are reserved for the logo, the benefit and the call to action.

Take the interruption challenge! Write down all the companies who ran commercials during your favorite TV

show last night. Write down all the companies that paid good money to buy banners on the Web during your last surfing expedition. If you can list more than ten percent of them, you're certainly the exception.

(3) The third approach used to keep mass marketing alive is to change ad campaigns more often in order to keep them "interesting and fresh." Tony the Tiger and Charlie Tuna and the Marlboro man are each worth billions of dollars in brand equity to the companies that built them. The marketers behind them have invested a fortune over the last forty years, making them trusted spokesmen (or spokesanimals) for their brands.

Nike, on the other hand, just ran a series of ads without the swoosh, arguably one of the most effective logos of the last generation. Apple Computer changes its tagline annually. Wendy's and McDonald's and Burger King jump from one approach to the other, all hoping for a holy grail that captures attention.

In exchange for these brief bits of attention (remember the hoopla when they replaced Mikey on the Life box?) these marketers are trading in the benefits of a long term brand recognition campaign. It's a trade they're willing to make, because Interruption Marketing requires it. Without attention, there is no ad.

(4) The fourth and last approach, which is as profound as the other three, is that many marketers are abandoning advertising and replacing it with direct mail and promotions. Marketers now allocate about 52% of their annual ad budgets for direct mail and promotions, a significant increase over past years.

Of the more than \$200 billion spent on consumer advertising last year in the US, more than \$100 billion was spent on direct mail campaigns, in-store promotions, coupons, free standing inserts and other non-traditional media. Last year alone Wunderman, Cato, Johnson, did more than \$1.6 billion in billings for its clients (folks like AT&T).

The next time you get a glossy mailing for a Lexus, or enter an instant win sweepstakes at the liquor store, you're seeing the results of this trend toward increased direct marketing efforts. Advertisers are using them because they work. They are somewhat more effective at interrupting you than an ad. They're somewhat more measurable than a billboard. Best of all, they give the marketer another tool to use in their increasingly frustrating fight against clutter. After all, there are only five or ten pieces of junk mail in your mailbox every day-not 3,000. And another few feet of shelf space at the supermarket can lead to a dramatic upturn in sales. Direct marketing breaks through the clutter, temporarily. Even though they work better than advertising, these techniques are astonishingly wasteful. A 2% response for a direct mail campaign will earn the smart marketer a raise at most companies. But a 2% response means that the same campaign was trashed, ignored or rejected by an amazing 98% of the target audience! From the perspective

of the marketer, however, if the campaign earns more than it costs, it's worth doing again.

Of course, just as suburbanites learned when they fled the city to avoid the crowds, if a strategy works, other people will be right on your heels. That bucolic countryside rapidly fills up with other people looking to get away from it all. Correspondingly, as each of these promotional media becomes measurably effective, every smart marketer rushes to join in. Finding a unique approach that cuts through the clutter is usually very short lived.

Virtually every supermarket now charges a shelving allowance, for example, which manufacturers pay for if they want more shelf space for their products. Every liquor store is already jammed with promotions. Every mailbox in the country is brimming with catalogs for clothes, gardening equipment and fountain pens.

Direct marketers are responding to this glut by using computers. With access to vast amounts of computerized customer information, marketers can collate and cross-reference a database of names to create a finely-tuned mailing list, and then send them highly targeted messages. For example, a direct marketer might discover that based on past results, the best prospects for its next campaign are single women who are registered Democrats, who make more than \$58,000 a year and have no balance on their credit card. This information is easily available, and marketers are now racing to make their direct marketing ever more targeted.

Of course, database marketing is a weapon available to any marketer, so like all trends in Interruption Marketing, this one will soon lose its edge. When others jump in as well, the clutter will inevitably catch up.

The last frontier of Interruption Marketing appears to be exemplified by the movie Titanic. James Cameron showed the world that outspending any rational marketer will indeed cut through the clutter. Hollywood has jumped on this bandwagon with marketing campaigns for Godzilla and other films that at first glance, can't possibly bring in enough ticket sales to justify the expense.

Nike uses the same approach to sell sneakers, and now this radical overspending strategy is being used by others, especially on the internet. The thinking behind it is based on an all or nothing roll of the dice. Basically, because clutter is so pervasive, anyone who can successfully break through and create a new mass market product will reap huge rewards. And betting vast amounts of other people's money on that breakthrough is one way to play.

Of course, once there's a proven pattern that big spending can win, others in the category will jump in as well. The bar will be raised yet again, and the only winners will be the media companies that sell the air time and ad space in the first place.

Why ad agencies don't work to solve the problem
What about the ad agencies? With so many talented

people, why aren't they working to solve this problem?

Unfortunately, the clutter wars are taking their casualties at the agency side as well. The big agencies, the ones who could afford to take the lead in this challenge, are faced with three dismal problems:

(1) First, clients are giving the agencies a much shorter leash. Leo Burnett used to keep clients for twenty or thirty years. Levi's stayed at FCB for 68 years. That's so long that not one person at either company was probably born when the account work was started on Levi's.

Today, however, it's not unusual for a marketer to change agencies after two or three years. Companies that fired their ad agencies in the last year include Bank of America, Compaq, Goodyear, and many more.

(2) The second problem is that the stock market has been conducive to agency consolidations. The best way to make money in advertising today is to buy ad agencies and take them public. As a result, some of the best minds in the business have been focusing on building agencies, not brands.

You can order the book at:

<http://www.amazon.com/exec/obidos/ASIN/0684856360/permissionmarket>

if you're enjoying it, please feel free to post a review on Amazon or on Barnes & Noble. Thanks!

(3) And last, the commission structure that every ad agency was built upon has been dramatically dismantled. Traditionally, agencies were paid by media companies. They got to keep 15% of all the ad money that the client spent on ad space in the form of a commission from the magazines and TV networks where they ran their ads. This meant that big clients could generate huge profits for the ad agencies, which funded work on new approaches to advertising as well as the innovative ads for new, smaller clients. But now the big guys have decided to put a stop to this subsidizing, and it's rare to find an ad agency who still gets a straight 15% commission on media buys for their big clients.

INTERRUPTION MARKETERS FACE A CATCH 22

To summarize the problem that faces the Interruption Marketer:

1. Human beings have a finite amount of attention. You can't watch everything, remember everything, or do everything. As the amount of noise in your life increases, the percentage of messages that get through inevitably decreases.

