

Enhancing the Competitiveness of SMEs via Viral Marketing
(A theoretical model proposal)

زيادة تنافسية المؤسسات الصغيرة والمتوسطة من خلال التسويق الفيروسي (اقتراح نموذج نظري)

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Abstract:

Within the continuing worldwide advances in the field of contemporary marketing, viral marketing has become one of the most important and effective ways for promoting small and medium-sized enterprises, using the internet as a key platform to spread information about their brands and products among a large number of consumers all over the world.

In this paper, we shed light on every aspect of viral marketing, and on the three major competitive advantages it offers to small and medium enterprise, those advantages are: cost leadership, reputation promotion, and mass creation. We propose eventually a theoretical model about the role that viral marketing plays in enhancing SMEs' competitiveness.

Key Words: Viral marketing, SMEs, Competitive advantage, Competitiveness.

ملخص:

في ظل التطور المستمر عالميا في مجال التسويق المعاصر، يبرز التسويق الفيروسي كواحد من أهم الوسائل وأكثرها فعالية والمروجة للمؤسسات الصغيرة والمتوسطة، حيث يعتمد على الانترنت كمنصة رئيسية لنشر معلومات حول علاماتها التجارية ومنتجاتها بين جماهير غفيرة من المستهلكين حول العالم.

في هذه الورقة البحثية نسلط الضوء على جميع جوانب التسويق الفيروسي، والمزايا التنافسية الرئيسية الثلاث التي يمنحها للمؤسسات الصغيرة والمتوسطة: الريادة في التكلفة، تعزيز سمعة المؤسسة والانتشار على نطاق واسع. وفي الأخير اقترحنا نمودجا نظريا لمساهمة التسويق الفيروسي في خلق وتعزيز تنافسية المؤسسات الصغيرة والمتوسطة.

الكلمات المفتاحية: التسويق الفيروسي، المؤسسات الصغيرة والمتوسطة، الميزة التنافسية، التنافسية.

JEL Classification : M3, M13

Introduction:

SMEs make up the vast majority of businesses around the world, contributing to the growth, diversity and innovation of economies in most countries.

Due to the vast improvement we witness nowadays in technology, and especially in online communication, viral marketing emerged as an important mean to stimulate the awareness and adoption of products and services among customers. This kind of marketing suggests a significant opportunity for the improvement of small and medium-sized enterprises.

This paper will ascertain if viral marketing has the advantage of facilitating efficient promotion for small and medium-sized enterprises while remaining cost-effective, answering this question: **What advantages does viral marketing offer to SMEs for enhancing their competitiveness?**

I- Introduction to SMEs:

I-1- Defining SMEs:

It is noted by Kachembere (2011) that small and medium-sized enterprises are playing a pivotal role in promoting grassroots economic growth and equitable sustainable development. It is not only the fact that high rates of economic growth contribute to the economic and social development and poverty reduction¹.

The term SME encompasses a heterogeneous group of businesses, ranging from a single artisan working at home and producing handicrafts to sophisticated software product enterprises selling in specialized global niches. An SME is usually defined by the number of employees of the enterprise, and definitions vary between countries. Definitions used in developed nations will often have higher size thresholds than those in less developed countries².

SMEs are usually independent non-subsidary enterprises which employ certain number of employees. In the European Union, the most frequent upper limit designation in SME is 250 employees, but some countries can set the limit to 200, while over the sea The United States consider SMEs to include enterprises with

fewer than 500 employees, Small enterprises are generally those with fewer than 50 employees, while micro-enterprises have at most 10 or in some cases 5 workers³.

A key characteristic of an SME is flexibility; the ability to adapt to changing the environment. There is lots of pressure for enterprises to be flexible in developing and developed countries. Enterprises are facing external pressures like a transforming market and a high-speed technological change⁴.

I-2- Importance of SMEs:

Recent studies show that economic growth of any country is closely linked with SME development. For example, as noted by Beck (2005) there is a robust, positive relationship between the relative size of the SME sector and economic growth. Also, as noted by Ayyagari (2007), the contribution of formal SMEs in high – income countries amount to almost 50 percent of GDP on an average. It is also important to note that majority of employment generation is through the growth of SME sector only (Ardic et al, 2011). Though it is observed that the role of SMEs is increasing significantly in respective national economies, SMEs are generally underrepresented in world trade (OECD, 2005). And measures are required to be taken to make its share significant⁵.

