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Address: Trg kralja Aleksandra Ujedinitelja 11, 18000 Niš

Phone: +381 18 528 601 Fax: +381 18 523 268

VIRAL MARKETING AS A SPECIFIC FORM OF INTERNET-BASED MARKETING OF PRODUCTS AND SERVICES

Ružica Kovač Žnideršič, PhD
Dražen Marić*

Abstract: *Analysing the factors that have contributed to the revolution in to viewing marketing philosophies is inconceivable without analysing the impact of the development of information technology and its use in interaction with consumers. The expanding use of the Internet, with its sub-forms such as intranet and extranet, electronic and other technology-based forms of trade, requires a new way of thinking about the necessary marketing activities, as well as their assessment in an environment where new technologies have given rise to new marketing forms. At a time when marketing theories and practices are focussed on relationships – between companies and consumers, companies and employees, and among consumers themselves, viral marketing is one of the most recent forms of consumer-to-consumer interaction, and as such is a very specific and efficient form of using the Internet in the placement of products and services on the market.*

Key words: *Viral marketing, word-of-mouth, consumers, interactions, communication, Internet*

Introduction

The dynamic development of technology, information science, but, most of all, changes in the characteristics of consumers, their habits, preferences and demand structure, have revealed all the shortcomings and limitations of the traditional transaction market concept. The new, alternative

* Faculty of Economics Subotica; e-mail: drdrazen75@yahoo.com

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way of thinking in marketing highlights the fact that exchange *per se* is not the focus of marketers' analysis, but must give up their priority to relationships between different sides on the market - company-to-consumer, in-company, and consumer-to-to consumer. The new philosophy, called *relationship marketing*, is overtaking the positions of the old transaction marketing philosophy. The greatest challenge to early 21st century marketers is this third dimension of relationships, i.e. relationships between consumers, their mutual impact on preferences and purchase decisions, and – most of all – the possibility to incorporate consumers into the company's marketing mix. At the time of information revolution and the emergence of the notion of internet consumers, companies aiming to survive on the increasingly competitive market must pay maximum attention to the phenomenon of viral marketing which is, in essence, consumer-to-consumer interaction.

The Mechanism and Principles of Viral Marketing

Viral marketing is one of the most recent phenomena in marketing theory and practice, with numerous definitions. Solomon defines viral marketing as a strategy where consumers sell the product for the benefit of the producers (1, p. 335). Schiffman and Kanuk call viral marketing 'buzz marketing' or 'snowball marketing' and define it as a strategy encouraging individuals to forward marketing messages thus creating a possibility for exponential growth in the number of those exposed to the impact of these marketing messages (2, p. 501). Basically, viral marketing is a hybrid of e-mail and word-of-mouth communication, and was named so due to the speed of its dissemination, similar to that of a virus.

The growth and development of global economy and increasing market diversification have given rise to viral marketing. With expanding economies, which constantly improve their performances and potentials, the range of tastes and preferences keeps widening, and the list of required, desired, or – more appropriately – products in demand is getting longer and more complex (7, p. 205).

In essence, viral marketing is a communication strategy using ideas, slogans, symbols or a combination of all of these to convey marketing messages about products and services to target groups on the market most efficiently and effectively. Viral marketing is a part of the total marketing strategy aimed at opinion leaders, i.e. innovative early adopters of given products and services on the market. As a strategy, viral marketing enables the companies that use it to exploit all the advantages of their first-mover position. Although viral marketing is predominantly used in the information

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sphere, e.g. Hotmail e-mail services, software such as Netscape Navigator, Winamp, Adobe Acrobat Reader, Instant Messenger etc., and its use is gaining momentum in entertainment industry as well. Pop singer Britney Spears used viral marketing as the pivotal point of her campaign, and this marketing form has also contributed to the great success of the film *The Blair Witch Project*. Volkswagen, Vespa, Procter&Gamble are only some of successful companies owing their success to the use of viral marketing.