2. Human beings have a finite amount of money. You also can't buy everything. You have to choose. But

because your attention is limited, you'll only be able to choose from those things you notice.

3. The more products offered, the less money there is to go around.

It's a zero sum game. Every time you buy a Coke, you don't buy a Pepsi. As the number of companies offering products increases, and as the number of products each company offers multiplies, it's inevitable that there will be more losers than winners.

4. In order to capture more attention and more money, Interruption Marketers must increase spending.

Spending less money than your competitors on advertising in a cluttered environment inevitably leads to decreased sales.

5. But this increase in marketing exposure costs big money

Interruption marketers have no choice but to spend a bigger and bigger portion of their company's budgets on breaking through the clutter.

6. But, as you've seen, spending more and more money in order to get bigger returns leads to ever more clutter.

7. Catch-22: The more they spend, the less it works. The less it works, the more they spend.

Is mass marketing due for a cataclysmic shakeout? Absolutely. A new form of marketing is changing the landscape, and it will affect interruption marketing as significantly as the automobile affected the makers of buggy whips.

CHAPTER TWO

PERMISSION MARKETING -THE WAY TO MAKE ADVERTISING WORK AGAIN

POWERFUL ADVERTISING IS ANTICIPATED, PERSONAL AND RELEVANT.

What if you could turn clutter into an asset? What if the tremendous barriers faced by Interruption Marketers actually became an advantage for you and your company? The truth is that even though clutter is bad and getting worse, Permission Marketers turn clutter to their advantage. In fact, the worse the clutter gets, the more profitable your Permission Marketing efforts become.

In this chapter, I'm going to outline the core ideas behind Permission Marketing. Every marketing campaign gets better when an element of permission is added. In some cases, a switch to marketing with Permission can fundamentally change a company's entire business model and profit structure. At the very least, the basic concepts of Permission will help you formulate and launch every marketing campaign with greater insight and success.

Interruption marketing fails because it is unable to get enough attention from consumers. Permission Marketing works by taking advantage of the same problem-there just isn't enough attention to go around.

WE ARE ALL RUNNING OUT OF TIME

Two hundred years ago, natural resources and raw materials were scarce. People needed land to grow food, metal to turn into pots, and silicates and other natural elements to make windows for houses. Tycoons who cornered the market in these and other resources made a fortune. By making a market in a scarce resource, you can make a profit.

With the birth of the industrial revolution, and the growth of our consumer economy, the resource scarcity shifted from raw materials to finished goods. Factories were at capacity. The great industrialists, like Carnegie and Ford, earned their millions by providing what the economy demanded. Marketers could call the shots, because other options were scarce.

Once factories caught up with demand, marketers developed brands that consumers would desire and pay a premium to own. People were willing to walk a mile for a Camel, and they'd rather fight than switch their brand of cigarette. When brands were new and impressive, owning the right brand was vital.

But in today's free market, there are plenty of factories, plenty of brands and way too many choices. With just a little effort and a little savings, we can get almost anything we want. You can find a TV set in every house in this country. People throw away their broken microwave ovens instead of having them repaired.

This surplus situation, or abundance of goods, is especially clear when it comes to information and services. Making another copy of a software program or printing another CD costs almost nothing. Bookstores compete to offer 50,000, 100,000 or even 1,000,000 different books-each for less than \$25. There's a huge surplus of intellectual property and services out there.

Imagine a tropical island, populated by people with simple needs and plenty of resources. You won't find a bustling economy there. That's because you need two things in order to have an economy: people who want things, and a scarcity of things they want. Without scarcity, there's no basis for an economy.

When there's an abundance of any commodity, the value of that commodity plummets. If a commodity can be produced at will and costs little or nothing to create, it's not likely to be scarce, either. That's the situation with information and services today. They're abundant and cheap. Information on the web, for example, is plentiful and free.

Software provides another example. The most popular web server is not made by Microsoft or Netscape. And it doesn't cost \$1,000 or \$10,000. It's called Apache, and

it's created by a loosely knit consortium of programmers and it's is totally free. Free to download, free to use. As resources go, information is not scarce.

There is one critical resource, though, that is in chronically short supply. Bill Gates has just as much as you do. And even Warren Buffet can't buy more. That scarce resource is TIME. And in light of today's information glut, that means that there's a vast shortage of ATTENTION.

This combined shortage of time and attention is unique to today's information age. Consumers are now willing to pay handsomely to save time, while marketers are eager to pay bundles to get attention.

Interruption Marketing is the enemy of anyone trying to save time. By constantly interrupting what we are doing at any given moment, the marketer who interrupts us not only tends to fail at selling his product, but wastes our most coveted commodity, time. In the long run, therefore, Interruption Marketing is doomed as a mass marketing tool. The cost to the consumer is just too high.

The alternative is Permission Marketing, which offers the consumer an opportunity to volunteer to be marketed to. By only talking to volunteers, Permission Marketing guarantees that consumers pay more attention to the marketing message. It allows marketers to calmly and succinctly tell their story, without fear of being interrupted by competitors or Interruption Marketers. It serves both consumers and marketers in a symbiotic exchange.

Permission Marketing encourages consumers to participate in a long-term, interactive marketing campaign in which they are rewarded in some way for paying attention to increasingly relevant messages. Imagine your marketing message being read by 70% of the prospects you send it to (not 5% or even 1%). Then imagine that more than 35% respond. That's what happens when you interact with your prospects one at a time, with individual messages, exchanged with their permission over time. Permission marketing is anticipated, personal, relevant. Anticipated-people look forward to hearing from you Personal-the messages are directly related to the individual. Relevant-the marketing is about something the prospect is interested in.

I know what you're thinking. There's a catch. If you have to personalize every customer message, that's prohibitive. If you're still thinking within the framework of traditional marketing, you're right. But in today's information age, targeting customers individually is not as difficult as it sounds. Permission Marketing takes the cost of interrupting the consumer and spreads it out, over not one message, but dozens of messages. And this leverage leads to substantial competitive advantages and profits. While your competition continues to interrupt strangers with mediocre results, your Permission Marketing campaign is turning strangers into friends and friends into

customers.

