

Internet based viral marketing for global competition: The road ahead

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Introduction

We work in an age when a sweeping revolution brought about by the convergence of telephone and computer technologies is irrevocably changing the commercial landscape. Today, companies in every category are ready to strike out in the new directions. “THIS CHANGES everything” or “we will never be the same” are expressions often associated with the major news events of the day. They are equally relevant when discussing technological innovations in business. Every day, another technology driven announcement can be found in the pages of a variety of trade publications. Newsletters, magazines, and newspapers are frequently reporting on a new way to meet customer needs or communicate with target audiences.

The Internet has become the new battlefield for marketing competitors. No longer an experimental media vehicle for computer geeks, it is mainstream and turning into the jumping-off point of creative exploration in marketing. (Larry, 2003)

At one time, mass-media advertising primarily did brand building, and the advertising agency was often the dominant player, but now a day’s mass-media advertising is ineffective and costly. Fragmentation and rising costs are already inhibiting marketing through traditional mass media like television. The new communication channels are giving option to bypass mass media advertising for building strong and differentiated brand. (Aaker, Joachimsthaler, 1997)

The fragmentation of media is making communication a very expensive affair and the advent of Internet has put the power of information in customer’s hand. A combination of these factors is putting the marketing function in a poorer light as more and more investment is being pumped into marketing for no palpable reason, much to the irritation of other functions. Therefore, in the light of companies aiming for sustainable competition, marketing function finds itself inadequately equipped.

In the past decade, the advent of the Internet has embarked businesses on a revolution and given consumers the power to control information. Marketing has hence harnessed the Internet to sell, communicate and diffuse products and services. Therefore using “Viral Marketing” techniques on the Internet to ‘spread the word’ and accelerate growth at exponential rates is fast becoming popular.

Viral marketing is an advertisement that is in some way tied to an e-mail. It can be attached to the e-mail or placed in the body of the e-mail. “Viral Marketing” is a technique whereby information related to products, services or companies are “seeded” strategically. Viral marketing is a form of advocacy or word-of-mouth endorsement marketing. One customer passes along the message to other potential buyers. The name “viral” is derived from the image of a person being infected with the marketing message, then spreading it to friends like a virus. The major difference, however, is that the customer voluntarily sends the message to others. It does not occur automatically.

Viral marketing messages may be hyper-linked promotions that take someone immediately to a Web site, online newsletters, or various games. Statistics indicate that 81 percent of recipients who receive a viral marketing message pass it along to at least one other person. Almost 50 percent pass it along to two or more people. The marketing message can be more deliberate, similar to an individual recommending something to a friend. A viral message can also be transmitted passively by being attached to an e-mail. Viral marketing allows a firm to gain rapid product awareness at a low cost.

The paper focuses on two issue of viral marketing.

1. It gives idea about Viral marketing from a theoretical perspective and explains how businessmen can use it as competitive tool.

1. Gives away products or services
2. Provides for effortless transfer to others
3. Scales easily from small to very large
4. Exploits common motivations and behaviors
5. Utilizes existing communication networks
6. Takes advantage of others' resources

Let's examine at each of these elements briefly.

1. Gives away valuable products or services

"Free" is the most powerful word in a marketer's vocabulary. Most viral marketing programs give away valuable products or services to attract attention. Free e-mail services, free information, free "cool" buttons, free software programs that perform powerful functions but not as much as you get in the "pro" version. Wilson's Second Law of Web Marketing is "The Law of Giving and Selling" (www.wilsonweb.com/wmta/basic-principles.htm). "Cheap" or "inexpensive" may generate a wave of interest, but "free" will usually do it much faster. Viral marketers practice delayed gratification. They may not profit today, or tomorrow, but if they can generate a groundswell of interest from something free, they know they will profit "soon and for the rest of their lives" (with apologies to "Casablanca"). Free attracts eyeballs. Eyeballs then see other desirable things that you are selling, and, presto! You earn money. Eyeballs bring valuable e-mail addresses, advertising revenue, and e-commerce sales opportunities. Give away something, sell something.

