

Increasing brand equity through viral marketing marketing essay



**ASSIGN
BUSTER**

Together with a friend/business partner, I have been developing a new business venture for the last two years. We are building an online platform for DJs, producers and record labels in the dance music industry (It is like a facebook developed for the dance music industry). It is not finished yet and we are still conducting research. Therefore I am going to write my thesis about this topic to expand my knowledge, with the main advantages to use the outcome of my thesis for my business venture.

We will offer services to artists and producers to distribute their music efficiently with the main goal to become famous. Marketing is key in this recent concept and it is a new marketing phenomenon that has not been dealt with properly before by theorists. The fact that it is not a very common topic and it will be more difficult to find relevant papers makes it more challenging and therefore more interesting to write about this topic.

Strategic brand management and marketing theories are used as a theoretical reference point when the artist branding practises are being evaluated and interpreted. The focus is on three theoretical concepts, viral marketing, brand awareness, and brand equity.

Chapter 1: Introduction

1. 1 Case background: Globalization and digitization of the dance music industry

Over the last few years, the dance music industry has been undergoing a revolutionary change. The emergence of Internet is having a significant impact on the supply chain for dance music. Figure 1, based on Premkumar's digital distribution strategies (2003), shows that physical distribution has <https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

been replaced by digital distribution. Sharing music through the internet has never been this easy. Modern communications technologies have created new opportunities and increased competition. The digitization and globalization of music asks for new ways to promote and distribute music globally.

Figure 1. Dance music distribution: shift in the supply chain

a) Pre Web1. 0 - Physical distribution (until 1999)

Artist

Record Label

Distributor

Retailer

Consumer

b) Web1. 0 - Digital distribution through record labels (1999 - 2005)

Artist

Record Label

Distributor

Consumer

c) Web2. 0 - Digital distribution and promotion through viral marketing (2005

- ...)

Artist

&

Record Label

Viral marketing

Consumer

“ The advent of the Internet is having a significant impact on both the supply chain for music and the dominance of the big record labels” (Graham et al., 2004). The digitization and globalization of the dance music industry has led to a decrease of importance of record labels. Artists do not need record labels anymore to promote and distribute music. “ With intense competition, it is prudent for record labels to concentrate on their core competency of music creation. This way, record labels can remain truly relevant and valuable to both established and new artists” (Crawford, 2001).

This change of the supply chain of distributing and promoting music has led to a major structural change in the role of the artist. “ While the future may look bleak for the major record labels, it looks much more positive for artists and consumers” (Graham et al., 2004). The individual artist brand has become more important in order to successfully gain competitive advantage in the dance music industry, which is becoming more crowded and aggressive because of the emergence of internet. It is more difficult for individual artists to be unique and share their sound these days.

Because of the increase in importance of the artist brand, artists should understand brand management practices. Consumers should be made aware of the existence of the artist, and therefore brand awareness is very important. “ Entertainment products, like music, by established names are generally believed to perform better in the market. The charts of top selling offering (e. g. Billboard 200) are primarily populated with established artists, providing ample support for this perception” (Moore et al., 2006). In other words, success of artists depends on artist brand awareness.

Brand awareness measures consumers’ knowledge of a brand’s existence. It refers to the proportion of consumers who know or recognize the brand. “ Brand awareness is an often undervalued asset; however, awareness has been shown to affect perceptions and even taste. People like the familiar and are prepared to ascribe all sorts of good attitudes to items that are familiar to them. Awareness is often transferred into perceptions of technological superiority and market acceptance” (Kover, Aaker and Joachimster, 2000).

According to Aaker (1991), brand awareness is a dimension of brand equity. Brand equity refers to that part of the value of a product that is attributable to the brand name. However, this paper will use brand equity in a different way than other theorists do. In the dance music industry, brand awareness plays a key role in the success of an artist, and therefore this thesis focuses on brand awareness and its relation with brand equity.