The easiest way to contrast the Interruption Marketer with the Permission Marketer is with an analogy about getting married. It also serves to exemplify how sending multiple individualized messages over time works better than a single message, no matter how impressive that single message is.

THE TWO WAYS TO GET MARRIED

The Interruption Marketer buys an extremely expensive suit. New shoes. Fashionable accessories. Then, working with the best databases and marketing strategists, selects the demographically ideal singles bar.

Walking into the singles bar, the Interruption Marketer marches up to the nearest person and proposes marriage. If turned down, the Marketer repeats this process on every person in the bar.

If the Marketer comes up empty-handed after spending the entire evening proposing, it is obvious that the blame should be placed on the suit and the shoes. The tailor is fired. The strategy expert who picked the bar is fired. And the Interruption Marketer tries again at a different singles bar.

If this sounds familiar, it should. It's the way most large marketers look at the world. They hire an agency. They build fancy ads. They "research" the ideal place to run the ads. They interrupt people and hope that one in a hundred will go ahead and buy something. And then, when they fail, they fire their agency!

The other way to get married is a lot more fun, a lot more rational, and a lot more successful. It's called dating.

A Permission Marketer goes on a date. If it goes well, the two of them go on another date. And then another. Until, after ten or twelve dates, both sides can really communicate with each other about their needs and desires. After twenty dates, they meet each other's families. And finally, after three or four months of dating, the Permission Marketer proposes marriage.

Permission Marketing is just like dating. It turns strangers into friends and friends into lifetime customers. Many of the rules of dating apply, and so do many of the benefits.

THE FIVE STEPS TO DATING YOUR CUSTOMER

Every marketer must offer the prospective customer an incentive for volunteering. In the vernacular of dating, that means you have to offer something that makes it interesting enough to go out on a first date. A first date, after all, represents a big investment in time, money and ego. So there better be reason enough to volunteer.

Without a selfish reason to continue dating, your new potential customer (and your new potential date) will refuse you a second chance. If you don't provide a benefit to the consumer for paying attention, your offer will suffer the same fate as every other ad campaign that's

ving for their attention. It will be ignored.

The incentive you offer to the customer can range from information, to entertainment, to a sweepstakes, to outright payment for the prospect's attention. But the incentive must be overt, obvious and clearly delivered.

This is the most obvious difference between Permission Marketing and Interruption Marketing. Interruption Marketers spend all of their time interrupting strangers, in an almost pitiful attempt to bolster popularity and capture attention. Permission Marketers spend as little time and money talking to strangers as they can. Instead, they move as quickly as they can to turn strangers into prospects who choose to "opt-in" to a series of communications.

Second, using the attention offered by the consumer, the marketer offers a curriculum over time, teaching the consumer about the product or service he has to offer. The Permission Marketer knows that the first date is an opportunity to sell the other person on a second date. Every step along the way has to be interesting, useful and relevant.

Since the prospect has agreed to pay attention, it's much easier to teach them about your product. Instead of filling each ensuing message with entertainment designed to attract attention, or with sizzle designed to attract the attention of strangers, the Permission Marketer is able to focus on product benefits -- on specific, focused ways this product will help that prospect. Without question, this ability to talk freely over time is the most powerful element of this marketing approach.

The third step involves reinforcing the incentive. Over time, any incentive wears out. Just as your date may tire of even the finest restaurant, the prospective customer may show fatigue with the same repeated incentive. The Permission Marketer must work to reinforce the incentive, to be sure that the attention continues. This is surprisingly easy. Because this is a two-way dialogue, not a narcissistic monologue, the marketer can adjust the incentives being offered and fine tune them for each prospect.

Along with reinforcing the incentive, the fourth step is to increase the level of permission the marketer receives from the potential customer. Now I won't go into detail on what step of the dating process this corresponds to, but in marketing terms, the goal is to motivate the consumer to give more and more permission over time. Permission to gather more data about the customer's personal life, or hobbies, or interests. Permission to offer a new category of product for the customer's consideration. Permission to provide a product sample. The range of permission you can obtain from a customer is very wide, and limited only by its relevance to the customer.

Over time, the marketer uses the permission he's obtained to change consumer behavior, that is, get them to say, "I

do." That's how you turn permission into profits. After permission is granted, that's how it becomes a truly significant asset for the marketer. Now you can live happily ever after by repeating the aforementioned process while selling your customer more and more products. In other words, the fifth and final step is to leverage your permission into a profitable situation for both of you. Remember, you have access to the most valuable thing a customer can offer - attention.

[sidebar]

Five Steps to Dating Your Customer

1. Offer the prospect an incentive to volunteer
2. Using the attention offered by the prospect, offer a curriculum over time, teaching the consumer about your product or service
3. Reinforce the incentive to guarantee that the prospect maintains the permission
4. Offer additional incentives to get even more permission from the consumer
5. Over time, leverage the permission to change consumer behavior towards profits

PERMISSION IS AN INVESTMENT

Nothing good is free, and that goes double for Permission. Acquiring solid, deep permission from targeted customers is an investment.

What is one permission worth? According to their annual report, AOL has paid as much as \$300 to get one new customer. American Express invests nearly \$150 to get a new cardholder. Does American Express earn enough in fees to justify this expense? Not at all. But the other benefits associated with acquiring the permission to market to a cardmember outweigh the high cost. Amex sells its customers a wide range of products, not just an American Express card. They also use sophisticated database management tools to track customer behavior so they can tailor offers to individuals. They leverage their permission to increase revenue.

One of the leading brokerage houses on Wall Street is currently paying \$15 in media acquisition costs just for permission to call a potential customer on the phone! Yes, it's that expensive, and yes, it's worth even more than that. They've discovered that the yield from an anticipated, welcomed, personal phone call is so much higher than a cold call during dinner that they're willing to pay handsomely for the privilege.

While these (and other) marketers have discovered the power of permission, many interruption marketers have found, to their chagrin, that the cost of generating one new customer is rapidly approaching the net present value of that consumer. In other words, they're close to losing money on every customer so they try to make it up in volume.

Permission Marketing cuts through the clutter and allows a marketer to speak to prospects as friends, not strangers.

This personalized, anticipated, frequent, and relevant communication has infinitely more impact than a random message displayed in a random place at a random moment.