The most common reason why consumers inform one another about some products and services is the fact that they are impressed by them, and that these products are important in their lives in one way or another. In their attempt to draw the target market's attention to themselves and their offer, insurers spend a major part of their marketing budget on promotional handouts, although its benefits are far inferior to opportunities offered by the Internet. Each buyer that receives advice or a message from a friend can forward it to thousands of other friends, acquaintances, or, simply Internet users, up to epidemic proportions, like influenza spread by sneezing, coughing or handshake. This is the reason why this marketing form was named viral or virus marketing. There are various techniques of applying viral marketing, but their common denominator is that they enable interaction among consumers. Each of these techniques must imply the use of the following principles (3, p. 196):

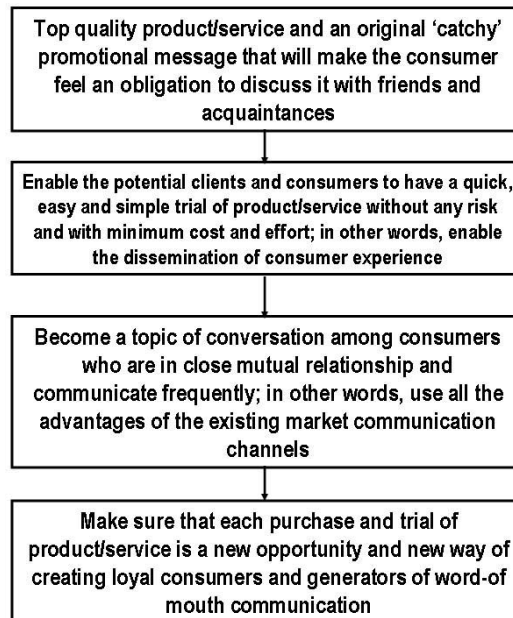
- ***The product or the service must be a part of the communication process.*** If viral marketing is to make a strong impact on the boost in the sales of products or services on the market, potential consumers, either individually or in groups, must communicate in any information exchange mode available on the Internet. The most successful example of excellent results and market acceptance of a product promoted via viral marketing is ICQ – web-based service enabling online contacts among users. As ICQ means nothing to its user unless his/her friends or acquaintances possess it as well, friends encouraged each other through viral marketing, in terms of sending advice and recommendations by e-mail, to acquire ICQ software so that everyone could use the benefits it offers. The most interesting thing about ICQ software are related marketing activities, i.e. total absence of marketing activities related to the launch of ICQ software on the market. The only promotional material that its Israeli designers made is a printed brochure on the features of this software, which was never used. Success of this software is the outcome of personal motivation of users, who persuaded their environment in writing and by word of mouth to acquire ICQ.

- ***Consumers must interact.*** A basic fact in market research is that consumers very often talk about their daily routines. The more a company and its offer constitute a part of their daily lives, the greater is the chance of new consumers being recruited through daily word-of-mouth communication. The success of Internet sites used for e-commerce and auctions, such as eBay.com, is a typical example of how large profits can be made based on consumer interaction. Each purchase or sale, i.e. transaction made through the Internet, results in various comments that consumers subsequently disseminate. The main logic of eBay was to initiate a maximum possible number of transactions on their site, and to keep their offer attractive for various social classes and strata. The key point for companies that want to use viral marketing in their market entry is to create a system that will establish links among consumers and encourage them to communicate among themselves. The role of web site hereby gains importance, and it is therefore not surprising that many business schools in the world have included web page design and development as one of compulsory courses of their curricula.
- ***Consumers must be encouraged and motivated to spread the information by word of mouth.*** The use of viral marketing must imply that the company's Internet site offers the possibility for consumers to forward free electronic messages to their friends and acquaintances. Sending the electronic message must be highly efficient and simplified, so that the consumer does not waste a lot of time on this activity, and wear off his/her delight in the product or company. It is important to acknowledge that consumers owe nothing to the company. The main motive of sending recommendations electronically is the consumers' awareness that their friends rather than the company will benefit from this recommendation. For this reason, companies that want to use viral marketing must find the most acceptable (user-friendly and unintrusive) form of consumer appeal, so that the latter can forward their product satisfaction. Any aggression and pointing to possible harm from not forwarding the message will not encourage the consumer to send the message to his/her environment; on the contrary. Dissatisfaction may be generated and multiplied.