From an economic perspective, SMEs provide several benefits (Advani, 1997; Halberg, 1999; Leidhom and Mead, 1999):⁶

- SMEs, due to their size, can often readily adapt to the changing demand patterns, trade patterns, and macroeconomic conditions. This increases industrial flexibility.
- SMEs have a reasonable propensity to acquire technological capabilities, development, and competitiveness.

- SMEs can be an important factor for generating income and employment, thus contributing to economic growth and reduction in unemployment.
- SMEs provide a setting in which assets and skills can be accumulated, this can lead to a better economic opportunities for the individuals who acquire the skills, and for the households they support.
- SMEs can decrease wage inequality, they do so largely by increasing economic participation among those in the lower half of the income distribution. However, neither SME owners nor their workers are likely to be the poorest of the poor, so promoting SMEs to achieve equity objectives is not necessarily as effective as direct methods like income transfers.

I-3- Competitiveness of SMEs:

It is widely recognized in both developed and developing countries that job creation and sustainable economic prosperity depend on the competitiveness of small and medium-sized enterprises. Being aware of this fact, policymakers in all countries are aiming to develop policies which favor the development of SMEs by enhancing their competitiveness within the framework of the international market⁷.

Competitiveness is based on knowledge and management of change, in this context, SMEs have significant potentialities and became an important development factor. SMEs are characterized by small dimensions, ability to quickly respond to change, cultural fragility (extremely specialized knowledge in a specific economic sector), and limited investment resources threatening technology investment capacities. SMEs management of globalization will play an important role in economic development. The role of SMEs can best be illustrated by comparisons with the basic rules of thermodynamics and cause-effect principles. To compensate for a macro-level explosion of factors (all connected with globalization), the abilities of microstructures and individuals became increasingly important. Economic analyses carried out in advanced countries call attention to the role of small and medium structures. SMEs represent a crucial development factor, given their disposition to react quickly and adjust to the rapid changes in the

world economy. This specific capacity of SMEs contributes also to partially safeguarding them from the economic crisis⁸.

According to (Botos, 1982) the competitiveness of products (services) is expressed in the fact that:⁹

- ✓ the price of the product is lower than that of the competitors (considering the payment terms as well),
- ✓ the quality, technical value of the products is better than those of the competing goods,
- ✓ related services (delivery times, packaging, service, spare parts... etc.) are more favorable for the customers than those of the competitors.

According to the author, a product is competitive if it covers at least two of the three listed properties.

This approach alone combines the competitiveness factors of price and non-price; however, these criteria should be supplemented by additional ones:

- ✓ The "lower price" can only be a "competitive price" if it compensates the costs for the seller, and even includes a profit.
- ✓ The "higher quality" should embody affordable properties, as well as actual value for the customers.
- ✓ Marketability of products and services, in addition to associated services, is influenced to a large extent by the level of marketing activities (market research, advertising, and other marketing communication activities, distribution network, etc).

II- Viral marketing:

Nowadays, there are many things going on in the world of marketing than has ever been, and new innovations are being introduced daily. Viral marketing, Words-of-mouths, and social networks are areas that are taking more attention. This is because these are areas that will take marketing to a whole new higher level¹⁰.

II-1- Viral marketing defined:

The creation of viral marketing is promoted with technological innovations and cultural changes, responding to marketing trends and catering to consumers' current psychology and behaviors¹¹.

The term viral marketing was originally penned in a newsletter by venture capitalist Steve Jurvetson, who defined it as "network-enhanced word of mouth.". While the word "viral" may have negative connotations ("the flu" and "corrupted hard drive" come to mind), the concept of viral marketing is a positive one.¹²

Viral marketing refers to making marketing offers so compelling that people voluntarily pass them around to their friends. It takes advantage of the power of contacts and shared interests to stimulate word of mouth using technology such as e-mail, mobile messaging, and web 2.0 tools. Viral marketing is sometimes thought to be a subset of what marketers refer to as buzz marketing, or word-of-mouth communications to generate interest and excitement in a company's product¹³.

