

## Viral Marketing

The venture capital firm of Draper Fisher Jurvetson allegedly coined the term "viral marketing." "Viral marketing" was coined by Steve Jurvetson and Tim Draper who described the astonishing success of Hotmail, which grew to 12 million subscribers 18 months after the company's launch. Viral marketing is probably the hottest issue in marketing today. In its stripped-down version, viral marketing is nothing more than "word-of-mouth" i.e. word-of-mouth in cyberspace that is generally tied to an e-mail message.

Viral marketing describes any strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message's exposure and influence. Like viruses, such strategies take advantage of rapid multiplication to explode the message to thousands, to millions users.

The concept centers on the premise that computer users read e-mail forwarded from friends and forward that e-mail to others. It parallels similar multilevel marketing plans in the "real" world, but this one perpetuates itself in cyberspace.

The beauty of viral marketing is that it costs very little to execute and yet it can deliver astounding results in a very short period of time. It is really a matter of "one-to-one contagion" -- infecting your customers who, in turn, sneeze on their friends and spread the virus. The bottom line is massive reach and rapid awareness at relatively little cost. If a minimum of prerequisites for business in the era of electronic commerce exist, the one-to-one contagion of viral marketing could result in exponential growth and profits.

### **Viral Marketing & Network Effects**

Statistics show that 81% of recipients who receive a viral message are willing to pass them along to at least one other person; 49% will pass it to two or three other people<sup>1</sup>. The projected figures for e-mail marketing in the US are breathtaking, too. Jupiter Communications expects the value of e-mail marketing to be \$7.3 billion in 2005, an increase of over 4,000% since last year when, it stood at \$164 million. In 2005, e-mail expenditures will cannibalize direct mail revenues by 13%. Jupiter estimates that US Internet users, on average, received

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<sup>1</sup> Alf Nucifora, "Word-of-Net: Viral infections at its most profitable," Huston Business Journal, May 19, 2000.

40 commercial e-mails in 1999. In 2005, this number will have jumped 40-fold to 1,600<sup>2</sup>.

Digital viruses can spread internationally more rapidly than biological viruses that rely on the physical proximity of hosts for their spread. Viral marketing is more powerful than many other marketing techniques because it leverages the implied endorsement from a friend. Viral marketing has snowball effects that are based on network externalities. Economists say that a product exhibits network externalities -- or network effects -- when the value of the product or service to one user depends on how many other users of the same product or service there are<sup>3</sup>.

Like many other network applications in the e-Economy, viral marketing is a mechanism that greatly leverages a first-mover advantage. As more Internet and Intranet applications move beyond computation to embrace communication, the viral marketing strategy has wide applicability. Electronic commerce, groupware, community, messaging and promotions businesses can all use these techniques to further the Internet explosion.

New businesses also want to let the world know their name, but they do not want to be annoying, and thus, they must provide a compelling reason for customers to help spread the word. In all of these viral businesses, the balance between the customer value provided by the network and the concerns surrounding privacy will be a delicate one.

For network applications the value of the network and the value that each member realizes increases disproportionately as more people join the network. The first fax machine customers were delighted to see more people buy compatible machines. Similarly, viral marketing could be applied to traditional stand-alone software to accelerate the word-of-mouth spread of good software. A company that can provide a strong enough incentive for customers to share their massive lists of personal contacts --whether for communications or community -- will have a powerful viral opportunity at their disposal<sup>4</sup>.

A good virus will look for prolific hosts (such as students) and tie to their high-frequency social interactions (such as e-mail and messaging). Viral marketing is

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<sup>2</sup> eMarketer, "eMail: Curing the Woes of Online Marketing," Business 2.0, June 2, 2000.

<sup>3</sup> Carl Shapiro and Hal R. Varian, "Information Rules: A Strategic Guide to the Network Economy," Harvard Business School Press, 1999, p. 13.