Think about choosing a nice restaurant for dinner. If you learn about a restaurant from a cold-calling telemarketer, or from an unsolicited direct mail piece, you're likely to ignore the recommendation. But if a trusted friend offers a restaurant recommendation, you're likely to try it out.

Permission Marketing lets you turn strangers, folks that might otherwise ignore your unsolicited offer, into people willing to pay attention when your message arrives in an expected, appreciated way.

An interruption marketer looks for a job by sending a resume to one thousand strangers. A Permission Marketer gets a job by focusing on one company and networking with them, consulting for them, working with them until they trust him enough to offer him a full time position..

A book publisher who uses interruption marketing sells children's books by shipping them to bookstores, hoping that the right audience will stumble across them. A Permission Marketer builds book clubs at every school in the country.

An interruption marketer sells a new product by introducing it on national TV. A Permission Marketer sells a new product by informing all her existing customers about a way to get a free sample.

	Interruption	Permission
Anticipated	No.	Yes.
Personal	Not usually.	Yes.
Relevant	Sometimes.	Yes.

PERMISSION MARKETING IS AN OLD CONCEPT WITH NEW RELEVANCE

Permission Marketing isn't as glamorous as hiring Steven Spielberg to direct a commercial starring a bevy of supermodels. It isn't as easy as running an ad a few more times. It isn't as cheap as building a web site and hoping that people find it on a search engine. In fact, it's hard work.

Worst of all, Permission Marketing requires patience. Permission Marketing campaigns grow over time-the opposite of what most marketers look for these days. And Permission Marketing requires a leap of faith. Even a bad Interruption campaign gets some results right away, while a permission campaign requires infrastructure, and a belief in the durability of the permission concept before it blossoms with success..

But unlike Interruption Marketing, Permission Marketing is a measurable process. It evolves over time for every company that uses it. It becomes an increasingly valuable asset. The more you commit to Permission Marketing campaigns, the better they work over time. And these fast-moving, leveragable processes are the key to success

in our cluttered age.

So, if Permission Marketing is so effective, and the ideas behind it not really new, why was the concept not used with effectiveness years ago? Why was this book just published?

Permission Marketing has been around forever (or at least as long as dating!), but it takes advantage of new technology better than other forms of marketing. The internet is the greatest direct mail medium of all time, and the low cost of frequent interaction makes it ideal for Permission Marketing.

Originally, the internet captured the attention of interruption marketers. They rushed in, spent billions of dollars applying their interruption marketing techniques and discovered almost total failure. Permission Marketing is the tool that unlocks the power of the internet. The leverage it brings to this new medium, combined with the pervasive clutter that infects the internet and virtually every other medium, makes Permission Marketing the most powerful trend in marketing for the next decade.

As new forms of media develop and clutter becomes ever more intense, it's the asset of permission that will generate profits for marketers.

CHAPTER THREE

THE EVOLUTION OF MASS ADVERTISING MASS ADVERTISING CREATED MASS MARKETERS

One hundred years ago, small companies ruled the earth. Virtually every retail dollar went to a small, individually owned business. Local businesses were responsive, trusted and capable. They had the infrastructure to deal with clients who didn't have credit cards, telephones or Federal Express account numbers.

Without a mass communication infrastructure or the technology to expand, businesses stayed small and local. It was impossible for them to imagine a nationwide advertising campaign. New customers were acquired one at a time, usually by word of mouth or by door-to-door canvassing.

Companies knew exactly what a new client was worth, and they acted accordingly. A proprietor would spend hours with a prospect, knowing that the individual interaction would pay off many times over.

Consumers responded to this personal care and developed the expectation that they would be sold to personally. The local bookseller would read a book before recommending it. The local cheese merchant would happily offer a taste of a new flavor to a customer. It wasn't unusual for a shopkeeper to spend some extra time with a customer, old or new, or for the merchant's supplier to also be his neighbor.

GIANT BRANDS GAVE RISE TO INTERRUPTIBLE MEDIA

Giant brands and multi-national companies were created as the result of several interconnected socio-technological changes that occurred simultaneously.

The first change was the industrial revolution. Without the economies of scale that came from building factories, there was no reason at all to get big. When everything was handmade, having more craftsmen didn't make your business more efficient or lucrative.

Once there were economies, though, businesses faced a choice. They could grow or they could wither. Many entrepreneurs saw the opportunity that came from scaling their businesses and raised the money to do just that.

Second, the development of the car and the truck made it possible to deliver things that were made more than a few miles away. Suddenly, companies could buy things in bulk, manufacture many items and then ship them around the country, and even around the world.

As a result of these investments, companies needed mass advertising. It did no good to build a factory that was efficient at mass production if it was impossible to deliver those goods to a larger market. And you couldn't do that if you couldn't persuade consumers to buy them. Instead of relying solely on word of mouth and personalized sales, big companies had no choice but to discover a way to get lots and lots of people to buy the output of their factories.

The big surprise is that it wasn't factories or the car that caused the big increase in corporate profitability. It was advertising. The economies that came from establishing a product as the leading brand, the huge premiums that were derived by charging extra for a trusted name, dwarfed the savings in production.

Marketing rapidly became the most profitable part of the enterprise. In the words of one pundit, "everything else is an expense." The ability to attract large numbers of customers with advertising was a revelation to these new companies. First enamored and then addicted, they based their entire business model and organization around the ability to reach the masses.

In the 1920s, advertising men were considered the saviors of industrialized society, the sophisticated men who would harness the awesome power of the crowd to uplift society. Advertising was credited with bringing the clean, the pure, and the powerful to ordinary citizens, lowering prices and vastly increasing the direct responsibility that manufacturers had over their products.

Once manufacturers began to advertise, they discovered (some quite by accident) an extraordinary truth: the more they advertised, the more sales they gained. And the value of the sales exceeded the cost of the advertising! The perpetual motion machine of commerce had arrived.

The development of content-filled media to hold all this advertising was a direct consequence of this discovery.

Interruption Marketers needed something to interrupt, so newspapers flourished and magazines were started by the thousands. Did interruption marketing lead to the creation of mass media as we know it? Absolutely!

This evolution is best summarized by the story of Crisco.

CRISCO: PRODUCT-DRIVEN MARKETING EVOLUTION

In 1900, the folks at Procter & Gamble were heady with the success of Ivory soap. Ivory was the first packaged, branded soap that was able to compete with handmade soap, or unpackaged, bulk soap from the local general store. It was an insanely profitable, fast-growing business for this young company, but Ivory's success quickly brought about a problem. There was a limited supply of cottonseed oil, a major ingredient in the manufacture of Ivory.