2. Provides for effortless transfer to others

Public health nurses offer sage advice at flu season: stay away from people who cough, wash your hands often, and don't touch your eyes, nose, or mouth. Viruses only spread when they're easy to transmit. The medium that carries your marketing message must be easy to transfer and replicate: e-mail, website, graphic, software download. Viral marketing works famously on the Internet because instant communication has become so easy and inexpensive. Digital format make copying simple. From a marketing standpoint, you must simplify your marketing message so it can be transmitted easily and without degradation. Short is better. The classic is: "Get your private, free email at <http://www.hotmail.com>." The message is compelling, compressed, and copied at the bottom of every free e-mail message.

3. Scales easily from small to very large

To spread like wildfire the transmission method must be rapidly scalable from small to very large. The weakness of the Hotmail model is that a free e-mail service requires its own mail servers to transmit the message. If the strategy is wildly successful, mail servers must be added very quickly or the rapid growth will bog down and die. If the virus multiplies only to kill the host before spreading, nothing is accomplished. So long as you have planned ahead of time how you can add mail servers rapidly you're okay. You must build in scalability to your viral model.

4. Exploits common motivations and behaviors

Clever viral marketing plans take advantage of common human motivations. What proliferated "Netscape Now" buttons in the early days of the Web? The desire to be cool. Greed drives people. So does the hunger to be popular, loved, and understood. The resulting urge to communicate produces millions of websites and billions of e-mail messages. Design a marketing strategy that builds on common motivations and behaviors for its transmission, and you have a winner.

5. Utilizes existing communication networks

Most people are social. Nerdy, basement-dwelling computer science grad students are the exception. Social scientists tell us that each person has a network of 8 to 12 people in their close network of friends, family, and associates. A person's broader network may consist of scores, hundreds, or thousands of people, depending upon her position in society. A waitress, for example, may communicate regularly with hundreds of customers in a given week. Network

marketers have long understood the power of these human networks, both the strong, close networks as well as the weaker networked relationships. People on the Internet develop networks of relationships, too. They collect e-mail addresses and favorite website URLs. Affiliate programs exploit such networks, as do permission e-mail lists. Learn to place your message into existing communications between people, and you rapidly multiply its dispersion.

6. Takes advantage of others' resources

The most creative viral marketing plans use others' resources to get the word out. Affiliate programs, for example, place text or graphic links on others' websites. Authors, who give away free articles, seek to position their articles on others' web pages. A news release can be picked up by hundreds of periodicals and form the basis of articles seen by hundreds of thousands of readers. Now someone else's newsprint or web page is relaying your marketing message. Someone else's resources are depleted rather than your own.

Bottlenecks for growth of viral marketing

Managing e-services calls for managing the trust that is engendered in the customer experience on the website. Online transaction takes place in a virtual environment (without any physical presence of the parties). With increasing number of e-services and its users, it is required to provide services that are secure, and transacted between known parties.

There are four major threats while availing e-services.

- Eavesdropping
- Stealing of confidential information
- Forging/tampering of messages and transactions
- Fraudulent businesses

All of the above mentioned threats must be dealt with to achieve sustainable growth.

Another issue is lack of personalization for individual needs.

Here is an overview of different security issues to overcome above discussed threats.

Confidentiality: Only known person should be able to read the data ensuring that information in the e-transaction remains private.

Authentication: A mechanism to ensure that both parties transacting in a businesses are genuine and authentic.

Integrity: To make sure that information is not accidentally or maliciously altered or corrupted in transit.

Access control: Having proper restriction so that only authorized persons can use resources.

Non-Repudiation: People should not be able to deny that he has performed the *transaction or sent a message*

Some Successful Example of viral marketing

Hotmail grew a subscriber base more rapidly than any company in the history of the world ...faster than any new online, Internet, or print publication ever. Hotmail is the largest email provider in the world. In its first 1.5 years, Hotmail signed up over 12 million subscribers. A traditional print publication would hope to reach a total of 100,000 subscribers within a few years of launch. Hotmail signs up more than 150,000 subscribers every day, seven days a week. Every Hotmail subscriber, without exception, has filled out a detailed demographic and psychographic profile including occupation and salary. This is an unprecedented supply of personal information.