<sup>4</sup> Steve Jurvetson and Tim Draper, "Viral Marketing," Original version published in the Netscape M-Files, 1997 Edited Version published in Business 2.0, November 1998.

most powerful when it taps into the breadth of its customers' weak connections to others. Tapping the customer's entire address book is more valuable than just reaching their best friend. Viral marketing provides a new distribution channel for almost any Internet application. It naturally lends itself to free "communications" or network applications.

## **Elements of Viral Marketing Strategy**

An effective viral marketing strategy<sup>5</sup>:

- Gives away products or services
- Provides for effortless transfer to others
- Scales easily from small to very large
- Exploits common motivations and behaviors
- Utilizes existing communication networks
- Takes advantage of others' resources

In addition to the above mentioned elements, viral marketing could work effectively only if two things -- often in short supply in the marketing world -- were present<sup>6</sup>:

- honesty and
- execution.

Viral marketing could have positive results when the user was in control and actually endorsed the viral message, rather than merely acting as a carrier.

Marketing is about building perception, or sometimes removing it. Viral marketing is based on the perception of honesty. If the recipient of the ad failed to believe that the sender was providing an honest endorsement, the viral effect could disappear. In a worst case scenario, a dishonest endorsement could have a negative viral effect. In any case, an ad tacked on a message without the endorsement of the author is no different from a banner ad.

This element of trust becomes even more critical when users go beyond merely endorsing ads to actually generating them. Viral marketing, far from eliminating the need to deliver on promises, makes businesses more dependent on the goodwill of their users. Any company that incorporates viral marketing techniques

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<sup>5</sup> Ralph Wilson, *"The Six Principles of Viral Marketing,"* Web Marketing Today, Issue 70, February 1, 2000.

<sup>6</sup> Clay Shirky, *"The Toughest Virus of All,"* Business 2.0, July 11, 2000.

must provide quality services that users would be continually willing to vouch for, whether implicitly or explicitly. Positive perception about a brand name could not be imposed via viral marketing on a huge population much as in democracies no law could be successfully imposed on a huge population that did not morally support it and did not possess the means for its evasion at the same time.

In strategically designed and implemented viral marketing, the non-commercial distribution of information could increase the sale of commercial information. Viral marketing is based on the premise that nothing could make a brand name famous faster than an audience willing to distribute it for free.

In the following pages, there is information that refers to prerequisites for successful business in the era of electronic commerce. While viral marketing could be implemented without the prerequisites that are described in the next pages, I believe that 1-to-1 marketing, smart navigation, and syndication are -- or tend to become -- elements of competitive strategy for business in cyberspace. Competitive strategy concerns how to create competitive advantage in each of the businesses in which a company competes<sup>7</sup>.

## **Minimum Prerequisites in the Era of Electronic Commerce**

### **1-to-1 Marketing**

Viral marketing is different than 1-to-1 marketing. However, they are both complementary marketing strategies in the Web. The implementation of a viral marketing strategy could be extremely effective if a company built a website that truly lived up to 1-to-1 marketing potential.

1-to-1 marketing means that a company is willing and able to change its behavior towards an individual customer based on what the customer tells the company and what the company knows about the customer<sup>8</sup>.

The minimum requirements for 1-to-1 marketing in the Web are<sup>9</sup>:

1. Identify each visitor or give each visitor an incentive to self-identify.
2. Differentiate each visitor on every visit based on past and future needs.

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<sup>7</sup> Michael E. Porter, *"On Competition,"* Harvard Business School Press, 1999, p. 117

<sup>8</sup> Don Peppers, Martha Rogers, and Bob Dorf, *"Is Your Company Ready For One-to-One Marketing?,"* Harvard Business Review, January-February 1999, vol. 77, no. 1, p. 151.

<sup>9</sup> Don Peppers, Martha Rogers, and Bob Dorf, *"One-to-One Fieldbook -- The Complete Toolkit for Implementing a 1-to-1 Marketing Program,"* Currency and Doubleday, 1999, p. 304.

3. Exchange information without administering long and burdensome questionnaires.
4. Track and interpret click streams.
5. Customize your products based on your memory of information that pertains to individual preferences of your customers.