“ Explicitly or implicitly, it is generally accepted that brand equity plays a role in the sales of entertainment products” (Moore et al., 2006). This study measures brand equity as the difference in success between an established

artist and a similar unknown artist. Once an artist is established, its success develops like a snowball effect or so-called virtuous circle.

Artists should understand how to create and increase their brand equity and benefit from this sweeping change of the dance music industry. In the past, artists were promoted by their record labels and their success depended on the artists' and labels' network. Word-of-mouth played a big role in the distribution and promotion of music. The emergence of internet and the diminishing power of record labels have made it easier for artists to share music (globally) and therefore reach more people. New communication platforms like Facebook, Youtube, Twitter and blogs increased this phenomenon even more. This has also led to new possibilities for artists to create brand awareness.

There are different ways for artists to promote themselves or get promoted to increase brand awareness. Record labels are used to share and distribute music in record shops and on the Web, artist agencies are used to handle and arrange event bookings, and artists themselves can promote themselves in their network. Because of the importance of word-of-mouth marketing to promote artists and music in the dance music industry, and the emergence of internet, artists should look for new ways and possibilities to share, promote, and distribute music through the Web.

Viral marketing is a marketing tool that creates word-of-mouth through the internet. Therefore, this thesis will focus on the concept of viral marketing and whether it can be used to increase brand awareness in the dance music industry or not. " The goal of viral marketing is to use consumer-to-consumer

(or peer-to-peer) communications-as opposed to company-to-consumer communications-to disseminate information about a product or service, thereby leading to more rapid and cost effective adoption by the market”.

With viral marketing, consumers become promoters of the brand and spread the word to their friends. This thesis will explain the effects of viral marketing on the creation of brand awareness, which will consequently lead to brand image. This study refers to the first phase of the awareness process.

1. 2 The problem statement

Critics find the availability of free online music as life-threatening, while others think the new music industry will benefit from digitization and globalization in other ways.

Describing how artists can benefit from the digitization and globalization of the music industry by creating brand awareness and brand equity through viral marketing is the main goal of this thesis, leading to the formulation of the following problem statement:

To what extent does viral marketing create artist brand awareness, and thereby result in an increase of brand equity in the dance music industry?

1. 3 Research Questions

In order to be able to give an accurate answer to this problem statement, a set of research questions needs to be formulated to get a clear understanding of its context and implementation. The research questions are:

What are brand awareness and brand equity and what is their relation?

What is viral marketing and is it effective?

What is the relation between viral marketing and brand awareness?

What is the purpose of using viral marketing to create brand equity in the dance music industry?

What is the effect of viral marketing on brand equity in this case?

1. 4 Conceptual model

Brand

image

Brand awareness

Viral marketing

Brand loyalty

Brand equity in the dance music industry

1. 5 Relevance

Academic relevance

There are several generally accepted theories about brand equity (Aaker, 1991; Keller, 1993; etc.). Despite the age of these theories, they are still widely used in research these days. “ Brand equity is defined in terms of the marketing effects uniquely attributable to the brand” (Keller, 1993). Aaker explains the dimensions of brand equity, but his and other theories fail to

<https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

explain direct causes of brand equity. A comparison between Aaker and Keller will explain the importance of brand awareness in its relation to brand equity. This study develops a new framework based on those existing theories with new practical insights developed for the dance music industry. Research and theories in this area are outdated and need to be revised to be applicable on this case. The focus of this thesis will be on brand awareness, because of its importance in the dance music industry as explained before. Brand equity occurs when the consumer is aware of the brand (Keller, 1993). Therefore, brand awareness is of great importance in the creation of brand equity - it is defined as the first phase of brand equity in this study. Other dimensions of brand equity, like brand loyalty or perceived quality, are established, once consumers are aware of the brand. This thesis does not focus on the effects of brand equity, but only looks at the first phase; brand awareness. This will be applied to the dance music industry, thereby resulting in a deeper insight and understanding on the importance of brand awareness related to the creation of brand equity.