Yet, from company launch to 12 million users, Hotmail spent less than \$500K on marketing, advertising and promotion. This compares to over \$20 million spent on advertising and brand promotion by Juno, Hotmail's closest competitor with a fraction of the users. Other companies may have distributed more unit volume of product than Hotmail did in their first year - especially when releasing upgrades or brand extensions to an established franchise. But for a new entrant with a new product, the challenge is more daunting. "Subscriptions" have their own challenges as well. Users face a trust decision in deciding to share their private information and

email with an online entity. And the user may not be certain that the end product is worth the effort. These are barriers to adoption in the subscription model. How did Hotmail overcome these barriers as an undercapitalized startup? Viral Marketing.

Hotmail originally approached us as JavaSoft, Inc., a web database tools company, and, as Business Week recounted: Sabeer and Jack went to see "Draper Fisher Jurvetson, but the investor was unimpressed by their idea for database software for the Net. As they were packing up to leave, [the VCs] asked: 'Do you have any other ideas?' Sabeer said they'd noodled over a scheme to offer free, advertising-supported E-mail over the Web. A week and a half later, the venture capitalists ponied up \$300,000, and Hotmail was born." (BW, August 25, 1997)

In our next meeting, Tim Draper suggested that they should append an advertising message to every outbound email: "P.S. Get your free email at Hotmail. It was very contentious at the time. Would users balk at having this automatic addition to the content of their private messages? Hotmail tempered the idea by clearly demarcating the promotional plug, and removing the "P.S." Nevertheless, every outbound message still conveyed an advertisement and a subtle implied endorsement by the sender - the recipient knew that the sender was a Hotmail user, and that this new free email thing seemed to work for them. Each new user becomes a company salesperson, and the message spreads organically.

Hotmail's business model maps well to the medium. By contrast, Juno does not map well to the medium, and they have already spent \$20 million in advertising. Hotmail did not spend the money, yet gained over three times as many users in half the time.

The Hotmail adoption pattern is that of a virus - with spatial and network locality. People typically send e-mails to their associates and friends; many of them are geographically close, and others are scattered around with clusters in areas of high Internet connectivity. We would notice the first user from a university town or from India, and then the number of subscribers from that region would rapidly proliferate. The beauty of it is that none of this required any marketing dollars. Customers do the selling.

Digital viruses can spread internationally more rapidly than biological viruses that rely on the physical proximity of hosts for their spread - via a sneeze or handshake. Hotmail is the largest email provider in Sweden and India despite the fact that they have done no marketing of any sort in these countries. It's a happy day when you discover your business has displaced several entrenched competitors to become the market share leader in a country you have never visited. What's more, Hotmail is used in over 220 countries, despite the limitation that it is only available in English.

Viral Marketing captures the essence of multi-level-marketing and applies it to all customers - the "word-of-mouth" spread of the Hotmail message is involuntary. And it's more powerful than many other marketing techniques that lack the implied endorsement from a friend. Hotmail had "Free Email" buttons on several other highly trafficked web sites, but they generated comparatively negligible numbers of subscriptions. Juno has shown that advertising is relatively cost-ineffective. It is hard to spend your way to Hotmail-like growth. The snowball effect is a mechanism to greatly leverage a first-mover advantage. Whenever a product involves people other than the purchaser, then there is an opportunity to market to potential new customers. It is no surprise that Amazon encourages its customers to send a book as a gift to a friend. When the recipient receives the gift book, the packaging contains a flyer for the amazon.com service. Similarly, whenever someone uses iShip.com to send a package, the recipient will learn about how iShip.com can save them money on their shipping needs.

M80 Interactive marketing (a viral marketing firm) has its employee surf the Web to locate enthusiastic music fans who can be used to generate "buzz" about Britney Spears, one of the firms clients. These fans may be asked, for example, to swamp MTV's request line demanding the star's latest hit. Beanie Babies, the VW Beetle, the movie *The Blair Witch Project*, and ICQ (an Internet chat services) were also able to generate word-of-mouth hype that resulted in explosive consumer demand.