Cottonseed oil was produced by just a few tightly controlled trusts, and three huge vendors were able to purchase virtually all of the oil on the market. P&G desperately needed a product that would use lots of cottonseed oil. This increased consumption would give P&G more clout and lead to more reliable supplies and better pricing.

For four years, researchers worked to create the ideal product that would use a lot of cottonseed oil. Eventually, they created Crisco, a product designed to replace lard just as Ivory had replaced homemade soap.

In 1908 when P&G introduced Crisco, there was no Time Magazine, and no General Hospital on which to advertise. Without reliable mass media, P&G relied on permission marketing.

They started by paying the train lines (the equivalent of today's airlines) to use Crisco instead of lard in the pies they served onboard (and to inform their customers when it was served). They secured testimonials from doctors and even rabbis, one of whom said that Crisco was, "The greatest advance for Judaism in 4,000 years."

P&G held society teas in all the major cities, asking a leading citizen to invite the leading ladies to attend. Of course, everything offered to go with the tea was baked with Crisco.

Finally, P&G introduced a series of free cookbooks. In a classic Permission Marketing technique, P&G didn't try to sell the product. Instead, they promoted the free cookbook. Once a prospect raised her hand for this information, the stories inside the cookbook taught her about the benefits of the product. The book quickly became a "bestseller."

The campaign succeeded. Crisco rapidly became a major profit center for P&G. It also impacted grocery stores and changed the way people cooked.

But once the ball began rolling, Crisco realized that Permission Marketing alone couldn't expand the brand's

popularity fast enough. So they took advantage of the lack of clutter and switched gears to an Interruption Marketing campaign. Now that they had a sales base, they wanted to expand it, fast. So they began buying advertising anywhere they could find it. And because there was so little clutter, the advertising popularized the brand quickly and cheaply.

HOW INTERRUPTION MARKETING CREATES PERMISSION OPPORTUNITIES

Once the corporate world caught a glimpse of mass brand advertising, mass marketers were hooked on Interruption Marketing. The reasons were simple:

- o Interruption Marketing was easy. Build a few ads, run them everywhere.
- o Interruption Marketing was scaleable. If you need more sales, buy more ads.
- o Interruption Marketing was predictable. With experience, a mass marketer could tell how many dollars in revenue one more dollar in ad spending would generate.
- o Interruption Marketing fit the command and control bias of big companies. It was totally controlled by the advertiser, with no weird side effects.
- o Interruption Marketing was profitable. The right product generated more profit than it cost the company to advertise.

Mass marketers optimized their organizations for this approach. They created brand managers and advertising agencies and measurement companies and focus groups and a myriad of other techniques to institutionalize their attachment to Interruption Marketing.

This focus on Interruption Marketing allowed the big brands to become even bigger and more dominant. The top 100 advertisers account for more than 87% of all advertising expenditures in this country. And more than 80 of these companies have been advertising for more than twenty years.

This has two important implications. First, behavior by these top advertisers dictates and drives the market as a whole. Second, and more important, is the fact that there are virtually no first generation marketers working at these companies.

To put it bluntly, big companies don't hire people to reinvent their already successful marketing techniques. Instead, they hire and train people to do exactly what the last advertising people did. They market Crisco the same way they did 80 years ago. The Rice Krispies box hasn't changed in years. Ford uses a marketing and distribution network they built in 1920.

Second and third generation marketers don't want to rock the boat in which they're sailing. They may have noticed that their current marketing techniques don't seem to work as well as they used to, but they weren't hired to demolish the distribution channel or to question the very foundation of their marketing heritage.

Permission Marketing represents a huge threat as well as a huge opportunity. Just as the fax machine altered the landscape of courier services and Federal Express, Permission Marketing will change the way companies market products.

Many of the big companies will stick to their knitting and remain faithful to the marketing methods that got them to where they are today. This creates mammoth opportunities for new companies, for companies with nothing to lose, for companies with the flexibility and initiative to try a very different way of gaining and keeping customers.

CHAPTER FOUR

GETTING STARTED-FOCUS ON SHARE OF CUSTOMER, NOT MARKET SHARE

FIRE 70% OF YOUR CUSTOMERS AND WATCH YOUR PROFITS GO UP!

Five years ago, Don Peppers and Martha Rogers wrote a book that changed the marketing landscape forever. Titled *The One to One Future*, they proposed a radical rethinking of the way marketers treat their customers. Peppers and Rogers presented a manifesto for how companies can increase their profits by selling more things to fewer customers. In other words, they believe it's wiser to focus more on increasing sales to a smaller percentage of your existing customers than it is to find new ones.

The thinking behind their book is straightforward and it led directly to the agenda behind *Permission Marketing*: Getting a new customer is expensive. It takes money to get his attention and it takes continuing effort to educate him (interruption marketing is expensive, and so is the process of winning a customer's trust). It's also expensive for the customer, who has to spend time evaluating and learning about the features and benefits of a product.

So, argue the authors, instead of focusing on how to maximize the number of new customers, the focus should be on keeping customers longer and getting far more money from each of them over time.

It's back to the old days, when merchants had a limited supply of customers and worked to get the maximum revenue from each one. Except now, with technology, companies can combine this old world thinking with the ability to dramatically grow their customer base at the same time.

If AT&T spends hundreds of dollars to get a new long distance customer, and that customer pays just \$20 per month for AT&T's services, then they have to be figuring out other ways to generate revenue through their interaction with that customer, not spending all their

energy getting yet another new customer.

By selling cellular phone services, home security services and an increasing array of other items, AT&T can recoup the expense of obtaining these customers.

Levi's has built the single largest brand of women's jeans in the country. And they've done so without having any jeans in the store.

Instead, women have their measurements taken by a trained specialist, who sends them to a computerized factory. There, a semi-custom pair of jeans is made to order.

The shopper gets custom fit for a fraction of the cost. Levi's has a huge savings in inventory risk and advertising costs. And best of all, once a customer has given her measurements to Levi's, once she's endured the hassle of all that measurement-taking, once she's worn a pair of custom jeans, would she even consider switching brands to save a few dollars?

