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# **MARKETING OF INNOVATIONS & INNOVATIONAL MARKETING**

*Teaching manual  
for students of economic majors*

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The teaching manual deals with new marketing development trends in the 21st century: marketing of innovations, green marketing, guerrilla marketing, shock advertising, neuromarketing, internet marketing, social media marketing, event marketing, and viral marketing. Advantages and disadvantages of innovative kinds of marketing, particular features of their application of modern conditions have been considered.

The manual is intended for undergraduates, postgraduates and instructors of economic majors, as well as for everybody who is interested in contemporary marketing.

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## INTRODUCTION

Conventional ways of both marketing and advertising aimed merely at selling something, become less and less effective. Today it is necessary to be closer and be in touch informally with target audience more and more. When emotions are involved and psychology is used in a proper way than people feel themselves more satisfied and accept such a brand more willingly. Therefore at first we wanted to title the teaching manual *Emotional marketing*. After all green marketing which is gathering momentum in the XXI century can also be called the emotional in a certain area as it is not only responsibility, but also «fear heuristics» of the future.

Successful experts in marketing of the present are sharing their experience, which essence is in the following: If you want people to treat your company as a "person" instead of "one more company", it is necessary to create its character. Marketing should not only provide solutions, but be friendly; advertising messages should aspire to touch potential client's heart.

Al Ries, Jack Trout and Paul Temporal were among the first who described the efficiency of «emotional» marketing in their book *The 22 Immutable Laws of Marketing*.

Though a number of researchers believe that we are living in the rational world, it is far from the truth. Emotions determine our behavior and move the world as a whole. People are not interested in product features. They want to know whether this product does for their personality. The value of a product for a customer is rife and rampant. Therefore more and more people hold the opinion that emotional marketing is more effective than rational focused on product features. It is good to rule the minds, but it is much better to win hearts. To be successful it is necessary to use marketing strategy that will make a potential customer to make decisions at emotional level and will prevent reasoning that may alter their decisions.

A typical example of «emotional» marketing superiority is the history of Samsung Company. Samsung was established by Lee Byung-Chul in 1938. The initial company capital was just 30 thousand Korean won (US\$30) and it dealt with noodle manufacturing. Initially Samsung adhered to the development plan typical for all Korean chaebols: after having entered the market as a trading company (with minimal sum of investments because of it), it expanded rapidly in many areas including manufacturing.

Throughout the 50s and 60s the company showed impressing growth rates, while continuing to operate according to conventional chaebol plan that is by using every possibility and investing its money in all perspective branches of economy. Samsung successfully got into new markets and became one of the leading corporations of South Korea in the following decades. The company turned into the world leader in production of semiconductors and electronics.

Lee Kun-Hee became the chairman in 1987. A year later, the new chairman proclaimed Samsung Group «second birth» and declared his wish to turn Samsung into a world leading corporation of the twenty first century when celebrating the company's 50 year anniversary. By 1999 Samsung became the second-largest corporation in Korea. Its structure consisted of 57 companies, dealing with five main branches of economy (electronics, heavy industry and mechanical engineering, chemical industry, financial services and other areas, such as hotel business, department stores, and a theme park). The company employed 161 thousand people (12) and its gross income reached US93.5 billion.

Lee Kun-hee, being the chairman of Samsung, succeeded to turn the outsider into one of the market leaders. But the time of overproduction and fierce competition has come. Its products began to collect dust in spite of the absence of technological problems. Mr. Lee has analyzed the situation and later declared the company would create stylish, first-rate electronics. These products were supposed to arouse emotions of buyers due to elegant design aimed at meeting human needs.

Why will people buy something they believe to be unpleasant? To get pleasure when buying is a large step forward; to succeed in sharing one's enthusiasm and inspired vision of possible bright future with customers. Then they will shop with pleasure and do it more often. To run a successful business should be a source of pleasure, or it cannot be called successful. And if business gives you pleasure, share it with your customers and you will become more successful.

The idea of product connection with consumer's subconsciousness was developed and popularized and turned into «emotional marketing» concept by such authors as B. Schmitt, M. Gobé, K. Roberts. Their ideas were supported by Ph. Kotler with co-authors: "... we started to realize that we neglect an emotional component of human mentality. Apply efforts only towards mind already is not enough. Companies should touch customers' hearts as well."

The emergence of «emotional marketing» is attributed to J. Trout and A. Ries by default. However E.E. Mazur, after having studied their main works, discovered that the aforementioned authors virtually do not use the word «emotions» in their texts. So, in the book *Marketing warfare* the adjective «emotional» has been used just 3 times, and in *The 22 Immutable Laws of Marketing* she could not find any word with the root "emo." E.E. Mazur has assumed that «father» of this term can be M. Gobé, mentioned by Ph. Kotler, and the author of the book with the same title *Emotional Branding: The New Paradigm for Connecting Brands to People*. — New York: Allworth Press, 2001.

Thus the time has come for marketing to change its approach — instead of rational its combination with irrational, emotional. There is a theoretical justification for this approach not only in marketing but economy as a whole at the highest level. The American economist Vernon Smith and Israeli-American

psychologist David Kahneman, who won 2002 Nobel Prize in economics, consider human cognitive process as bifurcated, passing within frameworks of two autonomous psychic systems — intuitive and conscious. In their opinion economic behavior is managed by intuitive «cognitions» in the majority of cases and rational thinking is used only to modify it. Hence it becomes obvious that the main goal of product promotion is to win the heart rather than the mind of potential customer.

M. Akulitch states that “in the world overflowed with products their functionality sinks into the background making room for emotional features... emotional marketing is essentially more efficient in comparison with rational marketing emphasizing characteristics of products (services).” The aforementioned author freely uses such terms as «emotional experience», «emotional connections»; «emotioning», «emotional marketing» and «emotional feelings», however there are no definitions of these words or word combinations.

According to B. Schmitt companies have to manage client’s impressions. To manage impressions or emotional experience of clients is to respond to criticism, information, complaints and proposals to improve the impression made by products and services coming directly from customers. To manage clients’ emotions is a new paradigm offering both analytic and creative viewpoint on consumer world, strategic tools to form this world as well as mechanisms used by companies to increase value for their customers.

Nevertheless conceptual apparatus dealing with «emotional marketing» is loosely defined thus there is no unanimity of views on «emotioning» issue. That is why our teaching manual is not titled *Emotional marketing*. At the same time «emotional marketing» authors are as one on the fact that nowadays consumers look for products providing not only rational but also emotional benefits. Not only (and perhaps not so much) mind and reason but also subconsciousness, emotions and intuition control their buying behavior. There are few teaching manuals dealing with such kind of marketing and therefore this marketing direction is relatively new and innovational for academic area and this idea is reflected in this book title.

# **1 NEW MARKETING DEVELOPMENT TRENDS IN THE XXI<sup>ST</sup> CENTURY**

## **1.1 Motivation of creation, sale and purchase of innovations**

## **1.2 Estimation of organization innovative potential**

## **1.3 Innovation demand analysis**

## **1.4 Creation of innovative product competitive advantages**

## **1.5 Market «seizure» in innovative business**

## **1.6 Operation of strategic innovational marketing**

## **1.7 Functioning of operational innovational marketing**

### **1.1 Motivation of creation, sale and purchase of innovations**

In innovation management motivation is considered as a set of methods to direct the effect of stimulating forces (i.e. motives) to reach a certain goal.

Motivation of innovations is a set of needs and motives causing manufacturer and manager to actively create and sell innovations or conversely buy and use them in economic process.

The motivation of innovations can be considered in two aspects:

- 1) motivation to create and sell innovations;
- 2) motivation to purchase innovations.

Any motivation consists of four elements: objective, motives, factors and aspiration to reach the goal.

Any economic subject creates and sells innovations (new products or operations) to get money in order to invest them in profitable areas of business, improve one's market image and increase its competitiveness.

Usually main motives for entrepreneurs to create and sell innovations are:

- to increase competitiveness of one's own products;
- to improve one's market image;
- to capture new markets;
- to increase cash flow;
- to reduce resource intensity of a product.

Competitiveness of a new product (or technology) means its ability to meet needs and requirements of the market at a certain time period and be sold for a profit in spite of the presence of other similar products (or technologies) at the market.

Product competitiveness is determined by its properties being of interest for customers i.e. properties allowing product to meet needs of consumers under market conditions.

Competitiveness of a new product is determined by:

- 1) compliance of product quality with existing standards;
- 2) lower price at the same quality level;
- 3) consumer's confidence in that that supplier is able not only to ensure product quality constancy but also to make deliveries at given terms;



- 4) availability of quick and reliable after-sales service;
- 5) product compliance with international and national standards ensuring its compatibility, unification and interchangeability;
- 6) advertisement.

Motives to create and sell innovations are stipulated by a number of factors. The main factors are:

- 1) increase in competition;
- 2) changes in production and commercial process;
- 3) improvement of technologies of operations;
- 4) changes in taxation system;
- 5) achievements on international financial market.

A managing subject buys innovations in order to get funds tomorrow due to sale of new products or technologies bought today.

The main motives to buy innovations are:

1. increase in competitiveness and image of the economic entity;
2. getting prospective return on capital invested today.

Motives to purchase innovations are caused by variety of factors both objective and subjective.

The main objective factors to buy innovations are:

- 1) changes in production and commercial process;
- 2) changes in taxation system;
- 3) achievements on international market.

The subjective factors include those reflecting a particular customer's interests, plans and programs of his investment and financial activity, psychological abilities, professionalism of managers, etc.

## **1.2 Estimation of organization innovative potential**

The development of potential brings development of both organization and its divisions as well as all elements of industrial and economic system. The choice and realization of an innovative strategy depends on innovative potential condition and thus its competent evaluation is very important.

Organization innovative potential is:

- a) degree of its readiness to perform the tasks ensuring attainment of the given innovative goal, i.e. degree of readiness to carry out an innovation project;
- b) program of innovative transformations and introduction of innovations.

The development of organization innovative potential can be carried out only through development of all its divisions as well as all elements of industrial and economic system. Therefore a thorough analysis (or diagnostics) of the internal environment is required to estimate its innovative potential.

The internal environment is constructed of the elements forming its industrial and economic system. For convenience of the analysis these elements are usually united in the following groups:

1) products (planning) - direction of organization activity and results in the form of products and services (projects and programs);

2) functional group - transformation of resources and management into products and services in the course of labor activity of organization employees;

3) group of resources - set of material, manpower, information and financial resources of enterprise;

4) organizational - organizational structure, technology of processes in all functions and projects, organizational culture;

5) control — general organization management, system and style of administration.

Innovative potential is usually estimated as following:



At that the Project means release and sale of a new product (service) or a new direction of activity.

There are two ways to evaluate organization innovative potential:

1) partial estimate of organization readiness to carry out one new project;

2) integrated assessment of a current organization condition with respect to projects already being implemented.

One of two possible estimation procedures is used depending on the main goal of innovative potential estimation. They are detailed or diagnostic.

The detailed analysis is mostly made at the stage when innovation is justified and project of its implementation and introduction is prepared.

When the detailed analysis of the internal environment is made then the plan of estimation of innovative potential of the organization briefly looks like that:

- description of normative model of innovative potential condition of the organization is made, i.e. the qualitative and quantitative requirements to potential condition by all groups that ensure achievement of already set innovative goal are accurately established;

- actual condition of innovative potential by all aforementioned groups and their components is determined;

- discrepancy between normative and actual values of parameters of the potential is analyzed; strong (corresponding to the norm) and weak (considerably deviating from the norm) sides of the potential are marked;

- to-do-list to strengthen organization weaknesses is made.

Diagnostic approaches to evaluation of organization innovative potential are used when there is a lack of time, absence of experts, capable to make the system analysis, lack of organization data (especially for analysis of innovative potential of competition). It is necessary to notice, that making of the diagnostic analysis demands certain skills and information base. Any available information describing various aspects of operation of company (number of employees,

average salary level, labor productivity, production price, quality of production and services etc.) is used as diagnostic parameters.

Plan of diagnostic analysis and estimation of organization innovative potential is the following:

- evaluation of control actions;
- estimation of internal environment condition;
- cataloging diagnostic parameters describing external manifestations (political, economic, social, technological);
- cataloging structural parameters characterizing internal organization condition;
- establishing relationship between structural and diagnostic system parameters;
- diagnostic parameters monitoring and statistical data processing;
- evaluation of structural parameters;
- definition of integral estimation of organization potential.

For innovative potential estimation there are special questionnaires where experts usually make appraisal using 5-point scale.

Prospects of new items creation and new services development of one's company can be estimated by oneself with the help of «System of self-diagnostics SDK» (module «Self-estimation of management of industrial-technological system of the enterprise»).

### **1.3 Innovation demand analysis**

The analysis of demand for innovations is of great importance since accuracy of working out of the production program of the enterprise, strategy and volume of sales of its production and, hence, financial results of its activity depend on its results.

The market demand for a product is the amount of the product that can be purchased by a certain group of consumers in the indicated region, in the given time period, within the limits of particular marketing program.

Demand for company product is the part of aggregate market demand falling on a given company's product at various levels of marketing expenses.

The analysis of demand for new production is one of the major directions of innovative companies' activity. There is no point in R&D investments for commercial companies if the end result of developments is not repaid.

Innovation demand analysis is made in the following directions:

- analysis of requirement for produced or sold innovation (product or service);
- analysis of demand for innovation and services related to it, as well as of influence of various factors on them;
- analysis of demand influence on results of activity of the enterprise;
- defining maximum sales volume and sales plan justification with regard for the conducted analysis and company production capabilities.

Innovation demand analysis can be made before, simultaneously or after the time when product is considered new and thus the analysis is called preliminary, current and subsequent.

The preliminary analysis of demand for new production is one of the most important as production program is developed and new production market promotion strategy is worked out on its basis. The preliminary analysis is made using database, received by means of special surveys conducted in sphere of consumption of innovations when production is at the stage of test model preparation, launching or rolling out.

Demand reflects production volume; consumer wants to buy at one of the existing prices during certain time on a certain market. This definition contains the main indicators by which company can judge demand for its production or services:

- amount of prospective customers for the given kind of production;
- demand volume;
- time of sale (offer to sell) of production on the market;
- price of an offered production;
- demand sensitivity to price.

Various methods can be used to analyze new production demand. One of them is demand sensitivity analysis. It allows defining how quantity demanded varies depending on the change of any of its factors. With that end in view the elasticity of demand is calculated showing how much demand will change if there is 1 percent change of any of its factors (mostly, price).

Generally demand elasticity is dependence of its change on any market factor. Price elasticity of demand and demand elasticity from incomes of consumers.

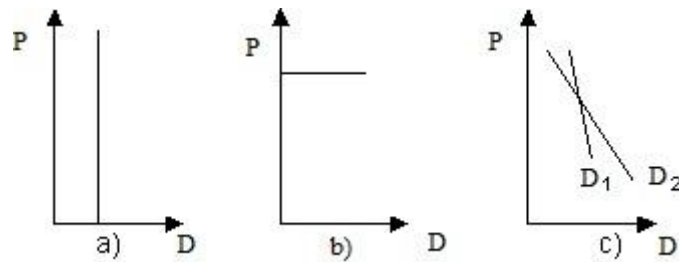
If the elasticity of demand is equal to zero, demand is perfectly inelastic. In other words, at any change in price demand does not change. This situation is absent in real life and is of purely theoretical importance.

If elasticity coefficient is less than 1 it means demand is rather inelastic.

When coefficient is equal to 1, elasticity of demand is unit. It happens, when percentage change of demand is equal to percentage change in price. If price elasticity of demand is more than 1 then demand is relatively elastic.

When demand elasticity with respect to price tends to infinity, demand is considered perfectly elastic. It occurs then, when price is the same and demand grows indefinitely as a result of action of its nonprice factors: fashion, advertising, prices hike expectation, environmental conditions and so on.

Demand curve reflects dependence between alternative price levels that may be established during the given period of time and the level of demand as a result of it. Graphically it looks like this:



- a) perfectly inelastic demand;
- b) perfectly elastic demand;
- c) D<sub>1</sub> — rather inelastic demand; D<sub>2</sub> — rather elastic demand.

The demand curve shown in figures indicates volume of market purchases at various possible prices. The more the angle of inclination of demand curve the more elastic the demand (to put it differently, the more demand is sensitive to the price). When it is a question of elastic demand, demand largely depends on production price.

The majority of companies use the following methods to analyze demand curves:

- statistical analysis of existing data about current prices, sales volumes and estimation of their ratio for a certain period of time;
- conducting experiments with prices (change in price for individual kinds of products and monitoring change in demand);
- conducting surveys of buyers to find out the quantity of product they are willing to purchase at various prospective price levels.

The demand analysis in a point of purchase allows evaluating efficiency and expediency of the used product movement channel, what especially important when new production is sold to customers. Analysis of demand based on customers' intentions is interesting. It enables to take into account their requirements already at the stage of production development that allows avoiding its technical uncertainty. All listed methods are based on results of consumer surveys.

Marketers often resort to the structural demand analysis made by means of special tables, compiled for each factor sign — analysis direction: for example, by stages of new product life cycle, distribution by new production consumers, its planned sales channels etc. Similar tables used to make a prompt administrative decision and are basis for further in-depth analysis of factors influence on size and pattern of demand.

The mentioned methods of the demand analysis allow avoiding errors when new production is designed and production program is planned and to exclude from it those kinds of innovations that will not be in demand.

It seems useful to get the following data:

- About existing prices and sales volumes of similar production of competitors. If similar products are absent, information on substitute products

can be used. It is important to evaluate, how much the existing price level differs from the prospective price of new production being offered.

- To find out potential buyers' opinion about new production and estimate the amount of product they are willing to buy at various prospective price levels.
  - Ready researches of the market where it is supposed to roll out new products. Many marketing firms regularly conduct and publish these researches.
  - The expert forecast of dealers, distributors, suppliers and employees of sales departments with the request to give about level of demand.
- All estimates are analyzed and summarized.

#### **1.4 Creation of innovative product competitive advantages**

The majority of progressive innovations are actually implemented in creation of science intensive and competitive products that is one of the important results of innovative activity. Competition makes entrepreneurs to constantly search and find new kinds of products and services, to improve quality of production, to expand its range, to reduce production costs, to respond quickly to change of consumers' wishes. At the same time competition in the field of innovative activity is some sort of contest of uncommon solutions of scientific and technical, socio-economic and other problems that are also important.

There are the following peculiarities of competition in the innovative sphere:

- competition is the main factor of enterprise susceptibility to novelties;
- competition promotes that that entrepreneurs try to master high quality production at market prices in order to keep customers;
- competition stimulates the use of the most efficient modes of production;
- competition makes entrepreneur to constantly search and find new kinds of products and services consumers need and are able to meet market requirements.

The whole system of factors of innovative firm competitive ability can be divided into two basic groups.

*The first group* includes parameters of the environment influencing company competitive ability, but being out of the area of its direct influence (external factors). They include:

- competitive ratio of rival companies;
- state economic policy in countries importing goods and services;
- state economic policy in countries exporting goods and services.

*The second group* consists of factors of company competitive advantages. This group of internal factors includes various aspects of market activity of innovative firm as well as parameters reflecting the use of internal resources. This group includes:

- technical level and production renewal rates;
- technology renewal rates;

- organization of production in a company;
- availability and completeness of manpower utilization;
- availability and completeness of use of capital;
- skill level of management and staff of a company;
- market strategy of a firm;
- company's reputation;
- company relations with buyers;
- investment appeal;
- productive efficiency;
- consumption price of manufactured products;
- productivity of manufactured products.

The well-known expert in marketing area M. Porter offered the hierarchical classification of competitive advantages from the viewpoint of their significance. *Low rank advantages* (available raw materials, cheap manpower, scale of operations) gives a company an insufficient competitive ability as they are easily accessible for competitors and widespread.

*Higher rank advantages* include company's reputation, relations with clients as well as investment appeal of a firm.

Goals and motivation of owners, managers and staff of a company can be important competitive advantage. There is a regional aspect of getting competitive advantages as well. However these factors are changeable also do not allow having advantages for a long period of time. Thus high order competitive advantages are connected with drastic changes in activities of a firm.

According to M. Porter top order competitive advantages include production technical level, patented production methods and high professionalism of staff.

Hence, among internal factors of competitiveness of innovative firm the technology factor is of primary importance, and the major source of gaining and keeping competitive advantage is constant updating and innovative development of production.

The maximal increase in competitive advantages is possible, if:

- firm possesses a new ultimate technology;
- customers are very interested in a company;
- optimal channels to promote goods have been created;
- there is a significant demand;
- there is no intensive competition.

Competitive advantages are usually gained due to offensive strategy which is difficult for competitors to withstand. Defensive strategy helps to protect and extend life cycle of competitive advantage.

Company will be able to develop competitive advantages for rather short period, if:

- wide spectrum of technologies has been developed that are able to become dominating;
- there is a wide spectrum of exploratory R&D when new technological principles correspond to new requirements;
- organizational structure and production systems of a firm are aimed at adaptation to market needs;
- firm produces various goods, their improvements, modifications etc.

At the stage of competitive advantage origin the firm should define the concept of it and make investments into the most significant elements of strategic and innovative potential of company development.

At the stage of the accelerated increase of competitive advantage firm strategy should be based on radical transformations, creation of system of interrelation with partners, suppliers, consumers etc.

The stage of growth slowdown is related, as a rule, to manifestation of strong competitors and a noticeable tendency of rupture between a real condition and changed situation. At this stage the decisive condition of keeping competitive advantages should become increase of a technological level of production, improvement of professionalism of staff and so on.

The maturity period is related to maintenance of level of the accumulated competitive advantages and maximum use of results. At the same stage it is necessary to ponder what new competitive advantages can be developed by a firm.

The most successful implementation of competitive advantages strategy is based on an innovative monopoly established by a company as it is it that promotes creation of the best competitive situation for a firm. Buyer's reaction and competition behavior influence competitive advantage on oligopoly market. The most difficult is to keep competitive advantages on perfect competition markets. Such competition is characterized by presence of a large group of sellers facing a large group of buyers. The goods on such a market are interchangeable and prices are defined only by supply and demand ratio. Firms have no possibility to dictate their conditions, have a low potential of influence on the market and are characterized by lack of market power.

Differences in competition methods (price and nonprice), advertisement methods and product promotion can be seen depending on kind of product and its life cycle stage. So, if there is monopolistic competition at the stage when a new product enters the market pricing policy possibilities should be used as much as possible. If the enterprise manufactures a totally new product or makes breakthrough to a new market, then price need to be reduced even to the detriment of the company, compensating losses at this stage at the expense of other goods. Then price maneuvering is used for the purpose of simultaneous increase in profit and expansion of the amount of consumers.



### **1.5 Market «seizure» in innovative business**

Market seizure is operation to take the market of other economic entity or foreign market.

Market seizure is connected with solution of a set of analytical and operational tasks.

Company begins to enter the market taken by another economic entity, or foreign market with solving the main task: what price should the given innovation be sold at? It is mistake to sell this innovation at any conditions; the main idea is just to sell it. The only advantage of such an approach may be the fact that the seller declares about one's existence, gives information about it. «It is does not matter at what price if only to sell» principle causes extremely unprofitable bargains and undermines the investor seller's future prestige. A prospective buyer of the innovation may doubt its quality.

The second important task being solved while capturing the market is to make researches of the future market for your innovation. These market researches are the beginning of future market "capture."

Export marketing research in the field of innovations means finding prospective buyers abroad. It includes the following stages:

1. Studying all available foreign markets in order to choose the most perspective.

2. Substantiation of market entry of a particular country or group of countries, for example the West European, South American market etc.

3. Drawing up a marketing program when innovation is sold in the foreign market. This program includes studying of market potential, of competitors' positions, gathering and studying of the information on buyers, etc.

4. Market entry mode selection.

5. Market entry time selection.

When and how innovation enters the foreign market depends on the situation in this market. There are two market entry modes:

1. one's own entrepreneurship, that is own individual actions of a selling company;

2. joint venture, that is actions of a selling company in cooperation with local sellers.

Usually the exporter has to answer three main questions:

- Will the offered product or operation (technology) draw buyers' attention?

- How many innovations will be needed?

- At what price will customers buy this innovation? What can the gap between low and high price for innovation be?

Answers to these questions can be got by gathering and processing of specialized information.

Small companies, as a rule, have scanty means and therefore not always able to conduct a detailed research of the foreign market. Therefore it is

recommended to begin its study from gathering of the «secondary» information that exists in the form of publications of results of researches of foreign analysts or large research companies on interesting themes. Really helpful in studying of an interesting foreign market can be statistical digests, reference books, customs reports, economic and other journals, proceedings of scientific and technical conferences, patent information, catalogs and price lists of foreign firms, advertising publications, newspapers and so on. The Internet is a great help in this process.

### **1.6 Operation of strategic innovative marketing**

The logic of innovative firm development causes to move the focus of attention from operational tactical planning to strategic level, to level of formation of new type of control — innovational marketing. Innovative marketing in its modern sense means unity of strategy, business philosophy, functions and procedures of management of the company. In industrially developed countries the marketing concept of company development takes the important place within decades.

The concept of marketing of innovations is the basis of market research and searches for competitive strategy of the enterprise. The complex of innovational marketing includes innovative strategy development, market analysis and operational marketing. The complex consists of seven main stages, shown on the diagram (fig 1):

As seen from figure 1, all stages of innovational marketing deal with strategic or operational components.

The strategic innovational marketing is defined by market segmentation and product positioning. The key moment of marketing strategy is research and forecasting of demand for a new product, based on thorough studying of consumer's innovation perception. During strategic researches the head of an innovation project must define: what production, of what quality and to what consumers he will offer. Therefore the strategic marketing is focused on a close contact of employees of marketing and sociological departments of an enterprise with a prospective consumer (questioning, call-in poll, representative samples etc.).

At the initial stage of market research, macroeconomic analysis is made as a rule. This kind of analysis is closely related to studying of the enterprise external environment and allows investigate the macroeconomic factors dealing with demand for innovations, including the population, its growth rates, the per capita income and consumption, consumer price index, basket of goods, rates of inflation. Studying of legal conditions, as well as the practice of legislation related to import and export of similar production, quota system, restrictions due to standards, liabilities, taxes, subventions etc. are belong here too. At that the level of national production of similar products, availability or possibility of import, export level, data about import-substituting goods and innovations need to be analyzed.

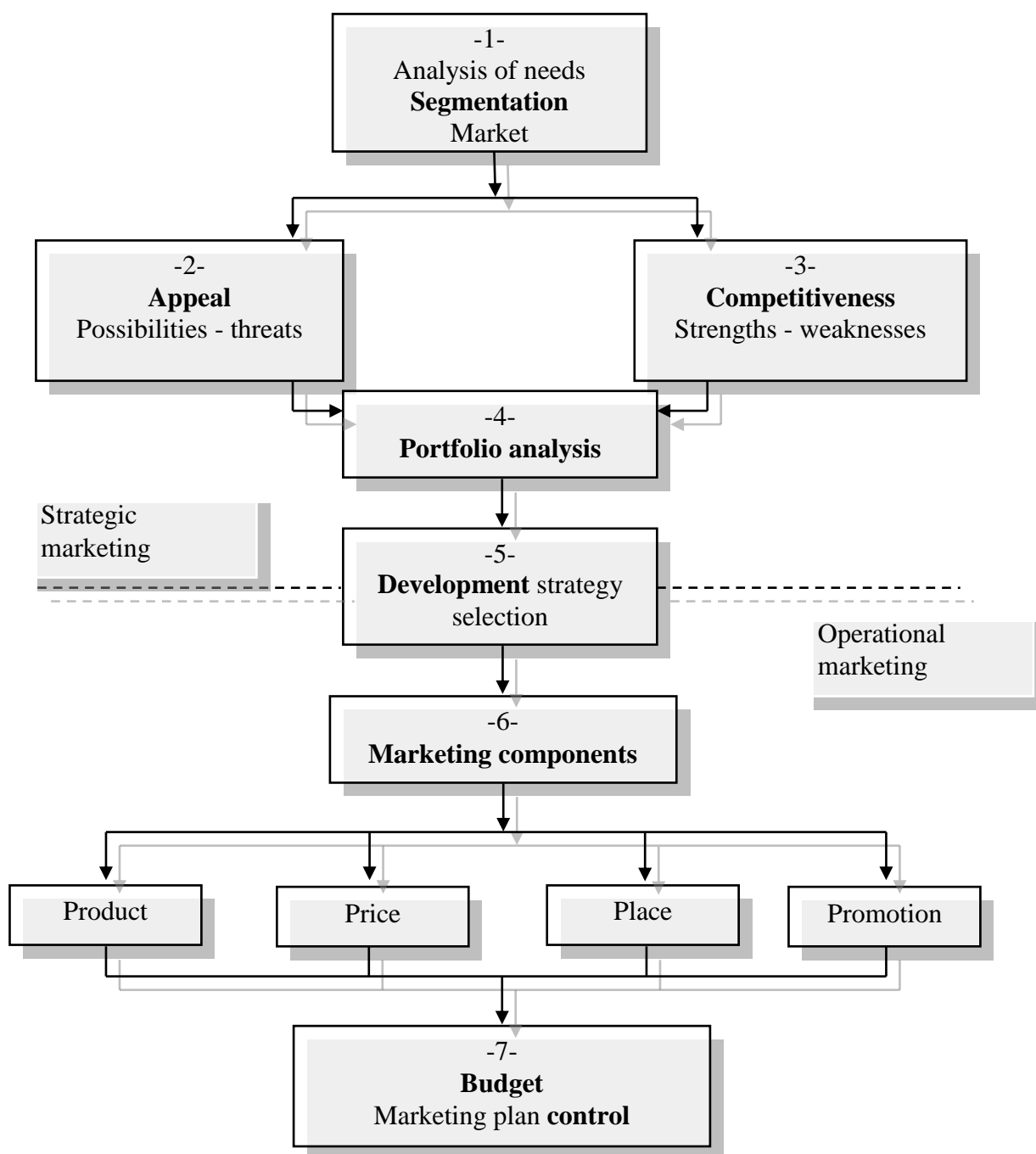


Fig. 1. Innovational marketing complex

The data of official statistical and state bodies, of governmental sources, international organizations, embassies, banks, industrial catalogs, researches, specifications and instructions, specialized directories, marketing firms, business magazines and newspapers, trade associations, chambers of commerce is used as the basic information for conducting macroeconomic researches.

To systematize below there is the generalized plan of procedure of strategic marketing researches with references to corresponding sections:

*Analysis of needs.* As a result of the needs analysis the innovative enterprise should answer the question: «What buyers our new production is

intended for? » When making the analysis of needs the segmentation method is mostly used: division of the market into precise groups of buyers — market segments — preferring different products and demanding different efforts. Segmentation process reminds of cutting a big round pie into pieces of various sizes. When segmenting the enterprise should define precisely what exactly needs to be analyzed. The chosen segment (target market of the given production) is basic working unit further used for analysis by the marketing department.

*Appeal.* The following step of marketing strategy development is to determine the degree of appeal of various market segments and choose one or several segments (target markets) for development. In so doing the sizes of segment (market), the tendency of its change (it is decreasing or growing), and also the objectives and resources of the company that develops the segment are taken into account. Methods of the analysis of appeal are based on studying of demand and potential of the given market segment, as well as life cycle of innovative production.

*Competitiveness.* Definition of competitive advantages is closely related to the technique of preliminary positioning of each kind of production included into «portfolio» offered to target group of consumers. Positioning of an innovative product is finding its place among already present on the market. The goal of positioning is to strengthen innovations positions on the market. At that various analytical approaches, based on supply studies, are used.

*«Production portfolio» selection.* «Portfolio» analysis is the tool used by organization management to reveal and evaluate various directions of its economic activities for the purpose of investment of resources in the most profitable of them and narrowing weak directions of activity. As a result of the careful analysis kinds of activity (products) with the highest degree of appeal to consumers, and according with high competitiveness are selected.

*Selection of innovative strategy of development.* Development strategy is the main direction of marketing activity, following which organization aspires to reach the chosen goals. Various types of innovative strategy can be used in the chosen target markets.

### **1.7 Functioning of operational innovational marketing**

The art of marketing manager consists in that that the company profit grew as due to increase in sales volume of one product as emergence of new modifications and models of the same product.

At the stage of operational marketing particular forms of implementation of the chosen innovative strategy are developed. The operational marketing is aimed at maximization of profit and sales volume, holding of company's reputation, market share expansion. It closely connected with «marketing components» concept (marketing mix or 4Ps) that are an operational variant of decisions made during marketing management process at the enterprise.