One of the greatest authorities in the field of viral marketing and word-of-mouth communication is George Silverman, who proposes four steps in the use of viral marketing (4, p. 107):

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Fig. 2: Viral marketing



Source: George Silverman, *The Secrets of Word of Mouth Marketing*, Amacon – American Management Association, 2001, p. 107

The phenomenon of the Internet has been analysed, overviewed and explained in a lot of academic and other discourse. One of the main features of contemporary business environment is the comparative freedom of media and a rapid growth in the number of internet users (7, p. 214). Basically, the Web was envisaged as a means for scientists to communicate and exchange information, i.e. it was devised to speed up communication process. It is interesting note that only the commercial application of the Internet lead to a rapid increase in the amount and speed of communication among people. Acceptance of new products today is inconceivable without internet-based marketing activities, without a specific electronic form of word-of-mouth communication called viral marketing. However, although the Internet is a perfect medium for viral marketing, the success of its application must be based on high degree of trust – first between the seller/provider and the customer, and later among customers themselves. Internet sites such as www.epinions.com and www.deja.com are the best examples of the application of viral marketing and word-of-mouth communication on the web. They offer the ratings of almost any product available on the Internet, as well as consumers' comments on them.

Viral Marketing Vs. Word Of Mouth

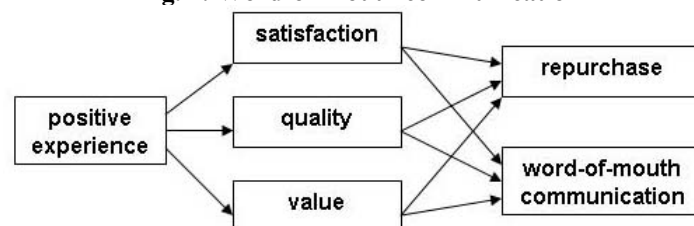
All of the above inevitably leads to the comparison between the notions of viral marketing and word-of-mouth communication. Similarities between these two concepts are numerous, as they are based on high-quality product or service and original promotional message.

Word-of-mouth communication is communication on products and services between people who are considered to be independent of companies offering products and services, and this communication flows through media that are also independent from companies whose products are discussed. (4, p. 25)

Word-of-mouth communication can occur as conversation between two or more people, or as a lecture by an individual to a wider auditorium; it can be direct or indirect – via telephone, e-mail or any other means of communication. Currently, over 80% of purchase decisions result from somebody's direct and informal recommendation or advice (7, p. 166). The key element comprising word-of-mouth communication is that it flows between individuals who have no material interest in whether the recipient will buy a product or service or not. If the sales message is the one that a company sends to the target auditorium through its representatives, then word-of-mouth communication is created by a third party and spontaneously transmitted to inadvertent or targeted auditorium entirely independent of the producer or supplier.

Most of word-of-mouth communication occurs spontaneously, but it often happens that some companies, i.e. their marketing departments deliberately initiate this communication, aware of its importance and impact it can have on consumers. Such an approach is called guerrilla marketing (7, p. 167), and is often related to the phenomenon of viral marketing.

Fig. 2: Word-of-mouth communication



Source: Lorik Molinari, *Satisfaction, Quality and Value and Effects on Repurchase and Positive Word of Mouth Behavioural Intentions for B-2-B Services*, Nova Southeastern University – Dissertations 2004, p. 10.

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As well as word-of-mouth communication, viral marketing implies the existence of advanced social networks among consumers, used for exchanging their experiences of products and services. However, there are some specific features and differences between these concepts, as shown in the figure below.

