



Marketing with Web 2.0 Social Networking and Viral Marketing

By David L. Anderson and Russel P. Nelson

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Sneak Preview

Marketing with Web 2.0:

Social Networking and Viral Marketing

PRELIMINARY EDITION

By David L. Anderson

Trinity International University

and

Russel P. Nelson

Tandem Research, LLC



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Part 1—Defining Marketing for the New Media Environment

Chapter 1: Definition: A Changing Media Landscape



Chapter Questions:

- A. How has technology changed marketing?
- B. How has marketing stayed the same in spite of the changes in technology?
- C. What traditional approaches have been used to address these changes?
- D. What additional benefits can new media provide for marketing products and services that traditional approaches cannot provide?
- E. How consumers spend their time now and how that represents a change
- F. Where consumers spend their dollars now and how that is a change
- G. Where and how consumers hear about new products
- H. How have consumers begun to exert more control than ever over the buyer-seller relationship?
- I. Examples of great ideas of the past that are obsolete and the speed of their obsolescence
- J. Introduction to the traditional approach to marketing

Technology has caused phenomenal change in what we do and how we interact with each other. It has also increased our ability to track and better understand relationships with others and the intensity with which we feel that relationship. The impact of this increased information is that we can address the product and service positioning process much better. Through identifying and documenting decisions, individuals can better understand their decision-making processes and the way others influence them in the decisions that they make.

Examples of these changes and their impacts include:

- More Time with Media. Consumers spend more time with media—television, the Internet, iPhone, iPod, iPad, MP3 players—than they do sleeping, working, or with their families. Many individuals interact with media or have it playing in the background 24 hours a day, seven days a week. Everywhere they look, everything they hear is constantly sending messages to them.
- Different Media Choices. Within the media landscape, people are making different choices about the time they spend with different media. Consumers are watching less television and fewer movies in theatres, reading fewer newspapers and books, and buying fewer CDs. At the same time, individuals are playing more video games, spending more time online, and listening to more music. Because of their demand for currency and the latest “edge,” individuals require more interaction with the internet for on-demand video, games, and music.
- Multitasking in Media Choice. Individuals spend more time with more media types simultaneously. Individuals certainly have more screens open at one time. They may work on their computer while listening to music or watching YouTube videos. On their iPhones, individuals will have many different applications running at one time, often relying upon one to impact the others.

In 2006, the Chevrolet division of General Motors reacted to these trends by developing a

website where people could make their own television commercials for the new Chevy Tahoe. The winning commercial was to premier during the initial night of NBC's *The Apprentice*. Unfortunately for Chevy, the advertisements that got the most attention were parodies of SUVs and messages about global warming. The availability of Youtube to distribute these videos removed the wind from Chevy's commercial sails. Unfortunately for Chevy, the advertisement on *The Apprentice* called attention to the parody messages on Youtube.

Only a year later, in 2007, Barack Obama's primary race was given a boost by several viral videos developed and posted by people outside his campaign, including "Vote Different," which compared Hillary Clinton to a 1984-type Big Brother figure, jibjive, which parodied the opposing candidates dancing and interacting with each other using their enhanced mannerisms, and "I Got a Crush... on Obama." The "Obama Girl" rose to instant fame and became an overnight Youtube sensation that appealed specifically to the younger Obama admirers and voters. Saturday Night gave substance to the Obama Girl in a skit with her interaction with a Hillary Clinton look alike.

The Importance of New Media

It is important to consider why Barack Obama's campaign succeeded while Chevy's failed. Certainly the viral or expanding nature of the videos is relevant. Capturing the age group and demographics of the interested individuals is also important. By examining these examples and what works and does not work, marketers can learn a great deal about their ability to give consumers a bigger stake in their brand. Chapter one introduces and develops these issues in the same way that Kotler expands traditional marketing concepts to include holistic, relationship, and integrated marketing. He recognized this rapid change and recommended a contemporary marketing strategy that needs to be broad in approach. As technology empowers consumers with greater influence over the four marketing Ps (place, promotion, price, and distribution), companies need to integrate consumer needs into more aspects of the business process. More than making and selling, business is about listening to customers--from the earliest stages of research and development to the customer's call to tech support.