Besides marketing components development, day-to-day management of marketing at the enterprise includes:

- drawing up of a written plan of marketing where the marketing strategy of the enterprise is collected. The plan serves as a guide for staff of the enterprise taken in marketing effort;
- preparation of the estimate integrating the process of marketing within the limits of general enterprise budget;
- control of marketing activity of the enterprise (control of annual plans, profitability, efficiency and strategic control).

The marketing components or four «Ps» (Product, Price, Place, Promotion) are aimed at the fifth «P» — People, being the goal of the whole marketing strategy (fig. 2).

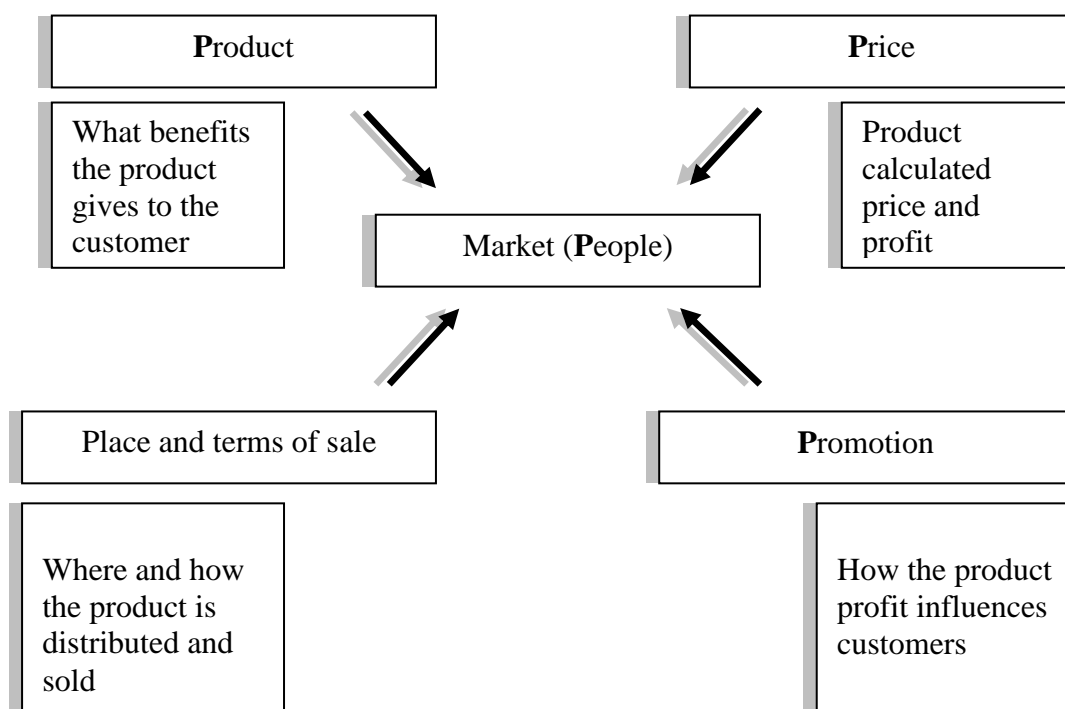


Fig. 2. Marketing components

According to the theory of innovational marketing the process of perception of a new product consists of the following stages:

1. Initial awareness. The consumer learns about an innovation, but has no sufficient information.
2. Product recognition. The consumer has some information, shows interest in the novelty; search for additional information on the novelty is possible.
3. New product identification. The customer compares the novelty with his needs.
4. Estimation of possibilities of innovation use. The consumer makes decision to test the innovation.

5. The consumer tests the innovation to get data about it and about possibility to buy it.

6. Making decision about acquisition or investment in innovation creation.

The major factors, influencing new product pricing, are:

- level of production costs;
- competition degree on the market;
- uniqueness of the offered product or service;
- company image;
- supply and demand ratio for similar products or substitute products on the market;
- demand elasticity;
- «external environment» factors (for example, government regulation of the prices for particular kinds of products).

It is obvious, that when pricing to consider all main factors will be the most proper way, although proportion of each of them can be different. The price for new production is defined after making analysis with account of its perception by buyers, the prices of competitors, as well as production costs. Whether the price is reasonable, the consumer who «votes with money» will decide, buying one or another product.

The following kinds of pricing strategy, as a rule, are used in the innovational marketing.

1. Skimming pricing strategy is used when a new product is introduced into the market and when rather high prices are set for it. This method works if the company has no competition and consumers have no information about the product, and it is also necessary to get profits quickly. Du Pont Company is very proficient in the use of such method of skimming (all women are familiar with its inventions — Lycra stockings, Teflon coverings for ware, cellophane etc.). When presenting another novelty to the consumer the company usually sets the price for it as high as possible, as it is meant for high-income customers. When the sales volume flattens out, Du Pont reduces the price to attract the following segment of buyers who like a new price. So, the company skims as many layers of «cream» as possible using different market segments.

2. Market penetration strategy when new product prices are set rather low — if there are a lot of competitors. Products of Chinese firms can serve as an example.

3. The strategy of premium pricing used to present new goods as quality and prestigious, assuming, that for consumers a high price means high quality of products. This strategy, as a rule, is used by well-known companies.

4. The strategy based on opinion of consumers when the price is set at that level, the consumer is willing to pay for the product.

The strategy of new products sale should define an optimum combination of work with end users, retail trade, commercial agents and wholesalers.

There are the following variants of the sales organization depending on the fact, whether a new product is industrial or consumer:

Sales channels of consumer goods are shown on fig. 3, and of industrial ones — on fig. 4.

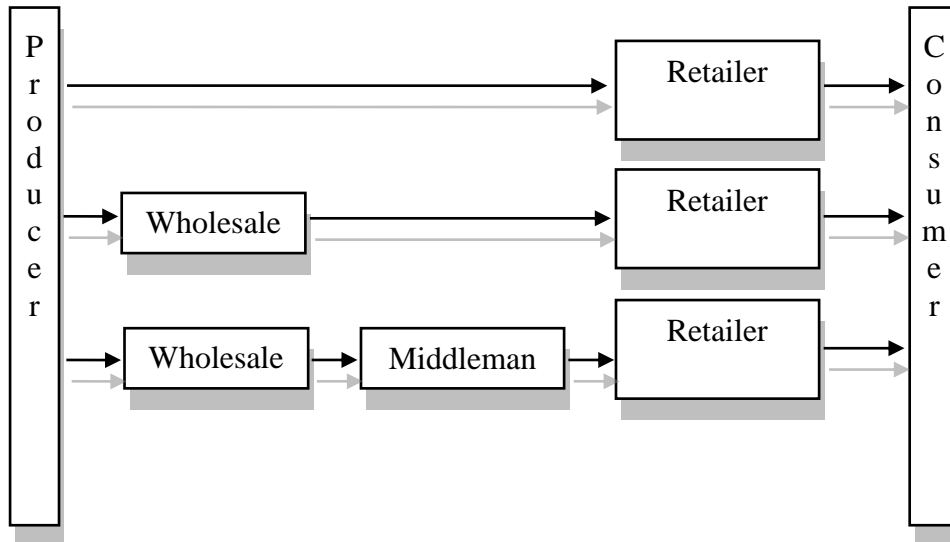


Fig. 3 Sales channels of consumer goods

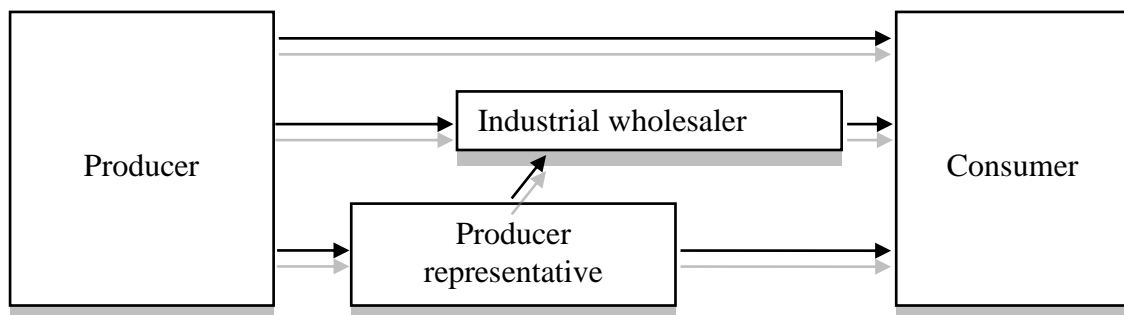


Fig. 4. Sales channels of industrial goods

At the stage of novelty promotion the following problems should be solved:

- to give clients the idea about new production of the enterprise. Clients often make a purchase owing partly to their belief;
- to bring a correct information on new production to a proper group of clients;
- there must be creation of a positive impression about the enterprise and its production. If the client never heard about the enterprise or its production then it is less likely that he will buy production of such an enterprise. The same also occurs when the client had a bad impression about the enterprise or its production.

Diverse channels of communication with prospective customers are created. They vary from the public relations, called to form the image of an enterprise or its production, up to personal selling for the purpose of direct sales.

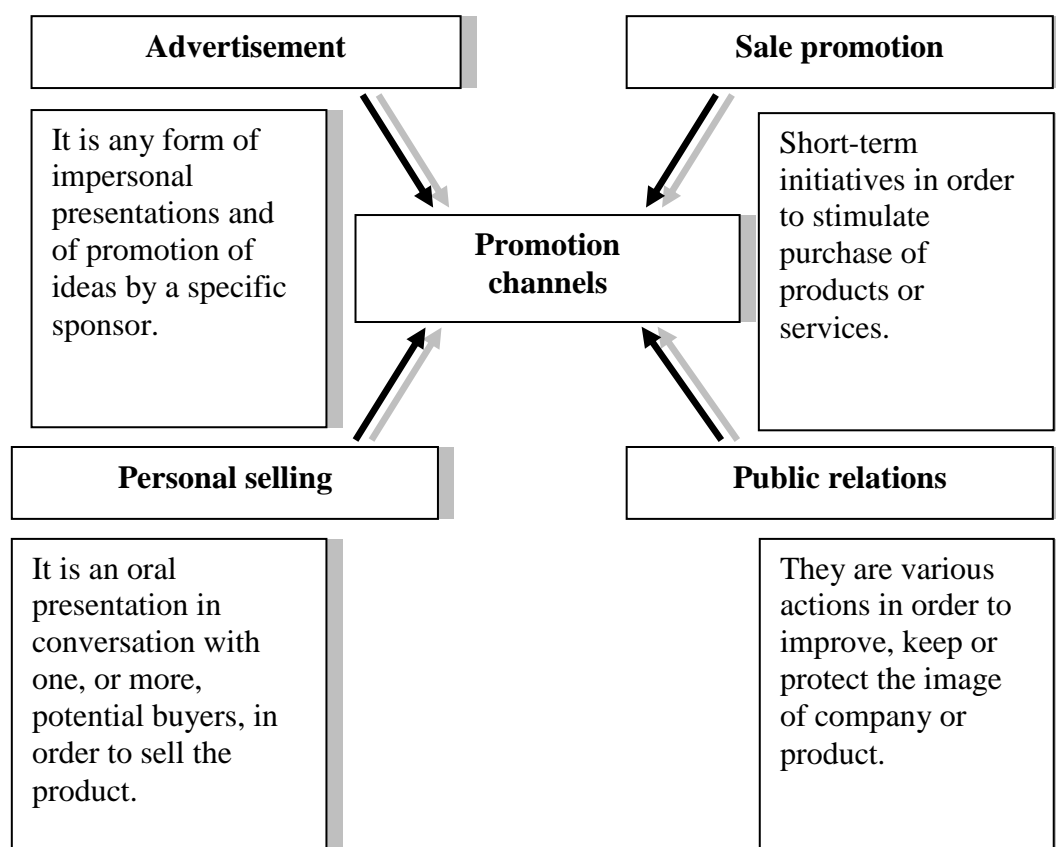


Fig. 5. Channels of communication with prospective customers

The operational marketing is the final stage of marketing system; certain forms of implementation of strategic innovative marketing concepts are developed here. The operational marketing is closely related with stages of innovation life cycle on the market.

At the stage of growth the innovational marketing assumes stimulating role. The pattern of advertising is changed; it becomes aggressive, emphasizing the advantages of the given firm and the given product. Competitive advantages of manufacturing company continue to play here the leading role.

At the stage of product maturity there is always competition with other market participants. Here the price of innovation drops. It is at this stage that the pioneering enterprise is already prepared to roll out new modification or essentially new product.

In the innovative business issues of the organization of marketing activity are of fundamental importance. Nevertheless, in small companies exactly these points are often not at the center of attention of the head who «throws all forces» on new product development. As a result many projects fail. Therefore, starting preparation of a new project, special attention must be paid to organization of special division that will solve problems of marketing of new products.



Table 1. The content of channels of communication with prospective customers.

<b>Advertising</b>	<b>Sale promotion</b>	<b>Public relations</b>	<b>Personal selling</b>
Press releases and radio broadcasts	Trade fairs and sales exhibitions	Materials for the press	Commercial presentations
Mails	Displays	Reports	Commercial meetings
Catalogs	Shows	Seminars	Award programs
Video films	Entertainments	Annual reports	Specimens
Booklets	Competitions and games	Charitable contributions	Trade fairs and sales exhibitions
Posters	Bonuses and gifts	Grants	
Reference books	Discounts	Publications	
Shows	low percent funding	Relations with local authorities	
Internet	Trade-in discounts	Lobbying	

Marketing divisions are engaged in creation of sales network, organization of an advertising campaign, exhibitions, presentations, trial, promotional and direct sales, creation of after-sales and warranty service.

Marketing divisions focus special attention on estimation of costs and gains of marketing. To calculate the expenses an analysis of fixed charges and variable costs of production and sales, definition of price elasticity by incomes, study of pricing policy of competitors is required. The estimation of marketing earnings is made with account of optimum load of capacities and expedient production program with account of sales volume forecast depending on fluctuations in demand, characteristics and type of production.

## **2 GREEN MARKETING**

### **2.1 Marketing mechanism of environmental protection control**

### **2.2 Basic marketing approaches in environmental area**

### **2.3 Eco labeling (ecological certification)**

### **2.4 Interaction of business and environment: environmentally focused marketing**

### **2.5 Environmental audit and environmental reporting in the marketing system**

### **2.1 Marketing mechanism of environmental protection control**

Mechanism of environmental protection management is based on a typology of market methods. Nowadays the following basic groups of management methods are known:

- administrative regulation, i.e. introduction of respective regulatory standards and restrictions manufacturing firms should observe, as well as conducting direct control and licensing of nature management processes;
- economic incentives directed to interest a manufacturing company in rational nature management;
- system of pollution payments and green taxes;
- distribution of pollution permits and compensation payments.

The given methods are used at various stages of marketing process influencing environment. This impact depends on structure of primary resources, specific character of production process and applied conservation technologies forming emissions in environment.

Pollution payments and taxes are of special importance here. They are indirect leverages and are expressed in fixing payments for emissions or discharges, for use of primary resources, for end production or technology, and the latter should correspond to social and economic harm from pollution or be defined on any other indicator (for example, economic evaluation of assimilation potential of environment). Pollution taxes and payments give maximum freedom to the pollutant to choose strategy of combination of degree of cleaning and payment for residual emission. If environmental costs are low, the firm will considerably reduce emissions instead of paying the tax. It is assumed that the company can reduce them up to an optimum level when increasing expenses for additional cleaning become equal to payment rate.

Though the taxes and payments seem the same by their impact on an enterprise, nevertheless distinction between these two tools should be drawn. When they say «tax» they mean that firstly, it is directed to the budget, and secondly, there are no special reasons to impose it except to replenish state treasury. When they say about payment it means right away that the payer pays for something. In this case payment for pollution is a payment for the right of use of assimilation potential of environment. The user of this resource pays for it as well as he pays for acquired raw materials, electric power etc.

Payments of users to cover administrative expenses may include a payment for permission or licence, and also other nominal payments corresponding to size of emissions and covering costs for distribution of permissions and licences. These payments as a whole are less than payments for pollution and have a limited impact on level of emissions of a firm. Most likely they should be considered as a license tax, accompanied by licensing.

Subsidies are special payments to polluting companies for reduction of emissions. Among subsidies there are mostly investment tax credits, loans with lower interest rate, guarantees of loans, provision of accelerated depreciation of nature conservation equipment, means for price regulation of primary resources and end production.

If to consider, that the property rights to environment belong to the society as a whole then polluting firms should bear obligatory responsibility for the damage done. If the pollution tax or payment for emissions, reflect utmost damage defined before emission, in system of obligatory damage responsibility it is calculated after emission individually for each case. In other words, the firm that caused some damage is obliged somehow to compensate it; either to clean an affected natural object or to pay indemnities to the aggrieved, or to do something else. Special documents fixing obligations to carry out conservation activity against a respective pledge are prepared.

The given approach is especially effective, if the number of polluters and their victims is limited, and the size of pollution and its structure is easy to trace. It is necessary to distinguish between accidental discharges and ecosystem restoration after specific activity (recultivation) occurred.

In the first case the firm can only predict future damage and take all measures to avoid it. But if such damage is made, the party in fault completely compensates it. Company assets including an insurance policy can be as a safeguard.

In the second case approximate scopes of future damage are known, if it is a question, for example, of mining operations. Cash deposit made by the company is as a safeguard. If it performs recultivation then it will get the deposit back if it does not then the deposit amount should be enough for somebody else to perform it. One's responsibility to compensate the damage, the polluter can shift onto the intermediary, by making payments for pollution at rates corresponding to the economic evaluation of assimilation potential. He covers damage too, i.e. should settle accounts with pollution victim.

The system of target reservation of funds for waste disposal (pledges) is used for creation of stimulus at consumers to make additional expenses. At the moment when the product is bought that assumes impending pollution, the deposit, which is returned with interest after waste disposal, is made (for example, batteries, canned drinks and so on.) There are cases when this system was used to stimulate oil regeneration and disposal of used oil, recycling of ozone destructing substances.

The information systems serving to ensure completeness of information and freedom of acquaintance with it, act similar to economic incentives. If firms give all information then consumers or inhabitants of nearby territories are notified about the scopes of pollution or harmful substances inside production. Awareness (negative advertising) leads to change of demand for production, ensuring pollution reduction, use of respective primary resources or technology types.

Signs (elements) of quality of management in environmental marketing: world outlook, experience in management, communication and information relations and targeted organization of environmental activity (table 2).

Table 2. System of requirements to quality of management in environmental marketing

Management quality elements	Content of requirements to management		
	Nature of prognostic conditions	Nature of informal requirements to management	Nature of system management
World outlook	Progressing technological, ecological and social development	Cognizance of priority of tasks, flexibility, advanced training of employees, stimulation of innovations and their use	Completeness of corporative culture, understanding of social values and beliefs
Experience in management	Toughening of competitive activity, targeted organization of green marketing	Level of experience, education and self-development, ability to form a team	Global thinking, assistance to individual and group advantages
Communicational and informational relations	Growing uncertainty of external environment. Increase in motivation to ensure efficiency of nature conservation measures	Competence, understanding of complex relationship, delegation of powers, management of cooperation	Validity of principles of actions, increase in differentiation, decentralization and awareness
Targeted organization of green marketing	Continuity quality of eco-management from the point of view of concept of green life cycle of production	Integration of system of green management in production process	Environmental declaration, advertising objectives and public relations

## **2.2 Basic marketing approaches in environmental area**

Marketing criteria for solution of environmental problems can be presented in the form of complex system:

- 1) commercial and economic mechanism;
- 2) socio-legal mechanism;
- 3) marketing and management mechanism;
- 4) standard technical conditions at the level of R&D when product is developed;
- 5) informational support as marketing mix component;
- 6) structural reorganization of «marketing chain», including production, movement of goods and consumption;
- 7) environmental examination (public, scientific and commercial).

At that it is important to use market methods favoring the effective solution of environmental problems to the most extent. As was already mentioned above, they include a payment for natural resources (land, bowels, water, forest and other vegetation, fauna) and for environmental pollution (emissions, discharges, etc.), environmental taxation, credit mechanism in the area of nature management, system of off-budget environmental funds and banks, environmental insurance.

Within the frameworks of marketing system of demand creation and sales promotion there are possibilities to use such methods as provision of economic incentives of preservation of the environment as well as licensing and organization of system of contracts in the area of nature management.

Pricing of production of nature-exploiting and natural and economic branches, especially cleaner production and technology, is necessary to provide for as precisely as environmental entrepreneurship. The system of ecological certification is closely related to this economic category. Its introduction will allow raising the question about formation of the market of eco-friendly works, goods and services (marketing, engineering, leasing, exchanges and so forth).

The need of active introduction of market mechanisms, when organizing nature management, is prompted by experience of the USA, Japan, Germany; where so-called «bubble principle» is applied: environmental pollution source is not separate elements, for example, smoke stacks, but the enterprise as a whole. Within a region it is possible to establish general allowable standards of discharges and emissions of any pollutants. Thus, it is supposed that enterprises are situated as if in the common area. When establishing of environmental quality standard of a specific region (within the limits of general allowable volumes of discharges and emissions) enterprises will define the sizes of discharges and emissions.

*The first marketing approach* allows abandoning common engineering requirements to pollution sources and admits possibility for a firm to choose methods of achievement of the general standards of discharges or emissions. It stimulates both intraproductive and intereconomic division of labor with account

of the need to reduce environmental pollution level there is possibility to lower aggregate costs of pollution control.

Let us assume that the firm has decided to use effective and inexpensive methods of fight against waste and it can maintain some level of discharges and emissions of pollutants below the established regional standard due to it. Whereas other firms, for which the fight against waste costs much more, are allowed to continue to pollute environment, but within the general regional limits. As a result, according to marketing calculations, aggregate expenses for achievement of regional standards in future will be less than if firms reached them by themselves.

*The second marketing approach* to regulation on a regional scale assumes direct deals among firms. It is convenient for new firms or for those among existing that undergo modernization. Before putting them into operation in industrially developed regions, it is necessary for entrepreneurs as environmental damage indemnity to reduce pollution level at one of the operating plants in the volume equivalent to a new commissioned source of pollution. The given principle of giving permission to a new construction is necessary when the rights to pollution are purchased from firms that were able to reach decrease in discharges or emissions over and above the standards established by the government.

If a firm bought these surpluses of pollution reductions of any enterprise it will get the right to discharge or emit one or another pollutant above permitted standards. The marketing approach allows transferring market relations to nature management sphere that answers macroeconomic strategy of a country as a whole and its regions.

The third marketing approach assumes that firms evading from installation of own treatment equipment, should pay for a part of cost of such equipment already located at other enterprises and ensuring environmental pollution level of a given region within the limits of general standards. According to calculations, such deals involving mostly enterprises of the same associations, companies, allow applying the in-house transfer of rights to environmental pollution that will significantly increase flexibility of large firms in the use of investment funds.

All that will allow some companies to accumulate surpluses of pollution reductions in order that within their limits to keep and even to expand some polluting productions, at that still meeting regional environmental requirements as not all enterprises are capable to ensure the decrease in level of pollution up to standards. The proposed measures will give an impact to the idea of creation of some sort of environmental banks in some regions. Their deposits will be in the form of surpluses of reductions of emissions and discharges of pollutants. The deposits, being some sort of capital, can be used not only by depositors themselves (to expand required polluting productions) but by other firms and enterprises as well. The latter will pay to the bank in order to save resources on

treatment equipment. Thus there will emerge both public and private environmental banks of deposits of surpluses of pollution reductions. As a result, while fulfilling environmental requirements, it will be possible to ensure both economic and social development of regions, using existing resources as much as possible.

The marketing approaches to an environmental regulation will in the long run allow enterprises (firms) to modernize their own nature management possibilities. In this sphere there will emerge advanced technologies what is impossible when the command and control method is used based on checking whether each type of production equipment meet both state and local standards. The marketing methods will also promote development of a new environmental and economic orientation of regional production socialization. They will allow to divide labor and to cooperate within individual enterprises, companies and between them for achievement of allowable level of environmental pollution of a specific region as well as a division of labor and cooperation when basic production is made and regarding discharges and emissions.

Foreign experience has proven that efficiency of marketing approaches to pollution regulation is the higher, the higher environmental and economic socialization of production in region they cause. In particular, it turned out that 65 percent reduction in atmospheric pollution, when «bubble principle» is applied, was reached by spending 2 times less funds, than when traditional control measures over each separate source of pollution were used. At the marketing approach, i.e. when pollution permits are traded by enterprises, the efficiency can increase more than 6 times.

The marketing approaches to regulation inevitably cause a differentiating impact on enterprises, i.e. nature-conservation measures will begin to be taken mostly at large enterprises where their cost price will be lower than at small and medium-sized ones.

The development of environmentally controlled market will lead to that that activity of many enterprises and firms will begin to depend a lot on environmental and natural and resource factors of regions. It is a question of not only the system of taxes, payments for natural resources, for emissions and discharges of pollutants and for waste placement, of various ecological preferences and sanctions, but also of government and public environmental examinations used for preplanned documents, substantiation reports, technical and economic calculations, proposals for standards, projects, manufacturing entities themselves, their anthropogenic influence on environment, technology, equipment, production and waste.

From foreign experience it is known that environmental examinations of new industrial projects being built can cause consequences of economic, administrative, legal and sociopolitical nature as promotional placing and development of productive forces as slowing them in various regions of a country. If an environmental examination reveals defects in a project of

construction or reconstruction of production turned out to be harmful to environment and it is adjusted then time and resources, spent to change the project, will brake industry development in a given region. The examination should reject environmentally safe projects — technologies and products.

Working out and introduction of non-waste and low-waste processes, perfection of existing and creation of new treatment facilities, reshaping and essential change of infrastructure as well as a part of the existing economic relations of enterprises and firms — all that will influence the production cost. That, in turn, will influence the whole complex of economic objects, as well as economic and social background across a region as a whole. The outcomes of such influences should be taken into consideration by both state structures and local authorities and entrepreneurs when placing and developing productive forces in one or another region.

Scientific-economic working out of organizational and methodical foundations and of specific computational instruments includes:

- a) singling out of separate elements from the general structure;
- b) quantitative assessment and forecasting of values and tendencies of change of a range of environmental and natural and resource components in complex processes of stock price fluctuations of various enterprises and companies;
- c) creation of special system of interconnected indexes to use them at stock exchanges.

### **2.3 Environmental labeling (ecological certification)**

Ecological certification is directed on stimulation of manufacturers to introduce modern engineering procedures and release such goods that will pollute environment as less as possible. Principles of the international ecological certification were developed by the Technical Committee TC 207 «Environmental Management» of ISO and recorded in the International standard ISO 14020. The purpose of a manufacturer is to get any environmental sign for its production.

An environmental sign is awarded to production having certain eco-friendly advantages over analogs within a group of homogeneous products. Such labeling is voluntary and can be national, regional or international.

The main purpose of environmental labeling is to mark among groups of homogeneous products those products that have less impact on environment at all stages of their life cycle. At that production life cycle is understood as the whole chain of complete product manufacturing, beginning from extraction of raw materials and ending with its sale to the consumer and disposal.

Environmental labeling acts as one of the kinds of production manufacturer's declaration. It can be a sign, a graphic presentation on an item or a container; it can be presented as a text document, technical bulletin, advertisement and so on.



According to ISO 140020 environmental labeling is divided into three types.

1. Environmental labeling of 1st type is awarding a respective sign by the results of certification of products by the third party — legal or physical person accredited by a national system of certification. This type of labeling program demands that an applicant met certain criteria stipulating possibility of labeling of production by a certain sign.

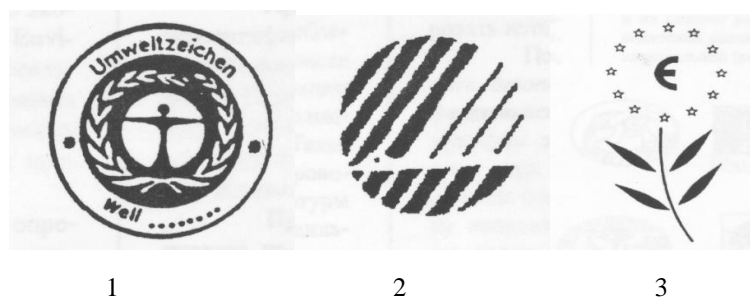
The given type of labeling is related mostly to non-manufacturing goods, but there are exceptions too, for example foodstuff along with package or food containers and those for food raw materials, is labeled.

In this case labels are given on the basis of comparison of a product (or production process) being studied with a similar one, adopted earlier as a model and then determining what danger they can create for environment.

The 1st type ecolabeling contains signs basically certified on a national level and widely recognized internationally, for example (fig. 5):

- Blue angel, Germany;
- Green glove and the Green Cross, the USA;
- White swan, the Scandinavian countries;
- Ecomark, Japan;
- NF-Environment, France.

Nowadays «EU Flower» label is used on the whole territory of the European Community. Certification principles in the EU are based on preventive measures since it is always easier to prevent pollution, than to eliminate its consequences. As a result, criteria of safety of production defining the efficiency of certification should exceed by their content evaluation parameters contained in standards.



**Fig. 5 National signs of environmental labeling**

1 – Blue angel, Germany; 2 – White swan; 3 – EU Flower.

2. The II type labeling is based on the self-declaration of conformity of production to certain environmental standards. It deals with labels of items and uses their content in marketing. In this case texts like «reusable», «ozone friendly» etc. can be used. Some of them can be environmentally important,

others are of purely informative nature, and sometimes can be illusory and even mislead consumers.

Such situation arose because of difficulties of substantiation of texts as different countries are always different from each other in various areas, for example, in technological approaches, in legislative and normative and technical bases when defining of environmental suitability of production.

Therefore such claims should not be considered as ecological certification proper. Using various signs together with some words, for example «environmentally safe», in many cases is ungrounded and should be considered only as manufacturer's wish to make production more attractive to customers, that is to increase its competitive ability on the market.

After having taken into consideration the experience of 2nd type environmental labeling usage of all countries, European organizations for standardization and the International Organisation for Standardization have defined the limits of use of such kind of signs as manufacturers' declarations. They distinguished three aspects shown in the following standards:

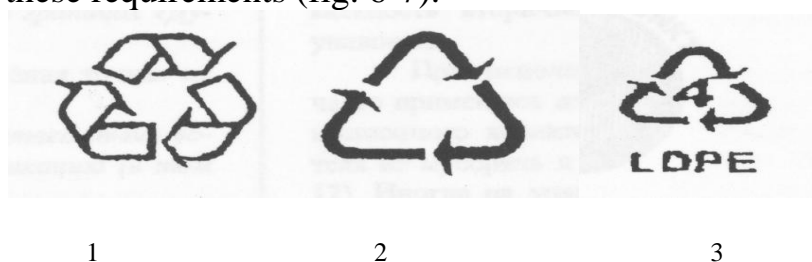
- ISO/DIS 14021 — use on labels or/and in accompanying documents of terms «recyclable» etc.;

- ISO/DIS 14022 — «Möbius strip» — symbol of recycling, it indicates the possibility to reuse a given product; the standard provides for the possibility to show it on labels and in advertisements.

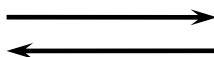
- in standard ISO/DIS 14023 a variety of test and check techniques necessary for acknowledgement of legitimacy of demands is considered.

Nevertheless, on the European continent there is a widespread opinion that this environmental labeling is used for information purposes. So, within the frameworks of EC directives on packaging and packaging waste among a large number of questions there are requirements to labeling of packaging, in particular regarding its identification.

The following signs have been proposed to be used to label packages according to these requirements (fig. 6-7):



1, 2 – «Möbius strip», 3 – sign of recycling with indication of materials features



*Fig. 7 «Reusable package» sign*

- possibility to reuse;
- recyclability;
- possibility to pose a significant environmental threat.

If it is necessary to indicate material a package is made of, then numbers or letters are written on it corresponding to one or another material; they are put in the recycling loop center or below it, for example:

- 1-19 – plastics;
- 20-39 – paper and cardboard;
- 40-49 – metals;
- 50-59 – wood;
- 60-69 – textiles;
- 70-79 – glass;

3. The 3rd type environmental labeling was developed to avoid the difficulties arising during certification of the 1st type. It is performed by the third party using a number of indicators, defined for a certain kind of production. All controlled indicators are established on the basis of study of production life cycle and indicated on a label.

At the given kind of labeling special signs are not used, but there may be indicated an organization that performed certification on a label.

