Chapter 19
The Role of Social Networks in the Viral Marketing of IDM

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ABSTRACT

Social networks are structures consisting of individuals or organizations that enable powerful means of communicating and information sharing. Social networks make viral marketing and word-of mouth (WOM) marketing more effective than before. WOM particularly has received extensive attention in the literature. In this chapter, we discuss the value of social networks in business, especially focusing on the WOM marketing which relies on social ties and preexisting connections to spread marketing messages through a community. We discuss viral marketing using a WOM unit framework. Five qualities of a WOM unit are explained with examples. We illustrate new products and services like the iPhone and relate them with the WOM unit framework. It is recognized that WOM helps businesses spread their marketing message in a cost effective way. We found that WOM marketing plays a vital role in the IDM marketplace and conclude that businesses should actively promote and manage WOM communications using viral marketing methods to achieve desired behavioral response.

OVERVIEW AND SCOPE

Many are now aware of social networks which have attracted the attention of half a billion users within five years. Millions of hours per day are spent on social networking functions. Social networking is hence is a large and rapidly expanding application on the Internet. The success of social networks shows a dynamic shift in how people use the Internet nowadays. A universe of sites in the networks is created by people for people that enhances new business relationships. The theme of this chapter is to examine if social networks may be leveraged upon as a tool for business development and networking.

Online social networks present an efficient platform for high-tech marketers to spread their marketing messages or promotional schemes without investing more on infrastructure and services. These networks are increasingly being used as an important source of information influencing the adoption and use of products and services. The use of social networks is not to make money directly from the customers, but to harness their marketing potential and to use them in the business. Online communities have a large group of users who can help to increase brand awareness for products and services. With the help of social networks, marketers tap into these communities with advertising tools or content targeting their specific sub-culture and people are likely to get a lot of attention. In this way, social networks create new channels of advertising and thus help marketers in spreading business promotion. For example, companies encourage word of mouth advertising. They offer referral bonuses to current customers who bring in new clients. Hence, social networks make viral marketing and word-of mouth marketing more effective than before.

In this chapter we focus on the value of social networks in business enterprises, and more specifically on word-of-mouth messaging. We explain how it helps marketers leverage customer capital for buying decisions with optimal effort.

BACKGROUND CONCEPTS

Social information-processing theory provides a useful lens to examine the interpersonal influence processes that are the hallmark of viral marketing. It views the social network as an important source of information and cues for behaviour and action for individuals (Wellman et al., 1996). Social network marketing is different from that of traditional marketing. Traditional marketing such as TV and radio force advertisement on the audience and creates interruption in what they are doing. On the other hand, social network marketing is all about marketing with participation. With social networks, businesses can target a large number of audience with low cost per unit.

Word-Of-Mouth (WOM) and viral marketing have received extensive attention in the recent years. For instance, the success of the largest social network Facebook, with 500 million users, has been driven primarily by word of mouth. It has helped Facebook cross a threshold of cultural importance in the sense that what your "friends" think and say influences you more then the opinions and actions of strangers who may be authorities. Most of the literature describes WOM as one of the more powerful tools in the marketplace. This is due to fact that consumers rely more on informal or personal communication sources in making purchasing decisions than commercial sources. In this sense, WOM is highly effective (Bansal & Voyer 2000). Ditcher (1966) suggested the idea of 'aha' experiences which occurs through a WOM exchange. This idea may be a little outdated; however, it provides a view on WOM exchange. Brown and Reingen (1987) investigated the social ties and their influence on WOM. They found that weak-ties are more likely to serve as bridges than strong ties through which WOM referrals flow

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