Holistic marketing is based upon the concept that everything matters within marketing; that a broad, integrated perspective can provide a much better foundation for a well-developed marketing concept¹. Relationship marketing builds upon mutually satisfying long-term relationships with key parties to earn and retain their business². The goal of relationship marketing is to build a marketing network that is made up of the company and its supporting stakeholders with whom it has built mutually beneficial business relationships. Integrated marketing assembles marketing programs that maximize the ability to develop, communicate, and deliver value for the customers.

¹ Philip Kotler and Kevin Lane Keller, *A Framework for Marketing Management*, 3rd edition. Upper Saddle River, New Jersey: Pearson Prentice-Hall, 2007.

² Evert Gummesson, *Total Relationship Marketing*, Boston: Butterworth-Heinemann, 1999; Martin Christopher, Adrian Payne, and David Ballantyne, *Relationship Marketing: Bringing Quality, Customer Service, and Marketing Together*, Oxford, U.K.: Butterworth-Heinemann, 1991.

Keeping in mind a holistic, relationship, and integrated approach to marketing, social networks focus upon building and reflecting on social relationships among people who share common interests and activities. It consists of a representation of each user (often a profile), his/her social links, and a variety of additional services. Most social network services are web-based and provide users with the opportunity to interact over the internet using e-mail, instant messaging, and social sites. Online community services are sometimes considered to be social network services in a broad sense. Social network services usually imply an individual-centered approach while online community services are group-centered. Social networking sites enable users to share ideas, activities, events, and interests within their individual social networks.

Social networks fall into several categories:

Category places: Connection with Friends

This includes
(self-description pages with a recommendation system linked to trust)
(connect school or classmates or work or social groups)
Facebook, Bebo, Twitter, mySpace, Linked In

Consolidation services: The Consolidation and Integration of Services.

Yoono and Spokeo seek to “sit on top of” the more well-known services and indicate when a change or update has occurred in any of the services. The advantage to the user is that he/she only has to look in one location to receive updates. For Yoono and Spokeo, there is the ability to collect only change data and understand how individuals behave differently across social networking sites.

Standardization services: The FOAF (Friend of a Friend) approach.

This approach has sought to standardize the data entry requirements within social networking. FOAF is a machine-readable formal representation of the knowledge of a set of concepts and the relationships between those concepts. Its approach is to describe and reason about the properties of a domain. By taking a domain approach, FOAF allows groups of people to describe social networks without the need for a centralized database. The Open Source Initiative (OSI) advocates applying Open-source computer software (OSS) to open applications. Source code and certain other rights normally reserved for copyright holders are provided under a software license that permits users to study, change, and improve the software. Open source licenses often meet the requirements of the Open Source Definition.

Many of the largest social networks assert that they were founded on the goal of computerizing real world connections. Many networks focus on categories including education, books, music,

and non-profit businesses as the method to provide both services and community to individuals with shared interests.

Technology has revolutionized the way business develops, distributes, and markets products and services. Rather than simply focusing on construction and manufacturing, businesses now emphasize analysis, consolidation, and the integration of data. In the past, business processes always focused upon manufacturing, making products more efficiently, cheaper, or more in line with what customers were perceived to want. Now the focus is upon better understanding the customer through collecting information about the customer and developing linkages to integrate the customer to other customers and to the business.

The marketing environment today is rapidly changing. Newspapers are steadily reducing days of publication or going out of business. The want ads have almost entirely moved from print newspapers to craigslist or other free resources. Consumers are making different choices about how they spend their time and where they focus their research energy.

Jerome McCarthy introduced the famous *four Ps* of marketing—product, price, place, and promotion³. These four elements constitute the most common variables used in constructing a marketing mix. McCarthy asserted that marketers have these four variables to craft a marketing strategy and write a marketing plan. In the long term, all four of the mix variables can be changed, but in the short term it is difficult to modify the product or the distribution channel. Albert Frey classified the marketing variables into two categories: the offering and process variables. He asserted that the "offering" variables consist of the product, service, packaging, brand, and price. The "process" or "method" variables include advertising, promotion, sales promotion, personal selling, publicity, distribution channels, marketing research, strategy formation, and new product development.⁴ Ultimately, Bernard Booms and Mary Bitner expanded this model consisting of seven P's. They added "people" to the list of variables to recognize the importance of the human element in all aspects of marketing. They added "process" to reflect the fact that services, unlike physical products, are experienced as a process at the time that they are purchased.⁵

While these marketing tools are grouped with the company's perspective in mind, the Internet is giving consumers increased influence and control over the four to seven Ps and how they interact with each other. The internet is rapidly changing the traditional relationship between buyer and seller. Increasingly, shoppers in even the most remote areas have more choice and control over where they purchase products and how they pay for them. They can go to the primary source for their product or service, interact directly with the originator of the product, and ask any questions or gather as much information as they would like. Equally important, they can talk to other purchasers of the product or service and obtain their first hand experience with the product.