So, in Russia not only methods of certification of products, developed in the West, and respective environmental labels are widely used, but also new ones are developed. In 1998, for example, «chlorine free» sign was adopted. This GOST (State Standard) is intended for labeling of paper, polymers, detergents, cleaners and bleachers. The «chlorine free» sign can be received, only after having passed certification, at that in order to do it, it is necessary to submit a description of a technical process of product manufacturing, a list of raw materials used in production as well as to declare that there is no chlorine and its compound as in raw materials as in a final product.

Well-timed getting of patents and certificates of authorship for environmental labels and cleaner production is one of numerous directions of environmental management.

## **2.4 Interaction of business and environment: environmentally focused marketing**

The issues of interaction of business and environment mean greening of scientific and technical and economic activity as well as contribution of business structures to the solution of the given question. In this aspect business is influenced by many factors, including:

- public concern about environmental condition;
- formation of nongovernmental environmental organizations, various associations of consumers, groups for public environmental examination of economic projects;
- government solutions in environment protection area.

The latter are connected, in particular, with expansion of areas of environmental disasters, technogenic failures which are accompanied by serious consequences and worsening of population health as well as with meeting obligations of international conventions and agreements signed by Kazakhstan.

In spite of the fact that costs of the state budget for environmental policy implementation are low, environmental factors are taken into consideration more and more both on macroeconomic and microeconomic level.

Dynamics of natural resource intensity reduction and science-intensity growth of trade is noticeable in many developed countries too. For example, before the Second World War Japan mostly exported textile products – raw silk, cotton, fabrics and clothing of an artificial silk. Later on, since the 60s, steel and shipbuilding products were exported, since the 70s – automobiles, household appliances, office equipment, semiconductors became exports. So, 70 percent of Japan's positive balance of foreign trade is ensured thanks to export of finished goods and spare and components of two large industries: automobile and electronics. All that occurs against the background of widespread nature-conservation measures and transfer abroad polluting, extracting, and now processing industries as well while financial control is exercised by Japan.

The example of Japan and other industrially developed countries showed that environmental factors in trade were taken into account more and more owing to its leading role in comparison with manufacture. Since trading volume growth surpassed manifold that of production volume such feature of world economy globalization caused alarm among environmentalists across the world.

Marketers have found out that trade growth is explained by three factors:

- 1) policy of national governments towards liberalization of trade and trading capitals;
- 2) scientific and technical innovations that reduced transport and communication expenses;
- 3) investment strategy at both the corporate and the individual levels, stimulated by two aforementioned factors.

All over the world great importance is attached to scientific and technical innovations — new kinds of products and specialization in production. Thereupon in many countries of the world that took part in the United Nations Conference on Environment and Development and in working out of the Environmental Program for Central and Eastern Europe, economic mechanisms of nature management and methods of economic evaluation of environmental and natural resources lately are improved and become firmly established; principle of payment for natural resources use and for environmental pollution by enterprises (firms) is introduced; measures on voluntary nature conservation activity are taken as an alternative to state activity.

## **2.5 Environmental audit and environmental reporting in the marketing system**

Environmental audit is conducting an inspection of environmental activity (ecological compatibility) of companies. The concept of environmental audit developed in the USA, was used for the first time in practice in the late 70s in order to check how companies observed ecological requirements of laws, legislative acts and standards. The environmental audit includes the check of the following kinds of activity:

- fulfilment of environmental standards according to the legislation and in-house requirements;
- definition of company's level of ecological compatibility (in case if a given company has no officially adopted plans or programs in the area of environment);
- operation of environmental management system;
- acquisition of an ecological certificate;
- meeting financial obligations and payment of debts, accuracy of risk level definition when companies are merged and bought;
- preparation of environmental declaration and company reports about environmental activity.

The environmental audit is comprehensive documented check process of objective revealing and estimation of data to determine the conformity of specific environmental actions, kinds of activity, conditions, administrative systems or information about them to the checked criteria and informing the consumer about the results received during the mentioned process. ISO International standards on environmental auditing include guidelines for environmental auditing principles (ISO 14010), procedures for the conduct of EMS audits (ISO 14011/1) and qualifying requirements to experts in environmental audit (ISO 1402).

For creation of marketing system it is important for the environmental audit to be considered as a special management tool and a component of environmental management systems. It is usually conducted by expert advisers on instructions of state and regional power structures (check of fulfilment of environmental provisions of laws and environmental standards), of banks or insurance companies (while they are making decisions about provision of credits, loans or an insurance policy) and, at last, of private companies (during mergers or acquisitions of companies). High fines or compulsory temporary closure can be the outcomes of check-up. Environmental audit results can be used as a source of marketing information about environmental aspects of company's activity and this information is utterly important for making subsequent administrative decisions.

The survey of 800 largest companies in 10 countries of Europe and North America revealed that in 58 percent of annual financial reports there are data of environmental nature. An annual environmental report is published by 10

percent of companies. As a rule, it includes: description of environmental policy plan, contents of environmental company policy, i.e. its intentions and target indicators, data on environmental management system, data about volumes of emissions of pollutants, resource saving measures, organizational actions concerning risk management, rules of environmental standards observance, management of ecological compatibility of production, encouragement of employees' environmental initiatives, plan of work with people and organizations interested in company's activities.

The efficiency of introduction of environmental actions and environmental management systems in company's activities is expressed:

a) in direct advantages connected with possibility to expand production outlet, to avoid unnecessary costs, to lower expenses, to save main funds, to receive required investments;

b) in indirect advantages including improvement of company employees' motivation, of relations with local population, of company reputation.

Some foreign partners in joint ventures, aspiring to adapt themselves to the nature of business relations in our country, including to the existing practice of infringement of nature-conservation standards, do not observe statutory provisions in the field of preservation of the environment. That has to do, for example, with petroleum, petrochemical, metallurgical and mining industry. Both the environmental audit and environmental reporting become more important due to it.

There raised significant possibilities for formation of branch of environmental services (audit and insurance) with private sector development in the post-Soviet countries. It is especially urgent for small enterprises of both industrial and construction profile that can exert a significant influence on the environment.

Cooperation in the field of development of environmentally appropriate entrepreneurship assumes the following:

- studying of Western companies' experience, Western and international legislation;
- training of environmentally focused entrepreneurs;
- personnel formation i.e. experts in creation of control systems of environmental activity of companies;
- conducting environmental audit.

## **3 GUERRILLA MARKETING**

### **3.1 Guerrilla strategy principles**

### **3.2 Guerrilla strategy forms**

### **3.3 Possibilities of guerrilla strategy implementation under modern conditions**

The term «guerrilla marketing» was introduced by an American marketer Jay Conrad Levinson who published the book with the same title in 1984.

Guerrilla warfare is conducted by the overwhelming majority of companies. The guerrilla should claim only to that piece of the market one is able to keep. It should be ready to abandon everything at any moment and to be engaged in new business and to never try to behave as the leader.

That now there on «guerrilla» market is, certainly, not a large-scale opposition, where standing armies fight against each other, but a total chaos. There is a historical analogy of such chaos — the Russian Civil War when everybody fought against everybody. Then at the same time there acted well-organized armies trying to force the enemy out of occupied territories and guerrilla bands fighting against everybody who trespassed on their territory.

Today on every market there is the leading brand as well as its competitor — brand #2, but at the same time there is a great deal of local small brands that feel themselves perfectly well on local market, and also thanks to regional consumer patriotism, consumers' commitment to purchase production made in a native city/town or area can be its example.

As a matter of fact guerrilla strategy is «guerrilla warfare» conducted on the market.

### **3.1 Guerrilla strategy principles**

#### ***3.1.1 First principle of guerrilla strategy***

It is to find market segment small enough to be protected. It can be small territorially, as for sales volumes or in any other respect if only it was difficult and inexpedient for a larger company to attack it. The guerrilla organization of business does not change mathematics of marketing warfare. (A large company still defeats a small one.) Instead of that the guerrilla tries to reduce a battlefield to achieve power superiority on it. In other words, it tries to become a big fish in a small pond.

Usually it is achieved in terms of location. You will find a restaurant snack bar in any city or settlement, besides McDonald's, and a hotel, besides Hilton. Local retail dealers adjust their assortment, menu or list of services to local tastes. There is nothing new here, it occurs almost automatically.

The point is that the guerrilla wishing to become successful should be guided by the same thinking in other situations as well when segments can be not so evident.

Aston Martin, for example, is the guerrilla with stiff prices in the automobile business. The firm prevails on the market of cars that cost over \$250 thousand. As a matter of fact, this market belongs to it. Nobody has intention to compete with Aston Martin, since, first, the existing market is very small and, second, at least in the beginning, Aston Martin will have a huge advantage. Mathematics is on the side of the English company.

Guerrilla attack is somewhat similar to the flank one. For example, Rolls-Royce can be called the company with stiff prices conducting flank warfare. But there is one important difference between them. The flank attack should be near leader's positions. Its goal is to take a part of market from it. Mercedes-Benz makes the flank attack on Cadillac with stiff prices. And it succeeds, taking business from this division of General Motors. And Rolls-Royce is a real guerrilla. Though the company's strategy consists in taking business from others - it does not encroach on their positions. A Rolls-Royce dealer can equally well take business from a municipal bond seller or from jeweler's store, as well as from another dealer.

How small should guerrilla company market be? There is no definite answer to this question. Try to find such a segment that would be small enough and where you could become the leader.

The tendency, however, is reduced to the opposite: to try to capture as large market as possible. That can be a mistake.

Rather rarely there are news about companies that went to smash because the market where they concentrated their efforts, was too small. On the contrary, there is a lot of stories about the "broken off in shreds" because of overexpansion, released too many products for too many markets and regions. Sometimes the guerrilla is tempted to change own strategy for the flank one, that is to try to increase a market share, having got closer to the leader and having encroached on its positions. For example, what prevents Aston Martin from turning out less expensive automobile that will compete with BMW, Mercedes and Volkswagen?

The main thing here is means. Does the guerrilla have resources (money and organizational) to participate in increased competition? Sometimes there are means. But mostly there is a lack of them. At times while trying to defeat a larger organization, guerrillas forget that for this purpose they should leave their refuges and fight on an open field.

And why is it impossible to do either thing simultaneously? To hold own guerrilla positions and at the same time to conduct flank attacks. Why can Aston Martin not continue to sell its ordinary cars for \$200 thousand and new ones for \$50 thousand in order to attract a part of army of Mercedes customers?

Such way of thinking is called "brand expansion trap". Two different concepts cannot be called the same. Cheap "Aston Martins" will influence negatively more expensive ones. And soon they themselves will cease to be sold, as who needs a cheap "Aston Martin"?



So in the 30s Packard Company presented Packard Clipper — cheaper version of an expensive car. Cheap autos were sold out, expensive ones remained. Clipper became the main reason why the name Packard has disappeared from automobile horizon.

Let us remind again that the main point is concentration. The guerrilla by its nature begins with small means. To survive, it should resolutely suppress inner desire to scatter forces for it will cause disaster.

### ***3.1.2 Second principle of guerrilla strategy***

*Whatever success is achieved by the guerrilla firm, it should never behave itself as the leader.* That day, when the guerrilla company will order a limousine for its director for the first time, its decline will begin.

The majority of heads of guerrilla companies, certainly, did not graduate from the Harvard Business School and did not learn to work so as they work in General Motors, General Electric.

Let alone that leaders for guerrilla firms are not trained at business schools; leaders are trained only for large companies. Both strategy and tactics of companies waging guerrilla warfare should be opposite to that of the lucky — "500 best."

Successful guerrillas use absolutely different organization and work pace.

Look at the organization of the typical large company. More than half of people render services to other employees. On "external front" only a small part of corporate army operates, and only it deals with the real opponent — with competitors.

Some employees of such companies are able not to meet their buyers or rival sellers for years on end.

Guerrillas have to use this weakness: as higher percent of their employees as possible should to be in "firing line." They have to resist temptation to create formal organizational structure, job descriptions, promotion plans and other attributes of "regular" company. They should have no staff at all to the extent possible — only individual contributors. To involve as many employees in fight as possible is not just tactics. This is also a method to dramatically increase the speed of guerrilla company's response to market changes. Besides, guerrilla firms can make decisions more quickly due to their small sizes. This is a very valuable quality when competing with large companies of national scale for which "quickly make the decision" means to spend 6 weeks for it, instead of 6 months, as usually.

### ***3.1.3 Third principle of guerrilla strategy***

Be ready to close up your business at any moment. The company that escapes in time can revive in another city/town. If you feel that you are losing the fight, without hesitation, leave your position or product. The guerrilla has no spare resources to spend them on obviously losing plan. The guerrilla should be able to give up quickly and move to a new place.

In it there is the advantage of flexibility and absence of rigid structure. The guerrilla usually succeeds in taking a new position, at that without going through the inner pain and stress that prevail among ranks of a large company that found itself in a similar situation.

The absence of posts and staff personnel are advantages too.

The opposite to closing up one's business — its opening. The guerrilla should be able to use its flexibility and jump to a new market fast, whenever an attractive possibility emerges there.

In the small company one person's ardent desire is enough to release a new product. Whereas in a large one — similar desire, most likely, will be buried in committees for months on end.

Robert Gamm, the importer of outer clothing, had no idea where to put his keys and small change while jogging. This inconvenience inspired Mr. Gamm to release Kanga Roos, sports shoes with a zipped side pocket. Its sales skyrocketed right away: almost up to \$75 million annually.

Sometimes the guerrilla succeeds in catering in time and taking the territory is being left by a national brand for whatever reason. And while the market is still there, the guerrilla can have time to meet the current lack.

When Nalley's Foods found out that Draft Company was going to abandon its artificial mayonnaise, it took just 9 days to roll out a similar product on the local market. International Rubber, small firm from Louisville, Kentucky, sells the most expensive radial car tires, operates through the dealer network remained after the Michelin Company left the market.

### **3.2 Guerrilla strategy forms**

#### **3.2.1 *Geographic guerrilla warfare***

Virtually any product or service, known and distributed on a national scale, can be attacked within a certain locality. This is a classic guerrilla tactics.

Business Week, Forbes and Fortune are robust national editions about business. It will be utterly difficult and expensive to issue something else of the same scale and topic. Dozens of millions of dollars and small chances of success — who will agree to that? However the market of city business press is thriving. When in 1979 the Alliance of Area Business Publications was established, it included only 19 members. In five years they already numbered 88. Michael K. Russell, the chairman of board of directors of American City Business Journals, Inc., owner of eight newspapers, says that to issue a new weekly edition just \$750 thousand are needed.

Grain's Chicago Business is a typical example of such a guerrilla edition. This weekly edition was founded in 1978 by Grain Communications Company and already in three years it hit, what is called, the bull's-eye. Nowadays it has 40 thousand subscribers, 75 percent of them are loyal to the edition. The sizable pretax profit amounts to 25-30 percent by some estimates.

It seems 40 thousand copies is nothing in comparison with 800 copies of Business Week. However the latter has only 36 thousand subscribers in Chicago. So Grain's is ahead at least in one city.

The guerrilla does not change marketing battle mathematics. Instead of that it reduces the battlefield for achievement of the superiority in force on it. The examples of this concept operation can be found almost in any branch. Let us take, for example, banking. In any city or state there are local small banks competing with large ones.

### ***3.2.2 Demographic guerrilla warfare***

Another classic guerrilla tactics is to cater to specific sections of the population, that is to segments, differing on certain age, income, occupation and so on.

The typical guerrilla of such kind is the edition Inc. It was the first nationwide magazine for owners of small enterprises. It enjoys a phenomenal success since its publication in 1979. For the first year of its existence on 648 pages of Inc. issues ads amounted to a total sum of \$6 million. It is the most successful "first year" in the entire history of magazines. Inc. became the first edition intended for then virgin market of small enterprises.

Some guerrillas combine the geographic and demographic approaches. Avenue magazine, another example of successful marketing, is intended only for high-income inhabitants of Manhattan Island.

### ***3.2.3 Branch guerrilla warfare***

The next classic guerrilla strategy is to concentrate on one branch. In computer business, for example, such strategy became known as vertical marketing.

Some companies choose branch — let us say, advertising, commercial printing or banks — and develop entire computer systems for it, intended to solve problems unique for this kind of activity. At such systems there can be not only specialized programs but also special physical devices.

The basis of success in branch guerrilla warfare consists rather in narrow and deep, than wide and small range. If such a company starts to adjust to other branches, development problems will be not long in coming.

### ***3.2.4 Product guerrilla warfare***

Many guerrillas make money due to concentration on small markets and products that are unique in some sort. Their sales never become rather large in order to attract major players of the same branch.

For example, within 10 years American Motors was selling a little more 100,000 Jeeps a year. For same time General Motors was selling 18 times more Chevrolet cars. So why should it release a Jeep-like product? Probably in order to sell 30–40,000 vehicles more.

Unfortunately, military thinking of American Motors cannot be called as farsighted as that of GM. Money, earned by AMC, was spent on Alliance, Encore and other models that, as it was intended should compete with Chevrolet.

The most successful passenger car of AMC was Eagle — a powerful four-wheel drive sedan. In other words, the product having advantages of Jeep model.

### ***3.2.5 Guerrilla warfare in top sectors of the market***

Today society is rich, and thus, there is a set of guerrilla firms in it, offering the most regular "top class": piano of Steinway brand, Concord watches, Cuisinart food processors etc. Cuisinart food processor at \$250 is an expensive product to maintain large volume of sales. It costs four times more than models of General Electric, Sunbeam and Waring, but it has additional options and attachments justifying variation in prices.

Many potential guerrillas do not dare enter the market of similar goods. They are afraid that their brands have no enough possibilities to justify preposterous prices they intend to charge. Therefore they make a compromise variant and put lower prices. Sometimes for this purpose they worsen quality or remove some options. And as a result their product never creates that aura of mystery and sales volume its creators dream about.

They confuse cause and effect. Mystery is not the cause causing the effect: high demand and large volume of sales. Good quality and stiff price — here what makes the effect of mystery that creates demand. Stiff prices make the product "noticeable" in the distribution system. But you should be the first for that.

In order to "be a guerrilla" in top sectors of the market, the belief and courage are necessary: belief in the future of own invention and courage to release a product with a name unknown to anybody.

Top sectors offer huge opportunities; but neither for \$300,000 sports cars nor watches for \$10,000. Real opportunities hide in top sectors of consumer goods.

Who can afford Ferrari? Few people. And who can pay \$5 per 1 kg (2.2 lbs) of salt (20 times more than the normal price)? Virtually anybody can do it. But it is no-brainer to sell salt for \$5 per 1 kg. The trick is in that what to add to it so that it will cost such amount of money.

### ***3.2.6 Creation of allies***

Creation of allies is the strategy used in many branches, especially there where the bulk of competitors consist of hordes of local guerrillas. Franchising is a typical example when attempt is made to create a network of branches using the same name owned and run by local owners. This strategy can be implemented by two ways: top-down and bottom-up.

In the first case the organization develops the whole package of service and offers it to local businessmen. The examples are McDonald's, Pizza Hut, Holiday Inn, Coca-Cola. In other words, they invent the concept and hire the army of guerrillas who implement it.

The second approach is more creative. In some cases it leads to more impressive success since to start the activity less resources are required. Century 21 Company is a typical example. The company hired already existing realtors

by contract; they joined in a nationwide group and started to exchange lots and data.

The main question that needs to be answered when finding allies: who are competitors? Sometimes you compete with your neighbor, sometimes with somebody else.

Two motels, located opposite each other on two sides of the road, can be mortal enemies — sufficient reason for one of them to join Quality Inns. On the other hand, these two motels can be located on one of the Caribbean islands where actual competition comes from another island being a hundred miles away. Therefore instead of struggling with each other, they can combine their efforts and advertise their island appeal that is to struggle with "overseas" competitors.

Therefore the increasing number of joint marketing actions, since companies start to define real competitors in a new fashion, is observed. Understanding principles of waging marketing warfare does not mean at all, that it is necessary to increase the number of enemies. Sometimes it leads to opposite results.

The principle of force will make guerrillas to unite to keep their own lives.

### **3.3 Possibilities of guerrilla strategy implementation under modern conditions**

Strategy of guerrilla strategy is constructed on using cost-effective and non-standard methods that is especially topical for enterprises of small and medium-sized business

Four basic types of marketing strategy are known: defensive, offensive, flank and guerrilla.

Defensive strategy is widely used by the companies, being in the lead, to defend their share of the market. The strategy assumes counteraction to strong moves of competitors (technological innovations, market consolidation by intensive selling, price wars). Such confrontations arose, for example, between Coca-Cola and Pepsi-Cola.

Offensive strategy pursues its aim to take a certain market niche. The example of successful offensive strategy was shown some time ago by Aqua Minerale that pressed in the Russian market of bottled water its initial leader — «Borjomi».

The principle of flank strategy consists in development of the markets with a weak competition. The example of such an approach is opening up the market of light beer by Miller Brewing Company.

Guerrilla strategy assumes the use of low budget but at that, effective methods.

Guerrilla marketing owing to its cost effectiveness can be the main tool of enterprises of small and medium-sized business, and allows large firms to reach out to those prospective buyers resistant to conventional advertising. Guerrilla

methods enable companies to stand out on ever-growing general background. According to statistics, for example a Moscovite sees two thousand ads daily and if a company wants its products to be noticed, it is necessary to resort to unconventional actions.

In this and next several books he shared methods of new technology, viral marketing and unconventional outdoor advertising are the most widespread.

These methods encourage customers to share information with people around them. Today Internet is one of the main means for this purpose. As a virus can be, for example, an interesting video internet users will feel like discussing with each other and in so doing will not treat it as direct advertising. So, Coors Brewing Company once launched in the Internet «Drunk surfer» video to support the sales of Coors Light.

Viral marketing will be described in more detail in the following separate paragraph.

Why is guerrilla marketing efficient after all? Certainly, the secret of success is in originality of promotion methods. But after all any successful marketing strategy — offensive, defensive, flank — focused on specific customer's needs and includes, as a rule, not standard advertising offers on duty, but point actions and untrivial solutions. Simply because traditional strategies are original to a lesser degree, than guerrilla ones are. In any case the choice depends on objectives company sets. For a small firm, wishing to take its niche in the market and focused on certain target audience, creative methods of advertising are required. (But for large brands, with the account of current tough competition, the creative approach to advertising is very important as well).

In order to be notable, to develop a competent promotion strategy is not enough. It is necessary that it includes originality and appealing to deep person's needs. How can it be achieved? The European president of company Guerrilla Marketing International Paul Henley offers to develop guerrilla techniques based on the paradigm of neurolinguistic programming (NLP). Undoubtedly, the customer can be programmed to buy one or another product but then there arises the issue on the moral side of guerrilla marketing: whether will somebody get the desire to use hidden advertising methods for bad purposes? The experience proves that for the sake of money — will get, and for the sake of much money — will do by all means and already there is.

From the customer's viewpoint, guerrilla advertising is not only the offer to pay attention to the product, this is an actual communication involving in the game, and it can surprise and improve one's mood. And on the contrary — unsuccessful, excessively shock advertising is capable to cause an inverse effect and to repel buyers.

When working out nonstandard marketing strategy it is necessary to feel a distinction between originality and vulgarity and to consider target audience representatives' expectations. Mr. Levinson in his books recommends adhering to the following rules of guerrilla marketing:

- to set precise goals and terms of marketing actions excluding blind work;
- to understand what the consumer wants, in what your company is stronger than competitors, what are its benefits to intermediaries;
- to find the cheapest and direct ways, zestful creativity is the best substitute to large financial investments;
- to keep consumers in suspense.

Thus, guerrilla marketing is based on the ability to think out unconventional and effective promotion methods to stimulate the sales, and main investments in such advertising are not so much money as imagination. The creativity of approach itself matters a lot for guerrilla strategy implementation under modern conditions. The example of such strategy can be life that entered the market of Belarus mobile operators enticing clients with 3G Internet with free modems, free calls within network and bright, catchy advertising its leaders MTS and Velkom lacked.

## **4 EVENT AND SHOCK ADVERTISING**

### **4.1 Essence of event marketing and stages of its development**

### **4.2 Event marketing peculiarities and possibilities**

### **4.3 Shock advertising**

### **4.1 Essence of event marketing and stages of its development**

Every day information avalanche of all kinds of announcements, offers, advertising messages etc. falls upon the modern person. A certain individual is capable to perceive and analyze only scanty part of all information, and it is more difficult for companies to capture consumer attention. Hence, nowadays traditional method of communication is already not enough to attract consumers' attention. Therefore there emerge different variations and ruses to keep and strengthen classic advertising effect.

One of the tools, called to solve this problem, became event marketing. It is a method of promotion, directed on creation and strengthening of brand image by organizing unconventional actions, special events. From this viewpoint event marketing can be considered as symbiosis of advertising and public relations.

The area of even marketing application is immensely wide. This is formation of a news hook for PR campaign, method of mutual relations with target groups (investors, clients, partners); holidays, parties, various special events — powerful tools for deep emotional effect on the consumer.

There are several reasons explaining a powerful influence of the given communication on consumers' attitudes. First, people better remember that that they have experienced on emotional level. Second, people, as a rule, "animate" brand and feel gratitude and friendly attitude for presented experience. Third,

the target group better perceives that the manufacturer offers unobtrusively since people visit special actions of event marketing with other purpose voluntary and they keep feeling of their own choice.

So, event marketing — marketing tool, a complex of special measures and actions carried out for the purpose of manipulation of both behavior and opinion of an audience specially invited to certain event. The task of event marketing is to form a positive personal attitude to the brand, company, to raise interest, to allow him to feel benefit and to get real experience of contact with the product (service), brand.

Event marketing uses an occasion — event: real or invented, scheduled or specially organized, widely known or created especially for a specific audience. Impressive and memorable events are used by companies not so much as an instrument to remind about them as when there is new offer of product or service. When playing up a planned event it is necessary to consider the fact that interest to the new, causes larger response. The correct use of all advertising tools of event marketing in total can give benefit as for those who organize the event as for those who participate in it.

A properly organized event is: a) selected target audience corresponding to the event; b) participation of the invited, the action; c) benefit from an audience's contact with a product (service) brand.

One of the main principles of the modern event marketing is to involve target audience in the event. Special events are the main tool of event marketing. As a rule, the main purpose of event marketing is to reveal brand's nature through demonstration of certain life style. It is important that prospective consumers started to share values of a brand, to identify them with a product (self-identification) so that it became a part of habitual way of life (by the use of projective techniques). Conceptual events can be also used as tools of attraction of investors; they can help to raise funds the sum required to finance a new direction, to find investors for project continuation, to lease "stagnant" spaces or they can become one of the projects within the frameworks of implementation of corporate social responsibility program by a company.

Event marketing uses various tools of advertising and PR, however often for its implementation knowledge and skills from allied areas are demanded: art, science, public activities. So-called «cross-promo-projects» — independent cross-promotion of two or more trade names, or products. Such a promotion is possible for commercial companies as well as for public ones. In the first case there can be savings on costs and getting additional target audience of partner company; in the second — increase in prospective customers' loyalty because of sharing ideas and values of public organization and increasing target audience because of its supporters.

The brand of a new product or service is positioned depending on both format and content of an event.



## Event marketing kins

*Promotional activities.* Objective — promotion of product, trade name, brand. Target audience — final consumers. Format: promotional actions, presentations and opening ceremonies, parties, entertainments in the open, concerts, exhibitions, festivals to support a specific brand.

*PR events.* Objective — increase in loyalty of partners and other important groups, to inform them about the activity of an organization. Target audience — partners of an organization. Format: presentations, conferences, seminars, press conferences, exhibitions.

*Corporate events.* Objective — strengthening of corporate culture within the organization. Target audience — organization employees. Format: calendar holidays, corporate recreation, parties, company's anniversary, sporting events, extreme sports and activities, professional holidays.

*Social activities.* Entertaining and educational events for particular groups of people whom the company helps with the frameworks of the concept of social responsibility of business. Examples: children's holidays, sporting events, events in the field of culture and art, city holidays and so on.

A special kind of event marketing is sponsorship. The participation in events as a sponsor is opportunity to «demonstrate» one's brand in events of non-advertising nature. As a rule, they are rather status events being of certain importance for target audience and arousing its interest: sports and city holidays, club parties, various competitions and shows — only several events where it is possible to participate as a sponsor and to bring one's advertising message to an audience present at these events.

### *Event marketing merits:*

- event marketing is a sort of mix of ATL, BTL and PR and because of that it influences through several communication channels at the same time;
- hyped-up event becomes a brand itself allowing to widely use it when creating a subsequent company strategy;
- event of event marketing can have "long-playing" effect since it can be initiated long before the event (in announcements, posters, press conferences) and continued in subsequent reports in the media;
- participants of an event can be considered as a large focus group where a firm tests its offers;
- event is an occasion to establish a necessary contact with journalists, it forms their interest and favor better than under ordinary conditions. This contact should not be underestimated, as not only coverage of a given action but also subsequent actions of a company depend on the media;
- it is possible to organize direct sales of a product at event of event marketing;
- high creativity and flexibility, implied in event marketing, allow creating original programs for companies of various scopes of activity and with different financial possibilities;

• event marketing can be used there where advertising is forbidden or has no effect. It is no coincidence that history of holding special events began at branches with various legal restrictions on advertising (for example, tobacco industry, pharmaceuticals).

The idea of event creation to attract mass interest appeared a lot of time ago - as far back as Roman rulers found out two major control levers: bread and circuses (Panem et circenses). And the technique called «organized event», having strong emotional effect on target audience, remained urgent to this day.

One of the first events that can be labeled as event marketing was a nationwide competition of sculptures from bars of soap. In the USA Procter&Gamble Company was «Customer» of the competition. The competition purpose was to transform a cake of soap causing unpleasant associations in many babies, into one of their favorite toys inducing them to creativity. In the course of a year thousands of American kids were involved in a real competition.

L.-P. Laprévote, a French researcher in the area of PR, connects development of public relations with event communication models. The researcher differentiates three periods of the evolution of PR «engineering» and each stage has a special goal:

- 1) 1946-1960 – to make a company well-known;
- 2) 1960-1980 – to create a brand image;
- 3) after 1980 – to develop company's culture.

Each stage has its own slogan:

- 1) «do well and make it known»;
- 2) «image capital — trust capital»;
- 3) «enterprise — citizen».

Event marketing became an independent industry for last 30 years that coincided with annual increase in the number of marketing effort. Coca-Cola, Nike and Nestle used this kind of marketing. McDonald's was one of the first companies resorted to event marketing, it connected an image of fast food network with Ronald McDonald's children's home and regularly holds special events using the clown Ronald. Such tactics of event marketing helped the company not only to attract a family audience — kids and their parents but also to create a positive, vivid, memorable image. McDonald's also uses other tools of event marketing, for example, all kinds of acts of charity with involvement of stars that increases a favorable image and enlarges target audience.

#### **4.2 Event marketing peculiarities and possibilities**

The contemporary world is characterized by information glut. It is for this reason that experts in marketing, advertising men and PR experts need not just to «search for moments» when consumers are willing to perceive information, but to create such moments by themselves, when and where it is necessary for a company. This is indeed the main goal of event marketing.

The traditional approach to product promotion can be compared to a pack of instant lottery ticket: until you open it — you will not know the result: won or lost. The basis of events of event marketing - use of the opposite approach, consisting in that the consumer feels satisfaction already during an event — here everything can be seen, touched, tested, felt. Thus, it is events of event marketing that allow approaching the consumer «from an open side» and they are long remembered against general aversion of advertising. That's just one of major advantages of this kind of marketing.

Many experts in promotion direct their companies' management to make additional costs related to promotional activities. However today's consumer, accepting gifts during promotional activity, far from always being inclined to show "loyalty" to a trade-mark hereinafter; after it is over brand name is actually mostly forgotten. The consumer simply gets one's temporary commercial benefit and buys a product from those who give good discounts or simply give presents.

Therefore marketers start to realize that promotional activities should be focused on personal communication contact with consumers. The goal of such a contact — to convince them in an active way in value of a product for every particular customer. Thus, the point of organizing events should proceed from desire to unite people, to provide them with conditions for free intercourse, to eliminate obstacles in its way.

Event marketing ensures not only a direct response, but also a feedback that is utterly important in business communications. Provision of the consumer with information justifying the need to buy a certain product, is given to the consumer during interesting or even fascinating event where he takes part voluntarily.

The essence of the offered information reaches the consumer in the course of easy, «accidental» training, after all the person gets knowledge about a product, company, its trade-mark during an interesting intercourse, often — a fascinating game. As was already mentioned, it is an established fact the person better memorizes that that he experiences on an emotional level.