### **Smart Navigation**

The existence and implementation of 1-to-1 marketing aims at building a competitive advantage for a company that exploits the customers' search cost. Smart navigation through the clatter of products, services and information in the era of electronic commerce is the battlefield on which the competitive advantage of companies will be won or lost.

Smart navigation has three dimensions<sup>10</sup>:

- Reach
- Affiliation &
- Richness

Reach is about access and connection. It means how many customers a company can access and/or how many products it can offer. Within the context of viral marketing, reach is about the number of people who participate in the sharing of information. Reach is about the value that information sharing represents in the eyes of a company.

Affiliation is about whose interests a company represents. It is about information sharing that aims at customer satisfaction and refers to purchasing alternatives available from vendors which are affiliated to a company.

Richness is about the depth of information that a company collects from and/or about its customers as well as the information that a company gives its customers. Within the context of viral marketing, richness is about the value that information sharing represents in the eyes of customers.

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<sup>10</sup> Philip Evans and Thomas S. Wurster, "Getting Real about Virtual Commerce," Harvard Business Review, November-December 1999, vol. 77, no. 6, p. 86.

## **Syndication:**

If there is smart navigation -- navigation that is based on 1-to-1 relationships -- then customers value product and/or services that are accessible over the Web. Navigation is not necessarily linked to in-house products and services. It may also mean navigating to other companies' products and services. A navigator is an information intermediary -- an "infomediary." An infomediary aggregates information from customers and vendors and use this information to negotiate with vendors on behalf of its customers<sup>11</sup>.

While search engines today offer their services for free, smart navigation that is based on 1-to-1 relationships would be a service that customers would have to pay for.

Smart navigation could be the reason for existence and implementation of a viral marketing strategy. Smart navigation involves the sale of the same good to many customers, who then integrate it with other offerings and redistribute it. At the same time, smart navigation becomes the reason for existence of syndication, the business model that brings flexible business networks from the periphery to the center of business<sup>12</sup>.

In syndication, the connections among companies proliferate and the business relationships change compares to the traditional linear relationships that exist in the analogue world. Professor Michael E. Porter (C. Roland Christensen Professor of Business Administration at Harvard Business School) described syndication as a "cluster." A cluster is a geographic concentration of interconnected companies and institutions in a particular field. A cluster encompasses an array of linked industries and other entities important in competition<sup>13</sup>.

In syndication, a company could -- and should -- play more than one of the following roles:

- create original content
- package content for distribution

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<sup>11</sup> John Hagel III and Marc Singer, *"Net Worth -- Shaping Markets When Customers Make the Rules,"* Harvard Business School Press, 1999, p. 19-20. See also Philip Kotler, *"Kotler On Marketing -- How to Create, Win, and Dominate Markets,"* Free Press 1999, p. 213.

<sup>12</sup> Kevin Werbach, *"Syndication -- The Emerging Model for Business in the Internet Era,"* Harvard Business Review, May-June 2000, vol. 78, no. 3, p. 86.

<sup>13</sup> Michael E. Porter, *"Clusters and the New Economics of Competition,"* Harvard Business Review, November-December 1998, vol. 76, no. 6, p. 78. See also Michael E. Porter, *"On Competition,"* Harvard Business School Publishing, 1999, pp. 253-258.

- deliver the content to customers

In syndication, a company operates as an infomediary which creates, collects, packages, and distributes information in a way that adds value to it. In those areas where syndication takes hold, the syndicated components are less important than the network that contains them. The bigger the network of syndicated components the more effective viral marketing could become.

Syndicators have also been described as "networked incubators." Networked incubators possess mechanisms that foster partnerships among Internet-oriented firms, thus facilitate the flow of knowledge and talent across companies and forge marketing and technology relationships among them<sup>14</sup>.