To elaborate a little more on the one to one marketing approach, Peppers and Rogers would like you to focus on four things when selling to customers:

1. Increase your "share of wallet." Figure out which needs you can satisfy, then use the knowledge you have, and the trust you've built, to make that additional sale.

2. Increase the durability of customer relationships. Invest money in customer retention, because it's a small fraction of the cost of customer acquisition.

3. Increase your product offerings to customers. By being customer-focused instead of retail-focused, or factory-focused, a manufacturer or merchant can widely increase its offerings, thus increasing share of wallet.

4. Create an interactive relationship that leads to meeting more customer needs. It's a cycle. By constantly incenting the consumer to give more information, the marketer can offer more products.

This series of techniques isn't easy, nor is it free. If it was, everyone would do it. It requires a huge investment in scalable technology, along with the focus and commitment to do it right. It puts a lot more pressure on your organization, as well, because as each customer becomes worth more, the cost of losing one increases.

USE PERMISSION EARLY IN THE MARKETING PROCESS

Don Peppers and Martha Rogers opened the eyes of many marketers and got them to look downstream after the first sale was made. By recognizing the huge cost of getting a first sale and the very high lifetime value of a customer, the one to one philosophy can dramatically increase profitability.

Permission Marketing demands that in addition to looking downstream, marketers now look upstream. The challenge facing most companies is that they notice people too late.

The process of getting new customers needs to be reengineered. Like caterpillars turning into butterflies, prospects go through a five step cycle:

Strangers
Friends
Customers
Loyal Customers
Former Customers

Today, most marketers don't notice, track or interact with people until they are a customer. And some don't even pay close attention until the consumer becomes a loyal customer. Unfortunately, a few don't notice their customers until they become disgruntled former customers.

It's essential, given the high cost of talking to strangers, that marketers move their focus of attention up the stream. They need to have a process in place that nurtures total strangers from the moment they first indicate an interest.

At that moment, a suite of marketing messages must begin to be applied. The goal is to teach, cajole and encourage this stranger to become a friend. And once she becomes a friend, to apply enough focused marketing to create a customer.

Do you know how your company does this now? Most marketers have no idea. They rely on a hodgepodge of randomly delivered interruptions and hope that from this primordial soup will rise a fully formed customer.

Computers and Permission Marketing can change that. You can now choose who you reach. When you reach them. The order of the messages. The benefits offered. You can create dozens or even hundreds of paths for an individual to follow from the first contact until the highest level of permission is granted.

If the marketing messages you send are anticipated, relevant and personal, they will cut through the clutter and increase the prospect's knowledge of the benefits you offer. An organization that is focused on this process early on will always outperform one that isn't.

THE NATURAL SYNERGY OF PERMISSION AND ONE TO ONE MARKETING

As you've seen, Permission Marketing is the cousin of one to one marketing. Where Peppers and Rogers begin the process with the first sale, Permission begins the process with the very first contact.

Permission Marketing works to turn strangers into friends and then friends into customers. One to one marketing uses the very same techniques, incorporating knowledge, frequency, and relevance, to turn customers into

supercustomers. One to one doesn't compete with Permission Marketing. It's part of the very same continuum. The one to one marketer takes the permission that's been granted after someone becomes a customer and uses that permission to create even better customers. The better the permission, the more profit created.

sidebar

The one to one marketer works to change his focus from finding as many new customers as he can to extracting the maximum value from each customer.

The Permission marketer works to change his focus from finding as many prospects as he can to converting the largest number of prospects into customers. And then he leverages the permission on an ongoing basis.

You can't build a one to one relationship with a customer unless the customer explicitly agrees to the process. Everything from discovering a shoe size to building mutually dependent computer systems with a major vendor requires an overt agreement from both sides.

By measuring the depth of permission you have with each customer (one may allow you to send merchandise "on approval", another may let you call them when a new product comes in), you can begin to track the benefits of your investment in Permission Marketing. By focusing on how deep your permission is with your existing customers, you can begin to recognize the value of your permission asset.

Frank Britt and Tim DeMello run a company called Streamline that is at the vanguard of the junction between Permission Marketing and one to one marketing. Streamline capitalizes on the technologies and social shifts that are changing our lives, and they are building a fantastic business that serves as a model for the future. They offer to save customers hours and hours of time each week by doing virtually all of their routine errands.

A call to Streamline leads to a customized sales pitch by a trained Streamline sales rep. And in a surprisingly high number of cases, that sales pitch leads to a first sale. Then Streamline comes to your house and installs a large wooden box and a refrigerator in your garage. Next, they ask to come into your house so they can scan the UPC codes on every item in your fridge and food cabinet. They take down the name of your pharmacy and where you like your clothes dry cleaned. Talk about Permission!

Then, using the Web, you log on each week and tell Streamline what you need. You fill out a pre-automated shopping list. They pick up dry cleaning and prescriptions and photos as well. Then, while you're at work, they do all your errands, pick up what you need, and drop it off at your house.

Streamline does this for about \$30 a month. And the more services they offer, the more permission they get from

customers. In a single year, the average customer places 47 orders and spends more than \$5,000 with them. Multiply that by millions of potential customers and you see the size of the opportunity! As the company gains more permission, it's not hard to imagine them branching into house cleaning, house painting, gardening and a huge range of home care and home delivery services.

By "owning" permission to market new services, and by using one to one techniques to know and remember your preferences, Streamline is creating a mega-business for the next century. They're building an asset that has nothing to do with brand and everything to do with their relationship with you.

Will Streamline find competition? Without a doubt. But once they've established permission with their customers, it will be extremely difficult for a competitor to dislodge them.

A more familiar example is Amazon.com. Ask most sentient humans and they'll tell you Amazon is a bookstore on the Web. Analysts will tell you that they're one of the biggest internet-first brands.

Yet if Amazon is determined to be a bookseller, they've got big troubles. First, they pay far more for books than Barnes & Noble because of their smaller scale. But even if they overcome that disadvantage, other online sellers, like the new online service from Bertelsmann (the largest publisher of books in the world), will doubtless be able to compete on price.

So why is Amazon so busy building its customer base, losing money on each customer and trying to make it up in volume? Why does their prospectus claim that they're losing money and see no end in sight for the losses?