Reception and keeping of respective information about when an event for persons interested will come, differs radically from perception of «conventional» advertising. In this case, a particular person is granted the right of a specific choice, at that without «load» of suggestive pressure.

Event marketing gives a company a number of opportunities:

- it effectively forms an emotional connection between the brand and consumer;
- it allows ensuring the maximum involvement of participants into event process that will cause their loyalty in future;
- it assumes the use of other elements of mass communication such as advertising, PR and BTL;
- it allows organizing direct sales by connecting them to events being hold

Event marketing drawbacks include:

- lack of information in the given area since there are few professionals of this kind of marketing;
- large-scope nationwide advertising campaigns can sometimes bring smaller result than local events;
- large expenditures of labor (physical, organizational, especially creative).

Thus, the major element of event marketing is an active influence of an event on an emotional component of information perception by a consumer. The wave of arising emotions involves him in a relaxing atmosphere of a holiday. All this occurs outside one's job and of daily turmoil.

Suffice it to mention Eric L. Berne — an outstanding American psychologist and psychiatrist who put forward transactional analysis theory. In it he pointed to the fact that “entertainments are always desirable for people as «child» waking up in them incites them to cross a forbidden line.”

It is appropriate to mention here that in the modern world over 45 percent of events the media reports about not just occurred but were organized to be reported. Consumers are informed about it and frequently «do not swallow» this «bait». Therefore it is desirable for events to be natural instead of artificially created for marketing. Only in this case any event becomes a real piece of news, drawing public attention, consequently that of the media as well. This requirement can be met if a given event is socially significant. And that means, that newsmakers take part in it — celebrities whose appearance draws attention of the media and it becomes the event: known and outstanding politicians and high-ranking officials, religious figures, eminent scientists, famous actors, musicians, writers, artists, sportsmen. If this event is connected with a scandal, emergency it only adds emotions with all positive consequences for marketing.

Both efforts and means spent to prepare and hold the most amazing event, actually, will be gone for nothing if such information is not purposefully reported in the media. Therefore distribution of press releases is necessary, and it is even better to invite journalists to an event. If there are newsmakers at the event, journalists will come themselves for fresh material — and no money has to be spent for their invitation. On the other hand, newsmakers, with their alleged dislike for paparazzi and for journalists in general, quite care — whether and how their presence at an event will be covered. One's image and publicity should be also kept up — let oneself be noticed at spectacular events. Newsmakers are there where journalists are and vice versa.

Besides, there has to be a subsequent public feedback: discussions, comments, records of an event, a photo- and video shooting enlarging company's portfolio.

There are increased requirements to the organization of such events regarding security provision, cultural program quality, refreshments.

The existence of distinct general marketing strategy (ideology) in which frameworks an event is held is important. It is necessary to develop not so much

strategy of the most special event as strategy of its media coverage ensuring to reach for certain target contact groups. These groups should have possibility to receive the information about an event then and there, where and when it is convenient for them and they are used to. The more authoritative the attracted information source the more significant its influence on target contact groups. Therefore it is necessary to go by the media dominating in a given market and given target groups. The invited newsmakers should be not only well-known, important but also are interesting to target groups. The information given to the media should be presented in a format convenient for them.

With the purpose of effective promotion it is expedient to use stages of event preparation as self-contained news hooks, giving the main information dominant in the end when a final event is held.

It is possible to use a current special event for launch and promotion of the following ones – that favors not only saving of means, but multiplicatively increases cumulative information return of PR. The shortage of means can be compensated by original creative solutions, attachment of events to holidays, anniversaries, arrivals of celebrities.

Event is always brand continuation, expression of its relations with target audiences in the active form. For this reason it is especially important, for event and brand to be coordinated with each other. Their values (main event message), unique commercial offer, unique emotional offer (participants' feelings after an event, meeting their needs), stylistics and visual aspect (music, spectacle), method of interaction with an audience (form of event and kinds of activity of its participants) should coincide.

One of the first steps in the organization of a special event is to define its theme and name. The event name should sound tempting and stimulate potential participants. For an event to be effective, it is advisable already in its name to address to target audience for its motivation.

The group of primary motives includes rational ones (revival of contacts, information acquisition, sharing of experience). Such motives can be influenced at organization of seminars, trainings, conferences.

Secondary motives are connected with more significant influence of emotions. They include keeping status, demonstration of social responsibility.

The stages of special event creation go in the following order:

- origin of idea;
- idea completion and event definition, project preparation;
- making decision to hold, appointment of project managers;
- planning;
- making decision about preparation, definition of estimate, public statement;
- final planning, preparation and organization of an event, distribution of invitations;
- provision of a venue with necessary amenities, installation of equipment;
- kickoff (official opening);

- implementation of special event scenario from opening till closing;
- end of an event, official closing;
- demounting of equipment, organization of departure;
- completion of calculations;
- data processing, financial account;
- project close-out;

It seems useful to initiate desire of spectators to play and/or compete with each other. It allows getting acquainted and, probably, to make friends, rallies employees of corporation, directs the energy of «heated up» guests to the necessary course creates informal atmosphere of holiday, creates the ground for occurrence of social and business communications.

### **4.3 Shock advertising**

Shock advertising — spectacular, unconventional events on the verge of breaking the rules. Just such events are remembered and engraved on person's memory for a long time. These are marketing events which exceed the limits conventional methods and means of advertising communications and product promotion.

Rather often the only way for a company to go out of crisis is either investments or shockvertising. Investors cannot always be found, but it is always possible to do something shocking. It is possible to call it a sort of reserved variant when all the rest have already ceased to justify themselves and when there is already nothing to lose.

What is shock advertising? It is a question of scandalous, shocking deliberate trick that does not conform to norms of law and morals and is made in order to draw attention. And in narrower sense of a word — violation of any generally accepted rules. And when a consumer sees such advertising, he automatically concentrates one's attention on it since it does not conform to moral standards. And it already does not matter — whether he admires it or shakes with anger — necessary effect is achieved.

Accordingly, shock advertising is a scandalous advertising that should draw attention to a specific product. The dumbest but vivid example is advertisement with obscenities.

Shockvertising is often called a kind of guerrilla marketing, hinting at its low-budget nature. But it does not correspond to the facts. Very often shockvertising demands significant expenses, especially if it concerns video advertising. We consider that shock advertising can be as lateral version of event marketing or adjoins the latter to some extent.

When shock advertising is used it is necessary to tell about risks first of all. Whereas guerrilla marketing or revealed hidden marketing just irritate shockvertising risks that certain categories of buyers can reject company products at all.

For example, in the event if advertising will be of discrimination nature by racial, sexual, age or another sign. Moreover, often shock advertisement is

forbidden to show on television. Certainly, at the time of Internet it is not a problem, but all the same, part of an audience is just lost. As a result the maker of advertising is between a rock and a hard place — on the one hand buyers who can be attracted as well as repelled by shock advertisements. On the other hand — legislation that can recognize advertisement as illegal and ban it (that is money will be wasted for nothing). It is for these reasons that today there are few shock advertisements and if they are found then in cut variants. (Want to see for yourself — watch videos on YouTube with «forbidden advertisement» request).

Certainly, with such disadvantages nobody would be occupied with shock advertising, but for huge advantages. What exactly does it consist in? First of all it is in its efficiency.

To speak metaphorically, conventional advertisement is grenade explosion, and shock one — nuclear bomb. The harsher such an advertisement the stronger the effect. Especially striking it will look in the block of ads on TV against its competitors.

One more important side of shockvertising is memory. Let us assume a known company only in the beginning of its existence released a shock advertisement and then switched over to more traditional kinds of marketing. Nevertheless, it will always be remembered by that first and shock advertisement. Such advertisement is virtually topical all the time.

Now that we evaluated merits and demerits of shock advertising, we will answer the question — why is it necessary?

Small business needs shockvertising in order to be distinguished among other competitors. Indeed, it is small business that risks most of all in this case. But in case of success such a small business is able to become a big one rather quickly.

For a big business shock advertising is necessary to stir the public. Imagine any solid firm. And now think what effect it will make if it releases a harsh advertisement criticizing any sphere of society. A wave of criticism will rise right away. It will mean that public interest to the company increases.

It is shockvertising that helped the network of cellular showrooms "Yevroset" established in 1998, to reach a turnover of about \$2 billion. The slogan "Yevroset", "Yevroset", prices are simply f...g low. " Expenses for this advertisement were less than \$10,000 and sales increased 2.5 times during year of operation. In 2002, after the action "Undress and get a mobile phone" costing \$1,300, the photos of this event attracted about 30,000 people to "Evroset" site.

Last year Swedish cellular operator Tele2 hired 10 students who after celebrating "Last Bell" went into streets of Omsk with posters "Mom, I had no Tele2 GSM cell phone," having dressed up as pregnant schoolgirls.

After a while Tele2 resorted to shockvertising once again. The company did not spend \$100,000-\$150,000 to lease a stand at the large exhibition "Norvekom" in Sankt-Peterburg. Tele2 employees attracted its visitors' attention

in a much cheaper way: they carried round the exhibition hall a coffin with an inscription "Expensive service." Fredrik Wrahme, "Tele2 Russia" marketing vice-president said to "Vedomosti", that his company satisfied with the effect of such events and would continue to hold them.

However, similar kinds of marketing are risky enough. A failed shock advertisement can kill not only an advertised brand, but all class of goods it belongs. Its worst example is advertisement of LG vacuum cleaners using the slogan "I suck dust for kopecks (cents)." It reduced the sales of all vacuum cleaners, KontaktExpert employee said: "A part of consumers, planning to purchase a vacuum cleaner, LG slogan began to be associated with indecent proposal," — he explains.

Such methods can be used only by companies with no established reputation, the head of PR service of "VimpelCom" M. Umarov considers. Yan Yanovsky, adviser of "Yevroset" company, director of corporate finance management of Rosbank is also convinced that shock advertising is good only for start-up. "When company becomes more mature, to use such kind of advertising is risky: investment risks grow", — he explains. Y. Chichvarkin, co-owner of "Yevroset" admitted that advertising of his company became recently more moderate. He explains it by that that suppliers demand to agree any advertising creative projects with them.

Shock advertising spreads as viruses (biological and computer) do. We will tell about that in one of the following sections.

## **5 NEUROMARKETING**

### **5.1 Neurotechnology: revealing hidden associations and consumer reactions**

#### **5.2 Neuromarketing as customer manipulation mechanism**

#### **5.3 Neuromarketing: power of emotions versus obsolete ideas**

#### **5.4 Neuromarketing power in practice**

### **5.1 Neurotechnology: revealing hidden associations and consumer reactions**

Advantages of the techniques, based on neurotechnology, still cause polemics. But, according to Millward Brown Research Company, today whether to use or not to use neurotechnology is not question any more. It rather sounds like: how can they be used as efficient as possible? Within the last few years the company studied the main neurotechnology and compared them to existing methods. It turned out some neuroscience methods can be very valuable but only if they are used along with existing approaches. Millward Brown introduced



neuroscience methods along with more traditional tools of researches. But any technique is used only if it really adds value and meets research tasks.

When choosing the method the following answers are asked:

- Can this method tell us something significant about brands or marketing?
- Can it tell us something that we yet do not know (to a degree, sufficient to justify costs)?
- How much is this method practical and applicable?
- Can the use of the given method increase our capability to predict behavior?

These methods mostly deal with three areas:

- measurement of implied associations;
- eye tracking;
- measurement of brain waves.

The mentioned firm uses other methods as well as the need arises. For example, powerful tool of researches is the *functional magnetic resonance imaging*. It was used during researches for the Royal Mail. But this tool is limited in its range of use; therefore it is used not so often as other methods.

*Measurement of implied associations.* Revealing implied associations is based on a principle of the analysis of consumers' reaction instead of answers to direct questions. The given process has this feature in common with biometric technology. The method essence is in measurement of consumers' reaction time or in accuracy of perception, as consciousness regularly distorts consumers' reaction to brands or advertisements. These methods have been used for a long time in cognitive psychology for understanding implicit (unformulated) processes and reactions. When working out the most effective methods for online researches the firm cooperated with American experts in the field of cognitive psychology. They helped to get to another communicative level — that of "raw" ideas born by advertisement or brands before filtration process by sense or social fertilizer.

To research the advertisement of Skoda Fabia titled *Car Bakers* the variety of "emotional stroop" effect (when reaction time, a person needs to name the color of written words, depends on that to what extent the ideas connected with these words are active in his brain). In this advertisement it is shown, how the car is completely produced of a cake — obviously pronounced message is practically absent here. The implied associations, caused by this advertisement, are shown in figure 8. They differ from obvious associations, caused by this advertisement — when answering to a direct question, very few mentioned such an aspect as "femininity" as were concentrated on the general playful tone and singularity of the approach. However, considering a soundtrack performed by Julie Andrews, it is quite natural that spectators can have such an idea though they do not mention it since it remains implicit.

How much such result is "successful" for a brand, depends on its strategy — but the same advertisement showed excellent results by other obvious

measurements made by Millward Brown Link system, and the firm mentioned above received more complete idea about communication of this advertisement message, having brought together the obvious and implicit approach.

The similar idea was used for check of appeal of several logos for Polish client in the sector of financial services. The results of an estimation of obvious measurements were compared with the results of implicit testing — at that implicit methods more precisely revealed the winner. From this it is possible to draw a conclusion that this approach proves to be rather useful to such kind of studies.

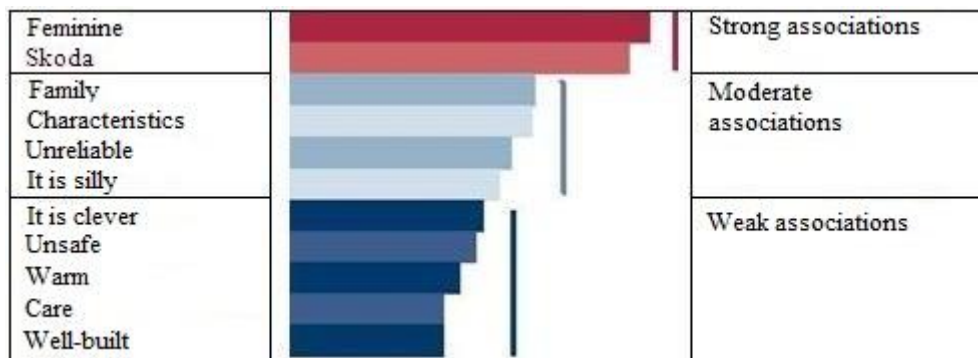


Figure 8. Implicit associations and latent ideas caused by Skoda *Car Bakers* advertisement

The trade mark proper and “femininity” concept got the most response. Histograms show the strength with which each idea was caused at advertisement viewing. Millward Brown Eye-Tracking system is used rather widely. In recent years it became simpler and more available. Its advantages are obvious: movements of eyes can be a good reference point for revealing visual attention center - more detailed and precise than the answers of respondent himself. But the given methods say nothing to us about why exactly these areas of perception are evident or why spectators react to them exactly so. Thus the results per se can turn out rather difficult for interpretation.

The aforementioned firm’s researches used this approach in several markets and came to conclusion that Eye-Tracking — a useful additional diagnostic tool; it helps to explain the efficiency of advertisement effect or of package, measured by means of other research tools.

The results of measurement regarding one of the scenes in *Car bakers* Skoda advertisement: research by Link technique showed that this advertisement has strong branding and the Eye-Tracking system helped to understand the reason of it. The visual attention is clearly concentrated on Skoda sign when it is attached to a car. It contrasts with absent-minded visual attention and in the end of advertisement when Fabia nameplate is mentioned — it is clearly shown — what of the signs has caused stronger branding.

Good branding of Škoda in *Car Bakers* advertisement is supported by concentrated attention at the moment when the sign is being attached to a car. Each point represents the participant's eye fixation during advertisement viewing.

*Measurement of brain waves.*

Measurement of brain waves is complex because of wide variety of available systems. Millward Brown Company's scholars tested a number of systems and decided in favor of an American EmSense for integration of electroencephalography, (EEG) and other biometric parameters with research tools. They have come to conclusion, that EmSense technology can be rather useful as it is more scalable and economically effective than traditional methods of EEG. It collects EEG data and secondary biometric data (such as heart rate, breathing, blinking rate and body temperature) by means of a simple head bandage with dry electrodes. It allows making the equipment less frightening for participants of research and simple to use. As a result, it is possible to receive sample of required quantitative range at smaller expenses than at use of traditional "wet" electrodes of EEG. The work with EEG system was done in several countries. It was established that wave data were a powerful tool of diagnostics of instant reaction of participants to advertisement — they were capable to fix such details which occurred too fast and could not be revealed by means of other means.

The results of such an approach for *Evolution* commercial by Dove trade mark are presented in figure 5.2. Within the limits of use of Link technique, this commercial showed utterly high results: high degree of involvement, emotional response and excellent communication of the main idea. Em-Sense data show consumers' entire reaction in dynamics which as a result and leads to the aforementioned results.

Figure 9 shows the moment when it becomes clear that this is the commercial about that how advertisement was being produced. Growing rate of positive emotions and cognition at this key moment which has a decisive importance for reaction as a whole is clearly seen. Pay attention to that how emotion is passing into minus while implicit aspects are "leaving." Work with other clients helped to reveal and solve such questions as weak communication, insufficient branding or absence of participation with main advertising characters.

Both positive emotions and recognition are at their maximum at the moment of exposure — then the emotions become ever more negative as the message is leaving

Red line = emotions Blue line = brand recognition

*New knowledge.* Though we remain realists concerning possibilities of neurotechnology, we consider that the sign of correctness of methods is the fact of addition of new value, namely knowledge.

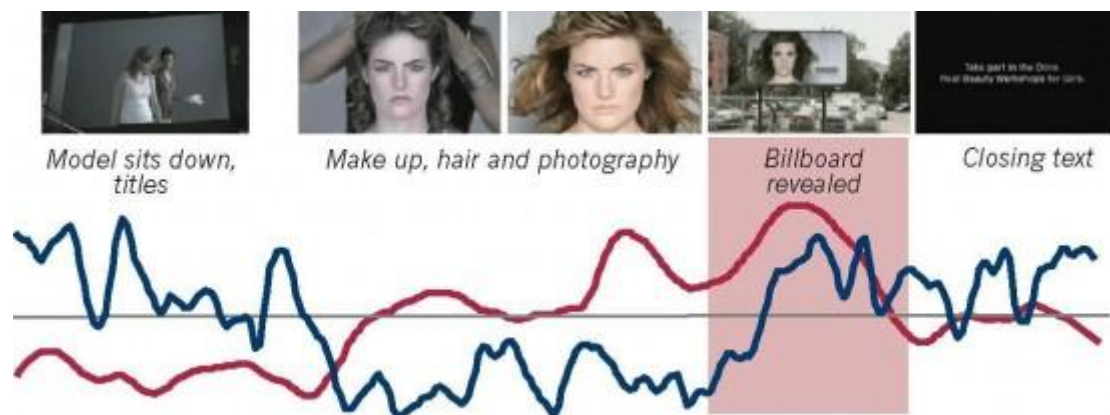


Figure 9. Biosensor results of EmSense system for Dove *Evolution* advertisement

These technologies, as a rule, are capable to add them under certain circumstances, such as:

- work with sensitive material. They are those cases when qualitative methods of research are mostly subject to distortions — therefore methods, which do not rely on obvious questions, are capable to reveal unformulated relation more effectively;
- work with abstract ideas or "higher order" ideas. Consumers face problems when trying to discuss complex ideas being in the center of positioning of some trademarks. Methods of hidden association are suitable to study the ideas which can seem strange or farfetched to participants;
- revealing transitional reaction to an advertisement or brand perception experience.

Consumers can tell a lot about the point of advertisement or of trade mark, but they cannot explain, on what basis they come to such conclusions. Such techniques as EEG and Eye-Tracking are capable to give the valuable information at revealing emotional or cognitive maxima and minima at advertising viewing, or when revealing the focus of attention that helps to develop more effective campaigns. They allow getting more details about consumers' feelings. At the right approach, consumers can tell about their feelings during surveys and focus groups.

But neurotechnologies are capable to reach yet another powerful level of specification about time spans and origin of such a reaction of respondents.

*Maximum use of neurotechnics.* Our experience in research and use of these methods allows giving the following recommendations:

1) To be critical. The technology can be attractive in itself, but the same questions should be asked as in any traditional research technique. To search for confirmation of findings. To carry out field researches, or to test technology on oneself in order to see how much realistic are the received results.

2) To consider previous experience. This is a complex area, therefore it is very important to have a profound knowledge in this area and to use scientific methods of work in order to distinguish the desirable from reality, as well as to understand, where exactly neurotechnologies can be of real benefit.

3) To integrate. These methods do not allow revealing "deep truth", they only give an additional viewpoint on consumers' reaction concerning trademarks and marketing that demands interpretation considering other information. The real understanding of a picture can be got only by integration of various approaches.

The experience described above shows that the future of neuromarketing is the same as that of other tools intended for studying consumers' reaction. But the real understanding comes together with integration of all information (instead of any one view on a problem) as well as at the use of right tools at the right time.

## **5.2 Neuromarketing as consumer manipulating mechanism**

The topic of neuromarketing is not new, but interest to it grows: both journalists and broad masses of marketers start to be interested in neuromarketing. One says about this direction effusively and with ostentatious care, they say, it is the strongest mechanism of consumer manipulation whose effect cannot be resisted. Neuromarketing, supposedly, went deeply in the human subconsciousness, and the person's common sense together with free will is no match here. The latest brain research has shown that human behavior is managed by complex emotional relationship that can be visually defined in real time dynamics. Neuromarketing emerged following the results of these researches and classic marketing data. Neurophysiologist and experts in marketing, knowing neurophysiological processes of emotional and cortical reactions of buyers, can effectively influence all five human sensory organs of the person, applying positive stimuli for more effective promotion of goods in the market.

The problematic of neuromarketing is considered in the works of known marketers (Traindl A. *Neuromarketing: die innovative Visualisierung von Emotionen*; Paul Glimcher *Neuroeconomics*; Martin Lindstrom *Brand Sense*). Without diminishing the importance of the works dealing with studying special features of neuromarketing and neuroeconomics, it is necessary to notice that many theoretical issues have not been considered.

Neuromarketing is a new field of knowledge, being a combination of two spheres of knowledge — neurology and traditional marketing. Much knowledge

were derived from marketing proper and supplemented by the results of latest researches of models of consumers' behavior.

Neuromarketing is the strongest mechanism of consumer manipulation whose effect cannot be resisted.

Neuromarketing adherents assure us that this science went deeply in the human subconsciousness, and the person's common sense together with free will is of no importance. Psychologists of Harvard University, probably, were the first who in general developed the concept of neuromarketing in the '90s. The technology is based on a model according to which the major part (over 90%) of person's mental activity, including emotions, occurs in the subconscious area, that is below levels of controllable awareness. For this reason it seems extremely tempting to "perception technologists" representing the market and politics to master methods of an effective manipulation of the subconscious so that needed reactions imprinted in the person so deep as possible on the whole.

The most known neuromarketing technology was developed by Harvard professor Gerry Zaltman in the late 1990s, who at once patented it under the name ZMET or Zaltman Metaphor Elicitation Method. The point of ZMET is boiled down to probing human subconsciousness of the person by means of sets of specially selected pictures, causing a positive emotional response and enabling latent metaphoric images, stimulating purchase. Graphic collages are made on the basis of the revealed images and are taken as a principle of commercials. ZMET marketing technology quickly became popular among hundreds of large ordering firms, such as Coca-Cola, General Motors, Nestle, Procter & Gamble.

There are also data on direct application of equipment of magnetic resonance imaging in neuromarketing researches. The American scientifically commercial project named "The Brighthouse Institute for Thought Sciences", based in Atlanta became the pioneer in this direction at the turn of 2002-03. The new neuromarketing method, developed by it on the basis of fMRI, by its key ideas, is similar to the ZMET and also uses specially selected pictures and photos. The difference in that that surveyed clients' reaction to the presented images is established not by conversation of psychologists, and by direct scanning and analysis of brain areas activated at that. It is interesting, that while studying positive and negative reactions of the brain to various images, neuromarketers are not interested in the conscious human response, that is whether he actually likes an advertisement or does not. Because the main thing here something else — to find out, how much an advertisement is effective in subconscious stimulation of specific product purchase and/or in development of stronger loyalty to a brand.

Neuromarketing varieties are visual merchandising (influence by means of color and images), sound design and scent marketing. Martin Lindstrom, a well-known marketing consultant, is assured that sensory branding helps to develop a

conditioned reflex in the person: has heard certain music, has smelt or has seen a combination of colors — precise associations with a certain brand have emerged. He asserts that in struggle for the consumer the victory will be gained by the one who will effectively use all five sense organs: sight, hearing, smell, touch, taste.

Knowing biochemistry of buyers' emotional reactions, sellers can effectively influence all human sense organs, applying positive stimuli as smells, music, color, product laying.

The results of neuromarketing studies showed that emotional product presentations cause much higher neural activity in consumers than ordinary presentations. The increased neural activity assumes more intensive processing of stimulus in client's brain. It is established, that consumers perceive emotional messages better than rational ones. In practice at the point of sale it means that emotional stimuli influence buyers' consumer behavior. We consider that the buyer will become interested in presentation of products with positive emotional message (for example, love, joy, strength and so forth) rather than purely rational presentation.

If it so, then retail companies may guide customers through all strategically important places of a shop by means of proper use of emotional images. And there is nothing wrong with that the part of buyers will follow the given direction, feeling some skepticism in doing so.

Several practical experiments were conducted in order to confirm or disprove the given assumption. Their goal is to study the certain effect of emotional communication on consumer behavior at the point of sale.

The influence of emotionally rich presentations was studied at one of the Swiss department stores. Product presentations occupied four floors. The experiment was conducted in women's clothing department. The department was divided into several sectors by the presented brands. The experiment objective consisted in observation over consumer behavior in the sector of Mexx Women's Clothes where an emotional photo was.

Emotional messages, in order to influence buyers, should correspond to needs and motives of the latter. It is natural that expressiveness of motives in different people is different. Thus, the basic criterion when choosing the topic of photo is motivational needs of target group. Only that, who knows well the target group, can create successful emotional messages. The target group of observable sector was studied and its motivational structure was described. Photos for experiment were chosen by the results of this research.

A photo measuring 125x187 cm (49x74 in) was prepared to reach the desirable effect (influence from afar and emotional message perception). (Small photos exert less influence). The photo with clearly expressed motive was placed in the center of wall presentation. In departments, not participating in the experiment, the conventional product presentation without emotional stimuli was used. Visitors' behavior, entering women's clothing department, was

observed by means of video surveillance. In the first seconds after the buyer has entered a shop, he decides, where to go next. This decision is made in milliseconds and mostly unconsciously. In the described research visitors had a choice — to move in a direction of emotionally arranged MEXX sector or in two other directions. Visitors should move to the emotional presentation from the point of view of neuromarketing. In order to observe how emotional photos influence visitors' decision-making, these photos were placed for some term, i.e. they were put out for two days, and then were removed again. Thus, it was possible to estimate the difference. The display (range and visual merchandising) remained the same throughout an entire experiment. The turnover of studied sector was recorded throughout an entire experiment as well. Because of influence of such factors as different attendance on weekdays and weekends, weather, consumer mood, at the analysis both attendance and turnover of the department store as a whole were taken into account too.

The observation over 1000 visitors' behavior showed that in case of the emotionally arranged product presentation people drop into the studied sector twice as often as conventional product presentation. That is the attendance increased 100 percent. Frequency of contact of buyers with offered range increased as well because of attendance increase. The turnover increased 17 percent during the experiment. The results of research confirmed that:

a) by means of the emotional photos focused on motivational structure of target group, it is possible to influence consumer behavior (gaze and movement direction) and to guide visitors in a desirable direction;

б) because of the use of emotional photos frequency of contact with a product increase and accordingly turnover as well.

Besides sounds and influence by means of color and images, retail dealers are also interested in smells. Professor S. Ryazantsev, vice-president of Otorhinolaryngologist Society, writes about that that smells most quickly evoke memory not only logical, but also emotional: "...fleeting smell can evoke in a person a chain of connected associations".

Both domestic and Russian experts in marketing already practice scent marketing — in a number of shops (for example, in such as Sela, "Эконика (Эконика)," "М.Video (М.Видео)" etc.). In large malls the buyer can be hinted where to look for coffee, groceries or fruit by means of smell. Liquor supermarkets can goad buyers by faint scent of a good wine or berry smells, and the smell of a fresh bread from in-store mini-bakeries increases well sales of products and drinks. Smells of coffee, expensive leather, baked goods, caramel, vanilla and French fries are the most recognizable and pleasant for people.

*Conclusions and prospects for further studies.* Experts in neuromarketing assert that in the post-Soviet countries people are more susceptible to such effects than Europeans. Western retailers expect that sound design will bring sales growth of about 10 percent whereas their Ukrainian and Russian colleagues hope to increase sales a minimum by one third. In Europe properly



selected aroma in a sales area increases sales by 6 – 15 percent. In Ukraine, sales of coffee drinks increased by 40 percent by means of a coffee smell in one Kiev network of gas stations.

Despite a negative attitude existing in a society to neuromarketing methods, it is necessary to notice that the given scientific direction answers the question what goods the buyer expects. It is for the benefit of not only manufacturers but also consumers, after all often person is unable to formulate one's needs and desires, and researches ensure objectivity of data.

### **5.3 Neuromarketing: power of emotions versus obsolete ideas**

*"The refusal to acknowledge human nature is like the Victorians' embarrassment about sex, only worse: it distorts our science and scholarship, our public discourse, and our day-to-day lives." Steven Pinker.*

Not any road leads out of crisis — in the market panic and fear prevail, and on either side of market stalls. And it has begun long before the global economic crisis. The overwhelming majority of sellers believe only that that they see with their own eyes and hear with their own ears, "fitting" their stereotypes and concepts on everybody without exception. They mastered well the image of the buyer, called "homo prudens", under the influence of hackneyed formulas and situational tips from books, and act, relying on this stereotype. And, the idea about person is reduced to simple dependence on turnover and price. But the person is not as primitive as "to be calculated" by using some formula or matrix. Marketing experts read popular business journals and feel "their wings."

Everything changes very quickly, even by leaps and bounds, one thing remains virtually invariable — understanding consumers. The majority of marketers, as a rule, continue to rely on familiar and inefficient methods of researches and methods, and make the same errors year after year. There is no a single proof that someone of experts in marketing has managed to create a new need — all they can do is to stimulate already existing one; and to reveal unsatisfied need and to stimulate it by a new kind or subtype of goods or service — rather difficult procedure. J. Trout, modern marketing guru, said: "Manufacturers' battleground has long become our mind instead of our purses."

The majority of marketing managers in their methods proceed from certain set of assumptions concerning functioning of the surrounding world - some paradigm which prevents adequate understanding of consumer decisions. According to E. Ettenberg, the CEO of Customer Strategies Worldwide LLC: "everything else has been reinvented — distribution, new product development, the supply chain. But marketing is stuck in the past. A deep and perfect understanding of consumers — a much harder task, than describing a product. The consumer has changed beyond recognition and marketing has not." In today's society competitive advantages are in many respects defined by historically weak assets based on traditional approaches and one-sided consideration of the situation, as a rule, from "segment–place–cost" angle.

Because of it consumers hardly understand distinctive advantages of companies that offer the same set of standardized ways and methods, without a significant layer of aggregate of surrounding world functioning and its influence on consumers' opinions and desires. R. Deshpandé, professor of the Harvard Business School and the former CEO of the Marketing Science Institute notes: "more than 80 percent of all market research serves mainly to reinforce existing conclusions, not to test new possibilities. Managers act as if endorsing current views merits 80 percent of their resources." Peter Brabeck-Letmathe, vice-president and CEO of Nestlé — a company actively searching for a solution of brain functioning, mentioned: "Many companies consider, that personal common sense is more important, than science-based knowledge and all that that human nature can tell us. If marketing experts read popular business magazines, they feel on top of things. They disdain anything else. In any other profession with such attitude one would not last." At the same time the human behavior is in enormous dependence on subconscious processes going in neural structures. Neuromarketing as the science explains mechanisms of action of these processes.

*Kahneman's model.*

Daniel Kahneman, psychologist, winner of 2002 Nobel Prize in economics, has proved, that our daily ordinary thinking is not so rational and reasonable, as it seems to us and as we prefer to consider it (or figures, charts, diagrams, matrixes persistently recommend us). He has offered the world the two-system model based on simple principles of work of human consciousness.