A viral marketing strategy assumes that an advertisement could act like a "virus", meaning that it has certain qualities of being possibly passed on in the word-of-mouth networks. This is analogous to that a message "infects" a "susceptible" user who in turn passes on the virus to the next susceptible users. As the "infection" continues, the number of infected users grows exponentially. This kind of analogy is implicit in the way that social sharing of information rests more on the idea of "contagiousness" of the message and voluntary "transmission" on the part of users¹⁴.

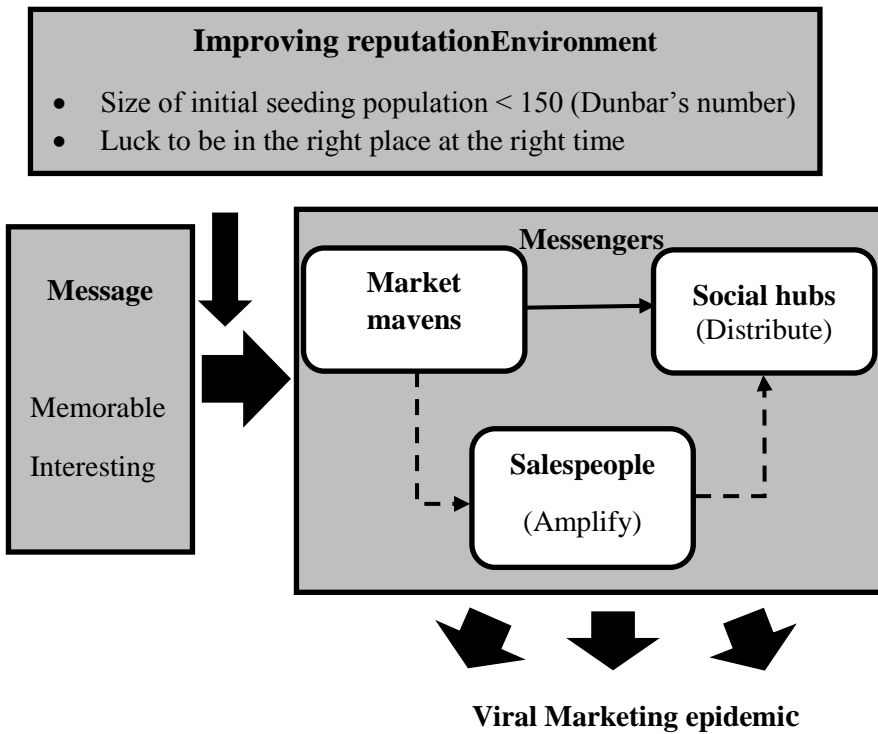
The strategies behind viral marketing are just as dynamic and shifting as the ebb and flow of popular content online. What we do know, and the reason viral marketing is likely to increase in the future, is that the numbers of those engaging in it continue to go up. Enterprises and businesses, large and small, are engaging more and more individual users every day through this rapid marketing strategy. Considering that viral marketing as a trend has shown enormous strength simply

due to its fundamentally low-cost, high-conversion nature, and it is essential that you fully understand what it requires, what it can accomplish, and how you can use it to your advantage¹⁵.

II-2- Conditions to create an epidemic viral marketing:¹⁶

To make viral marketing work, three basic criteria must be met: the right people need to get the right message under the right circumstances (see **Figure 1**). Next, we provide additional detail on each of these elements.

Figure (1): The three basic conditions for creating a viral marketing epidemic



Source: Andreas M. Kaplan, Michael Haenlein, Two hearts in three-quarter time: How to waltz the social media/viral marketing dance, Business Horizons, 2011, P 257.

a- The messengers: Market mavens, social hubs, and salespeople:

The first critical element in creating a viral marketing epidemic entails finding the right people to spread the message. Consistent with classical laws of concentration, 20% of messengers can be expected to carry 80% of the load, it is therefore crucial to select wisely the initial hosts for the epidemic. Three groups of messengers are required to ensure the transformation of an ordinary message into a viral phenomenon: market mavens, social hubs, and salespeople. Market mavens are defined as individuals who have access to a large amount of marketplace information and proactively engage in discussions with other consumers to diffuse and spread this information (Feick and Price, 1987). Social hubs are defined as people with an exceptionally large number of social connections (Goldenberg, Han, Lehmann, & Hong, 2009). They often know hundreds of different people and can serve as connectors or bridges between different subcultures. Yet, in some cases, a direct link between a market maven and a social hub is just not enough. While market mavens may know the message earlier than others, they might not be particularly convincing in transmitting the information. In this case, salespeople could be needed to receive the message from the market maven, amplify it by making it more relevant and persuasive, and then transmit it to the social hub for further distribution.