³ McCarthy, E Jerome, Shapiro, Stanley J, Perreault, William D, Jr., Basic marketing. 6th Canadian edition, 1960.

⁴ Frey, Albert R., Sobriquets and nicknames, by Albert R. Frey. Boston, Ticknor, Detroit, republished by Gale Research, 1966.

⁵ Bitner, Mary Jo, Booms, Bernard H, Mohr, Lois A., "Be Critical of Service Encounters: the Employee's Viewpoint" Journal of Marketing. Chicago: Oct 1994. Vol. 58, Iss. 4; pg. 95.

Kotler recognized this change and recommends a contemporary marketing strategy that needs to be holistic. As technology empowers consumers with greater influence over the four Ps, companies need to integrate consumer needs into more aspects of the business process. More than making and selling, business is about listening to customers--from the earliest stages of research and development to the customer's call to tech support.

Kotler underscores this approach by identifying five core customer marketplace concepts:

1. Needs, wants, and demands. These are a state of perceived deprivation. This includes physical needs for food, clothing, warmth, and safety, social needs for belonging and affection, and individual needs for knowledge and self-expression.⁶
2. Market offerings (products, services, and experiences). Products that are offered to satisfy a need or want. Services and experiences can also be used to bring the market offerings closer to the perceived target market group.⁷
3. Customer Value and Satisfaction. Through the market development process, customers form expectations about the value and satisfaction that various marketing offers will deliver. They then buy their products according.⁸
4. Exchanges and relationships. Marketing occurs when people decide to satisfy needs and wants through an exchange in relationship.⁹ The exchange is the process of obtaining a desired object from someone by offering something in return. The marketing individual tries to bring a response to some marketing offer.
5. Markets. By moving the emphasis to a more qualitative approach, Kotler opened the door to research and the conduct marketing using social networking and viral marketing. Given Kotler's increased emphasis on understanding the customer in relationship to the product, the value of these new marketing tools become much more relevant.¹⁰

Web 2.0 is the second generation of web development. It is a more advanced way to communicate with people all around the world, through blogs, videos, or websites like MySpace, Facebook, and Friendster. Web 2.0 makes it easier for people to communicate through the internet by leaving comments, opinions, and suggestions in a qualitative rather than a database format. Web 2.0 builds applications and services around the unique features of the Internet, as opposed to merely using the Internet as a platform.

⁶ Philip Kotler and Gary Armstrong, Principles of Marketing, Eleventh Edition, Upper Saddle River, New Jersey, 2006, page 6.

⁷ Philip Kotler and Kevin Lane Keller, A Framework for Marketing Management, 3rd edition. Upper Saddle River, New Jersey: Pearson Prentice-Hall, 2007.

⁸ Philip Kotler and Gary Armstrong, Principles of Marketing, Eleventh Edition, Upper Saddle River, New Jersey, 2006, page 8.

⁹ Philip Kotler and Kevin Lane Keller, A Framework for Marketing Management, 3rd edition. Upper Saddle River, New Jersey: Pearson Prentice-Hall, 2007.

¹⁰ Philip Kotler and Gary Armstrong, Principles of Marketing, Eleventh Edition, Upper Saddle River, New Jersey, 2006, page 6.

The characteristics of Web 2.0 are rich user experience, enhanced user participation, dynamic content, metadata, web standards, and scalability. User participation enables the interaction to include openness, freedom, and collective intelligence.

- Applications are used entirely through a Web browser
- Users own the data on the site and exercise control over who can see it
- Users are encouraged to add value
- Some social-networking aspects are included
- A rich, interactive, user-friendly interface makes it easy to interact

Web 2.0 technologies, including social networking and viral marketing, provide the most direct connection to the consumer.

Social Networking

Online social networks are webs of relationships that grow from computer-mediated discussions. The webs begin with conversations among people who share a common affinity (e.g., they work for the same company, department, or in the same discipline) and who differ in other ways (e.g., they are in different locations, keep different hours, specialize in different disciplines, work for different companies). Since these individuals are distributed across time and space, their conversations need to take place online, over an intranet or private internet forum.¹¹

Online Social Networks enable people to co-operate with each other in new and different ways. Many insist that social networks have always existed; the only difference is that the online version empowers and removes location as a parameter. The online versions provide a place where communities can develop and grow.