1. We act according to the similarity principle (for the sake of simplification of perception of the world and ideas about it people rely on empirical rules and "popularity" and "fixedness" analysis, i.e. "how much it is similar to that that I already know.")
2. Our judgements and sensations are mostly intuitive (when perceiving instances, people mostly do not understand, what and how occurs as a whole).
3. We seldom make right predictions.
4. Emotions, that we have in a particular situation, are motive power of everything that we do.

Kahneman, by means of the given model, has proved not only universality of human foolishness, but also that that even the most cleverest people are capable to do a foolish thing.

*Neuromarketing formula.*

We have heard a lot about neuromarketing, but at times, without understanding its essence, we try not to notice its strength, novelty and progressive trend, anathematizing everything that deals with it. Such is the human essence constructed on vanity and silly confidence in power of that that we know, and, hence, we know the entire right thing. Neuromarketing always answers the question "how?" and does not answer the question "why?" To use neuromarketing, it is necessary to use a lot of theories and scientific paradigms

at the interface of understanding of relations between the person and a product or service. The basic formula of neuromarketing is the study of processes of interaction: of conscious (reason, rational); of the brain (subconscious, irrational); of the body (motor, charming, tactile, taste reactions); of society (social norms and laws, development stages, mental behavioral reactions).

*Zaltman Metamorphic Model.*

Gerry Zaltman, professor of the Harvard Business School, as far back as in the early 90s has patented his invention, named "ZMET", and experts know it under the name "Zaltman Metamorphic Model" (fig. 10). *ZMET method is, as a matter of fact, the method of reconstruction of knowledge by means of stimulus being specially selected picture (pictures are picked up by test subjects by themselves on the grounds of a preliminary task).* For example, while processing provisional data regarding a problem being under consideration the researcher can reveal words, word combinations which are mostly used in conversations to describe the point of considered object or phenomenon. Then test subjects are given the task consisting in that they have selected and have submitted for consideration the image which meets their interpretations and feelings of the given word or word combination.

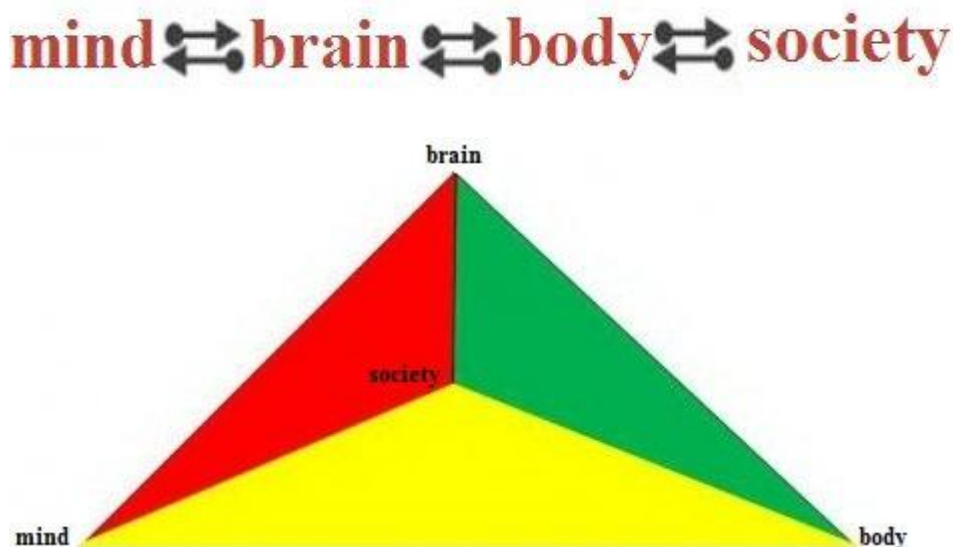


Figure 10. Zaltman Metamorphic Model

The recollections regarding the considered object or phenomenon are reconstructed according to the aforementioned plan as a result of an interview. Zaltman's plan, indeed, looks like a three-dimensional pyramid: Its essence is in that that any of four components occupy the top of pyramid and influences other components for each individual. When one of them is transformed other components change as well — beyond our consciousness. Studying the whole integrity of system of interactions of the reason, brain, body and society (instead of each of these components separately) it is possible to receive much more

important information on consumers, ways to satisfy them and to gain their favor or preference. For example, since the end of 2004 the social context of "orange" or "orange color" causes different physiological responses (brain, body, reason), manifesting in acts and intentions (reason, body, brain) for many inhabitants of Ukraine. At the same time, images and characters of fairy tales on which many generations have grown up, social norms and laws cause predictable behavioral reactions by stimuli similar to these fairy-tale characters — for example, granny, princess, fairy-tale prince, Cinderella, Goldfish and the like. Thus, there is a significant difference between that how an idea emerges (nervous activity) and that how we participate in this process and what or who influences its activation in action or intention. The emergence of idea (nervous activity) can be stimulated by sounds, touches, movements, background feelings (mood, emotions), peripheral images, color, movement etc. Hence the idea is grounded not on words but other components of nervous activity. (Try to verbally explain your decision to drink tea or coffee). In case of the detailed and scrupulous painting of this process, it will be revealed that the verbal description of just that the person knows for today about the nature of this simple act (desire, feelings, motor impulse and reactions etc.) will take, at least, 15-20 minutes. If to fancy that an average person will take 10 minutes for verbal reasoning of each action or desire then he can commit and satisfy no more than 72 acts or desires.

Paralanguage is of decisive importance for communication construction.

It is proved, that paralanguage (in communication only 20 percent of the information occur in verbal language) is of decisive importance for communication construction. Metaphors, used by the person to express one's thought by another, help us to express feelings, sensations, and points of view and to comprehend that what is around us. Experts have calculated we use about six metaphors for a minute of conversation. Furthermore, metaphors can help for important, but not realized thoughts and feelings to surface. The ZMET method allows the researcher to reveal not only metaphors, but also stimuli causing acts or intentions through nervous activity processes. And as the large part of person's knowledge is hidden, the main task of researcher is bringing them to the surface. Hence, conducting an interview according to the given technique is a process of extraction of that what the test subject himself has no idea about, but this «*thing*» exerts a decisive influence on thoughts, deeds and intentions.

*So, Zaltman Metamorphic Model allows "probing" human subconsciousness by means of sets of specially picked up pictures causing positive emotional response and enabling latent metaphoric images, stimulating through neuron chains various neuron clusters, leading to acts or intentions. The graphic diagrams underlying the strategy of interaction with consumers are plotted using the revealed images. It can be both verbal (words) and nonverbal (look, color, shape, sound, tactile sensations, smell, taste, motor reactions etc.) communications. It is possible to develop new and improve already existing*

kinds of production by means of this methodology. Today this model is popular among many manufacturing companies, Coca-Cola, GM, Nestle, P&G are among them. Unfortunately, manufacturers at the post-Soviet countries, using the given technique, are yet unknown. It is known that the system of emotions is usually the first to influence thinking and behavior. The amygdaloid body (emotional brain center) responses ten thousand times faster than the neocortex (location of conscious processes, i.e. thinking, planning, decision-making etc.). This statement is also proved by the fact, that much more neural pathways run from the limbic system (complex cluster of brain structures) to the neocortex, than from the neocortex to the limbic system. Hence, the role of emotions has primary influence on perception of an image, and it doesn't matter — of the person or thing. It influences the purchase decision as well. The global brands, won the hearts of many countries and peoples, were able to do it thanks to that they send to consumers a clear emotional signal, understandable without words. And the brands developed on "rational" ground, hardly overcome cultural, language barriers and are limited by borders of local markets.

The person's actions are managed by information and energy forces of requirements throughout human existence. Physiological, material or spiritual need is a signal of condition of one or another life support system and maintenance of comfort of the person. Our emotions are firmly "built-in" in the mechanism of sensation and satisfaction of requirements. At first requirement emerges, then emotion does corresponding to such a requirement, then the feeling of discomfort caused by negative emotion of unsatisfied requirement. That is negative emotion of unsatisfied requirement should always be replaced by positive one.

If the emotional is primary then a rational explanation of consumer choice is not always an actual motive. Consumer mostly purchases emotion connected with a product, instead of functional properties of this product. And only after that he rationalizes his choice "in retrospect." It is possible to define connecting lines (neuronic chains) between the present and desirable condition by using the data received with the help of the ZMET method. It is possible to define both direction and composition of mass communications, connected with those metaphorical images which will lead consumers as planned to necessary conclusions and reflections in the conditions of a choice, by using consensual cards constructed on the results of research. At that brightness and strength of metaphoric images will allow creating complex experiences and construction of their own perception matrixes, referring to the basic signals and images which will be pivotal in reflections of recipients of information (and in the mass unconscious on the whole).

#### *Prospects and opportunities.*

The large number of interrelations revealed in the course of work, allow maneuvering images and plots throughout a long period of construction of mass communications depending on objects in view. Rationalization for the person

deals with false reasoning because of which irrational behavior is represented in such a manner that looks quite reasonable and justifiable in the opinion of people around one.

The use of ZMET can largely advance a manufacturer on the ladder of consumer preferences, reveal latent reactions to his product or service, thereby will allow strengthening one's attitude to an offered product. The results of studies on the given methodology can be used not only in communication creation, but also in design of interior of premises (cafe, restaurant, sales area), and at the level of shape, look, color of furniture, quality of upholstery material, of smells, sounds, fluctuations of temperature conditions. The results of researches received by means of "ZMET" model, have already found today application in practical activities in the field of design of internal space of shopping centers, cafes, sales areas of boutiques and in products of communications. There are other prospects of application of the described methodology too, and not only in working out design, package, but also in lots of other cases of use, for example, in branding processes. *Zaltman Metamorphic Model provides huge opportunities to turn the unconscious into the conscious that allows making characteristic individuality of a brand strong enough to oppose various difficulties. It allows adapting a brand (product) to actual sociocultural conditions and creating unique values and ideals (including corporate ones). The comprehensive application of various theories and directions opens the way to deeper understanding of consumers and predicting consumer reactions virtually under any market conditions.*

#### **5.4 Neuromarketing power in practice**

Whatever cumbersome the concept of neuromarketing sounds, it is based on a simple principle which can be demonstrated by a simple example. Once in the USA a girl — record holder of scout cookies sale — was invited to a talk show. When she was asked how she achieved such results, the answer was simple: the girl offered to donate \$30,000 to the Scout organization, and having got an expected refusal she asked to purchase at least a pack of cookies. Naturally, the alternative of purchase of a pack of cookies seemed to buyers a real trifle in comparison with \$30,000.

It is a primitive, but a typical example of one of the neuromarketing ways. More complex approaches include hidden hypnosis, influence by smell, sound and so on. For example, an owner of a bakery or a coffee house knows exactly, that no slogan can bring as many clients, as a smell of fresh bread or brewing coffee. The sound of popping cork will unequivocally dispose you to thoughts about champagne bubbles, and a crunching sound — to idea about eating rusks.

Neuromarketing emergence is attributed to the fact that field researches by means of questioning do not provide any more effective data about consumer's choice in the majority of cases. Consumer's conscious perception of way of life, habits, and preferences differs from subconscious choice, but the rub is in that

that when selecting a product it is subconsciousness that dictates us our choice: truth — lie. Accordingly, the results of such studies put in strategy of communications, become that cornerstone indicators of ROI stumble over.

Therefore it is already no surprise to anybody, that it is easier for an agency to convince a client to invest money in the concept based on the results of brain scanning during presentation of information, than on the result of survey of thousand respondents, as according to neuromarketing 85 percent of respondents make purchases, being guided by subconscious impulses, instead of rational motives. Well, who could logically come to conclusion that inscriptions on packages of cigarettes about the harm of smoking actually cause in the smoker one desire only — to smoke! And, nevertheless, researches have shown, that it is true. The same studies have shown the importance of influence on all five sense organs (unlike the traditional view on promotion, for example, visual image of a product). In practice it looks like this: if a consumer enters leather goods salon of leather products he should see a gorgeous shop sign, feel a noble smell of leather which are associated with richness (for this purpose a special aromatizer is sprayed in such stores), to hear a typical leather sofa squeaking and to feel softness of products by touch. Probably, if you as a manufacturer think up how to allow a visitor to taste the leather then all consumers will be yours.

Hitherto large companies do not expatiate on the use of neuromarketing in their activity, as ethicality of methods to study and program buyers is not fully regulated so far in this science. However the media know for sure that many brands work with neuromarketing techniques for a long time.

There are opponents to this science too. As the argument against neuromarketing efficiency experts say about uncertainty of consumer's responses. Certainly, a client is going to react to your message about purchase of mineral water, if you inspire him with the feeling of thirst but to make him buy water of your brand, instead of vanilla shake, neuromarketing methods are not enough.

Whether expenses for studying and introduction of neuromarketing methods are justified — time will show. But for the advertising man today it is important to understand one thing — your consumer's subconsciousness can hardly be put in one hundred pages of a document with strategy of your brand promotion. But it is subconsciousness that will prompt the buyer at the moment of selection, whether it is worth to choose your brand or to give preference to your competitor.

*Neuromarketing: joy at the point of sale.* Nobody will argue that for the majority of modern people to go shopping — not pleasure at all, and rather the stress. The abundance of offers, information, stimuli in SEC, necessity to choose from a large quantity of variants only the one — all that causes in buyers the feeling of chaos and wish to run from a store as soon as possible.

It turns out, that buyers come to shop to feel happiness, but in most cases they receive the stress (fig. 11). Austrian neuroscientist Arndt Traindl has

figured out the nature of customers' reaction to various kinds of stimuli and as a result he has established the science "neuromarketing". Today retailers can use this applied science for stimulation of sales and increase in flow of buyers. At the workshop *Neuromarketing — a new era in retailing* which was organized by SRC Business School in Moscow, within two days trainees studied elementary things and practical ways of neuromarketing under the guidance of Arndt Traindl and his partner Bart Ooijman.



Fig. 11. Stress at the point of sale

Neuromarketers have studied the causes of customers' stress at points of sale. They named the most frequent stimuli causing consumer stress, they are: orientation problems, shortage of time, noise, social discomfort, scarcity of architecture, decrease in reaction, dissonance. These stimuli raise blood pressure, increase pulse rate and blood sugar level, there is muscle tension increase etc. in the person. All this causes customers' response to struggle or run away. And if they do not run away from a shop they become uneasy, nervous, angry, uncertain, irritable, in general, negative background mood, uncertainty in decision-making and refusal to buy are obvious. *But customer has come to your store for happiness.* That is he wants to be absorbed in state of intensive pleasure or subjective feeling of comfort. For creation of these feelings in the buyer, in a sales area retailers can use such important factors of consumer happiness as friendliness (smile and communication), architecture of the area and SC (positive background mood), convenience, guiding signs and readability, positive emotions when making purchase, congruence. How is the feeling of happiness reflected on consumer behavior? The consumer develops interest in the new, ability to get in touch and enter into conversation increases, decisions are made, sense of gratitude develops, the client praises and buys. Neurologists have proved, that brain centers having to do with pleasure and encouragement, through feeling of happiness promote fixation of various behavior patterns connected with taking pleasure. That is if the person feels happy in your shop — he begins to come there again and again.



*Color perception study.* Everyone knows that colors cause various emotions and moods, influence perception of information and subconsciousness. Neuroscientists have found out during researches and practical experiments, what colors and how exactly influence certain types of people. For retailers it is important that certain colors and their combinations help to draw buyers' attention, to promote memorability, possess force of suggestion, carry some information, and are able to create mood and cause associations too. Neuromarketing is, certainly, not only color perception study. It, first of all, knowledge of how to reveal the basic target group of buyers, to define its dominating motive of behavior and to use this knowledge for increase in sales by offering to the buyer a product and service aimed particularly at him.

Neurologists divide people into 4 types, depending on motivational structure of each person: Safety, Sociality, Alpha, Innovation. It is necessary to make the analysis of basic motives by which you are guided in the life in order to define, what group you or your buyers, belong to. For example, if family, stability, security, traditions, justice, etc. are the most important for you — you belong to the group of people focused on Safety. Such people when choosing places of purchase are mostly guided by the goods price, instead of novelties, sociable sellers or network status. Such people are mostly influenced by white color which is connected with such emotions as cleanliness, silence, trust, modesty for them. Besides white, it is recommended to cooperate with such people through green (emotions — safety, calmness), dark blue (trust, fidelity, cheapness), grey (traditions, modesty) and brown (traditions) colors.

If for you (or your target group of buyers) are typical such basic motives as status, pride, ambitions, prestige, speed, success, career, etc. then you belong the Alpha group. Not to special troops, of course, but to the type of people, when choosing shop or product, are oriented to status, expensive brands, to high product quality, to exclusiveness. Such people do not need "cheaper", they need — "to have the coolest." For increase in number of purchases from this category of buyers it is necessary to involve, first of all, black color. It has, by no means, depressive effect on people with dominating alpha motive, and, on the contrary, causes associations with the power, weight and even cruelty. How many expensive black vehicles drive down the streets of Moscow? More than in any other city of the world, Arndt Traindl says. Moscow — city of alpha dominant males. Red, gold and dark blue will influence them besides black. The red will cause associations with aggressive struggle and strength, gold — with luxury and products of "de lux" class, dark blue will cause emotions of courage, success and dynamics.

Such motives as sympathy, friendship, holidays, love, communication, games, joy, etc. are typical for people belonging to the Sociality type. Such buyers come to a store, firstly, to communicate with a consultant, and only secondly to buy something positive. Red — main color factor for such people. It causes emotions of love, affinity, warmth, cheerfulness in them. Neurologists

recommend using such colors as pink, dark blue, green and orange as well. Pink will be associated with tenderness, sympathy and femininity, dark blue — with friendship and liking, green — with patience, orange — with sociability and warmth.

People, for whom such motives as innovations, personal growth, discoveries, bent for the unknown, art, changes, thirst for knowledge, truth, etc. are typical, belong the Innovation typical group. These people, when making a purchase, examine a new product better than any consultant. They come to a store for the latest technology novelties and fashion. Neuromarketers recommend influencing such customers by using violet, blue, silver, white and gold colors. The violet will be associated with extravagance and singularity, blue — with faraway places and imagination, silver — with singularity and art, white — with novelty and ideals, gold — with extravagance and, again, art. How is it used in practice? Everyone knows that Nivea cream jars are blue and white. Dark blue and white — colors of the safety motive. They point out quality and as if say: "There is no risk for your skin!" What color is Ferrari brand? Red — vigorous, dominating color. It is associated with cheerfulness and slightly with danger. This description of the types is, certainly, in a pretty condensed form. Neuromarketing is not only manipulation with buyers' color perception. It is necessary to consider, for example, so-called "genetic code," i.e. company trademark; its concept should not cause dissonance in the buyer for creation of competent, successful concept of a shop and network. "Genetic code" is in each image (for example, an advertising poster or sales area design) people want to recognize the model they could admire in infinite variations and which, at that, would be familiar to them. If to deprive the person the possibility to recognize then he will react negatively or even aggressively. For example, what will you feel if you see a picture with your mom's face stuck to a male figure? You will feel cognitive dissonance and you will not like this picture. The same regards the creation of competent concept of a retail network. The pretense of trade mark, that contains no contradictions, is the main precondition for creation of successful concept of trade mark promotion and favors: recognition, trust, positive background mood of the buyer. Recognition is one the major factors in a contest on the level of perception. Our brain likes recognition. A familiar face in a contest has better chances on the level of perception. Brand recognition causes trust, and purchase is made with more ease, a buyer spends less time for reflection of necessity of purchase. Therefore successful, familiar actors and supermodels are invited for advertising companies. A positive background mood, arising in the buyer when he comes to a shop whose concept corresponds to his genetic code, promotes dialogue: perception stimuli get a positive emotional overtone, cognitive strain decreases, i.e. likelihood of critical behavior decreases. As a result, purchase is made with more ease! For example, contradictions between a facade and shop type, between sales area design and price positioning — all that is breach of «genetic

code» and will have a negative effect your buyers' sensations, will cause cognitive dissonance in them. Let us assume, when developing the concept of stiff discounter, a store should have narrow assortment, selling space measuring 300–800 sq m (359–957 sq yd), aggressive price policy, functional design, location in bedroom communities and advertising policy emphasizing product offer and low price, special pricing proposals. Such a concept has no dissonance; it corresponds to customer's genetic code, oriented to such type of stores. If a specialized shop is created it should have full range, large number of branded articles, high quality consultation by sales personnel, a competent combination of quality and price, and some premium level prices. In sales area design of such a store it is necessary to use high quality materials and stage lighting, location — in downtown, advertising policy — advertising of a product proper, direct marketing. Even classic formats of shops are quite many, to say nothing of modern "alloys" of several formats. (There are all subtleties of adjustment of "genetic codes" for all formats in the book by Arndt Traindl "*Neuromarketing: die innovative Visualisierung von Emotionen.*")

## **6 INTERNET MARKETING**

### **6.1 Internet marketing peculiarities**

### **6.2 Mobile marketing**

### **6.3 Social media marketing**

### **6.1 Internet marketing peculiarities**

Internet marketing — practice of using all aspects of traditional marketing in the Internet, dealing with main elements of marketing mix: price, product, place and promotion. The main objective — to get maximum effect from a potential audience of a site.

The main elements of Internet marketing mix:

Product — things, you sell by means of the Internet, should be of adequate quality. It competes not only with other sites, but also with conventional shops.

Price — price on the Internet, so the argument goes, is lower than in conventional shop because of cost saving. Check up the prices and compare them to those of competitors on a regular basis.

Promotion — complex of measures to promote as the site as the product as a whole in the network. It includes a huge arsenal of tools ( search engine optimization, contextual advertising, banner advertising, e-mail marketing, affiliate marketing, viral marketing, undercover marketing, interactive advertising, working with blogs etc.).

Place — point of sale, i.e. Web site. Both graphic design and usability of a site and quality of processing applications from the Website. Also it is necessary

to pay attention to download speed, work with payment processors, delivery terms, work with clients before, during and after sale.

Internet marketing is e-commerce component. It is also called online marketing (web marketing). It can contain such parts, as web integration, information management, PR, service of customer support and sales. E-commerce and internet marketing became popular with expansion of Internet access and are an integral part of any standard marketing campaign. The segment of internet marketing and advertising grows as in the consumer sector what is indicated by every day emergence of ever new e-stores, as in B2B market. Interactivity, possibility of targeting as precise as possible, possibility of post-click analysis which causes maximum increase of such indicators as conversion rate and ROI of Internet advertising are considered as the basic advantages of online marketing. Internet marketing includes such promotional techniques as:

- media advertising;
- contextual advertising;
- search engine marketing as a whole and SEO in particular;
- social media promotion: SMO and SMM;
- direct marketing using e-mail, RSS etc.;
- viral marketing (viral advertising, marketing buzz);
- guerrilla marketing;
- internet branding (online branding).

Internet marketing emerged in the early 1990s, when text-based Web sites started to place information about products. Now internet marketing is something more, than sale of information products, now there is trade of information field, software products, business models and many other products and services. Such companies as Google, Yahoo, and MSN have brought to a new level and have segmented the internet advertising market, offering to small and medium-sized business local advertising service. Return on investment has increased, and costs have successfully lowered. This type of marketing became the foundation of modern capitalism allowing anybody who has an idea, a product or service, to reach as wide audience as possible.

The use of «internet marketing» term usually assumes the use of marketing strategies of direct response which are traditionally used at direct mails, radio and in TV commercials, only here they are applied to Internet business space.

These methods have proved to be very effective at the use on the Internet because of possibilities to trace precisely the statistics, times possibility to be in rather constant contact with consumers, whether it be B2B sector or B2C (business-to-consumer). This possibility of precise analysis is now used everywhere, and therefore often it is possible to see such terms as ROI, conversion rate), as well as instantly to get sales statistics, that of demand etc.

In 2012 by the results of RAEC research the advertising market made up: contextual advertising — 37.55 billion roubles, media advertising — 19.20 billion roubles, video advertising — 1.74 billion roubles. At that the market of search engine marketing was 10.24 billion roubles, and the market of social marketing SMM — \$4.67 billion.

According to RAEC forecasts for 2013 the volume of the market of contextual advertising should will increase by 28 percent, media one by 16 percent, video advertising by 72 percent. Search engine marketing by 19 percent and a social one by 32 percent.

Internet marketing is associated with several business models. Basic models: business-to-business (B2B) and business-to-consumer (B2C). B2C model was the first. B2B proved to be more complex and started to operate later. The third, more rare model — consumer-to-consumer (C2C), where Internet users exchange with each other and sell goods to each other. Examples can be the international auction eBay or file sharing system Kazaa.

Internet marketing, first of all, lets a consumer to get the information about products. Any prospective consumer can, using the Internet, get the information about a product, as well as buy it. Though, if there is no information about some product, or he will not find it there, then, most likely he will get another product of your competitor.

The application of Internet marketing methods is aimed at cost-cutting (for salaries of sales department employees and for advertising), and also for expansion of companies' activity (switch over from a local market to the national and international market). At that both large companies and small ones have more equalized chances in struggle for the market. Unlike traditional advertising media (print, radio and TV), market entry via the Internet is not too costly. An important point is that unlike traditional marketing methods of promotion, internet marketing gives an accurate statistical picture of marketing campaign efficiency.

In comparison with other kinds of media marketing (print, radio and TV), internet marketing grows very quickly. It wins ever increasing popularity not only with the business, but also with ordinary users who want to promote their effective web site or blog and earn on it. Nevertheless, in the developed countries expenses for Internet marketing and advertising make about 5 percent of total advertising expenses.

Restrictions in Internet marketing create problems both for companies and consumers. If a consumer has a slow Internet connection, it is not easy to use animated videos, presentation films and high-quality graphics in advertising though, basically, the problem with the speed — matter of time, every day «slow» users become ever fewer. Dial-up replaces high speed Internet.

Next inconvenience consists in that that Internet marketing does not allow a consumer to try out a product before making a purchase. But the majority of customers solve this problem easily. They get to know the product in which they

are interested in a conventional store, and make a purchase in e-store (Internet shop, web-shop, web-store, online store). Germany, for example, adopted the law (Fernabsatzgesetz, later combined with BGB) in 2000 according to which any buyer can return a product purchased via the Internet without any explanations and get a full refund. It is one of the major causes why Internet shopping is so developed in Germany.

The problem of consumer's inability to «touch» a product can also be solved by other ways, for example, some owners of Internet shops use photos of high quality and high resolution, trying to render in images all details and special features of their production. It is becoming ever popular to use special photo equipment to digitize pictures of a product in 3D format (stereoscopic picture), enabling the e-store visitor to examine a product from all angles.

One more hampering factor is scantiness of payment methods to which consumers trust. But, basically, all these limitations concern only B2C.

The issues of security are very important both for companies and consumers participating in online business. Many consumers are afraid to make purchases on the Internet as they are not sure, that their personal information remains confidential. There are known cases when companies conducting online business, have been caught disclosing the confidential information concerning their clients. Some of them declared on their web sites that they guaranteed confidentiality of the information about their consumer. Such companies break not only their declared policy, but also laws of several states, at the same time, by selling the information about their clients.

Some companies buy up the information about consumers, and then suggest a consumer to delete this information for money from a database. Anyhow, many consumers do not know that their private information is disclosed, and cannot prevent an exchange of this information between unscrupulous companies.

The security issue is one of the major ones for companies which are serious about business on the Internet. Cryptography — one of the basic methods used to maintain security and confidentiality of transmitted data on the Internet.

Internet marketing has made huge impact on a number of business spheres, including the music industry, banking, market of portable electronic devices (mobile phones, players etc.), so-called «flea market» and most importantly — on advertising.

In the music industry many consumers began to purchase and load music in MP3 format via the Internet instead of buying CDs.

Online marketing also influenced the banking industry. The increasing number of banks renders their services in on-line mode. The online banking is more convenient for a client as it obviates the need to visit bank or its branches every time. In the USA over 50 million people already use online banking. The online banking is one of the most fast-growing sectors of the Internet business.

Increasing speeds of Internet connections take utterly important role in that. About 44 percent of all Internet users use online banking services.

Online auctions have won popularity, flea markets struggle for a survival. Unique things which could be found on flea markets earlier are on sale now at online auctions, such as eBay. The development of auctions has also influenced much the prices for unique and antiquarian things. If formerly it was difficult to find the information about some price, now it is possible to see a price for a similar thing at an auction in order to have, at least, a general idea about product cost as it is always possible to learn, how much one or another thing cost. More and more sellers of such products conduct business online, sitting at home.

The effect of the Internet on the advertising industry was and remains really huge. Within just several years the volume of online advertising has rapidly grown and has reached tens billions dollars a year. Advertisers have started to change actively their preferences and (in the developed countries) Internet advertising already occupies larger market niche, than advertising on the radio. The Internet marketing has strongly affected B2B sector, and this influence grows ever stronger.

For today it is difficult to find a large industrial firm without online promotion. Growth tendencies can be easily seen through constant extension of ecommerce platforms, as well as, through their quantity increase. Ecommerce platforms have long since ceased to be bulletin boards from which they have grown. Today some of them have turned into large corporations rendering a series of marketing services. The prices for participation on such platforms (it means premium membership) grow as well in spite of the fact that their quantity increases.

## **6.2 Mobile marketing**

### ***Concept and essence of mobile marketing***

Information technologies and mobile devices, used to enable subscribers to remotely establish direct contacts, make an integral part of a daily life of modern people. At that universal use of microcomputers and mobile phones, as well as leveling by means of wireless communication of time and spatial borders provided for rapid development of information technologies sphere, and they proper became capable to influence essentially efficiency of marketing, allowing entrepreneurship subjects to establish closer (and more profitable) relations with consumers, to better study their requirements and faster to react to expectations and needs.

At the same time wireless technologies should be considered as addition to already existing wire structure of data communication. Using common, open, integratable infrastructure considerably reduces complexities of management and coordinates directions of development of enterprises with their future requirements. When implementing wireless solution by means of already

existing instead of new, infrastructures, subjects of entrepreneurship get as a result much more flexible and adaptive networks for less expenses.

The wide spread of wireless communication technologies, active work to improve them and availability to the majority of consumers have created favorable conditions for the occurrence of new sale promotion tool — mobile marketing — the only channel of personal influence providing spontaneous, direct, interactive and/or address interaction anywhere and anytime.

Mobile marketing as a complex of actions, measures and campaigns, carried out by means of mobile devices using SMS (Short Message Service) cellular communication, for promotion of products and services emerged in Europe and Asia in 2000, and then continued to be introduced virtually worldwide.

Cellular communication use, in particular technology of SMS (Short Message Service) gave impetus to occurrence and popularization of this channel of marketing information distribution. At the initial stage of mobile marketing development only two foreign companies «Mobile Marketing Association» and «Advertising Bureau» used unusual mobile technologies in the marketing environment.

SMS text messages were sent without the addressee's consent to his mobile phone. It contained advertising of products, services, information about discounts, events and sales. Now such advertising text messaging which are carried out without the recipient's consent, are called spam. Unauthorized emails are called the same.

Short codes as effective channel of information distribution were first used in mobile marketing in 2002. It is then when SMS and calls to short codes began to function as an integral part of mobile marketing at the suggestion of American company «LabattBrewing».

Thus, «mobile marketing» concept is totally new, and it has emerged, first of all, due to mobile Internet emergence. Actually, popularity and availability of the mobile Internet, whose number of users has increased for the recent years ten and hundred times, have ensured formation of unique conditions for introduction of marketing strategies via mobile devices.

The definition of the term itself proceeds from the French professor, expert in the field of social media and viral marketing, Andreas Kaplan who considers mobile marketing as “any marketing activity, conducted through ubiquitous network to which consumers are constantly connected using a personal mobile device.”

Some other marketers supplement the given definition by clarification, that “mobile marketing — using mobile environment as means of marketing communications, distribution of clients' advertising messages via wireless networks.”

Mobile technologies enable to use such original, effective and ever more popular kind of marketing communications, as attraction of consumers to



interaction through game. Accordingly it pays attention of consumers and singles out on the common background, keeps consumers' interest for a long time, creates a positive atmosphere which can be further associated with a product or service itself too, form and develop loyalty, stimulate a communication of information about events etc.

As a matter of fact, mobile marketing is marketing communication, made with involvement of mobile devices (phones, smart phones, iPhone, communicators and so forth).