This thesis will focus on a relatively new phenomenon of word-of-mouth through the web: viral marketing. Viral marketing has been studied intensively the last years, but little is known about the effectiveness of viral marketing and whether it influences consumers' actual behaviours (De Bruyn & Lilien, 2008). This study will provide a better understanding of the effectiveness of viral marketing on brand awareness and brand equity, which will explain whether viral marketing is a useful method to use to create brand awareness, resulting in brand equity.

Marketing theories about (customer-based) brand equity and viral marketing are used as a theoretical reference point when the artist branding practises are being evaluated and interpreted.

Managerial relevance

There is much uncertainty and indifference toward the new digital music industry. The visible disadvantages of the consequences (decrease in sales of music) are easier to measure than the indirect advantages of the consequences (exposure, acquaintance, distribution convenience). Internet increased the convenience of sharing music. However, artists themselves find it difficult to share their music effectively, because competition has increased significantly. Internet allows new artists to provide consumers with unprecedented amounts of song samples. This resulted in an enormous increase in music choice. As a consequence, new artists face tough competition in their efforts to get adequate attention on the internet (Crawford, 2001).

Creating and managing a real brand is important for an artist to become successful. Because of the increase in importance of the artist brand, artists should understand brand management practices. Consumers should be made aware of the existence of the artist, and therefore brand awareness is very important.

Artists and record labels increasingly try to promote themselves via social media, because it is a free and easy way to reach a large amount of people in a short period of time. But little is known about the effects of viral

marketing. The effects of viral marketing on brand awareness will be studied <https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

in this thesis, in order to provide artists and record labels with a useful and effective tool to increase their brand equity.

1. 6 Thesis structure

The second chapter will explain of the terms brand awareness and brand equity in the dance music industry. In the third chapter a description of the term viral marketing will be given along with the effects of viral marketing. The interrelationships between the different variables will be explained in the fourth chapter. First the relation between brand awareness and brand equity will be explained and then the relation between viral marketing and brand awareness will be explained. The final chapter will contain the conclusions from the study including a discussion and suggestions will be given for further research.

Chapter 2: Brand awareness and brand equity

This chapter will shortly explain the terms ‘ brand awareness’ and ‘ brand equity’. First, existing theories about brand equity and brand awareness are described and explained in order to build a theoretical background for this study. Then, the relation between brand awareness and brand equity will be described.

2. 1 What is brand equity?

Brand equity is a widely used marketing concept and there are numerous definitions for brand equity. “ In a general sense, brand equity is defined in terms of the marketing effects uniquely attributable to the brand — for example, when certain outcomes result from the marketing of a product or

service because of its brand name that would not occur if the same product or service did not have that name” (Keller, 1993). Keller (2008) showed and explained the process of building strong brands in his Customer Based Brand Equity model. He focuses on ‘ brand-added value’ which he defines as “ the differential effect that consumers brand knowledge has on their response to the marketing of that brand”. The process consists of the following dimensions: brand salience, brand performance, brand imagery, consumer judgement, consumer feelings and brand resonance. Aaker (1991) defines brand equity as a set of brand assets and liabilities linked to a brand – its name and symbols – that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers. Aaker identifies five assets; brand awareness, perceived quality, brand loyalty, brand association, and other proprietary brand assets.

Keller explains brand equity as a customer-based process consisting of several steps which are related, while Aaker explains brand equity as set of brand dimensions without making a distinction between a firm and its customers.

This thesis defines brand equity as the difference in success between an established artist and a similar unknown artist in the dance music industry. Figure 2 visualises the brand equity process in the dance music industry. It combines Keller’s conceptual framework of customer-based brand equity and Aaker’s theory of brand equity to develop a new framework which explains the process of building brand equity.