Online communities promote social capital, support Life Long Learning and teaching, connect people and build relationships, and develop a place to store a community memory and knowledge sharing relationship.

The transition to Participatory Media expands traditional interaction from text-based interaction to an online, real time community. By doing so, it can transform social structures, culture, community, power, and wealth. It is characterized by interrelationships that are based upon many to many, consumers/producers, active participation, and amplification of network capabilities.

To be effective, online Social Communities require marketing as the foundation of online community planning, design for social architecture, and technological planning¹².

Social networking is the mechanism to make communication (via internet) easier between groups. Social networking provides a connection between people that sometimes may not be as

¹¹ How Online Social Networks Benefit Organizations, by Lisa Kimball and Howard Rheingold

¹² Francisco Lupiáñez-Villanueva, Online Social Networks Roundtable with Howard Rheingold, on December 11th, 2008

familiar with each other as if they had met in person. It allows many connections with people an individual might not know. It works like an internet chain, enabling the sharing of information and files.

Social networking sites are built around pre-existing themes, interests, or affiliations. They have user profiles that allow the users to develop connections and offer a “rich” functionality that makes interacting meaningful, fun, or interesting.

Because social networks are geared towards friends, advertising often feels like an imposition. Viral marketing addresses this problem by becoming part of a friend-to-friend communication.¹³ Viral marketing is a faster version of word-of-mouth advertising. Social networks thrive when users communicate more frequently and more broadly. Ten to fifteen years ago, those messages were jokes or urban legends forwarded by email. Now people send funny photographs, short online videos, and very short statements. The “buzz” that builds is far more likely to have commercial implications.

The Five Rules of Viral Marketing

1. If you want to generate word-of-mouth, don't try to be hip. Just because you've read about some hot new trend on Make, We Make Money Not Art, Boing Boing, or even the hipper-than-thou Futurelab blog doesn't mean you should start incorporating it into your marketing plan. By the time you read about it, those nifty things have usually been done by people far cooler than you and they're going to know you're faking it.

2. Destruction of property or intruding into people's comfort zones will only backfire. Yes, it seems obvious, but Sony found this out the hard way with its PSP Graffiti campaign. Sony employed local graffiti artists to decorate public buildings with PSP-themed images. Chase Bank also discovered intruding into public space can generate some very strong public reactions when it was forced by New York City to stop projecting giant logos on the street.

But don't think this stuff only happens in the physical world. Obtrusive advertising in the form of pop-ups and irritating rich media units have been annoying consumers for a long time now. They might get noticed, but they're also damaging your brand.

3. You can't fake authenticity. Back in October in relation to Wal-Mart's flogging fiasco, but there have been plenty of other offenders. One of the most notable is Sony's PSP flog, a travesty that not only was unbelievably badly conceived but once exposed had its fake bloggers try to defend what they were doing. This kind of thing always fails because it's impossible to fake honesty in communications and there's really no reason to do so. As blogger Claire Rusko-Berger puts it in her fantastic essay on authenticity, "to be successful and honest, your

¹³ Bettina Berendt, Sören Preibusch, Maximilian Teltzrow, A Privacy-Protecting Business-Analytics Service for On-Line Transactions. International Journal of Electronic Commerce. Armonk: Spring 2008. Volume 12, Issue 3; page 115.

'authenticity'" must edit that noise, provide expert information, and structure information in a usable way." To be successful, you have to be real. There is some excellent research that proves full disclosure really works.

4. Know your audience. Stunts like this one that promoted a French mountain biking company (and the biker who performed the daring deed) come across as authentic because the people involved knew who they were talking to as they were part of that group. It's even possible to turn disaster into opportunity when you really know the sensibility of the folks you're trying to reach.

5. Love your customers. If you do, they'll respond in kind, the way Apple fans like this woman do when they put the time and effort into creating videos and songs about how much they love their favorite brands. Even Starburst has young fans fanatical enough about their products to take the time and energy to create their own commercials¹⁴.