The mobile phone is a direct effective bilateral channel of communication with the consumer of goods or services. Mobile phone's advantages:

- large-scale involvement — over 105 million subscribers, the biggest coverage of target audience;
- interactivity — reception of feedback with the consumer, the instant response and efficiency of information reception (it is not necessary to send labels and tops by mail);
- personalization — capability to determine the unique consumer, prolonged communication;
- multimedia — text, sound, graphics, animation, video;
- always with you — 24/7.

Mobile phone's capabilities:

- it is good for consumers' impulsive decisions;
- workable for the hard-to-reach audience;
- one owner — accuracy of measurements, guarantee of message delivery, creation of databases of consumers;
- detailed estimation of efficiency of publicity measures;
- low market entry threshold for the advertiser (often integrated into already planned promotion program);
- low expenses for prize money in mobile content format;
- organization of game interaction or formation of virtual communities.

The essence of mobile marketing consists in using the interactive wireless media to give personalized data about prospective consumers to clients that promotes the further promotion of goods, services and ideas, thereby creating values for all interested parties.

This marketing tool involves various communication technologies, including phones, PDAs and notebooks in order to interact with the audience. Proceeding from the fact that the specialized information can be transmitted in various forms, methods of communications in this case are sound means (vocal mail, ringtones, missed calls notifications), short text (SMS), and multimedia (MMS) messages capable to combine the text with simple graphics and sounds, mobile games and the Internet by Wireless Access Protocol (WAP), «WAP Push» service and completely multimedia services in networks of the third generation (3G), data transmission via Bluetooth and IR port, advertising inclusion to navigation systems (GPS), etc.

Such kind of appeals is to the highest degree personified, interactive and, that of no small importance, influence the recipient of information immediately. There is every reason for considering that the use of mobile marketing together with other forms of sales promotion considerably increases the sales level.

Today only two of all media can be called interactive. On the one hand it is the Internet, with all inherent merits: capability to quickly receive and present the necessary information and the latest news, to exchange messages of «everybody with everybody», to conduct «operative» business and effective advertising campaigns. On the other hand — Mobilemedia (mobile media environment) which ground is modern formats and technologies of information transfer in cellular communication networks: the vocal information (iVR, for example), the text information (SMS), the photo information and video information (MMS), and also the technologies allowing implementing nonvoice interactive communications (Java, WAP) (table 1).

Table 3. Comparison of capabilities of the Internet and Mobilemedia

Parameter	Description	
Display	average	small
Availability	at home, office	round the clock, anywhere in city/town
Usage	several hours a day	several times a day for several minutes
Transfer rate	high	average
Multimedia support	rich	limited
Cost of usage	expensive device, not very expensive access	not very expensive device and access
Consumer's necessary qualifications	average	low
Spread	average	high

The mobile marketing — that rare technology which allows measuring efficiency of its use rather precisely:

- the efficiency of mobile marketing is 50 percent higher than product promotion by means of TV, and 130 percent higher than on the radio;

- the limits of mobile marketing efficiency — the response makes 8-45 percent;

- the cost of an advertising campaign with the involvement of mobile marketing tools range from \$2,000 to \$200,000.

Thus, potentially mobile advertising having unique capabilities for targeting the message twice exceeds the coverage of TV and thrice — the Internet coverage, and the average efficiency of self-contained mobile marketing campaigns is considerably higher than similar banner campaigns on the Internet. The main reason of the mentioned tendencies is the fact that consumers are now satiated with conventional advertising and have already managed to form so-

called «banner blindness», therefore they pay much more attention to new interactive media.

One of the most widespread modern means of mobile marketing is text messaging directed on informing potential clients about events being hold, one-time discounts and special offers. It is mostly related to the fact that for rather short period they have managed to prove themselves as the effective and «budget» channel of communication at the sales promotion or brand loyalty improvement.

It should be especially noted, that within the limits of SMS marketing the consumer acts as the initiator and is the first who sends an inquiry about reception of advertising materials by means of text messaging. The consumer's interest in receiving information turns him into the full-fledged partner of the advertiser that allows the enterprise to advertise just that what the potential client needs. However the text messaging which is not approved beforehand by the recipient is the spam thus, has nothing to do with the mobile marketing.

The goals of mobile marketing in the branding:

- forming and positioning the specified brand image;
- informing the audience about the specified qualities of a brand or a product;
- increase in the audience being well-informed about the brand and/or loyal to it;
- forming the community of users around the brand;
- support via the mobile channel of the idea and scenario of the main advertising campaign going in traditional media: on TV, outdoor, print, etc.

The tasks of the mobile marketing for stimulation:

- sales promotion (both for end users and trade personnel);
- stimulating trial purchase;
- stimulating repeat purchase;
- stimulating to purchase more;
- stimulating to use a line of products;
- youth market spread;
- creation of mobile users database;
- as targeted appeal to the client as possible.

The use of mobile marketing is characterized by:

First, the audience to which mobile advertising can be addressed — pretty accurately defined — the most attractive audience — youth at the age of 18-34.

Second, the use of targeting can save a considerable sum to advertisers who try to draw attention of the consumer group.

Third, consumers far better perceive and react to the mobile advertising if it is targeted — that is if they see that the advertising is addressed directly to them. Numerous studies show, that consumers take the advertising in their mobile phones rather calmly if messages sent to them are well-targeted ones, do not irritate and of practical use.

Besides the mobile marketing the mobile media environment also includes mobile advertising.

The mobile advertising is placing advertising messages within special mobile information channels and services. The mobile advertising operates by the model of traditional media: subscribers show interest in the specific information and services and receive them together with advertising messages (similarly to the advertising on TV, radio, Internet).

The mobile advertising combines the advantages of:

- the direct marketing — direct contact with the audience via the personal mobile phone;
- The Internet advertising — ample opportunities of online interaction with the audience, demonstration of advertising messages can be managed online (targeting, given frequency etc.).

The broadcast media (TV and others) — mobile channels have high coverage of the audience.

### ***Tools and kinds of mobile marketing***

In marketing solutions it is possible to apply mobile technologies as:

- SMS («Short Message Service») — the technology, enabling to receive and send short text messages by means of the mobile device;
- MMS — system of transmission of multimedia messages (images, tunes, videos) in mobile networks;
- IVR (interactive voice response) — the voice menu enabling the caller communicating with the autoinformer to get the information on matters concerned, to make an order, to learn about events, discounts, events and so forth;
- WAP (wireless application protocol) — created especially for GSM networks where it is necessary to establish connection of portable devices with the Internet;
- QR code (quick response) — the two-dimensional bar code providing the information for its quick recognition by means of the camera on a mobile device where the special program for reading QR codes is installed.;
- Bluetooth marketing — way of implementation of marketing communications with the use of Bluetooth technology in immediate proximity from the target audience (from 20 cm (8 in) — to 100 m (328 ft));
- NFC («near-field communication») — short-range technology of wireless high-frequency communication (up to 3-5 cm (1.2-2 in)), enabling to make the contactless data exchange between mobile phones, smart cards, payment terminals, access control systems and other devices;
- branded Java applet — application for the mobile device on Java platform which allows promoting a brand/product/service in a low-key form;
- mobile communities are communities where mobile communication facilities are means of communication.

Let us consider mobile marketing tools in more detail.

SMS marketing is the most simple and popular tool, but it has one major problem. The distinction between SMS marketing and the spam is very subtle. It is obvious, that if to send messages for no particular reason to subscribers in large quantities then it will be the spam, pure and simple. The company will be blocked by the operator, and addressees will think very negatively about its actions. There is only one way to avoid it — it is necessary to get the recipient's permission as in case of email marketing. There is lot of variants to get the recipient's permission. They are mostly defined by that how SMS marketing event itself is organized. For example, large brands of FMCG often organize various events, competitions and quizzes. The most known are such as «find the prize under a top» from Coca-Cola. The essence of them is extremely simple — under the cover the consumer finds a certain number to which it is necessary to send a SMS message. After that he gets an answer. Similar events can be as lotteries (ever rarely) when as the answer SMS messages come informing about the win or loss. But more often such events are held in the form of a competition when the response SMS contains questions. If the sender gives right answers to all of them he will get a prize.

SMS messages are actively used as a voting tool, especially at the support of Internet sites, TV or magazines. For example, on musical channels there are various programs where the spectator can vote for a liked participant by means of SMS. Some companies have found even more interesting application for the SMS message — it is used, as the channel for consumers' survey. At last, the text message can be used to inform consumers. For example, some cinemas place a small questionnaire on reverse side of tickets. It is necessary to be filled, and to drop into a special box. After that the client usually becomes the participant of any lottery, but besides he will occasionally receive text messages with the information on premieres. The network of popular shops of sportswear «Sportmaster (Спортмастер)» actively uses the SMS as the channel for informing its clients.

The situation is more complex in the case of the MMS: the given type of messages has never spread worldwide. Whereas mobile phones are more and more integrated with the Internet so that MMS messages can prove unnecessary at all it will be just superseded by the e-mail. Nevertheless, events with the use of MMS occur so far. Usually their essence consists in that the participant sends any photo made with a mobile phone.

IVR — as a matter of fact, reminds the SMS, at least, meaning that often it is used for various competitions and quizzes. The main difference consists in that it is necessary to speak with voice. The caller gets through the certain number where the automated voice system responds to him. Usually it will read out variants of answers. It is possible to choose the right one by means of digital keys. It is much more convenient, than to send numerous text messages.

There are already workings out, when the subscriber does not need to press digital keys to choose a variant of answer. It is possible to make it by voice, and

the recognition system will define the answer. IVR has appeared a little bit later, than the SMS, but it is already actively used.

As a whole it is rather useful tool, but its application is limited.

WAP. It may seem that the times of WAP are over. It is not true. Today WAP portals gain popularity once again. The point is that it is by them that various content for mobile phones is traded. WAP portals are today one of the main places where advertising banners focused for users of mobile phones are placed.

WAP advertising gives rather quite good response so far. At least, analysts estimate the given kind of advertising as much more effective than the conventional banner advertising in the Internet. This fact speaks volumes.

However, the WAP advertising has some problems. The preponderance of communicators, for example (they promote that mobile phones are used to browse the Internet). Moreover demand for various content as paid tunes and images will start to drop sooner or later.

The *content* is often delivered as an obligatory prize for participation in any event. Usually they are themes or images with brand depiction. Sometimes it is a question of videos. However, here all mobile phones are no longer suitable.

*Games and programs.* The topic is utterly extensive. Some companies develop their own branded games, intended to entertain consumers. Someone actively sponsors online gaming for mobile phones with one's advertising. The latter direction is considered especially prospective. Now more and more mobile phones appear with the support of 3G standard. Operators in parallel develop 3G networks. All that means only one thing — rather soon mobile phones will have really fast Internet that will favor wider spread of the same online gaming.

*The advertisement before a call.* The point is that during the call the advertisement is popped up. It should be watched for some time following which, at last, it is possible to pick up the receiver. It is obvious, that no reasonable person will agree to view advertising for no particular reason during calls. He should be given something in return. And they give. Now the model (especially in Europe) is becoming popular when the operator renders services to the user absolutely free of charge. It is necessary just to view advertising during calls. The given model has not spread widely yet.

There is the second way as well when cellular communications should be paid. For viewing advertising the subscriber just gets monetary bonuses to one's account. The more advertising you watch/listen, the higher probability of that you can speak free of charge.

*Bluetooth marketing* — rather peculiar tool. It can be suitable in close spaces, thus it is usually used at different kinds of events, or shopping centers. As a rule, it is intended for delivering any content to users' phones.

As a Bluetooth marketing example can be given the event in any of cinemas when the information about future announcements and even trailers of new films are distributed by means of Bluetooth. This is rather original move

which will make any cinema more attractive, but as in a case of the SMS marketing, the given method should not be abused not to cause users' disapproval. It is best to use the given tool for the audience which is interested in a content being received, in the audience which will not consider the given move as the spam.

NFC («near-field communication») — technology of short-range wireless high-frequency communication enabling data exchange between devices being small distance apart. Retailers can give to visitors of the offline point of sale the information on products, the store and the most important offers and discounts with its use.

In Apple's stores there is the technology called iBeacons, for example. As soon as users enter the shop, they receive a greeting message on their devices, they are shown the information on products and events, and also are offered to buy something out of turn. Such technologies can offer to marketers more exact targeting of messages which will consider the context, location, user's behavior and his profile. Conversion level will be higher as the user's attention will be «caught» at the most required moment.

By means of the QR code it is possible to encode any information, for example: the text, phone number, link to a site or business card. The QR code can contain numbers, text, URLs, business card data. The main advantage of the QR code is an easy recognition by the scanning equipment (including the mobile phone camera). Now many phones have integrated programs reading QR codes (or they can be downloaded as an application), and the tendency is in that that more and more manufacturers include these applications among the pre-installed. Acting as the identifier the QR code enables to get a quick access to the interesting information what is especially topical when used in the offline environment. In the marketing activity QR codes can be mostly applied in the sphere of marketing communications as integration in advertising materials, namely: TV, print, outdoor advertising (including ambient and guerrilla events), internal advertising (POS materials and promos), package as a kind of communication.

By means of QR codes the consumer can interact with an interesting material, as well as with a digital source of its publication all alone, that, undoubtedly, enriches one's experience of digital interaction. It is possible to quickly overcome some limits of conventional advertising campaigns with the help of QR codes (for example, contradictory content from the ethical point of view), having transferred a part of a campaign to the Internet and having enabled consumers to get access to it by means of the aforementioned technology. Performance of sales function (for example, access to the information about prices, responses, recommendations, functional peculiarities of a product, etc. with the subsequent sale of a product) is perspective.

By means of QR codes it is possible to instantly get an access to recommendations about the product without introduction of expensive solutions,

at that enriching digital experience of consumption (including information consumption). Using QR-codes in e-commerce is possible at the level, as has already been indicated above, of merging online and offline interaction and sales. Getting an access to a base of recommendations and further preparation of recommendations by consumers in conventional shops allows reducing the risk of unsuccessful purchase that will increase sales volume in a shop. So one resolves the dilemma of convenience of access to the information about products in Internet shops (and their rather low price) versus convenience of selection and preliminary try-out of the product in conventional stores.

In this case the shop can act only as a shop window with a wide assortment, but a low stock where the consumer can try out the product and the order will be delivered from warehouses in a place convenient for the consumer at much lower price. In this case QR codes (as well as other associated technologies, for example, the augmented reality) act as the intermediary between the offline and online environment, performing, as follows from definition, the function of fast access from the former to the latter. The integration of QR codes with existing social media in all of their manifestations should be especially noted. In particular, adding the page of one or another brand or the person to the favorite list in Facebook can take several seconds, at that without resorting to a conventional use of a browser or the search within the application. The simplification of access to the information increases the traffic in all its manifestations (both to a site and individual profiles in social media).

The classification of the most widespread types of the marketing tools, grounded in mobile technologies, by the level of and specific character of problems they can solve, — from a direct advertising appeal to surveys, studies, guerrilla marketing, is presented in table 2.

As is obvious from table 4, the majority of widespread tools of mobile marketing can solve not one marketing task, but the whole complex. Except QR codes, NFC technologies, banners in the WAP space, text messaging, Java apps and mobile communities: they are to the most extent adapted for advertising proper and thus they can be selected in a separate group — group of mobile advertising means. But in any case, one should not forget that all these means will be really effective in the event if the consumer has been studied well.

One more conclusion which can be made, proceeding from this typology: different technologies can successfully solve similar problems. For example, sales promotion can be carried out by means of SMS events, text messaging, QR codes, banners in WAP resources, mobile communities, Bluetooth marketing and branded Java apps. But in each case the choice of an optimum format of mobile marketing event or mobile communication channel with the audience will depend on specific tasks set by the company.

Today the «mobile marketing» concept in the CIS countries is strongly associated with the text messaging. And the majority of consumers have not very pleasant association with it. Pretty often organizers carry out it in an



involuntary way, without asking the consent of subscribers. Domestic banks especially commit this sin, texting to their clients, messages about new crediting rates in the most inappropriate time for it.

Table 4. Tools and tasks of mobile marketing

Mobile marketing tools	Marketing tasks						
	Advertising message	Strengthening the image	Improving brand loyalty	Sales promotion	Consumer demand research	Target audience survey	Guerrilla marketing
Event like «send the code and win a prize»	no	+	+	+	+	no	+
Text trivia about the brand	no	+	+	+	+	+	+
Text trivia about «free subject»	no	+	+	+	+	no	+
Banner in the WAP space	+	+	+	possible	no	+	+
QR codes	+	+	+	+	+	no	+
NFC	+	+	+	+	+	+	+
Combined event: MMS + SMS	no	+	+	+	+	no	+
Mobile communities	+	+	+	+	+	+	+
Text messaging	+	+	+	+	no	no	+
Branded Java apps	+	+	+	possible	+	no	+
IVR portals	no	+	+	+	+	no	no
Bluetooth marketing	+	no	+	+	no	no	no
Text surveys	no	no	+	no	+	+	+
Text voting	no	+	+	no	+	+	+

Experts name the following as the most perspective tools of mobile marketing: text messaging; mobile coupons and discounts; NFC technology; QR codes; monetizing social media through the mobile phone; combination of traditional tools of marketing with mobile ones.

***The scope of mobile marketing, its advantages and drawbacks***

It is possible to distinguish several main areas in mobile marketing. The mobile advertising is important among them, comprising five directions:

- network (banners, Internet search, sites, adapted to operate on the mobile phone);
- broadcast (streaming video, FM radio on the phone);
- narrowcast (podcasting, delivery by Bluetooth);
- physical direction (scanning, using the phone as an external modem);

- miscellaneous (synchronization of radio with distribution of images, product advertising in mobile games, advertisement as the screen saver on the mobile phone).

Another area of mobile marketing is mobile sales promotion. This process is connected with increase in sales and other kinds of consumers' activity promoting increase in company's revenues. Ringtones, logos, wallpapers, etc. can be used for product promotion. The same category includes news, jokes, comics, horoscopes and weather forecasts. This kind of mobile marketing is the most suitable to be combined with product promotion in traditional media. One of the most powerful means to attract customers is the organization of mobile lotteries.

Direct mobile marketing (so-called direct marketing) tends to transition to relations in private, becoming the competitor of the traditional direct marketing. Mobile communication means enable to receive responses from consumers on-the-fly (the Internet, e-mail). The same opportunities are used in direct marketing as in sales promotion.

Mobile marketing is mostly used for sales promotion. Perhaps, the most demanded one is «on-pack» mechanics. On the product package is applied a unique code, which should be sent to a short code to take part in drawing of prizes. Such events are very popular among beer brands, manufacturers of sodas, chips and other provisions. This mechanics was introduced by the tyre manufacturer «Kama.Euro», as well as by the manufacturer of sanitary fittings Grohe. The popularity of the given mechanics is quite reasonable. It is virtually universal and is used in BTL, ATL, trade, HoReCa, event projects. It can be included virtually in any communication with the consumer. In addition the on-pack enables to quickly receive confirmation of purchase from the participant of the event by texting the code, found on the product package. This system enables to manage the end user remotely, to stimulate him to make a purchase and instantly to receive the information that he has bought it. One more very important advantage of this mechanics — large-scale participation. It allows involving in communication a huge circle of consumers of the product as it is simple and accessible to everybody.

That what happens with the participant, after he has sent the text message with a unique code, depends on campaign specific targets among which can be: stimulating trial purchase, stimulating to purchase more, sales promotion as a whole, sales promotion during a certain period etc.

For example, to motivate the consumer to make a trial purchase, in mechanics instant drawing of prizes is assumed. It is enough for the buyer to purchase one package of the product to participate in drawing of any prize from the brand. As a rule, there are drawings each hour, every day etc., depending on product consumption cycle and target audience. One of the methods to reward the participant is instant passing to his phone account a small incentive sum of money. This mechanics was invented and is first implemented by West tobacco

brand in 2004. Each participant who sent at least one code received a guaranteed gift from the brand. The most widespread and asked-for guaranteed gift is a mobile content (branded images, ringtones, Java games and apps).

The accumulation plan is mostly used to stimulate purchase more when the participant, to win/get the prize, needs to accumulate certain quantity of points. The points are formed from unique codes activated by the participant, then are converted to prizes from the catalogue.

The logic of the event provides that each code, sent by the participant, has an equivalent to points. Participants accumulate points by sending codes, and exchange them for prizes. To get any prize from the catalogue, it is necessary to accumulate the number of points, corresponding to gift «price», in a virtual account.

Also, for stimulating to purchase more during a certain interval of time, it is possible to use dynamical system of accumulation of codes which means possibility to get more points at sequential activation of codes within a certain space of time.

Game and entertaining scenarios are also used for sales promotion. Text trivia can be integrated into the mechanics. To win a prize, the participant has to give right answers to questions and to send one or several unique codes along with the answer. Then he will be able to claim a prize. The logic of the event should be constructed so that the participant has not lost interest throughout an entire period of the campaign.

All plans described above are directed on just that — to «stir up» participants' interest throughout the event. Consumers take an active part, they buy the product, that, surely, influences sales promotion.

The application of mobile marketing tools should be based on the company's scope of activity. At the same time the mobile marketing is logical continuation and addition to the Internet marketing.

Therefore, first of all, we will single out and we will consider the division of companies by strategy application in the Internet.

1. There is no Internet strategy. The company has no own site, is absent in the Internet and does not use the indicated communication channel with the audience. It is not reasonable to use mobile marketing tools in this case. Using mobile communication channel will be more successful after comprehension and analysis of Internet channel use.

2. There is limited Internet strategy. The company has own site but it is not developed and promoted. It makes sense to analyze existing site visitors in this case. If there are a significant number of users hitting the site by using mobile devices, it makes sense to create the mobile version of the site. It also makes sense to develop strategy of application of mobile marketing tools, depending on company's scope of activity.

3. There is advanced Internet strategy. The company has own site, it is actively developed and promoted. Communication with the audience via the

Internet makes a significant part of marketing strategy. It is necessary to use mobile marketing tools in this case. The Internet strategy can be transferred and applied in the mobile channel, at the same time mobile marketing tools can become addition to the basic strategy and help to achieve additional results.

The following step — definition of company's scopes of activity where mobile marketing tools are applicable. In actuality, it seems impossible to make full list of proper or improper scopes of activity. Mobile marketing tools can be used in one or another way, in each sphere of company's activity, depending on the use of the Internet strategy described above.

The most important thing for application of mobile marketing tools — to define correctly the purpose which should be reached, used efficiency indicators and efficient utilization limits. Then it is necessary to make experiment for revealing of efficiency and expediency of use of one or another tool for each case. At that it is necessary to understand, who company's target audience is, and whether communication with the target audience via the mobile channel can be successful. So, if the company sales ship worth from tens of millions roubles, then if there are no sales through the Internet and other electronic channels, communication leading to sale via mobile channel is also improbable. On the other hand, the task of brand promotion, in this case, can be successfully solved through the mobile channel.

The mobile marketing has a whole number of merits, favorably distinguishing it from other kinds of marketing activity, including:

- capability to be easily integrated into conventional, earlier developed and already carried out advertising campaign that allows simulating the most effective marketing mix, to make an advertising campaign as efficient and targeted as possible, to actively use the information received from contacts with end users, showing real or potential interest to the brand;

- ensuring significant expansion of advertising and media possibilities of traditional promotion means. The fact of no small importance, that the use of mobile marketing techniques and its interactivity give economic entities a unique opportunity to create and analyze objective ratings of advertising media and information channels;

- technical features of mobile devices proper as communication media of enterprises with clients. Phones, PDAs, communicators and other similar devices have such characteristics as universal availability, a high level of readiness for operation at any time and any place, the majority of potential clients have them, rather low cost and easy to handle, and also, as a rule, immediate spatial proximity from their owners;

- maximum reach of target audience ensured by reduction to a minimum of losses of information because of its characteristics of personalization and individualization;

- marketers' ability to segment the target audience (by Web sites, phone models, demographic data and by location) since advertisement transmitted to

mobile devices, created for each user with account of one's sex, age and personal interests. Besides, the information, received by means of mobile marketing tools, can help to evaluate and to choose one or several market segments to roll out one's goods and services;

- ensuring higher level of product recognition and of efficiency of its promotion owing to private nature of operation of communication facilities. Considering, that messages are intended only for one user, thereby the most favorable conditions are created for increase in consumer demand of a specific client, and, as consequence, processes of product movement and sales of products become faster. Studies established that at present subscribers pay much more attention to mobile advertisements (for example, to the text after the notification), than to ads received by PC.

At last, the mobile marketing allows receiving quick response from the client, to define exact statistical data about results of events, to create as personalized, targeted address to the consumer as possible and to remotely provoke him to make a decision on purchase. All this ensures enterprises' capability to constantly keep the consumer within the zone of their marketing influence, to create a certain information field, to spread the information necessary for market interaction.

The mobile marketing has attained its majority and at the moment became an integral part of social life. The increasing number of users of the mobile Internet spends their time for surfing social media Web sites. It is aspect made a perceptible effect on formation of new, modern marketing strategy, and successful marketers use mobile social networks to their advantage, getting large profits out of it. How and owing to what are they doing it? Let us consider several key moments:

*Availability.* The number of users who hit their pages in social networks via mobile devices steadily grows. It became constant tendency for Facebook and VKontakte (ВКонтакте), which users constantly visit via smart phones and other devices to update the status on their pages. Hence, such social channels give large opportunities for mobile marketing development, in particular, formation of client database, as well as for creation of brand recognition regarding one's product. Mobile networks develop rather easily, that allows the mobile Internet to be more accessible to the majority of people.

*Personification.* The social networking gives experts in marketing an advantage to select the most reasonable individual approach to any of potential clients. Certainly, it can pose a certain threat, in case «unfair» marketer will try to get into client's private life.

*High degree of publicity.* Provided that the mobile marketer plans his marketing strategy correctly, he receives wide publicity and, what is quite important, without many expenses for work itself. Good advertisement spreads quickly in social networks; it is this fact that should be used to create one's product in mobile marketing. To achieve the best results it is necessary to start

with target audience analysis, to decide what promotion goal is and what should be achieved, and then to represent the received data in the mobile marketing plan. It is also possible to hire experts who will work with clients according to the plan.

*Power of influence.* The social network is exactly that place where trust and affinity are presented in very large amount. If the expert in marketing wishes to manage these values to his advantage, then he, for a start, should make more successful steps in his business, further to gain his followers' trust. Thus, while guaranteeing that the marketing plan is not just a name, and has clear sense, the expert in marketing will have to go a long way to create as one's reputation as reputation of a product he offers. The marketers can also use his native wit in inventing all kinds of interesting offers: competitions, surveys, declared events and measures. Such an activity creates conditions for viral marketing emergence.

*Long-term relations.* After the trust factor between the seller and his client has been created, the latter should get for a long time yet from the company additional information support that is news hook, as notifications or new offers. Clients will orally inform their friends and relatives about that what quality products are made by the company that in turn will allow attracting additional clients. One should not forget about diverse stimuli: events and discount: they will be able to minimize attention «damping» effect to the promoted product.

*Participation spirit.* The mobile marketer should constantly think out new ways to entertain his audience. After all, the product should be not only useful, but also to be presented to the end user in an interesting way. The product should, in some respect, cause thoughts and define the degree of utility for the user of a social network. It will become the guarantee of further participation the mobile Internet users in future marketing campaigns.

*Target marketing.* The social networking site provides the expert in marketing with demographic data about clients when they are in a network. He can later use these data to offer his clients better worked out package of services. Certainly, in so doing, the marketer has to make a detailed study about revealing features of consumer's behavior, it is necessary for him to «feel the pulse» of the target audience, to reveal potential interest by an advanced product.

*Real time.* The mobile marketing gives to the experienced marketer an exact idea about his users' behavior and does it in real-time mode. Depending on ROI, the expert in marketing can adjust the future of his marketing campaign and manage it so that to attract the increasing number of clients in the Internet. The mobile social network, ensuring the marketer such regulation of processes in real-time mode, thereby allows him to constantly improve the strategy itself of conducted campaign. Perhaps, it is just the biggest advantage of mobile marketing via social networks.

Besides obvious merits the mobile marketing has some shortcomings which should include catering for mainly youth audience, consumers with a higher than average income and inflexibility of mobile operators.

The number of users of mobile devices is rather large and they become more and more. Mobile devices along with the mobile Internet offer various opportunities. One of such strong capabilities is promotion of products and services by means of the mobile marketing.

### **6.3 Social media marketing**

#### ***The content of social media marketing***

The social network is directed on forming communities on the Internet from people with similar interests and/or occupation. Communication is made by means of internal mail system or instant exchange of messages.

Social media — kind of mass media having a number of advantages over other varieties, is a polysemic term, used to describe new forms of communications of content producers with its consumers for whom factor of content co-production (with end product users themselves) is of crucial importance when each reader/blog subscriber, for example, can perform functions of the commentator, reporter, press photographer and/or editor of a given service. It is a set of online technologies that enable users to communicate among themselves. Communication can occur in various forms — users can share their opinions, experience and knowledge, interact with each other, establish contacts, as well as share news, information, videos, photos, music and links.

Also there are social networks to search not only people by interests, but also objects of these interests: Web sites, listened music, etc. Folksonomy is usually used in such networks.

Andreas Kaplan and Michael Haenlein define the social media as “group of Internet-based applications that build on the ideological and technological foundations of Web 2.0 and that allow the creation and exchange of user generated content.”

Unlike the media based on authority, social media appeal to sense of belonging to a certain community. Mike Murphy confirmed: “Agencies and advertisers who try to do disruptive ad campaigns [on social media sites] just don’t understand the environment, and the users will not respond well to this.”

Development of Web 2.0 environment has led to that that users generate an infinite amount of content, and also create special space where they communicate with each other. Today each company is able to come to territory of the consumer and to communicate by his rules in order to gain trust and to get as many brand supporters as possible. That can be achieved by means of quality PR on the Internet which includes work with social media as well.

The social media promotion can be relatively divided into two interconnected spheres: *SMO* and social media marketing (*SMM*). According to some experts, the first represents a part of the second.

*SMO* (social media optimization) is Web resource optimization for the purpose of successful promotion in social media. From definition it is clear, that this process occurs not on third-party's Web sites, and right on the promoted resource. *SMO*, in effect, — work with your Web site's content in order to make it as much interesting and informative for users of various social networking sites as possible. One of the important components of optimization for social media is to ensure possibility of easy and prompt export of the content (posting ability, Web site bookmarking, RSS or iGoogle etc.).

*SMM* (social media marketing) or marketing in social media is rather new kind of business presence in the World Wide Web. It takes place not on the promoted site, but on third-party's resources of Web 2.0. The main task of *SMM* consists in attraction of social networks users' attention to the site by unostentatious placing information on one's goods and services in them.

*SMM* includes a complex of actions directed on achievement of the following goals:

- tracking positive and negative comments as well as encouraging the former and levelling the latter;
- holding competitions and/or actions whose goals are to notify the target audience about new services, directions of activity or products;
- improving loyalty of target audience to the product or brand;
- gathering feedback from consumers for service/product improvement.

All the aforementioned has direct influence on universal trend of sales growth or increase in brand recognition. However, setting similar goals frequently directly leads to aggressive advertising repelling users, that does not make an attitude to the advertiser more positive. It is for this reason that social media marketing includes such basic principles as:

- honesty, openness and transparency from the side of business;
- direct interaction with users and wish to hear them;
- establishing long-term relations with the audience.

Let us notice that *SMO*, as well as social media promotion, is rather new service, therefore companies which will be able earlier to realize the importance of this way of promotion of one's products and will start to promptly develop in the given direction, will get an excellent opportunity considerably to outstrip their competitors.

General social networks. «VKontakte» the largest Russian-language network is one of them. Here people are not connected by common interests or any joint activity. Such social networks are created, first of all, for communicative purposes, i.e. to keep in contact with friends, relatives, acquaintances and colleagues. People often upload to the network photos from holiday or other events, videos, music and many other things. Applications are



actively used. Thus, other people can easily learn, how one or another friend is doing, not having at times a chance for that in «real life» for lack of time or for any other reasons. «Classmates» is a social networking service where users can find former classmates. «Facebook» and «Bebo» are also popular.

*Professional social networks.* Such networks are created solely for communication among representatives of certain occupations. Professional social networks give an opportunity to find employees or vice versa the job, to come into contact with the representative of a certain company, to place corporate news or press release and to use many other opportunities. In other words, to upload the video of your birthday party is out of place here, to say the least. «RB.ru», «Professional (Professionals)» and «Moi krug (My circle)» are among the most popular professional social networks in Russian Internet. «LinkedIn» as well as «XING» networks are popular abroad.