Volkswagen even sold 2000 Reflex yellow and Vapor Blue Beetles online and only online. Vespa, the Italian motor scooter manufacturer, has its in-house agency hire model to hang out on scooters outside trendy nightclubs and cafes in Los Angeles.

Procter & Gamble is using viral marketing in big way. The company has developed kiosks for shopping malls that present and sell new P&G products – all in hope that shoppers will tell their friends what they have seen. And if shoppers purchase a product at the kiosk, they are invited to join an “innovator’s Club” that offers discounts, a Web site, and puts the shoppers in to the P&G database for future new product introductions.

ICQ was short for I seek you and was all about instant messaging service targeted at the communication starved teen society. ICQ accumulated user base of 5 million users and then sold out to AOL for \$287 billion. Even in 1996, ICQ boasted of messaging on any platform and an incredible global reach. It positioned its self as the coolest way to find and meet people online.

Amazon added to its customer base by not only being a “good experience” but also pampering them by sending out a box of chocolates or flowers. Amazon kept its customers abreast by sending updates on products and books of their interest. Amazon also started networks of members by way of allowing customers to have a say about the products they buy on its website. The customers review products and rate them thereby making themselves recommend the product or otherwise. The even added a feature whereby the customers who read the reviews can rank the reviewer himself/herself.

Now, not only Internet based products but also products that have hitherto used traditional forms of advertising have resorted to viral campaigns. Take the example of Burger Kings Subservient Chicken campaign. It was aimed at getting the buzz around a new product launched by the fast food company where it sold the image that the chicken would be exactly as the customer ordered. Burger king repeated its success with the distribution of Halloween masks in October of 2005.

Honda Accord ran a viral campaign with their “Cog” ad that got e-mailers to forward multiple times creating email chains around the product. And now the viral campaigns are not just directed to e-mailers or “sneezers” as they are called in viral marketing parlance, but also towards blogs that tend to discuss the products and generate enough word of mouth.

Corporations are now aiming towards getting feedback and bouncing ideas. Microsoft runs its own campaigns through its employees. Take Robert Scoble for instance – “Robert Scoble works at Microsoft (title: technical evangelist)” and has one of the most powerful blogs on the internet. He is both an opinion maker and a “sneezer”. Following him, now there are over 3000 Microsoft employees who have their own blogs and discuss Microsoft and other technology based companies extensively.

There are several online services which can be use to build your brand online, for free. You can put up your press releases on oline PR distribution services such as PRSI (www.prsi.in), PRCAI (www.prcal.org) Agency Faqs PR resources page (www.agencyfaqs.com) and Prdomain (www.prdomain.com). The advantage here is that you incur no cost for writing a press release. And potential payoff is brilliant – If a newspaper or magazine picks your release, and even if just one paragraph is printed about your service or product, this can translate hundreds of potential customers! (TOI, April 2007)

The foregoing cases exemplify the success of viral marketing campaigns and its inherent dynamics. A low cost, high reach method of communication that targets the right networks and gains credibility through peer/expert support is a good way for many budget-starved companies to increase visibility and awareness. Good Viral marketing campaigns have the potential to also turn awareness into real market sales responses.

Conclusion

A good idea can spread like wildfire if its business model maps to the medium. Viral Marketing adds fuel to the fire. Internet and Intranet applications move beyond computation to embrace communication, the Viral Marketing strategy has wide applicability. E-commerce, groupware, community, messaging and promotions businesses can all use these techniques to further the Internet explosion. The vast diffusion of Internet technologies in consumer as well as business-to-

consumer settings opens up new arenas for word of mouth. Consider the emergence of phrases like “Word of Mouse” and “Word of Modem” - the concept is clearly more than a buzzword if we considered the businesses that have successfully used the strategies.

The strategy itself must still evolve along with the business and focus more on keeping customers than just acquiring them. It is also important to be able to unify v-marketing strategies to the larger marketing objectives and juxtapose them to create synergies. More importantly, it is important to understand the nature of Viral-Marketing in the given context and leverage it for better marketer and customer benefit. Viral marketing give solution for Fragmentation and rising costs of traditional mass media like television. The disadvantages of viral marketing, it is definitely not a panacea for all of marketing’s ill-favor and might not work for all products.

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