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Value Co-Creation Process in Small and Medium Enterprise by Utilization of Viral Marketing as a Branding Tool: A System Dynamic Approach

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Abstract

People like to talk about their involvement with products and services for a variety of reasons. These include the prestige and status that may arise through ownership or a need to share their purchase experiences in order to help others. These conversations are then passed to family, friends and other people in social networks. This reference process is known as Word of Mouth (WoM) communication and is regarded as a powerful and influential form of communication, if only because of the perceived objectivity and credibility associated with the parties involved. Viral marketing has emerged as the electronic form of WoM and involves the principle of passing on or referring news, information or entertainment to another person. Viral marketing is a highly effective internet marketing communications tool, and will succeed if companies understand their online customer and providing a better value than those competitors. Unfortunately some studies have shown that SMEs may lack competence and show low level of awareness and organizational readiness for adopting innovative approaches for interaction with customers. Meanwhile, Internet technology continuously provides new research tools that enable companies to interact and participate in brand value co-creation together with customers.

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Keywords: viral marketing; system dynamic; brand awareness

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1. Introduction

1.1. Background

Utilization of viral marketing integrate with any Social Networking Sites like facebook, twitter, instagram, etc, in one operation system. From any literature review, some providers able to advertise any products or services with some marketing strategy that include information technology to spread some informations about what they sell. Hence, it has a purpose to manage brand awareness of products through reaching and gathering some information about what customer wants and needs. In this research brand awareness has defined as number of people who aware of any kind products or services that have been provided by marketers.

This utilization of viral marketing have significant impact in Small Medium Enterprise, which is the need of competitive advantage is very huge. To optimize customer satisfaction, this strategy might be useful by considering marketing cost that increase overtime. Such cost should be linearly correlated to operational capability of company. This phenomenon have potentially increasing the need of marketing strategy that should be responsive with market demand.

There is evidence to suggest that brand knowledge has a direct and positive effect on intention to adopt an online retailer (Chen and He, 2003) and that brand familiarity influences purchase intention (Park and Stoel, 2005), Social networking sites (SNS) have contributed to increasing numbers of contacts between users sharing common interests and to the creation of online communities and digital social networks.

In this research, author sought that Information and Communication Technology as input that affecting viral marketing strategy and also affecting whole system in value co-creation process. This iteration process might be enrich brand awareness as an output of this system and also increasing capability of company to produce some products and services that proper with customer demand. Because of there are some need for investment to apply this Information and communication Technology in Small and Medium Enterprise, providers must considering the effect of this technology utilization compare with number of products or services able to provide to customers.

But there is some research gap, some studies have shown that SMEs may lack competence and show low level of awareness and organizational readiness for adopting innovative approaches for interaction with customers (Webb and Sayer, 1998; Mehrtens *et al* ,2001; Beckinsale *et al* , 2006) Meanwhile, Internet technology continuously provides new research tools that enable companies to interact and participate in brand value co-creation together with customers.

1.2. Research objectives

- To find another possibilities to enrich and managing brand awareness.
- To identify some possible scenarios that related to the policy making in viral marketing utilization. These scenario had purpose to improve brand awareness of product or services.

2. Literature review

Branding has been characterized as the process of creating value through the provision of a compelling and consistent offer and customer experience that will satisfy customers and keep them coming back (Aaker, 1991; De Chernatony and McDonald, 1992) and brands cannot be controlled centrally or in a top-down manner in online circumstances. People like to talk about their involvement with products and services for a variety of reasons. These include the prestige and status that may arise through ownership or a need to share their purchase experiences in order to help others. These conversations are then passed to family, friends and other people in social networks (Allsop *et al.*,2007)

Actually, brand awareness can affecting marketing cost, when a new product is marketed under a well-known brand name, failure rates and marketing costs are reduced (Milewicz and Herbig, 1994; Keller, 2003)

Viral marketing has emerged as the electronic form of WoM and involves the principle of passing on or referring news, information or entertainment to another person (Danilo; Chris, 2008). Viral marketing was suggested as a cost-effective marketing strategy that drives sales in a short time and facilitates interconnections among companies and potential buyers (Dobele *et al.*, 2007). Viral marketing is a highly effective internet marketing communications

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