b- The message: Memorable and interesting:

Even the most perfect combination of market mavens, social hubs, and salespeople is of limited value when the news itself is not adapted to become viral. Only messages that are both memorable and sufficiently interesting to be passed on to others have the potential to spur a viral marketing phenomenon.

c- The environment: Dunbar's Number and ordinary good luck:

In addition to getting the right message to the right people, two other environmental conditions make the difference between success and failure in the domain of viral marketing. First, messengers will only pass on the message when they think it is not already something everyone knows about. The peculiar thing is that 'everyone' usually means 150 contacts, as this is the maximum number of

people with whom an individual can maintain stable social relationships in their daily life. This threshold is often referred to as Dunbar's Number and is related to the size of the human neocortex (Hill & Dunbar, 2003). Second, some plain old good luck is needed to glue everything together, as it is often just not the right time and/or place to launch a viral marketing campaign.

III- Viral marketing as a source of competitive advantages for small and medium-sized enterprises (Proposed model):

As viral marketing increases, knowing how to work virally with online communities will be a growing source of competitive advantage¹⁷. Viral marketing provides these advantages for a business:¹⁸

- These campaigns are based on Word-of-mouth communication that has proved to have more impact than non-personal communications. Because of Word-of-mouth's effectiveness, marketers have always recognized it as an important antecedent of consumer behaviour. Interpersonal influence in the computer-mediated setting of viral marketing, however, is significantly different from that occurring in conventional contexts. Scale and scope of influence is considerably expanded. Computer mediation allows a much larger number of individuals to be connected by informational linkages than is feasible through face-to-face contact or through conventional media such as the telephone. This allows consumers to easily reach their peers all over the world who may read their messages at different times. This substantially increases the speed and reach of Word-of-mouth in viral marketing campaigns.
- This form of marketing communication is highly targeted. Influencers are not only able to accurately anticipate interests of connected others but also better able to write a personal persuasive message in which they promote

the viral message. The use of these relationships between people makes viral marketing potentially more profitable than direct marketing. Turning customers into marketing force is thus crucial for viral marketing.

III-1- the role of viral marketing in increasing the customers' number for SMEs:

During a viral marketing campaign, a consumer is asked to forward the message. This results in large databases with additional consumer information that the company may use to target those consumers in future campaigns¹⁹.

Viral marketing allows small and medium enterprises to compete in markets dominated by much bigger enterprises; given the increasingly large number of consumers using the internet, it creates a competitive advantage by reaching the masses, generating positive word-of-mouth using the lowest costs over short periods.

III-2- the role of viral marketing in cost leadership for SMEs:

Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins. Cost can be reduced in a variety of ways.²⁰

The development costs of the viral marketing campaign are usually comparable to ordinary mass media marketing campaigns, but the distribution costs of the message, service, or product are minimal, and the potential reach can also be much higher which leads to smaller costs per attained consumer²¹.

Viral marketing campaigns incur very little expense because the individual passing on the referral carries the cost of forwarding the brand message.

Furthermore, many Web sites such as YouTube provide marketers free opportunities to upload their viral messages.²²

III-3- The role of viral marketing in improving the reputation of the SMEs:

SME's reputation exists at an overall/aggregate level and how the SME is compared with other SMEs in its industry. To build a favorable SME's reputation, SMEs need to send coherent, integrated, credible, and consistent signals. Various writers have championed the benefits of networking over the past two decades as a way of getting known, obtaining business, and developing an SME's reputation.²³