Figure 2. Brand equity in the dance music industry

Brand loyalty

Brand awareness

Brand

image

According to Keller (1993), “ Customer-based brand equity occurs when the consumer is aware of the brand and holds some favourable, strong, and unique brand associations in memory. The different types of customer-based brand equity are discussed by considering the effects of these dimensions of brand knowledge on brand loyalty and consumer response to product, price, promotion, and distribution strategies”. The focus of this thesis will therefore be on brand awareness, and how to create brand awareness, because it is of great importance in the creation of brand equity – it is the first phase in the creation process of customer-based brand equity in this study. Brand image, brand loyalty and other dimensions of brand equity occur once brand awareness is established. This process is in line with Stalpers’ findings (2011); brand equity includes brand awareness and brand image, which subsequently could lead to popularity and brand loyalty. The relation between brand awareness and brand equity will be explained in paragraph 2.3 and a method used to create brand awareness will be explained in chapter 3.

2. 2 What is brand awareness?

Brand awareness measures consumers' knowledge of a brand's existence. It refers to the proportion of consumers who know or recognize the brand (Keller, 2001). A brand can increase the demand for a product in several ways. Brand awareness makes it easier for consumers to identify products with the well-known brand names (Mary W. Sullivan, 1998). Therefore, brands provide information by increasing awareness and serving as a proxy for quality.

According to Keller (1993), brand awareness plays an important role in consumer decision making. One reason Keller mentions, is that brand awareness can affect decisions about brands in the consideration set, even if there are essentially no other brand associations. Consumers tend to prefer familiar, well-established brands. " A minimum level of brand awareness may be sufficient for product choice, even in the absence of a well-formed attitude" (Bettman and Park 1980; Hoyer and Brown 1990; Park and Lessig 1981).

In this thesis, artist brand awareness refers to the extent that a consumer knows or recognizes an artist. Chapter 4 will explain why brand awareness is of great importance in the dance music industry.

2. 3 Brand awareness and brand equity

In contrary to other theories about brand equity, this thesis only focuses on the relation between brand awareness and brand equity. As explained before in previous paragraphs, brand equity occurs when the consumer is aware of the brand (Keller, 1993). Once brand awareness and thus brand equity is

established, we can look at the effects of the dimensions of brand equity on brand loyalty and consumer response to different strategies.

According to Keller (1993), “ high levels of brand awareness and a positive brand image should increase the probability of brand choice, as well as produce greater consumer (and retailer) loyalty and decrease vulnerability to competitive marketing actions”.

Chapter 3: Viral marketing

The phenomenon viral marketing will be explained in this chapter. The goal of this chapter is to get a better understanding of viral marketing and its effectiveness. Advantages and disadvantages will be explained. The final paragraph will explain how viral marketing can be used to create brand awareness.

3. 1 What is viral marketing?

Marketers are looking for new ways of communicating with customers and creating a dialogue with customers. The growth and evolution of the internet has led to the creation of a new format of word-of-mouth; viral marketing through new media. It is the online version of ‘ word-of-mouth’ or so-called ‘ network marketing’. The goal of viral marketing is to use consumer-to-consumer (or peer-to-peer) communications-as opposed to company-to-consumer communications-to disseminate information about a product or service, thereby leading to more rapid and cost effective adoption by the market (Krishnamurthy, 2001).

Viral marketing and its “ offline” counterpart word-of-mouth differ in two ways (De Bruyn & Lilien, 2008).:

Viral marketing practices are electronic by nature; there is no face-to-face communication.

Viral marketing referrals are usually unsolicited, that is, they are sent to recipients who are not looking for information, and hence are not necessarily willing to pay attention to them.

According to the same authors, “ Viral marketing occurs when consumers willingly become promoters of a product or service and spread the words to their friends; they are driven to do so either through an explicit incentive (e. g., financial incentives, need to create network externalities) or simply out of a desire to share the product benefits with friends (e. g., fun, intriguing, valuable for others)”. Viral marketing utilizes multiple new media channels such as Facebook, YouTube, Google, and Twitter, which enable customers to take a more active role as market players and reach (and be reached by) almost everyone, anywhere, and anytime. “ These new media threaten long established business models and corporate strategies, but also provide ample opportunities for growth through new adaptive strategies” (Hennig-Thurau et. Al, 2010).