Fig. 3: Differences between viral marketing and word-of-mouth marketing

| | word-of-mouth communication | viral marketing |
|----------------------------------|---|--|
| speed | moderate | high |
| dissemination type | verbal rather than usual | visual rather than verbal |
| possibility of control | relatively low (live word tends to distort the original content) | relatively high (electronic messages remain unchanged regardless of the number of repetitions) |
| impact on the environment | two-way information flow – receipt and transmission in personal contact | predominantly sending information without personal contact |
| scope of application | unlimited | limited to internet users |

Source: Michael Solomon, Gary Bamossy, Soren Askegaard, *Consumer Behaviour – A European Perspective*, Prentice Hall, 2002, p. 339

When speaking about the effects of viral marketing and word-of-mouth communication, it must be noted that these effects depend on several factors (3, p.25):

- **The nature of the product or service:** there are many products or services that generate hardly any word-of-mouth communication. It mostly occurs with the following product categories:
 - products or services that excite consumers, such as books, music or films;
 - New and innovative products that induce numerous consumers' comments, who mostly express their amazement by the ingenuity of individuals and companies who have invented them. These include all new software packages and the numerous opportunities offered by the Internet;
 - products and services that entail unforgettable experience when using them, such as cars, hotels, restaurants etc.;
 - complex products, where word-of-mouth communication arises from the consumer's need to reduce the risk when purchasing and using such products, including various medicines and remedies;

- expensive products, such as technical and electronic goods, where the basic motive for the occurrence of word-of-mouth communication is also the effort to reduce the purchase risk;
- Easily perceptible products such as clothing, cars and mobile phones, which the whole environment may notice and comment on their owner.
- **The type and characteristics of the target market and market segment:** various cultures, social structures and political systems affect the extent to which people are open to one another, how capable of communicating they are, and, thus, of asking and giving advice and recommendations for the purchases of products and services. It is well known that in the world's most populous city, Mexico City, the locals boast that none of them have a city map, but rather rely on their fellow citizens' help when enquiring about a street or quarter. Likewise, consumers of various ages use a different word-of-mouth communication than that characteristic of younger categories of consumers. Migrations may give rise to intensive word-of-mouth communication, which is especially significant for Serbian market, with a high influx of refugees and displaced persons over the past fifteen years.
- **Consumer networks:** in highly developed countries with highly developed consumer protection, there are numerous consumers' associations, organizations and movements, maintaining extremely good communication and exchanging information, advice and suggestions.
- **General marketing and sale strategies,** which can also influence the existence or non-existence of viral marketing and word-of-mouth communication related to products and services.

Communication strategy, including viral marketing, is an inseparable part of business strategy of companies on the market. What must be especially highlighted is the fact that 90% of consumers who are dissatisfied with a product or service convey their dissatisfaction through oral communication and viral marketing (7, p. 168), which evidences that viral marketing has not only an informative function, but also educational, aesthetic and persuasive function, which gives it a special place and high importance in the marketing communication mix of companies on the market.

Conclusion

The possibilities of applying viral marketing for companies in countries with highly developed markets are far wider than Serbian market. However, the informational literacy of consumers in Serbia is growing at a

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high rate and the number of Internet users is growing daily, which means that this form of marketing should be considered and its application should start immediately. At no time should companies disregard the fact that viral marketing also entails the problem of the 'avalanche' of electronic messages, cards and coupons, which might discourage consumers from participating in the company's campaign. These are the reasons why viral marketing should never be intrusive, implicit and bounding, but on the contrary, good viral marketing is always moderate and unpretentious.

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VIRALNI MARKETING KAO SPECIFIČNA FORMA MARKETINGA PROIZVODA I USLUGA BAZIRANOG NA INTERNET

Rezime: Analiza faktora koji su doprineli zaokretu u posmatranju marketing poslovne filozofije se ne može zamisliti bez analize značaja razvoja informacione tehnologije i njene primene u interakciji sa potrošačima. Sve šira primena Interneta, sa njegovim podformama – Intranet i Ekstranet, elektronske i drugih tehnološki zasnovanih oblika trgovine, zahteva i nov način razmišljanja vezano za marketing aktivnosti koje su potrebne, kao i za njihovu valorizaciju. Nova tehnologija omogućila je pojavu novih formi marketinga. U vremenu kada se u fokusu marketing teorije i prakse nalaze odnosi – kompanije i potrošača, kompanije i zaposlenih, i između samih potrošača, Viralni marketing predstavlja jedan od najnovijih oblika interakcije potrošača između sebe, te je kao takav veoma specifičan i efikasan oblik upotrebe interneta u plasmanu proizvoda i usluga na tržištu.