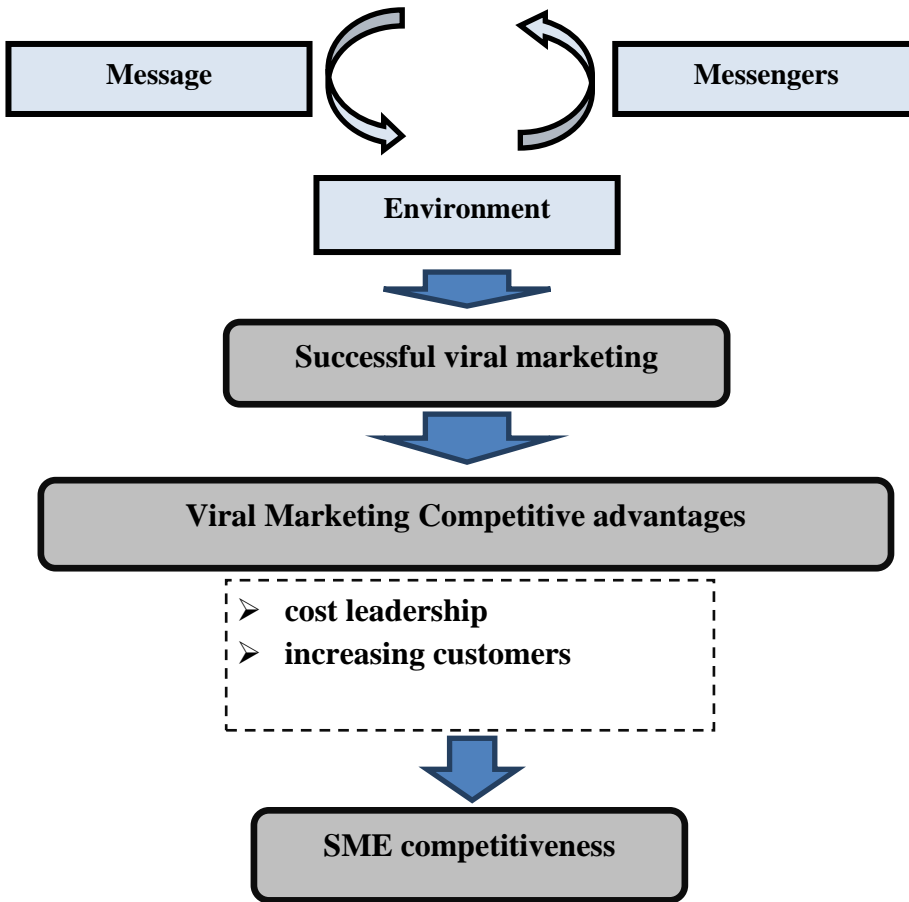
In his article about the impact of viral marketing on corporate brand reputation, Lawrence MpeleLekhanya concluded that viral marketing is to spread the word and encourage people to pass the message. This new form of communication is encouraged by new trends in internet users' lives, so viral marketing builds a strong relationship with their target customers and it increases their brand reputation.²⁴

III-4- Proposed model: The Role of Viral Marketing Creating a Competitive Advantage for SMEs:

According to the figure (02) we conclude the following:

Having a successful Viral marketing campaign based on a good strategy: getting the right message to the right people, taking every opportunity available in the environment, and make sure that message is widely spread just like a virus, this assure any SME that its marketing plan is going on the right path and its name is out there "in a good way".

Figure (2): Viral Marketing Contribution to SMEs' Competitiveness



Source: Designed by researchers based on the previous studies.

A successful viral marketing provides three major factors: Cost leadership, increasing number of customers and improving reputation. These factors are considered as important assets for SMEs. In fiercely competitive world, SME needs continuation and expansion in markets, and due to the weakness of its resources, the best chance for SMEs is to adopt viral marketing in order to provide these

competitive advantages and succeed in enhancing their competitiveness and growth.

Conclusion:

The bottom line, the credibility in viral marketing can be a highly effective way to create, install and even grow a solid base of customers, simply because in fact, people trust their friends and listen to them concerning products and brands, therefore, SMEs should exploit this opportunity and depend on this strategy of marketing. The major competitive advantage viral marketing offers to SMEs are massive reaching and rapid awareness about their brands and reputation, at the relatively very little cost in a very short period, resulting in growth and huge profit enhancing their competitiveness.

We will finally try to make the following suggestions to contribute to the dissemination of viral marketing culture among SMEs:

- SMEs should work on an integrated strategy that includes viral marketing as a strategic direction aiming for sustainable competitive advantage.
- Intensify efforts to formulate attractive messages that contribute to the consolidation of the image the SME aim to publish.
- The need for researchers and specialists to expand and deepen the study of the concept of viral marketing to provide an information base, which can be relied upon by institutions to achieve widespread.

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