Social media is essentially a new form of virtual word-of-mouth marketing. It is harnessing different social media networks. Viral marketing is a marketing strategy that creates a buzz around a product/service. It essentially acts like a ‘ virus’, exploding the message to the masses, which can be used among all types of media, including social media.

<https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

3. 2 What are disadvantages of viral marketing?

From the last paragraph, it can be concluded that viral marketing works extremely rapid and the transmission of the marketing message is comparatively inexpensive. This all sounds promising, but marketers need to be aware of potential risks connected to viral marketing. Viral marketing is a relatively new phenomenon and the effects are difficult to measure (De Bruyn & Lilien, 2008). The next paragraph will explain the effectiveness of viral marketing.

According to Wuyts et Al (2010), a viral marketing campaign relies entirely on consumers to spread it, which makes it impossible for marketers to further control this process once the message spreads over the Web as a virus. In addition, consumers can edit a message once they will forward it to their peers, which makes it difficult to control the content of the message itself. Furthermore, consumers that unwillingly receive messages could consider such messages as 'spam', which may damage a brand. Finally, a marketer cannot control a campaign's timing (Welker, 2002).

Control can thus be seen as the most important and challenging factor of a viral marketing campaign in order to maintain a good relationship with consumers.

3. 3 Is viral marketing effective?

Previous examples of successful viral marketing campaigns indicate that viral marketing could be effective. The most famous viral marketing campaign that put viral marketing on the map was the campaign by Hotmail

in 1996. It helped Hotmail become the leading personal web-based email service provider. Hotmail users forwarded messages with a small endnote: ' P. S. Get your free email at Hotmail'. With this campaign, Hotmail recruited 12 million subscribers in 18 months with a marketing budget of only \$500 000 (Kirby and Marsen, 2006).

As stated in previous paragraphs, it is important for marketers to understand the process and pitfalls of viral marketing in order to create a successful viral marketing campaign. De Bruyn & Lilien (2008) support this statement: " To better understand why and how viral marketing can be effective, we must understand its pass-along process and its underlying mechanisms of influence".

The same authors say that by leveraging the power of interpersonal networks to promote a product or service, viral marketing campaigns are an effective means to transform communication networks into influence networks capturing recipients' attention, triggering interest, and eventually leading to adoption or sales. But not all social networks are equally effective. " It seems that networks of friends (as opposed to networks of professionals or colleagues) are more suited to the rapid and effective diffusion of peer-to-peer online referrals".

3. 4 Viral marketing and brand awareness

Viral marketing through new media is a relatively new phenomenon. As explained in the previous paragraph, viral marketing is considered as an effective tool to transform (electronic) communication networks into influence networks.

<https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

In order to explain the relation between viral marketing and brand awareness, the marketing objectives of viral marketing should be explained first. Viral marketing through new media on the Internet is used to increase brand awareness or achieve other marketing objectives (such as product sales) and to create market share in a short period of time on a shoestring promotion budget (Krishnamurthy, 2001).

De Bruyn & Lilien (2008) developed a multi-stage model of word-of-mouth influence through viral marketing, which includes the following stages:

Awareness: The consumer knows the alternative exists, but may not have either interest in it or sufficient information to understand its possible benefits.

Interest. The consumer is aware, develops some interest, and hence decides to learn more about the product.

Final decision. The consumer has now taken an observable action, a purchase of a good or service or the sustained adoption of an innovation.

As discussed before, viral marketing has some pitfalls. But what is this relation with brand awareness? Once the message is spread over the Web, it is impossible for a marketer to control this process and influencing what and how the message will be spread. This could lead to negative publicity. But does this harm a brand? " Although popular wisdom suggests that ' any publicity is good publicity,' prior research has demonstrated only downsides to negative press". However, according to a study by Berger et Al (2010) negative publicity could lead to positive outcomes. They argue that negative

publicity can increase purchase likelihood and sales by increasing product awareness. This means that the old wisdom could be true in terms of creating awareness: 'any publicity is good publicity'.