*Social networks by interests.* Some people are united by music, some by love to nature, and some by a favorite TV series. Common interests or love to specific activity generate formation of certain social networks, where users can communicate with like-minded people. Such networks as «Last.fm» and «MySpace» are widespread both in Russia and abroad. If to take solely English-language ones it is possible to single out «MyAnimeList» which is the large network for Japanese animation fans.

Other kinds of social networks operate as well, but it is more difficult to single out them owing to their narrower spread, thus we will not describe them.

We will better consider now various kinds of advertising that can be effectively used on platforms of numerous social networks.

*Banner and contextual advertising.* With the account of specificity of the advertised product or service banner and contextual advertising is better to be placed in such networks where the target audience is present in most better way. We will take a concrete example to make it clear. Let us assume, that we want to place a banner meant to advertise a unique and healthy super dog food. In that case it is not expedient to place the banner in a professional social network. After all it is necessary to search for the target audience in such networks that are devoted to dogs or at least to pets as a whole. And to advertise website creation services it is possible in professional networks as there may be prospective customers there. Therefore first of all it is always necessary to try to understand as accurately one's target audience and where it is as possible. In social networks like «VKontakte» target advertising can be used where interests of users are taken into account. It is also important to mention that banner advertising alone in social networks is ineffective, as it goes virtually unnoticed in such places. At advertising campaign planning in social networks it is worth staking on the aggregate, instead of to hope for return only from one kind of advertisement.

*Guerrilla marketing.* So-called guerrilla marketing at present enjoys much popularity where contact with the potential client is established directly, due to

communicative opportunities of social networks. People began to trust the private opinion much more than the advertisement or sponsored article in a magazine: human factor is of importance here. Therefore the fact that in such networks as «VKontakte» it is possible to come into close contact with the potential client or target audience representative, is great advantage for effective marketing work. As a rule, the fictitious user profile is used and in due course certain image is developed and, thereby popularity grows: the new user gets friends, participates in a lot of groups, takes an active part in interesting discussions and constantly extends a circle of acquaintances. Daily monitoring enables to find opportune moments for guerrilla influence on the target audience. For example, some users started to compare two products in one of the interest groups. One of the products is ours; the second of their manufacturing belongs to competitors. It is exactly an excellent opportunity to influence several more people's opinion. And afterwards such influence can turn out much more popular. Here there is always the rule that the anonymous user's opinion is much more important than company's official advertisement. It means, while guerrilla work is not revealed, it is necessary to act actively, but accurately. Often similar discussions or other delicate topics for «heat-up» are initiated artificially to later provide a benefit in favor of advertising campaign as a whole. In other words, work in social networks is of creative nature. Tasks are characterized by nonstandard solutions, and the result at times can surpass any expectations.

*Viral marketing.* When distributing viral videos, for example, so-called seeding should be made. For this purpose there are specialized social networks such as «YouTube» and «RuTube». Seeding in other special-interest or general social networks, in certain groups «VKontakte» and so on, allow increasing it effectively.

*Social networks applications.* In Russian-language Internet «VKontakte» applications are especially widespread, some of them enjoy popularity of many millions. Companies use such opportunities for promotion of their products or image. Some companies order production of own flash applications for social networking websites and, thus, attract target audience. Such advertising is very efficient, however demands considerable costs. At the initial stage of business formation such large sums for marketing cannot always be afforded.

One question remains open, namely: how to estimate results of the work done and to understand, how effective were our efforts? It is not always easy to estimate such results; especially when besides social media marketing other methods are used as well. However it is still possible to single out several moments. For example, having won the certain client over, efficiency of the work done is obvious. It is also possible to figure out total of advertising exposures, traffic of visitors from social networking websites to a company site. Tracking reprints of text materials posted on various pages of networks sometimes is also in use.

Social networks have lots of advantages over both other tools of online marketing (search engine optimization, contextual and banner advertising) and traditional advertising tools (television and outdoor advertising, BTL, product placement). Let us consider these advantages in detail.

Users tend to share the information, interesting to them, with people around. In social networks this factor is manifested as in none other environment. At the correct approach the given feature can be used to spread the information as widely as possible. So-called viral marketing is built on this mechanism — creation of news hooks, content, interactive applications connected to the brand that spread by users among people around them. Videos, infographics, viral websites etc. are among mostly used viral formats.

There are two basic approaches to «grapevine telegraph» principle in social networks.

The first approach — distribution between profiles: the user sends the information on a product or the link to the content connected with it (that occurs more often) to one or several people he knows.

The second approach — social distribution: the user, by means of embedded mechanisms of social networks («share» in Facebook and «VKontakte», Retweet in Twitter), shares the content he likes with all his audience. The second approach is more effective from the marketing point of view, as enables to reach much wider audience.

In case of viral marketing users in general spread the information by themselves. The marketer's task, in this case, consists in revealing audience's interests, understanding behavioral motives for distribution of information and generating viral content based on it.

In spite of the fact that the idea of viral marketing disturbed minds for many years, only with active development of the Internet, and social networks particularly, this tool won the recognition and popularity. First of all this has to do with the fact that it is online environment that creates conditions so important for viral marketing: instant spread of news, close and fast communications between people, possibility of prompt acquisition and perception of media information.

Perhaps, the key advantage of social networks is maximum opportunities for audience targeting (that is advertising campaign focus on a specific segment of target audience). The campaign can be focused virtually as deep as necessary.

Users have already registered in social networks by themselves and have given a lot of personal data: age, address, marital status, education, occupation, hobbies and many other facts. As a result the seller has much more information, than in case of other marketing tools, and it enables to work only with those users who meet the existing idea about target audience as much as possible.

Today's person is overloaded with advertising. It goes in great numbers on him from every quarter: TV, pages of print media, billboards and posters in transport. The Internet is one of the most aggressive environments from the

point of view of advertising. As a result the person's brain gradually develops special anti-advertising filters. In media Internet advertising there is even the term «banner blindness»: it describes the situation when the person hits a site, and his brain blocks perception of some page areas because there are usually banners. As a result all that influences advertising efficiency.

In case of social networks anti-advertising filters are not activated. The point is that advertising format is not used in SMM. The basic mechanism of interaction is conversation on topics actual for the user and distribution of content interesting to him. Naturally, both conversation and content contain an obligatory promotional peg, but at that, unlike advertising, are of value for the user.

In case of most other marketing tools work with the audience is built in a unilateral format: the advertiser informs about his product and has no possibility to receive a feedback. In social networks this process is of bilateral nature: users can express their opinion, ask, and participate in surveys. As a result there is deeper interaction with the target audience, than in case of traditional advertising.

Any business can adapt SMM campaign to its specific character. Let us consider how this marketing mix can be used for different business segments.

It should be said that representatives of large business were one of the first who realized social networks potential and started to actively use them for promotion.

Big business usually solves strategic long-term marketing problems via social networks: branding, increase of target audience awareness, improvement of loyalty to and trust in products of the brand, tracking of opinions and moods among TA; it is defined, what support system will be.

Among special features of SMM campaigns of big business large reach, work on several platforms at once and communication interactivity can be noted. Communities, blogs, applications in social networks, systematic work with the most loyal opinion leaders (creation of so-called «brand advocates») are used for this purpose.

Large companies also pay a serious attention to work with reputation, in particular, to monitoring and negative information neutralization.

The largest difficulty is, as a rule, the analysis of efficiency and ROI calculation. As frequently the activity of these companies deal with a wide distribution network, it is sometimes problematic to trace, as one or another action influences sales directly. Therefore it is necessary to develop own system of metrics for each campaign, using web analytics possibilities.

The following spheres of big business are highly active in social networks:

- developers and building owners;
- manufacturers;
- banks and other financial structures;
- movie studios;

- network services operators;
- sales networks.

In recent years in SMM work market entry threshold has drastically lowered, and mass inflow to social networks of companies of both small and average business still continues.

In most cases tools, enabling to promptly solve tactical problems, are more topical for them: increasing sales, announcing discount campaigns, encouraging users to make repeat purchases. For this purpose they usually resort to as creation of own platforms as work with those already existing of similar themes.

The following industries are presented more than others in social networks:

- trade;
- local manufacturers;
- services (beauty parlors, fitness centers and so on);
- tourist sector.

It would be logical to assume, that representatives of the online industry are also active SMM users.

Their main task — to obtain quality traffic possessing high conversion (that is turning into sales, registration or other target actions). The most actual tools for this purpose is creation of communities, blogs and microblogs, target advertising, placing teaser ads in «traffic intensive» communities and blogs.

Social networks are also often used to create fuss about the project, to draw attention to it.

The following types of projects are most seen in SMM: e-stores; online services; online startups; discount aggregators.

Contrary to a popular belief products and services of B2B area can be also effectively promoted via social networks.

The basic strategy in this case — to find representatives of that professional stratum being campaign target audience. For this purpose it is possible to create own communities positioned by occupation or social stratum, to conduct selective work with target audience representatives, to provide some contacts through systems of advertising with targeting by occupations or education, as well as, to work with already existing professional cells.

The following business categories of this sector are presented in SMM: advertising services; IT solutions; financial and legal services; HR agencies.

Speaking about branches, suiting well for social media promotion, those spheres, where SMM is inefficient, should be also mentioned.

In most cases for the companies dealing with expensive highly specialized B2B activity, social media promotion will not yield result. First of all construction sphere and industry can be included among such branches. It is possible to name the following main causes why SMM works poorly in this case.

1. It is difficult for companies of this sector to target an advertising campaign on those people who make purchasing decision.

2. In the spheres mentioned above decisions are traditionally made as a result of direct encounters where people discuss terms and strike deals. It is caused by limited demand, as well as, supply.

3. It is difficult to generate theme content: the named branches per se have few news hooks potentially interesting to the audience.

4. For the given sector promotion through trade media (including online), search contextual advertising will be more effective.

A vivid example of business with spontaneous transactions is taxi services. When the person wants to call a taxi, he either finds number of the familiar and reliable service in a phone book or types in an inquiry in a search engine, for example, «Astana taxi». Even if the person is subscribed to a blog of a taxi or a member of community of loyal clients of the given service — that will by no means influence his choice.

One of peculiarities of communication in social networks consists in that it is difficult to mislead people. In traditional media the person, as a rule, cannot promptly share one's impressions with other spectators or readers. In social networks it is enough for one of the users to find out that the promoted product or service has serious defects as he will tell at once about it in comments or in exterior communities, in blogs, at forums. Promoting product that is knowingly uninteresting, of poor quality or has serious defects, can produce an effect, opposite to the expected — a powerful wave of the negative information.

From the point of view of marketing, social networks — a universal environment. Here the various problems can be solved — from sales to branding. Let us consider why representatives of business mostly hit social networks.

It would be erroneous to think, that social networks are suitable solely for solution of PR tasks. They can be effectively used as a separate sales channel. At that there are several basic «selling» mechanisms, specific to the given environment.

This approach to sales is most widespread — in the community the user gets information on a product, as well as, the link to a selling page of a corporate site or e-store. Thus, roles are distributed: the community acts as a selling assistant, and the selling site — as a cashier.

There is an approach when the user passes through the whole cycle of purchase without leaving a social network. For example, when, being in the community, he receives all information on a product and at the same place he finds manager's contact phone number or a special widget (interactive element performing a certain function, for example, it can be an order form). Another example: when the application has the whole e-store functional, the user can look through a product catalogue, add the liked positions to the basket and make an order. In some social networks («VKontakte» in particular) there is a possibility to integrate payment processor into such an application.

The advantage of this method is that you do not make the user to go to external sites. It is known from classic usability that: the more steps the buyer should take from making a purchase decision to the purchase itself, the less probability he will take them. In case of using the mechanism of independent sales the number of these steps is dramatically reduced.

In most cases the buyer who has made the single purchase and does not come back any more, is a useless one. It is even probable that cost to attract him has turned out higher than profit he has brought. Certainly, for the majority of businesses those buyers who will constantly come back and make new purchases are more valuable.

Social networks perfectly solve a problem of formation of loyal users pool. After the person has joined your community, has subscribed to your blog or any other channel, you get the ability to constantly tell him about novelties, sales hits, special events. As a result you stay in touch with him all the time, and the quantity of repeat sales increases dramatically.

One more format of sales via social networks — opinion leaders' recommendations. Opinion leaders are people, whose viewpoint is as reputable for their audience as possible — for example, popular bloggers. Such person's recommendation can create a wave of sales so it is important to constantly work with opinion leaders of your audience.

Certainly, if to speak about the environment of tens of millions of people, this medium is practically ideal for branding. In social networks there are all the means to increase brand recognition, to inform users about the company and its products, to improve brand loyalty. It is considered below how to do it.

Today social networks along with search engines are the basic suppliers of traffic.

Frequently visitors of social networks, got in a right way, are better converted into buyers or in other target actions for the company since they have one important characteristic: product awareness. Since in most cases when going from the community the person already has some idea (he has watched the video, has read the information, has talked to other users) he usually already has understanding of a product as well, therefore it is psychologically easier for him to make a buying decision.

If the goal of SMM campaign is to obtain traffic it is extremely advisable to work in association with deep web analytics. It will enable to supervise not only quantity, but also quality of traffic. The following parameters of visitors are of the most importance:

- time, spent on the site;
- number of viewed pages;
- percentage of refusals;
- audience core (its most active, coming back part);
- percentage of conversion of visitors into buyers (or other target actions).

There is indeed a lot of negative information in social networks and blogs in particular. There are a number of reasons for that: initially unfriendly mood of online users, quick spread of information, reduced sense of responsibility caused by anonymity.

There are three basic types of network negative information.

1. Natural negative information. The user had experience of interaction with the company and remained dissatisfied.

2. Trolling. The user basically enjoys speaking badly about the company. Such negative information, as a rule, is not well-reasoned and it is groundless.

3. Purposeful negative information. When a negative campaign is managed by someone, for example, competitors or ill-wishers. Frequently it takes the form of fake negative comments about the company and its products.

For each of these actions there are neutralization methods whose application enables to reduce them to naught or to reduce dramatically.

The negative information is quickly spread over network and can make a serious influence on the company, its reputation, sales. There are examples when business has been completely destroyed by bad rumor. Thus it is important to timely find out negative information emergence and to fight against it in a right way.

Social networks are well suited to promote not only companies, but also individuals: they can be used to draw additional attention to stars or politicians, as well as for expert positioning and promotion of professionals from one or another branch.

### ***Social media communication strategy***

Coming into social networks should be sensible, planned, with clearly set tasks. Only in this case the campaign will yield tangible results. The intuitive approach in SMM does not work and, as a rule, brings about disappointing results. It is for this reason that it is necessary to analyze in advance all campaign preconditions, to generate social media promotion strategy and further to work on precise schedule, tied to certain terms.

At that it does not matter, whether you will do all on your own or will involve outside executors — in any case the worked out strategy will enable to structure the work, to supervise the process and to promptly trace efficiency.

The step-by-step algorithm according to which it is possible to work out own social media promotion strategy is given below. The algorithm can be also different; the main thing is to get, as a result, answers to four basic questions:

- why to do?
- for whom to do?
- what to do?
- where to do?

One of the major stages in strategy working out is definition of target audience portrait. It is necessary to answer a number of questions for that.

1. Geography. Where do your potential clients live?



2. Socio-demographic characteristics: sex, age, marital status, post, education, income level of target audience.

3. Interests, passions. What can attract the audience; what it pays attention to; what other goods and services does the audience need?

As further these characteristics will be used to target advertising campaigns, answers to questions should be as accurate as possible. That is such audience characteristic as «purposeful young men and girls, interested in fashion» is not suitable for SMM tasks.

The example of target audience portrait for women's sportswear store chain.

1. Who: females from 27 to 39.
2. Geography: Karaganda, Karaganda oblast (where there are branches).
3. Marital status: any.
4. Income level: average.
5. Post and education: any.
6. Interests: sport, healthy way of life, jogging, fitness, yoga, shaping.

Another example — target audience portrait of software product for fiscal accounting optimization.

1. Who: males and females from 23.
2. Geography: Russia, Kazakhstan, Belarus (as the product in Russian and with limited distribution area).
3. Marital status: any.
4. Income level: any.
5. Post: CFO, CEO, sales agent, director of development, chief accountant, the auditor (among the people holding these posts, the highest concentration of persons making decisions on such kind of products).
6. Education: higher (mainly financial and administrative).
7. Interests: any.

Frequently one product can have several segments of target audience; in that case it is necessary to make a portrait of each of them and to adapt further steps of the strategy to all these segments separately. It is necessary to understand, what task or several tasks are most topical for business of a given firm. All further actions will depend on that within the frameworks of the campaign.

There is a common error when the company goes to social networks as a pure formality or because competitors are active there. Idle senseless communities, dead blogs, indifferent audience and, certainly, zero efficiency result from it. Any marketing action should be aimed at a certain result.

It is important to make sure, that tasks you assign to SMM campaign, as a result worked for global business purposes. So, for example, if the main business purpose — to increase sales then the task of SMM campaign as «traffic attraction» will be topical only in that case when this traffic will be converted into buyers.

After the audience is defined, it is necessary to understand, where it is concentrated — meaning as global («VKontakte», Facebook, «Live Journal», niche networks) as local platforms (communities within social networks, blogs, forums).

There are several approaches to that.

1. The analysis of statistics of local platforms. In many places (in blogs and at forums) there is statistics open to study. These data allow understanding, what kind of audience gather on a platform, what attracts it, how much it is active. There is also statistics regarding communities in «VKontakte» and Facebook, by default it is accessible only to administrators, however they can give you access if you succeed in interesting them in possible cooperation.

2. The analysis of topics that are discussed on a platform, namely: to what extent they meet interests of your target audience.

3. The analysis of socio-demographic audience portrait. Many platforms put the audience portrait meant for advertisers on the site. Thus, it is estimated, how much this portrait corresponds to the target audience portrait.

4. Special functional. In «VKontakte» and Facebook there is an option to enter parameters of a certain audience and to learn, how many registered participants of a network correspond to them.

Besides that, it is necessary to mention the important format for social networks of “circular promotion.” In classic marketing there is so-called «law of prospecting»: for the person to remember the brand (product, information about an event, etc.), at least three «contacts» are required, i.e. the person’s exposures to advertisement. There is a similar situation in social networks. The more there will be the number of networks from which the user receives your information, the higher probability that he will learn it and, accordingly, will approach a step closer to making a purchase decision (or another target action for you).

Thus the more the number of your platforms to which the user is subscribed, the more reliably he will perceive and remember your information. The principle of «circular promotion» consists in that that to carry out a vigorous activity on all main platforms and to announce the rest in each community. So, for example, in «VKontakte» Twitter should be mentioned from time to time, on Twitter — to announce notes from a blog, in a blog to tell about YouTube channel etc. There will be, as a result, a partial exchange of audiences among your communities.

In addition, advantage of such an approach consists in that you give the user a chance to choose that platform which reading is the most comfortable for him, and not to impose the only variant.

To choose a right format of promotion, to understand, what content will be interesting to your potential clients, and to decide on community management policy, it is necessary to understand, what pattern of online behavior is peculiar to this audience.

There are three basic behavioral categories of users: passive observers, participants of discussions, content generators.

So, for example, in telecom themes (mobile communication, gadgets etc.) the largest concentration of content generators is seen: people are inclined to keep blogs, to post, to start discussion of anything. In financial themes (banks, insurance operators, brokerage houses) there are most of all participants of discussions; here users generate content to a lesser degree, however quite often they join already led discussions (by the way, this is the cause of high popularity of bank forums, such as banki.ru).

And at last, in themes regarding retailing passive observers are predominant: users perceive information, however are seldom active.

It is possible to adapt the campaign to the person depending on that what category he belongs to. So, if you know, that the audience base consists of generators then you need to create a network of communities, to design them, to fill them with some initial content, and further users will enliven them. Accordingly, the major task in this case — to give people a chance to express their opinion.

If your users are participants of discussions, then, in addition, the need of community management emerges — to open new topics and to give them an initial impetus for users to continue discussion.

If the majority in community — passive observers, you should transmit information by yourself and create activity, and users will just watch and take into consideration. There is a widespread belief that passive observers — useless people for marketing tasks. Actually this is not true — they, despite their unsociability, are the same buyers as the rest — traffic and conversion into sales from such communities usually correspond to average performance.

The promotion base consists of materials you will publish during the campaign. It is impossible in any ways to interest the person in that what he is indifferent to — whether by articles, videos or photos. It is for this reason that content strategy should be planned in advance on account of interests of the target audience.

Content strategy elements are:

- main topics of publications;
- frequency of publication;
- stylistics of publications;
- time of publication;
- ratio between promotional and neutral posts.

Total duplication of content on all platforms (so-called «crossposting») is a common error when working with it. Such an approach considerably reduces efficiency and, as a rule, causes audience's rejection. There is an optimal format of materials for each platform. For this purpose the following map of content distribution should be used:

1. Blog (standalone — blog on separate domain; «LiveJournal», Liveinternet, Mail.ru etc.). In a blog the format of analytical article is the best that is a verbose text material devoted to your product or similar subjects. The optimal post size is 2000–5000 characters. It is better to divide the large volume materials into a number of posts; otherwise the probability of perusal of them decreases dramatically. It is also recommended to divide each 2–3 paragraphs by pictures or photos — this will enable to avoid the feeling of «wall of text».

2. «VKontakte». Here the format of discussions is the best. You start a topic in discussions, and users themselves develop it. It is also sometimes efficient to post small announcements and notes (up to 200 characters) in the microblog format. However it is necessary to remember, that the overwhelming majority of «VKontakte» users better perceive a visual content, therefore it is recommended, that at least 50 percent of all materials was photo- and video content.

3. Facebook. The optimal format for Facebook — informative posts in the microblog, containing 300–1000 characters. At that it is advisable, that a post per se contained useful information, and it was not just «bait» — that is way to draw visitors to another resource.

4. «Twitter. The main emphasis of Twitter — posting arresting announcements with links to pages where it is possible to get more information. For example, they can be announcements of new products, of events, new posts in a blog etc. Also in Twitter the format of short practical recommendations anyhow dealing with your product or company works well.

To understand, whether the campaign realizes the set goals, whether correction of actions is required, whether the concept has been prepared well, it is necessary to define in advance the system of efficiency indicators (metrics) and in the process to be guided exactly by them.

The choice of metrics depends first of all on campaign tasks. There are totally different criteria, as general (reach, nature of activity) as more specific (traffic, sales, leads — contact for a potential audience).

Social media promotion, as a rule, demands two kinds of resources — these are:

- time resources (i.e. time proper, yours and your employees);
- material resources (expenses for advertising and outsourcing).

It is deemed to be right to define in advance resources necessary for conducted campaign. (We will deal with forecasting advertising expenses a little bit later). The following works are outsourced more often than the rest:

- design of communities;
- development of applications;
- writing posts.

The strategy cannot be considered to be ready for realization until terms are set to each event.

The planned schedule represents the plan where dates are fixed chronologically for all main actions, in particular:

- launch of events in each of networks;
- deadline for each of events;
- schedule of materials publication;
- measuring main metrics.

It is recommended to enter data from the planned schedule into a project management system, for example, Basecamp, «Megaplan», etc. In this case, first, the executor will receive reminders of start of any events; second, it will be possible to trace visually the course of the campaign — problems, lags — and to promptly take necessary measures.

As any other marketing tool, SMM requires a constant additional adjustment and optimization. So that with certain periodicity it is necessary to make the analysis of achieved results and to correct the campaign on its basis.

It makes sense to trace comparative conversion of visitors from various sources: from social networks, blogs, search engines, and also those, coming because of contextual advertising etc. It will enable to understand, what sources are most effective, what require improvement, as well as to evaluate how much profitable is the use of one or another tool. At the constant analysis it is possible to have an accurate idea about all tools: how much every earned tenge costs.

### ***Capabilities of social network advertising***

Selling advertising space — main source of income of all social networks. Methods and kinds of presenting advertisements differ depending on a policy of one or another network. But before to pass to specific examples, we will give the results of some studies questioning the success of advertising in the given type of resources.

As far back as 2007 Juniper Research asserted, that volume of global payments generated by end users of social networks, dating services and content delivery services would rise from \$572 million in 2007 to over \$5.7 billion in 2012. And, social networks will account for 50 percent of these payments in the end of the forecasting period. The number of active users of mobile social networks, as predicted, will grow from 14 million in 2007 to almost 600 million in 2012.

Within the frameworks of Synovate survey conducted in September 2008 15 respondents were asked, whether they generally noticed advertising and sponsor messages placed on social networking websites? It was found out, that 53 percent of all users of social networks globally as a whole pay their attention to advertising in networks. Sponsors are honored with special attention in the USA (66%), Serbia (65%) and Russia (64%).

Advertising also draws attention in Indonesia (86% of respondents), Poland (83%), Germany and RSA (80% in either of the countries). At the same time there are also a number of countries where respondents prefer to ignore every second advertising banner: Holland (48%), Taiwan (51%) and France (60%).

Apart there are interactive user's profiles devoted to one or another brand. On the one hand 31 percent of the respondents pay attention to them, but on the other, 26 percent are not sure, whether such a kind of advertising is to their taste.

In the research of Michael Stelzner, a well-known analyst it is said, that the overwhelming majority of marketers (88%) already use social media to advertise their brands and products and Facebook, MySpace and Twitter have been named as the main tools. In Stelzner's research which results were published in his report for the Social Media Success Summit 2009, almost third of owners of small businesses (companies with 2 to 100 employees) or 29.3 percent of respondents declared, that they had been using social tools already for several years.

81 percent of them in this sector of business noted, that they succeeded to promote successfully their company site in search engines by means of social media. And every second respondent stated that social media enable to increase the number of links.

Social media are profitable for advertisers. Considerable number of those, who took part in the survey, admitted that the use of this tool enables to reduce expenditure for advertising.

Social network advertising (social media targeting) has a number of advantages over ordinary sites.

The first — number of users. Interest to social networks steadily grows, as well as also a monthly increase of users. Given this state of affairs even niche social networks with the number of users, yielding to lead social networks, can find their advertiser. And the advertiser will receive its audience in niche networks.

One of the important properties of social networks for the advertiser is possibility to purposefully advertise its product. On the basis of users' profiles advertisers can carry out target advertising (shown only to target audience).

Mechanisms of target advertising in the social network can also have an effect due to user's efforts. These mechanisms come into force, when personal particulars are either not enough for the analysis of user's needs or data are stated not quite accurately or are absent at all. In that case the analysis is made using user's actions on the site, namely — proceeding from topics of communities the user reads, groups he has joined, comment texts, headings and texts of news.

Facebook places the banner advertising at the bottom or on the left. In 2006 Microsoft Company was buying exclusive rights to use these advertising platforms within three years. As social network's executives report, the company intentionally does not use banner advertising, and develops more organic business model.

By now several innovations have already been introduced in Facebook. In particular, it is a question of «Marketplace». Here the registered users can place their classifieds for free.

On Marketplace there are four bright icons, each of which designates one of the possible actions: «Sell», «Sell for charitable purposes», «Give for nothing» and «Find».

The trial version of Marketplace was launched on Facebook in 2007. There announcements were published mainly about accommodation and work. The current version of Marketplace mostly directed on merchandise trade and is interface organized in more details and deeper integration into Facebook.

On «Marketplace» page about 20 «flyers» (Flyer — short advertisement dealing with any already existing announcement in the market) are shown. Any user, who placed the announcement on the marketplace, can advertise it with flyers. 500 runs cost \$1, \$1 more should be paid for each network (Facebook – Network, global community by a certain sign) in whose market it is necessary to show the announcement. Thus, the minimum payment makes \$2 (500 runs in one network). The given kind of advertising yields monthly to the project 700 thousand dollars.

Besides users' flyers, in the marketplace there are also flyers of Amazon.com, but their number is many times fewer.

Target advertising on Facebook is presented as rather flexible system considering not only a wide spectrum of targeting options, but also campaign adjustment according to the advertiser's specified budget. Facebook advertising platform lets specify both conventional keywords and demographic frameworks. Not only the age, sex, but also such characteristics, as the educational institution, workplace and even sexual orientation can be taken into consideration. The targeting system also lets the advertiser specify, how far from the settlement users should live to be considered as the campaign target audience.

On Facebook one more module of behavioral advertising — Facebook Beacon was launched as well. The service administration has concluded the contract with 44 various e-stores and auctions that will transmit to Facebook the data about network users' purchases.

After purchase has been made the information about it will appear in friends' profile as a pop-up window “Your friend has bought something in such-and-such a store.” Facebook plans to settle with partners for giving valuable information in that way. The collected data will enable Facebook owners and their shareholder Microsoft to select more flexibly paid advertising for the specific user. Besides, using such a way of advertising trust factor grows — after all the information about the product comes not from the firm, and from the person being on the «friend list».

However after this service was launched some users were indignant: not everybody wanted, that the information about their purchases was given to their friends. The liberal public organization MoveOn.org, dealing with problems of privacy protection, formed a special protest group, which united more than 6 thousand users, who signed a petition where they urged the social network to stop illegal disclosing of the information about purchases in e-stores. The social

network administration decided to apologize and added to the Beacon service the option to choose — to inform or not about any purchases.

One more kind of advertising — social one (Facebook's SocialAds) was launched on Facebook. Advertising is spread from the user to his friends. Advertisement can be shown together with social history: if the user has hit the page devoted to any product on Facebook or on a site, being the participant of Facebook Beacon project, then the advertisement of this product will be shown among this user's friends too. Also this demonstration can be accompanied by the user's photo and his actions description, for example, estimation of the advertised product or service.

Certainly, various additional filters for advertising runs are possible: by sex, age, geography etc. The advertisement is placed either in «news» of the user or in the column on the left. The given kind of advertising, apparently, yields a small profit so far. The potential of this type of advertising has not been completely discovered yet. But, according to analysts, in future it has every chance to grow into one of the most powerful tools of social networks monetization.

Another social network MySpace also uses contextual advertising and targeting. However according to researches, the efficiency of target advertising in this social network is lower, than that of its main competitor — Facebook.

MySpace does not place advertising by itself. Besides all other companies, Google is the largest partner of the project. It is believed, that Google contextual advertising brings in to MySpace some 30 percent of total profit. On the site of MySpace, except contextual advertising, there is an embedded web crawler of Google Company. When the user searches for something via Google on MySpace, he is shown contextual advertising and target announcements. From it MySpace also yields the most part of advertising revenues and shares its profit with Google Company.

MySpace also cooperates with the world's largest e-store Amazon.com. In the social network there is MySpace Books» section where it is possible to find a lot of partner links to Amazon.

There is a considerable quantity of SonyBMG video on MySpace. It can be watched totally free of charge. A certain percentage of the advertising, shown on MySpace pages having SonyBMG videos, will be transferred to Sony Company according to the given cooperation conditions.

On the same conditions MySpace has signed the agreement with the BBC by which the latter will provide fragments of BBC Worldwide programs on MySpace services.

However MySpace has other ways to earn as well. In particular, the administration provides to stars special opportunities, additional channels enabling them to communicate with their audience with much higher degree of comfort.



Since 2006 Fox Media Interactive started to upload its series and films for sale in MySpace. That cannot be named advertising; however selling content brings in to this social network rather large profit.

Chinese social networks outstrip their Western counterparts not only in the number of registered users, but also in advertising revenues. The Chinese social network «Qzone», which was already mentioned above, according to «Tencent» Company owning this network, earned the income in 2008 of over one billion dollars.

In total in 2009 China spent about \$1.7 billion for online advertising that accounts for 4 percent of all advertising expenses. This rather small sum is explained by the fact that main revenues of social networks are produced not by advertising.

In Russia the situation of monetization of social networks by means of advertising is worse, than in the West or China. Probably, it is partly related to the age — social networks in Russia were created much more later. And many social networks began to try to earn by advertising quite recently.

The most popular network in Russia «VKontakte» was free from advertising from the moment of its emergence and till 2008 it functioned only because of the funds invested in the project. In July, 2008 the resource administration concluded a contract with «Media Plus» Company dealing with distribution of banner advertising on the site. «Media Plus» sells advertising on radio stations of «European Media Group»: «Europa Plus», «Retro FM», «KEKC FM», «Radio 7» and “Melodia.” It belongs to the French media holding Lagardère.

«VKontakte» launched a sister project “V Shtate (On the Staff).” This is a social network intended to advertise openings and to place resumes. The site is integrated into «VKontakte» network whose users can automatically place their CVs. The annual profit makes \$5–10 million. This performance is achieved because of employers, placing paid announcements of vacancies and getting full access to search options.