Amazon appears to be building a permission asset, not a brand asset. Amazon has overt permission to track which books you buy and which books you browse. They have explicit permission to send you promotional e-mail messages. They are building special interest communities in which Amazon and its customers will be able to talk with each other about specific genres of books. Why? Where's the payoff?

The payoff comes the day Amazon decides to publish books. This is where the profit lies and where Amazon is best able to leverage their permission asset.

A book costs about \$2 to print and \$20 in the store. A huge gulf! But most of that money disappears in advertising, shipping and especially in the shredding of unsold books. What if you could remove all of those?

Imagine that Amazon.com sends a note to each of the one million people who bought a mystery novel from their site last year. (It costs them nothing to do that, of course, since e-mail is free). In the note, they ask if you'd like to buy the next Robert B. Parker novel, a Spenser mystery, which will be available exclusively from Amazon. And

let's say a third of those customers respond and say, "sure."

Now, Amazon can make the following extraordinary offer to Robert B. Parker. "Write the book. We'll edit it and typeset it and ship it directly to the 333,000 people who have pre-ordered it. We'll deduct our costs and still have a million dollars left over to pay you."

That's a lot of money for a mystery novel. And yet Amazon still will earn more than 4 million dollars in profit from just one book.

Multiply that scenario by 100 or 1,000 books a year. Using permission, Amazon can fundamentally reconfigure the entire book industry, disintermediating and combining every step of the chain until there are only two: the writer and Amazon.

That's the way to visualize the power of Permission. Technology enables marketers to have a perfect memory, and provides them with the ability to customize correspondence on the fly and deliver it for free via e-mail. Combine that with a database of customers who expect to receive marketing messages from you because they gave you their permission, and most industry book chains should begin to see a looming threat.

By moving strangers up the permission ladder, from that very first interruption until the moment when the consumer gives you the permission to actually purchase products on their behalf, marketers are able to optimize their entire marketing process. The results can be fantastic. By dramatically increasing the measurability and efficiency of your marketing system, your company can multiply its profits.

sidebar

Traditional sales and marketing involves increasing market share, which means selling as much of your product as you can to as many customers as possible. One to one marketing involves driving for share of customer, which means ensuring that each individual customer who buys your product buys more product, buys only your brand, and is happy using your product instead of another to solve their problem. The true, current value of any one customer is a function of the customer's future purchases, across all the product lines, brands and services offered by you.

How firing 70% of your customers might help your business

When you have a constant stream of strangers walking through the door as a result of Interruption Marketing, you don't have to worry as much about protecting your existing customers. Even though it's more profitable to cater to those existing customers, many marketers are uncomfortable with the shift in power it portends.

An online e-commerce story makes that lesson very clear. A consumer ordered several items from a small merchant

selling CDs online. The consumer's credit card was quickly charged, but after three weeks, nothing had arrived.

The consumer sent a polite note to the customer service e-mail address. No response. Another note. No response. So, after four weeks, the consumer wrote to the President of the company.

He wrote back the next day. His note consisted of just three words: "Get a Life."

Did he burn a customer? Of course. That was his intention. But what he hasn't learned yet (and soon will, or he'll be gone) is that the act of dismissing that customer didn't cost him just one sale. It cost him the loss of permission to sell products to this woman for the rest of her life.

Think about it. He had her in a dialogue. He had her credit card number. He knows what CDs she likes. If he had treated that permission with respect, it could have easily led to \$1,000 or \$5,000 worth of CD sales over the lifetime of the relationship. But because the merchant was a physical retailer, accustomed to the anonymity and unpredictability of walk-in trade, he figured he was losing a \$10 sale. Big mistake.

Compare this to the true story of a similar customer at a similar merchant, also online. This time, the complaint about slow delivery ended when it reached the customer service desk. The customer got a response within five minutes. The response was factual (the CD was misaddressed and had been returned) but the letter was apologetic. AND the e-mail announced that to make up for the inconvenience, another CD by the same artist was going to be sent along for free.

Which merchant is most likely to earn a few thousand more dollars in incremental business due to the level of Permission earned? Customer service has always mattered. But now that power has shifted to the consumer, it matters a great deal more.

Based on these stories, however, there's no way to know what type of customer, or future revenues, she represented. But given our vastly improved ability to "know" customers at an individual level, it's important to recognize that some customers carry a negative value, and it's sometimes wise to get rid of them. The reward comes to the marketer in the form of an increased ability to concentrate on nurturing the customers who represent the quality permission candidates for future business.

This means that sometimes you have to endure the entrepreneur's nightmare--you must fire a customer. In view of optimizing customer service, sometimes that's what it takes. A customer that distracts you, or one that cherry picks your line of products, or one that requires a disproportionate percentage of your company's time and resources, for example, is going to cost you money. Of course it matters how you fire a customer, too, and telling a customer with a valid complaint to "get a life" obviously

falls short of wisdom.

START BY GETTING THE CUSTOMER TO RAISE HIS HAND

Not surprisingly, the first question most interruption marketers ask when they hear about Permission Marketing is, "How do you get people to sign up?" Because they were trained in the art of getting momentary reactions from large numbers of people, this part of the process is the most familiar to them.

Permission Marketing almost always follows the same simple steps. Each campaign is very different, but the concepts behind each step remain the same. Simply stated, you interrupt the customer with a message designed to get them to raise their hand. That's the way they volunteer, or say "yes" to begin a rewarding exchange of information accomplished over time, which builds trust that you can leverage into a sales relationship. But the first step is still to interrupt the consumer. That's one reason there will always be socially acceptable interruption marketing media. We need to get that initial attention.

Sometimes you're lucky enough that a stranger comes to you of his own accord. There will always be a few people who straggle onto your web site, for example, or potential customers who call your toll free number or walk into your store. These are the freebies. Most of the time, however, you've got to use the tried and true interruptive techniques to reach large numbers of people. Using measurable techniques, marketers can choose television, radio, print, direct mail or electronic media to grab the attention of consumers. But without some way to grab the attention of a stranger, the permission process never starts.

Joanne Kates is the third generation owner of Camp Arowhon, the oldest coed summer camp in North America. With a 70 year history, great word of mouth and a solid backlist, acquiring new customers is not her highest priority. Nonetheless, Arowhon needs a process to turn strangers into campers.