The need for networked incubators stems from the fact that the Internet economy is very much a network economy in which access and connections are sine-qua-non elements of business doing. Networked incubators institutionalize networking and facilitate preferential access to business sources. They do so by<sup>15</sup>:

- Creating a portfolio of related companies and advisers that incubates could leverage.
- Implementing mechanisms such as:
  - creating formal links with external experts
  - bringing outside experts on site
  - scheduling meetings
  - establishing processes for exchanging of information and know-how across companies
  - implementing economic incentives
  - hiring specialized deal probers
  - preventing counter productive networking

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<sup>14</sup> Morten T. Hansen, Henry W. Chesbrough, Niritin Nohria, and Donald N. Sull, "Networked Incubators -- Hothouses of the New Economy," Harvard Business Review, September-October 2000, p. 76.

<sup>15</sup> *ibid.*, pp. 79-84.

## Techniques for Viral Marketing

Viral marketing techniques -- some of them could be deployed immediately depending on the level of "e-maturity" of your company -- which are within the context of Integrated Marketing Communications in cyberspace are<sup>16</sup>:

1. Write articles and encourage other to post them free as content for their site. If you're an expert in a particular area, write an article about an aspect of it. Then offer it to complementary websites to post on their site as free content, so long as the article contains links to your website.
2. Set up an affiliate program to encourage links to your products. Affiliate programs are a form of syndication that provides financial incentive for other websites to link to yours.
3. Look for vendors' websites that sell complementary products or services to your own. Then contact them and offer a reciprocal linking arrangement. You can go even one step further and offer their visitors a discount if they join your referee program.
4. Send out news releases concerning a free service or product available on your website.
5. Install a "Recommend-It.com" referral system. "Recommend-It.com" won't save a dismal website, but it will help your visitors promote your site to their network of friends.
6. Reward your steady visitors for bringing new visitors to your website. Create a special "referrer program" that your steady visitors could sign up for. Have them invite their friends to visit and if they do, have them mention the referee's e-mail address and the referee earns something free from your website.
7. Make it easy to e-mail or print out and fax elements of your website to a friend.
8. Encourage people to forward your newsletter to friends. Create a funny newsletter or an e-mail alert that someone would pass on to friends.

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<sup>16</sup> Ralph Wilson, "Viral marketing techniques the typical business website can deploy now," Web Marketing Today, Issue 71, February 8, 2000. See also Philip Kotler, "Kotler On Marketing -- How to Create, Win, and Dominate Markets," Free Press 1999, pp. 215-218, 219, and Evan I. Schwartz, "Digital Darwinism -- 7 Breakthrough Business Strategies for Surviving in the Cutthroat Web Economy," Broadway Books, 1999, pp. 71-91. Evan I. Schwarz refers to "viral marketing" or "germ warfare" as the technique through which a creator of a cool message in cyberspace generates others to gladly spread the word. "Once the message is released into the online culture, it will grow organically, become contagious, and procreate like pachysandra." According to Schwartz, "this type of viral marketing has a lot in common with affiliate networks [syndication]. In the future, companies would want to combine the two."

9. Don't just send out a notice about new content on your website but rather send out summaries by e-mail and ask people to forward it on (with copyright and URL attached, of course). A variation on this is to let other websites reprint your content on their site, with appropriate credits and links to yours.
10. Provide free services or products on your website that help spread your message to an increasing number of people who hear about it.
11. Enable visitors to e-mail post cards or greeting cards from your website.
12. Offer a digital game or utility for free download that carries your marketing message. Games carrying your ad or screen savers are just a couple of the possibilities. Others are games or graphic demos that people can e-mail to their friends. Viral marketing can even include videos. Often, the clips include an embedded link to the website in order to record high scores or to forward the clip.
13. Attach your URL to every e-mail that your users send out.
14. Create an award for the best websites in your category or subject area. Then send them an e-mail informing them they won the award and where to acquire the award icon to place on their website.
15. Create a special "discounts area" in your website, where product discounts are announced daily. The customer could browse the site in order to find out what is the discount of the day in the product category she is interested in.
16. Create a special "bargains area" in your website, where affiliated vendors place their announcements on bargains. The customer could log on and engage in bargains for the price of the product she is interested in either directly with the affiliated vendor or indirectly through your company. In the second case, the customer should empower your company to represent her in the bargain.
17. Create a special area in your website where trade publications that refer to your products and services could be found. Your website should republish - - with permission -- the content of the trade publications that comments on your products and services as well as link to the trade publications' websites. The republished content should be easy to download and "e-mail to a friend.
18. Create in your website a "Contests & Sweepstakes area," where customers could find contests and sweepstakes offered by your company and its affiliated vendors.