Chapter 4: Interrelationship between variables

Chapter 4 will apply all the previously described relations on the dance music industry. A more practical insight will be given about the meaning of brand awareness, brand equity and viral marketing within the dance music industry. The first paragraph will focus on brand awareness and brand equity. The final paragraph will explain how viral marketing can be applied in the dance music industry.

4. 1 Brand awareness and brand equity in the dance music industry

Brand equity includes awareness and image of a brand, which consequently could lead to a certain level of popularity and brand loyalty. Products and services with a strong brand are expected to comprise a higher quality.

When an established artist with a strong brand releases a new song, consumers will expect high quality based on the experience that they have with that particular artist. As a consequence, consumers perceive less risk, and brand loyalty will be higher, which will make them less price sensitive. Furthermore, established, popular artists are able to charge more for their gigs (shows), because of their strong brand (Stalpers, 2011).

Understanding how to reach high levels of brand equity by creating a strong brand is therefore important for artists to become successful. Especially in the dance music industry, brand awareness is important, because in general

consumers will particularly listen to music from artists they know or
<https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

recognize. Because of the enormous availability and supply of online dance music, consumers will filter music based on different aspects like genre or recognition.

To create brand awareness, artists should understand brand practices to know how to position themselves in the market as a brand. The individual artist brand is important in order to successfully gain competitive advantage in the dance music industry, because established artists, like established brands, have name recognition, and have developed a certain image, and, furthermore, are associated with particular type of products (Levin et al, 1997). The presence of a recognized artist signals quality to the prospective consumer much as a trusted brand name implies quality in a product.

4. 2 Viral marketing in the dance music industry

As stated before, networking plays a large role in the dance music industry, especially compared to the general (mainstream) music industry. This is due to the fact that DJs in the dance music industry do not only play their own music, but also others' work. A rock band, for example, only performs its own songs, but a DJ in the electronic dance music industry plays songs from several artists. They discover new music by sharing music with their colleagues and friends. Therefore networking and word-of-mouth is very important in this particular industry.

As explained before, viral marketing occurs when consumers willingly become promoters of an artist and spread the words to their friends; they are driven to do so either through an explicit incentive (e. g., financial incentives, need to create network externalities) or simply out of a desire to
<https://assignbuster.com/increasing-brand-equity-through-viral-marketing-marketing-essay/>

share the product benefits with friends (e. g., fun, intriguing, valuable for others). Especially the last incentive (desire) would be an applicable incentive for consumers to share music.

Also record labels can benefit from viral marketing, because they can guide artists to create a successful viral marketing campaign. The internet made it difficult for new artists to get adequate attention. “ These new artists can turn to record labels, which can assist them in getting attention through intense marketing efforts. Record labels can also facilitate the music creation and distribution process for these new artists” (Crawford, 2001).

Viral marketing is useful for artists because it is inexpensive and fast, as explained before. Welker (2002) confirms this statement: “ Obviously the call for cost reduction in marketing communication makes it necessary to consider viral strategies - which are a new interpretation of the good old word-of-mouth-paradigm (Welker, 2002).

The main goal for new artists is to create awareness. As concluded in paragraph 3. 4; ‘ any publicity is good publicity’ to create awareness. Does this also apply to new, unknown artists in the dance music industry? According to the study by Berger et Al (2010), “ negative publicity should have differential effects on established versus unknown products”. They found out that negative reviews hurt the sales of books, in this case, by well known authors, but it increased sales of books that had lower prior awareness. This confirms the statement that any publicity, whether positive or negative, increases or creates awareness. For a new artist it means that the main downside of viral marketing, namely control of the message, does

not apply, because what and how the message will be spread is not important, the fact that it is spread is what counts.

Chapter 5: Conclusion, discussion and recommendation

This chapter will summarize the findings, discuss limitations and implications, and make recommendations for future research. The first paragraph will start with a short, but clear, answer on the problem statement, following by a more extensive conclusion.

5. 1. 1 Problem Statement

The problem statement of this paper is formulated as follows:

To what extent does