The camp uses permission marketing to accomplish this. The first step is to advertise at camp fairs and in magazines that feature groups of ads from summer camps. But unlike virtually all of her competitors, Joanne isn't trying to sell her camp. She knows that no one chooses a summer camp for their children on the basis of a two-inch square black and white advertisement.

Instead, her only goal in the ad, and at the trade show, is to get permission to send a video and a brochure. The ad sells the brochure, not the camp. Call the camp's number and her staff will immediately qualify your interest and then send a video (perhaps the best produced camp video in the market) and the brochure (also extremely well-done.)

The only goal of the video is to get permission to have a personal meeting. It doesn't sell the camp. It sells the meeting.

Now, fully qualified, and having seen the testimonials, the photographs, the facilities and the happy campers, the family is ready to be sold on the camp. And that's done in person.

Once a camper attends for a summer, odds are that he or she will stay for more summers and bring a brother or sister as well. Which makes the sale worth nearly \$20,000. By using Permission Marketing, Arowhon is able to make these significant step-by-step sales, with a very high efficiency.

At each step, the only goal of the next step is to expand permission. She interrupts to get permission to send a video using a small print ad, she uses the video to get permission to visit, she uses the visit to get permission to sell one summer and she uses the summer to sell six more.

By focusing media on getting permission instead of making the ultimate sale, marketers are able to get far more out of their expenditures. The response rate to a free sample or an affinity program or a birthday club might be five or ten times the response rate of an ad asking for a sale.

This is a critical distinction. Step two in the process, after the consumer has been interrupted, is to make an offer and ask for volunteers. The offer should provide selfish motivation and offer virtually no downside.

An interrupted consumer is in no hurry to send you money or promise to invest a lot of time. An interrupted consumer won't fill out a long demographic form or get in his car to drive down to your automall. The less you ask of the consumer and the bigger the 'bribe', the more likely the consumer will give you permission. The permission won't be broad or deep. But it will guarantee that your next interaction will be significantly more impactful.

When Hooked on Phonics ran nationwide radio advertising that helped them grow from zero to a hundred million dollars in revenue, they didn't try to sell anything on the radio. They didn't even mention the price. They sold the benefits by asking potential customers to call (800) ABCDEFG and get free information on how to help your kids. Free information. Help your kids. No downside. No money. This offer enticed millions of concerned parents to give permission to learn more about the product.

Hooked on Phonics gets far more attention from a completely qualified audience by using this two step approach. Imagine how much harder it would have been for them to generate the same level of sales if they had tried to make the sale on the radio.

In order to make the marketing messages you send relevant and personal you need to get some data. Permission marketers are totally obvious about their objectives with the consumer. They make it crystal clear

what they will be doing with the data they collect, and exactly why it's beneficial to the consumer to give this data.

Consumers who visit a web site are sometimes asked to give their phone number. But what's in it for the consumer? Without a specific reason for the consumer to behave, without a reward or a benefit, the overwhelmed consumer will refuse.

The reward you offer a consumer must be obvious and simple. To dramatize the importance of this stage, to make it crasser than it needs to be, I call it bait. No one would argue that when you go fishing, you ought to use the most effective, most obvious bait you can find. The same is true when you try to attract consumers.

After you've interrupted, engaged in a bargain, and exchanged data with the consumer, now you need to teach, and eventually leverage the permission you've obtained.

If you're in a medium where frequency is cheap (like the Net), take your time. Build trust through frequency. Patiently tell your story to each consumer who is willing to participate in the exchange.

Be personal. Be relevant. Be specific. And always be anticipated. Anticipation, of course, is even better than expectation. Without surprising the consumer, gradually raise the level of permission you extract.

Then, by constantly raising the magnitude of rewards you offer the prospect, you can fight attrition and compression and keep them interested (compression is the tendency of rewards to become less effective with repetition). By continuing the dialogue, you can teach the consumer until a stranger becomes a friend and then a friend becomes a customer.

Of course, the process doesn't end with the first sale. It just becomes one to one marketing. Using the permission already granted, you then work hard to expand the share of wallet and build a permission asset that is ever deeper and more powerful.

Getting the customer to raise their hand takes planning and capital

Interrupting strangers and getting their attention in the first place is the glamorous part of marketing. Marketers and their advertising agencies live and die by the sizzle they create. They invest millions of dollars in a one minute commercial, just to maximize the effectiveness of the execution.

A copywriter can make his career with a clever ad. In fact, a thirty year old clever campaign for the Volkswagen came back from the dead to generate millions of dollars in new Beetle sales for VW in 1998.

At the same time that interruption marketers are arming themselves with these killer executions, they're backing

them with huge media budgets. Media budgets that often dwarf the cost of inventing or even manufacturing the product in the first place.

All of this time and money is spent with one goal in mind: interrupt people. If they remember the interruption the next day, even better. An interruption marketer who does a good job and boosts their direct mail response rate a tenth of a percent, or boosts morning-after recall a bit, is a hero. The entire point of the ad is to do that.

Wouldn't it be great if we could eliminate this incredibly wasteful part of the process? Unfortunately, Permission Marketers cannot ignore the interruption part of the process. They can't walk away from the cost of getting strangers to raise their hands. But they CAN leverage the expense of that interruption across multiple interactions.

This is the big win here. By leveraging one interruption across numerous communications, the Permission Marketer has an unfair advantage. One message becomes six or ten or a hundred. A momentary interruption becomes a dialogue that can last for weeks or months.

Let's get specific and compare a marketer who had to make a single ad pay off with one who has the luxury of using Permission. The Interruption Marketer must earn back the entire cost of the ad after just one viewing. So, if it costs \$2 to get one person to pay attention to the ad, it only pays off if, on average, it generates more than \$2 in new business profits per viewing. If the impact is equal to or greater than the cost, go ahead and run the ad.

Running the same ad with frequency dramatically increases the amount of payback required. The marketer has to hope for \$6 in new profits as a result of putting this ad in front of a prospect three times. If the third ad can't generate enough impact to make it worth running, it doesn't pay for itself.

Because frequency is free in an online Permission program, and much more effective offline, the marketer has the luxury of riding the impact curve up without a matching cost curve. Once the initial toll is paid, in other words, the rest of the ride is close to free.

Thus, in this example, if that one interruption (which cost \$2) can turn into five communications, the marketer gets a bonus of four extra chances to earn back that \$2.

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