19. Create in your website a special area which lists affiliated vendors and where customers could link to the websites of vendors affiliated with your company.
20. Create in your website a special area which lists affiliated non-profit organizations and where customers could link to the websites of non-profit organizations affiliated with your company.
21. Create a special area dedicated to online trade shows -- built in streaming media -- where the customers could view products and services that are offered by your company and its affiliated vendors.

### **Viral Marketing & Ideavirus**

In his book titled "Unleashing the Ideavirus," Seth Godin analyzes the ideavirus. The author considers viral marketing to be a special case of an ideavirus. Viral marketing is an ideavirus in which the carrier of the virus is the product. Viral marketing is a special case of an ideavirus in which the medium of the virus is the product. It's an idea where the idea is the amplifier<sup>17</sup>.

"Unleashing the Ideavirus" is a proposition for stopping marketing at people on one hand and for creating an environment where consumers would market to each other on the other hand. Ideavirus is nothing more than an idea that moves and grows and infects every one it touches<sup>18</sup>. Since ideas are the engine of the new economy then obsessing with techniques for spreading ideas is an important factor for business -- probably marketing's competitive advantage currently.

According to Seth Godin, the key steps for Internet companies looking to build a virus are<sup>19</sup>:

1. Create a noteworthy online experience that's either totally new or makes the user's life much better.
2. Have the idea behind your online experience go viral, bringing you a large chunk of the group you're targeting without having to spend a fortune advertising the new service.
3. Fill the vacuum in the marketplace with your version of the idea, so that competitors have a very difficult time of unteaching your virus and starting their own.

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<sup>17</sup> Seth Godin, "Unleashing the Ideavirus," Do You Zoom, Inc., 2000, pp. 29, 65.

<sup>18</sup> *ibid.*, p. 19.

<sup>19</sup> *ibid.*, p. 27.

4. Achieve "lock in" by creating larger and larger costs to switching from your service to someone else's.
5. Get permission from users to maintain an ongoing dialogue so you can turn the original attention into a beneficial experience for users and an ongoing profit stream for you.

The fundamental elements behind the propagation of an ideavirus are<sup>20</sup>:

- **Sneezers:** they are the ones who when they tell ten or twenty or 100 people--people believe them.
- **Hives:** they are the ones who are targeted for infection by the virus. Success will come to marketers who attack small but intimate hives.
- **Vacuum in the market:** the best friend of an ideavirus is a vacuum.
- **Constant feed:** a viral marketing strategy is destined to die out unless you institutionalize the process of improving, honing and launching new ideaviruses to replace the dying ones.
- **Compelling products & services:** people spread a virus that refers to a product or service because the product or service is remarkable, thought-provoking, important, profitable, funny, horrible or beautiful. In today's winner-take-all world, there's no room for a me-too offering, or worse, boring products and services. If it's not compelling, it will never lead to an ideavirus.
- **Smooth transference:** smooth is essential because if you make it easy for the virus to spread, it's more likely to do so. In viral marketing the ideal solution is to build smooth transference tools right into the idea--which can be difficult. In addition, the simpler the idea and the lower the risk, the more likely someone is to get infected.
- **Velocity of the virus:** the faster the velocity of the virus the less the danger from competitive forces in the marketplace.
- **Vector of the virus:** pay attention to who the virus spread starts with, who resonates with the virus spread, and what the medium for the virus spread is.

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<sup>20</sup> *ibid.*, pp. 48-118.