These rules are from Hotmail to "Cloverfield," a short overview of the development of the viral ad campaign. This campaign ends with "shifts in marketing management."¹⁵ The number of trends and forces that make marketers rethink their approaches can come from the Razorfish predictions of 2009.¹⁶

According to Kotler, there are several major shifts in marketing management that smart companies have been making in the twenty-first century.¹⁷ These major themes will be examined throughout this book to help marketers and companies sail safely through the rough but promising waters ahead. Successful companies will be those who can keep their marketing changing with the changes in their marketplace—and marketspace.¹⁸

- a. How consumers spend their time now and how that represents a change
- b. Where consumers spend their dollars now and how that is a change
- c. Where and how consumers hear about new products
- d. Consumers have more control than ever over the buyer-seller relationship
- e. Examples of great ideas of the past that are obsolete and the speed of their obsolescence
- f. Introduction to the traditional approach to marketing

Consumers spend more time with media—television, the Internet, mp3 players—than they do sleeping, working, or with their families.

¹⁴ <http://www.clickz.com/3624847>

¹⁵ Philip Kotler and Gary Armstrong, *Principles of Marketing, Eleventh Edition*, Upper Saddle River, New Jersey, 2006, page 27.

¹⁶ Philip Kotler and Kevin Lane Keller, *A Framework for Marketing Management, 3rd edition*. Upper Saddle River, New Jersey: Pearson Prentice-Hall, 2007.

¹⁷ Philip Kotler and Gary Armstrong, *Principles of Marketing, Eleventh Edition*, Upper Saddle River, New Jersey, 2006, page 27.

¹⁸ Philip Kotler and Kevin Lane Keller, *A Framework for Marketing Management, 3rd edition*. Upper Saddle River, New Jersey: Pearson Prentice-Hall, 2007.

Within the media landscape, people are making different choices about how to spend their time: Americans are watching less television and fewer movies in theatres, reading fewer newspapers and books, and buying fewer CDs all while playing more video games, spending more time online, and listening to more music.

In 2006, Chevy reacted to these trends by creating a website where people could make their own television commercials for the new Chevy Tahoe. The commercial was to be premiered during NBC's *The Apprentice*. Unfortunately for Chevy, the advertisements that got the most attention were parodies of SUVs and messages about global warming.

Only a year later, Barack Obama's primary race was given a boost by several viral videos created by people outside his campaign, including "Vote Different," which compared Hillary Clinton to a 1984-type Big Brother figure, and "I Got a Crush... on Obama."

Why did Barack Obama's campaign succeed while Chevy's failed? What lessons are there for marketers who want to give consumers a bigger stake in their brand? This chapter will introduce and develop these issues in the same way that Kotler begins *Marketing Management* with "New Marketing Realities" and "Major Societal Forces."

Technology has revolutionized the way business develops, distributes, and markets products and services. Rather than focusing on construction and manufacturing, businesses now emphasize analysis, consolidation, and integration of data. In the past, business processes always focused upon manufacturing, making products more efficiently, cheaper, or more in line with what consumer groups were perceived to want. Now the focus is upon "shifts in marketing management."¹⁹ However many trends or forces that we think are making marketers rethink their beliefs and practices? Some of these can come from the Razorfish predictions for 2009.

Connection to Traditional Marketing for Chapter 1.

According to Kotler, marketing is managing profitable customer relationships. Its aim is to develop value for customers while capturing value from customers.²⁰ Marketing is built upon four steps:

1. Understanding customer needs
2. Designing customer-driven marketing strategies and programs
3. Building customer relationships
4. Capturing value for the firm²¹

Social networking is uniquely focused upon understanding more about the customer. In traditional settings, this information is limited to information that can be obtained following the customer's going to a store, interacting with the company, or making a purchase. Social

¹⁹ Philip Kotler and Gary Armstrong, *Principles of Marketing*, Eleventh Edition, Upper Saddle River, New Jersey, 2006, page 28.

²⁰ Kotler and Armstrong, *Principles of Marketing*, Upper Saddle River, NJ: Prentice-Hall, 2010, page 2.

²¹ Philip Kotler and Kevin Lane Keller, *A Framework for Marketing Management*, 3rd edition. Upper Saddle River, New Jersey: Pearson Prentice-Hall, 2007.

networking enables the capture of this information before the purchase transaction. While traditional marketing may rely upon birthdays, anniversaries, or new home or car purchases to initiate the marketing action, the relationships of social networking enable the purchase decision to move from a transaction to an ongoing relationship. Marketers can “get to know” the customers on an ongoing and much more regular basis.