«VKontakte» administration writes about its target advertising without excess modesty, asserting, that the analogue of their advertising mechanisms exists only in America having «poor options of targeting in comparison with «VKontakte» and do not possess even the hundredth part of Russian language audience... “VKontakte» you pay only for unique clicks through, that is for the number of various people who took your material and examined it.” Thus the advertiser pays for clicks through (start at 70 kopecks) not for the number of runs. Payment can be made by means of bank cards, clearing transfers, terminals, text messages and payment processors.

«VKontakte» network enables to target by the following possible criteria:

- sex, age, marital status, country and city/town;
- institute of higher learning, faculty, school, year of getting diploma;
- post, districts, subway stations, streets;

- interests, passions, favorite movies, books, games etc.

Here there are four kinds of pages that can be promoted with the help of target advertising — groups, events, applications and product announcements.

The chapter «Using «groups» and «communities» in social networks for product advertising» will tell at length about groups.

«Events» section — pages devoted to concerts, exhibitions, conferences, parties and other social phenomena. Users, who with one mouse click announce their wish to participate in any event, draw attention of all their friends, at that, organizing joint visits.

Target advertising is spread to this network functional as well. The page with system descriptions abounds with examples telling about advantages of this way of advertising: “Target advertising makes promotion of events especially effective. Let us say, if you organize performance of famous rock band, you can target the announcement only on fans of this group (specify Rammstein in the column «Interests») in a certain city. If the band is less known, you can target the announcement, for example, only on those users who are members of groups devoted to rock music.”

«VKontakte» network also uses «Apps» — these are programs developed on standard Flash platform based on the interface for developers (API) of «VKontakte».

«Ads» in «VKontakte» network is analogous to Marketplace service in Facebook. The service is useful, when the advertiser or the ordinary user wants to advertise quickly a certain product or service and he is interested only in a short-term result.

With the help of «Ads» it is possible to add a standard advertisement with the information about the product. It enables to inform potential clients as fast as possible, without spending time for building long-term social campaign.

In May 2008 «Classmates» network introduced targeting by two main categories — sex and age. Besides demographic focusing, target mechanisms enabled to show advertising on the basis of behavioral engineering: retargeting (showing advertisements to the users who once have already hit the site), media search context (showing banners to users searching for any products), audience context (to advertise products to certain social groups). But the main line of income of this social network — special paid services and other ways of monetization differing from advertising banners or target advertising.

At present the number of brand pages is growing. According to researches consumer brands earn about \$1.28 million selling products after they spend \$1 million for campaign in social resources. At that there were cases when users themselves created pages devoted to one or another brand. The most popular page about Coca-Cola brand in Facebook can be an example. Dusty Sorg, a fledgling actor, in the summer of 2008 searched for Coca-Cola page on Facebook, and not finding it, he decided to create it. He found the big photo of Coca-Cola can, uploaded it to Facebook and made a respective resource about

the brand; he keeps together with his pal, a journalist Michael Jedrzejewski. Facebook limits the rules of creation of pages devoted to any brands, therefore the social network management gave Coca-Cola representatives a chance to block the page or «to absorb» it. However the company not only did not delete the page, but also offered its creators to cooperate.

The AdAge magazine (edition specializes on researches of issues of marketing and the media) makes comments about the actions of the manufacturer of soft drinks as a clear evidence of the fact that the company has not just learnt to work with social media, but also as the proof that large brands quickly move to this area.

However, it is still arguable, whether social networks should be considered as a serious business tool. 145 experts in marketing, dealing with interactive advertising in companies with a staff of over one thousand took part in a study by Forrester Research Company. The survey took place from November 2008 through February 2009. Three-quarters (75%) of respondents intended to spend for campaigns in social media less than \$100 thousand in 2009. And that despite the fact, that advertising in such resources, as a rule, costs cheaper, than conventional advertising programs.

Social networks were placed first among formats where, it is to be expected, advertising budgets would be increased, by 70 percent of respondents. Forrester Research's experts consider that this is an additional proof that social media have not yet become «mainstream» in advertising.

The considerable part of experts in marketing holds the opinion, that social networks can be used as a part advertising campaign. Social networks provide additional interactive means for realization of specific actions included in general concept. As its illustration can be McDonald's advertising campaign devoted to celebration of the 40th anniversary of the well-known hamburger Big Mac.

In MySpace the competition was organized where participants of the network were suggested to record their version of McDonald's «hymn»: "Two all-beef patties, special sauce, lettuce, cheese, pickles, onions on a sesame-seed bun." Famous singers were also invited to participate in the competition, who recorded their version of the jingle. The winner of the competition got an opportunity to act in Big Mac TV commercial.

According to Heidi Browning, MySpace senior vice-president, during the competition with the Big Mac brand they interacted with 1 million people.

Marketing campaigns in social networks should not try to impose the brand. The policy should be very cautious; otherwise the company risks deterring visitors by too persuasive advertising. «Groups» or communities where consumers can discuss the brand can be one of the variants of an advertising policy.

The research jointly conducted by comScore, MySpace and Dunnhumby shows that marketing projects in social networks are rather serious method of

brand promotion in the market. According to their data, even small investments of companies in advertising of consumer brands in social networks cause sales growth and ensure return of investments.

It would seem, campaign efficiency was not so high if to evaluate it by conventional methods, first of all — quantity of clicks through. However then researchers noted significant influence of these clicks through, and the campaign as a whole, on sales growth after the campaign.

Social media are profitable for advertisers. The use of this tool enables to trim advertising expenses. It is especially important for representatives of small business and individual entrepreneurs. The pages devoted to their brand, can be used to improve the quality of traffic in the site and to expand the audience the product can be offered to. Also by means of social networks it is possible to raise one's product in ratings of search engines. Besides, social media enable to increase the number of links.

## **7 VIRAL MARKETING**

### **7.1 Viral marketing concept, history, its comparison with other promotional tools**

#### **7.2 Basic elements of viral marketing**

#### **7.3 Methods of viral marketing application**

### **7.1 Viral marketing concept, history, its comparison with other promotional tools**

Viral marketing (viral advertising, marketing buzz) — general name of various methods of advertising distribution, characterized by spread in progression close to the geometric, where the information is spread by recipients themselves, by content creation, capable to draw new recipients of information due to bright, creative, unusual idea or using natural or confidential message.

In «pre-web era» so-called «grapevine telegraph» methods, private communications, focus groups, advertising actions in press, on TV etc. were used.

They were later supplemented with marketing technique, using existing social networks to improve awareness of brand/product/service.

The methodological principles, typical of email marketing, based on encouragement of the individual to transfer the marketing message to other persons, potential for exponential growth of impact of this message. Like viruses, such technologies use any favorable opportunity to increase the number of transmitted messages. The promotion by means of viral content can assume the most various shapes — video, photo, flash games, WOWcall, even simply text (for example, funny stories).

Because the majority of the population has low level of trust to advertising in general and all the more coming from the manufacturing company, the main principle of viral marketing consists in that the person, receiving an information message, should be sure that it issues from a disinterested person, for example, from an acquaintance, or a stranger, but by no means from somebody affiliated to the advertising campaign. For example, the person will be ready to listen from «living person» positive comments about the product and, most likely, will buy this product. And on the contrary: having seen a commercial of this product, he will ignore it; there is a widespread belief, that advertisement embellishes product qualities.

The reference to biological terms is not unintentional. In fact, activity or event can be considered viral, when data distribution process starts to conform to biological laws of the spread of viruses, i.e. any recipient of information becomes sincerely interested in it and is imbued with the idea to share it as fast as possible with as many friends as possible, by using the most efficient channels (mostly Internet messengers and social networks). The process of viral information distribution, thus, is similar to viral epidemics — spreads quickly, in geometric progressions, it is difficult to stop it, and there are often relapses (it seems, that interest to the information has faded, but it is raised by a new wave of distribution). It is considered that the term «viral marketing» was popularized in 1996 by Jeffrey Rayport in his article «The Virus of marketing».

One of the first known examples of viral marketing use on the Internet is Hotmail's action. Viral advertising was in its infancy in those days when the email was not readily available. Then Sabeer Bhatia and Jack Smith created the company Hotmail.com, and together with it a free Web-based e-mail anybody could afford. For 18 months they got 18 million clients thanks to just one phrase: «Get your free mailbox at Hotmail.com» put in the bottom of e-mails. This viral phrase spread across the Internet and made Hotmail popular.

Now this direction becomes ever more popular. The success of viral marketing consists in that this kind of marketing uses people's habit to share information.

The comic site fast-die.kiev.ua, ostensibly offering to its visitors suicide pills became an interesting example of such marketing at one time. Already at the second day of site existence its audience was over 40000 unique visitors a day.

The site of the StarHit magazine was among Russian examples of successful viral marketing; it applied technology WOWcall technology — automated call from a video. The project essence was to give female visitors of the promo site a chance to feel like a star. Girls left their personal data (name, mobile phone number, photo, hair color) on the promo site, pressed «OK» button, then a video was started: at the meeting of Starhit editorial staff they decided who would be put on the cover. One of the offered variants was to make a cover with a photo of the participant. To get her consent, Andrey Malakhov

called to the participant directly from a video. The campaign was conducted for four months, and it resulted in more than 170,000 unique users of the promo site, about 165,000 calls and almost 3000 works published in blogs and social networks.

At present practically every large company tries to make its commercials of high quality that they have a viral effect. Video advertising — the most effective tool for achievement of viral effect as it has wider opportunities to interest the audience. The eminent companies can use viral videos as the announcement: a company, on the threshold of new Fashion Show, released a video remake of the song of «Moves Like Jagger» group featuring its familiar models. Interactive viral videos, where the viewer can take part on action development became popular too. As the example of a Russian language commercial — ice-cream advertisement where a singer and actress performs various actions with fruits whose names the viewer can type in a special line. The English language example of such an advertisement — commercial about bear's Birthday and a proofreader, where protagonists travelled in time. The year in which it was necessary to move, the viewer could enter by himself, the further development of a plot varied depending on it.

Channels of viral advertisement seeding. (Seeding — initial placement of viral content). The most widespread seeding channels are:

- social networks (Facebook, V Kontakte);
- top blogs;
- communities (LiveJournal);
- information internet portals;
- forums;
- image/video hosting services.

Not all viruses are equally harmful. Computer viruses destroy gigabytes of zeroes and units with all the ensuing consequences. Biological viruses some times a year influence performance capability of the population of one seventh part of a dry land. And marketing viruses... yield a profit. This is viral marketing in action. Though in inept hands of marketers they can do such a harm neither hackers nor microbiologists have never even dreamed of.

Viral marketing is rather new kind of marketing communications, using peculiarities of modern media environment that consist in exceptional ease and speed of distribution of media messages among people — first of all, it is a question of the Internet space, though it is necessary to notice, that the most resonant media viruses can spread via official media carriers (TV, press etc.).

In other words, viral marketing is a certain way of distribution of advertising messages by original “grapevine telegraph”. At that the person is virtually “infected” with the viral message and transmits it to another person through direct contact. It occurs because the transmitted information is interesting to the recipient or is of practical value to him. It is that is why that the message is transmitted from the person to the person confidentially and on a

voluntary basis. This is the basic difference of the viral message from standard advertising messages which can be rather annoying as the way of delivery of messages to the audience is involuntary.

The main difference of viral marketing from the conventional is the use of creative thinking possibilities together with several simple methods of promotion of the product or service instead of spending a lot of money for advertising. The main thing in viral marketing — emotions: hatred, laughter, irony, indignation, bewilderment.

Viruses can be new original ways of satisfaction of any requirements to which it is desirable to draw new consumers' attention, original products or events that attract attention and can spread the information on the company. Certainly, whatever virus is invented, it is necessary that it is aimed at its audience. And it means that a channel for its distribution should be chosen proceeding from as precise and full "coverage" as possible of exactly this target audience.

Viral marketing is often ranked with the guerrilla since both here and there unconventional moves are used. From the scientific point of view, "viral marketing" is a part of "guerrilla marketing," or rather, one of its instruments. As it is focused on distribution of data, it is interesting to target audience and impressing it. Having impressed, the representative of the target audience sends the message to one's colleague, pal, and acquaintance. And, respectively, "virus" is transmitted.

At that "guerrilla" actions in marketing can have totally different orientation. For example, if to interpret literally the definition, then as precise selection of channels of distribution of information (i.e. minimization of expenses and minimalizing the result) as possible plus originality of their use is guerrilla marketing. Although, as a matter of fact, guerrilla marketing is something more original. For example, flower beds, or stylish New Year's gifts bringing up associations with well-defined brand, product, service.

The distinction between guerrilla marketing and the viral is, in fact, very subtle. But guerrilla marketing, as a rule, does not provide for viral distribution though it frequently occurs due to originality of solutions.

The principal difference of viral marketing from the guerrilla is in that the former does not carry undisguised advertising message — information on the trademark is disguised. Whereas guerrilla methods are more specific in respect of the brand, product or service. One can say that viral marketing is an original way of PR promotion, and the guerrilla — unusual kind of advertising technology.

So, application of «viral» marketing is based on the following basic postulates:

- product should get to those who can affect other people's opinion, i.e. to transeters. And the latter should be provided with samples of the offered service free of charge;

- stimulation of interest to a tourism product. «Virus» is created not by the service per se, and the idea that should «hook», as only in that case when people are interested, they will be willing to share their own experience with other people. It is possible to involve the media in this part of work;

- marketing message should be remarkable for ease of perception, conformity to the actual reality and presence of feedback for possibility of modification and correction of the given information;

- when transmitting «viral» message it is very important to ensure its unimpeded broadcast. «Viral» marketing works very well on the Internet due to its technical feasibilities;

- for the period when the event takes place it is important to ensure availability of the service that promoted to the market.

«Viral» marketing, as well as any other promotion methods of goods and services, has merits and demerits. So, the advantages of viral marketing use include:

- increase of trust to the company (product, service) as the information comes from reliable sources (from friends, acquaintances, whose opinion the consumer considers);

- enables to learn about the experience of buyers who have used the product or service, does not need considerable expenditure of time and money;

- enables consumers themselves to participate, as a rule, unconsciously in the process;

- does not require from the company a lot of expenses;

- it is used in different situations, for example, when bringing a new brand (company, product, service) to the market; when changing the brand to improve its recognition; in crisis situations; to increase hits of company's corporate site, to verify public loyalty. An aggressive viral marketing is used during competitors' advertising campaigns.

The drawbacks of viral marketing include:

- low predictability of the method as the control over transmitters and company image is easy for lose;

- «viral» marketing creates wave-like demand. After the wave of popularity abates, rather sharp and long standstill may come.

Viral marketing becomes ever more popular tool of Internet advertising. It is necessary to recollect superpopularity, commercials of such producers as Dove («Evolution» commercial) and Sony (Sony Bravia TV commercial) won for very few days thanks to viral marketing.

Initiative Universal McCann media agencies conducted a research of viral video efficiency in comparison with that of banner advertising. Both advertising campaigns were launched at the same time and with the same budget. The results showed that a viral video is watched 14 times more than banners.



Summarizing, we will note the following: the main difference of viral marketing from other directions of marketing communications consists in that message target audience is simultaneously the media carrier. At that message distribution occurs without expenses (or with insignificant ones) of the advertiser that imposes rather strict restrictions on the message content.

As a consequence, the presence of a brand into a viral material should be actualized very finely and be the least compulsive. Advertisers, who want to use viral advertising with regard to their marketing tasks, should remember it.

Viral advertisement does not belong to the one who was the first to launch it; it becomes the result of communication of many people, often not connected with each other. It works then, when people themselves, and not on the tip from someone, send it to each other and post on their blogs only because they like it and they want to speak about it. Probably, it is for this reason that the given kind of communication is gaining an ever-growing popularity.

## **7.2 Basic elements of viral marketing**

There is an opinion, that the use of «duck decoys» gave rise to viral marketing. Let us assume, to advertise a low-alcohol cocktail «club personages» are hired who come to clubs by expensive foreign cars, behave as VIPs and order the advertised cocktail.

Similar ways began to be used even before the term «viral marketing» emerged. Over hundred years ago, Nikolay Shustov, a Russian industrialist, hired a group of students and told them to drop into taverns in Moscow and to demand «shutovskoy cognac». Not getting what they wished, students made a row and were spoiling for a fight. Newspapers started to write about incidents, and due to it, Muscovites learnt about new mark of cognac.

There are many examples of original outdoor advertising, which invariably draws attention and makes people to tell about them, in world practice. Here are just some of them.

In Cairo to promote Lipton Green Tea green bushes were shaped as large cups, on the brim of each, a cardboard label of Lipton tea bag hung;

In Bangkok on rotating doors of a building, life-size images of a wrestler, a sumo wrestler, a karateka and a rugby player were attached. It seemed that sportsmen resist and do not want to let visitors inside, but doors, certainly, opened as usually. The secret of amazing force — in «Meiji» milk;

In Colombia to advertise Saltin Noel whole grain saltine crackers pedestrian crossings were designed in the form of a gullet. Company's slogan — «Make your life easier. Whole grain saltines help to regulate your body»;

In Argentina (Buenos Aires) on Plaza San Martín a three-meter (10 ft) bottle of Corona beer, made of flowers emerged;

In the Great Britain sculptor Mark Anderson built a branch of snackbar Burger King, using three tons of sand;

In Moscow and Sankt-Peterburg in the second half of 2009 there was an advertising campaign of Calve ketchups: billboards and citylights were shaped as boxes with voluminous tomatoes and packages of Calve ketchup inside. So, advertising was focused on naturalness of the product.

Researchers distinguish six basic elements to be considered when working out the strategy. It is not obligatory for viral marketing strategy to include all six elements, but the more their number, the larger effect it produces.

So, the components of really effective viral marketing strategy are:

- free distribution of goods and services;
- ensuring unimpeded transfer of the marketing message;
- proliferation of broadcast system scale;
- support on ordinary human requirements and incentives;
- functioning on the basis of existing communication networks;
- using resources belonging to other people.

Let us dwell at length on each element.

#### ***Free distribution of goods and services***

"Free of charge" — the most powerful word in the marketer's vocabulary. In the majority of viral marketing programs to draw attention goods and services of certain value are distributed free of charge: free e-mail services, free information, free "cool" buttons, free software working, however, with capacity less than "pro" version.

Wells' second law of Web marketing states: "Give out and sell." Such characteristics as "cheaply" and "inexpensively" cause certain interest to the product but clients, response much more quickly to "free of charge."

In viral marketing a delayed remuneration is in use. It is possible to sacrifice a momentary profit to create a stable interest to stuff distributed free of charge and subsequently to receive in full, having provided oneself "quickly and to the end of one's days." "Free of charge" always catches one's eye right away. Then the look is shifted to other useful things you offer for money, and now, right then, revenues start to grow already by leaps and bounds. Valuable mail addresses, advertising benefits and opportunities of commercial activity on the Internet can be got due to these interested looks. In other words, at first give out for free, and then sell.

#### ***Ensuring unimpeded transfer of the marketing message***

During a flu epidemics doctors always advise to keep away from those who coughs, to wash hands more often, not to touch with dirty hands eyes, nose, mouth. The virus is spread only if there is a necessary contact. The used channel should without difficulty pass yours marketing message in large number of copies, as, for example, e-mail, Web sites, distribution of graphic materials or software loading. Viral marketing works perfectly well on the Internet, after all due to technical feasibilities of the Internet instant communication became readily available and inexpensive. The digital format simplifies replication.

From the point of view of marketing the message should be extremely simple and laconic to prevent semantic losses during its transfer. For example, the classic "Get your free mailbox at <http://www.hotmail.com>" first, is formulated shortly and clearly, second, is surely read by a large number of people because of a successful choice of means of distribution.

#### ***Proliferation of broadcast system scale***

The used broadcasting channel should provide capability of rapid increase in transmission volume of messages. The weak point consists in that that to render free e-mail services, own mail server is required. If the strategy works very successfully the quantity of mail servers should proliferate, otherwise the issue will start to stall and, eventually, will die away. There will be no result if to enable the virus to propagate just to ruin own organism. Therefore everything should be planned so that with addition of new mail servers no problems emerged. It is necessary to provide expansibility of virus model in advance.

#### ***Support on ordinary human requirements and incentives***

Reasonably made plans of viral marketing rest upon the most widespread human requirements and incentives. What promoted a huge popularity of "Netscape Now" buttons at the dawn of the Web? A primitive human desire to feel "tough." People are prompted by aspiration to receive benefit, as well as longing for fame, love and respect. The aspiration derivative of these stimuli to communication creates millions of Web sites and billions of electronic messages. It is necessary to work out the marketing strategy whose distribution is constructed on the basis of conventional human requirements and incentives, and you will be certainly lucky.

#### ***Functioning on the basis of existing communication networks***

Virtually all people aspire to communicate. Sociologists assert that the usual circle of contacts of the person includes 8-12 friends, household and colleagues. The extended circle of contacts can consist of tens, hundreds or even thousands of people, depending on one's social standing. For example, the waitress happens to deal with hundreds of visitors for one week. Experts in the field of network marketing have long understood how important mutual relations among people, formed in these circles of contacts are. Among the people, working on the Internet, certain mutual relations are established too. They collect e-mail addresses and URLs of Web sites they like. Affiliate programs actively use it, working, for example, with lists of open e-mail addresses. It is necessary to place right the message in system of existing communications among people and you will rapidly assure its distribution.

#### ***Using resources belonging to other people***

The most inventive plans of viral marketing use another's resources for information distribution. Affiliate programs, for example, post text or graphic links on another's sites. The authors spreading their articles free of charge try to post them on another's Web sites. New press releases can be placed in hundreds of periodicals, thereby creating probability of that they will be read by thousands

of readers. That is, your marketing message is broadcasted by mailing lists and Web pages belonging to other people. Thus all expenses for distribution rest on shoulders of the owner of a resource.

In many sources other elements are distinguished as well, applied in viral marketing programs: «opinion leaders»; topics; tools; participation; tracing.

Let us consider the given elements in detail.

«*Opinion leaders*» — people who are authority for a given target audience. As a rule, it is a group of people who can enthusiastically, skillfully put accents, spread this news around the target audience. The people having influence and held in respect in a society are required for more powerful attraction. One of the most powerful ways is to attract people whom the rest trust. Widely known in narrow Internet circles “Moreynis’s funnel” clearly demonstrates a serious effectiveness of the given method.

Arkady Moreynis explains "classic funnel" effect using a computer purchase via the Web as an example. "All buyers of computer equipment are divided into two unequal groups: so-called "programmers" and so-called “dummies.” The specific character of purchases of computer equipment consists in that “dummies” usually use an advice of "programmers" when choosing what they will buy and, quite often, a place where they will buy. Therefore one of rather effective strategy of promotion of computer trade marks, new products and sales promotion can be intensified influence on "programmers" so that they extend this influence on the other category of “dummies.”

When creating the *topic* it is necessary to pay attention to such factors, as simplicity, newness and urgency, as well as precise outlines of a thought, of an idea.

The third element — *instruments*. Thanks to rightly chosen tools, rumors, helping companies to be promoted in the market, are spread. Rightly — by means of modern technologies without which no respecting businessman gets along: forums, blogs, chats, video services and other instruments with the help of which a huge audience can be reached with minimum efforts and expenditure of time.

The fourth element — *participation*. In it turn participation is considered one of the most complex: here dialogue, conversation is required. The main task in this element — to keep up a conversation, to participate directly in discussions.

And the last element — *tracing*. Since on the Internet communication occurs in writing it became much easier to learn clients’ opinion about one or another production. It provides for new level of understanding between customers and clients.

All elements matter in «seeding»: rightly selected «opinion leaders», right choice of the topic, maintaining a constructive bilateral dialog and, at last, tracing. The virus is called virus because sometimes it is not clear, how its launch will turn out, i.e. useful or harmful. It should be kept in check, and

sometimes be destroyed, and it is at times more important, than a successfully thought up idea.

### **7.3 Methods of viral marketing application**

Viral marketing methods emerged long before the birth of the Internet and their essence is simple — to create all conditions for clients to actively recommend the product or services. Viral activities are directed to draw user's attention by an emotional influence: to make impression on him, to raise interest and to make him to share what he has seen with «friends», so having continued «grapevine telegraph».

Viral marketing methods should be applied with all responsibility. The case of the big retail clothing store can be given as an example. The store was advertised on local TV, but marketers decided, that it would be expedient to switch to viral marketing on the Internet. They did not take into account that switching in the middle of an advertising campaign to such a kind of advertising can simply ruin all campaign. That is exactly what happened. Advertising on the Internet and, in particular, application of viral marketing should be carefully prepared. The advertising campaign with the use of viral marketing is not so simple, as it seems to somebody, it is not the same as to buy advertising time on TV.

Companies at times simply wish to start at least any rumor, without caring at all that viral campaign should be planned in advance that necessary researches should be made. Only after that it is possible to begin site promotion this way. Therefore it is better at the initial stage to promote production by traditional ways by means of the media, and in the following advertising campaign to use viral marketing tools. And they should be used consciously and as soon as possible, and the spread of rumors should be combined with other advertising methods.

It makes sense to accumulate an interested audience of the blogosphere or social networks, if the influence of information meant to be long-term enough. For this purpose it is necessary to create the community (or group in terms of some social networks), to gather the target audience in this community, initiation and support of an active life of the community to retain and to further increase its audience.

Social media promotion has a number of essential advantages in comparison with other methods of viral marketing. First of all, it is worth noting high effect from posting links on the company resource.

Viral marketing began to spread in social networks beginning with the site of Facebook. Announcements are shown matching users' interests, specified in their online questionnaires and in topic communities, popular among users the world-famous Facebook. Social network advertising causes a lot of discussions and is estimated far from unambiguously by users of social communities. Besides, there are still not enough data to estimate its efficiency.

Where there are social networks, there are forums as well. The forums, emerged at the dawn of the Internet yet, are the place of formation of communities by interests and of professional communities. In America more than 33 percent of the companies use forums as one of the elements of viral online marketing. The "advanced" experts in marketing start to understand the value of social networks, including among others such resources as Facebook, Flickr, Twitter etc.

In turn, advertising in blogs is capable to give much more, than posting links on home pages of related sites. As a rule, creators spend a lot of time for blog promotion, at that the resource increases its citation index. Advertising in social networks and blogs has for an object, not only increase in citation. Viral advertising is the basis of undercover marketing principle. When reading one or another blog, comment, article or watching a video, the user subconsciously trusts its author, hence his opinion is of great importance for a prospective consumer, thus social media promotion significantly differs from other methods — it is based on trust and does not cause irritation.

By independent estimation, about 30 percent of the Russian companies use corporate blogs in one or another format — to post corporate news, useful information for clients, publish press releases, and also to organize intracorporate communication. The blog is, first of all, the tool of building confidential relationships between the buyer and the seller and it is very effective and interesting way of communication with potential clients.

Advertising in social networks and blogs can be placed by itself or experts can be hired to do it. Promotion on one's own as a rule is not always successful, as not every blog owner, participant of a social network will agree to work with an outsider. The blogger acquires a good reputation for years, therefore not all of them agree to co-operate in the field of embedded advertising with the unfamiliar companies and private persons. Besides, viral advertising, to have the maximum effect, demands careful planning; only professionals can provide.

Advertising in blogs, promotion by means of specialized forums and other social networks by specialized firms is a guarantee of confidentiality, reliability and positive effect. At that advertising cost will be just slightly higher, than if the campaign will be organized on one's own.

Viral marketing became widespread as a result of blogosphere development in Internet advertising. Now in the Runet (Russian Internet) over one million blogs, half of which is regularly updated, at that there are ten thousand forums and one thousand chats where groups by interests are formed too. Advertising growth in the blogosphere is caused by some opportunities given by the Internet:

- anonymity;
- self-expression;
- possibility to speak on innumerable number of various topics;
- exchange of views;
- search for news, interesting information;

- dating, flirt;
- entertainment.

In blogs opinion leaders get together and actively participate in discussion of topics urgent for the community. The information in blogs is subjective evaluative and is perceived by participants as reliable. There is a high level of trust among participants, i.e. people expressing their views are some kind of experts for a community. Active bloggers can be identified by such signs, as:

- interest in discussion of certain topics;
- registration as on thematic as on general orientation platforms;
- large period of registration;
- if topic emerges, interesting to them — they participate in its discussion.

Viral marketing in blogs is very attractive kind of influence on the target audience as the latter is presented in its pure concentrated form. Now specialized agencies have emerged rendering undercover marketing services to increase sales level. So, by means of viral marketing instruments companies try to form a necessary public opinion of a specific community about a certain topic by indirect influence through communication. But for the opinion to be accepted by community participants, it should be expressed by the people having great influence to community's eyes and with the experience of communication in a certain blog. These requirements are not always considered and as a result, user's advertising purposes are revealed.

One of the new and rapidly growing segments of viral advertising market is product placement in online games that is integration of an advertised product or brand into game process.

Many brands have understood prospects and efficiency of such kind of communications with prospective buyers considering prompt growth of the audience of multiplayer online games and high depth of exposure to the brand built in the game process. As simple «casual» single player games (for example, those presented in the Yandex Games catalog), as worldwide multiplayer strategy games and RPG can be an example of such kind of games. In the main for effective advertising in games the most convenient are multiplayer economic online games and business simulators where goods/services and brands proper are gameplay basic elements, that, accordingly, provides the highest loyalty of the audience to brands advertised this way and high depth of advertiser's contact with each user.

Online games, combining an online game and a social network, win popularity by leaps and bounds. Virtual worlds of IBM, Microsoft, Sun, Sears and other corporations already actively test virtual worlds like the Second Life as tools of promotion of products and brands. Online games also include MMORPG. Massively multiplayer online role-playing games enabling thousands of people to play simultaneously in a changing virtual world via the Internet. The indisputable leader among MMORPGs is World of Warcraft, in Russia — Sfera (Sphere); there are MMORPGs for children (Club Penguin) as

well. All of them give numerous possibilities to draw clients, both western and Russian companies actively explore. Mini games in Flash format with embedded advertisement or branded elements emerge ever more often on the Internet.

For further development of viral marketing there is also another way — video hosting services. For example, Levi's already for some years saves on television advertising, placing its commercials on YouTube. Each commercial gathers some millions of views. For example, a microfilm how a group of young people plays the fool, jumping into jeans from various places (seesaw, swings, fences, cars), has gathered over 5.5 million views.

Whereas online video has already been existing for a long time, the actual boom of video content on the Internet has begun with emergence of video podcasts and Web sites like YouTube, Viddler, Google Video. The example of video usage is interaction of company management or its charismatic leaders with project target audience. Another way of application of video — webinars (online seminars), popular in the West, and webcasts (online conferences). There is an interest to similar forms of communications in Russia. So for example, video conferences are regularly held by Open University of Business and Technology.

It is important to notice, that watching commercials on a video hosting service by definition can be considered more qualitative and target since the person consciously chooses one or another link. Such type of advertising can hardly be seen on TV: too motley audience and too rigid technological and psychological clichés for advertising, but on the Internet it is not only appropriate, but also rather successful.

So, the considered viral marketing methods indicate that individual functional systems of marketing of enterprises should consider changes in information technologies and personal interrelations. On the other hand and providers of Internet services should offer projects whose destinies would be shaped not only within the Web, but also would have to do with basic strategy, firms use in their activity.

In other words, all participants of the market of Internet services should consider actions on the Internet as a part of enterprise marketing strategy.

The success in marketing strategy realization on the Internet can be achieved, using as precise combination of all listed tools as possible. Here, as in any other kind of activity, the key role is played by a system approach to problem solving, precisely set goal and exact understanding of the role of selected tools to achieve set goals and objectives.

Internet marketing on the Web, in the CIS countries, just starts to gather momentum, lagging behind the Western for several years. Therefore it is necessary to collect and to master the instruments of advertising and PR described above in order not to turn out at "trail end of train named success."

Prospects of development of Internet advertising in social networks, blogs and on thematic forums reassure. Using the instrument of target inquiries can



facilitate bringing the advertising data to target group and at the same time not to create a negative image in other Internet users. The segment of social networks looks very promising in the blogosphere as the social network is initially conceived as a means of communication, so inclination to data perception including the advertising, is higher in Internet users, than, for example, in blogs. The receptivity to the information in various sectors of the blogosphere in decreasing order looks this way: social networks, thematic forums and sites, blogs.

In the end one should remember, that the Internet is an information source and from this viewpoint: creation by firm of advertising sites, sites of support, individual news blogs and groups in social networks of the blogosphere is an economical and effective way to inform the end user about its products and services and to considerably expand outlets.

## **Instead of Epilogue**

(argumentation discursive marketing at the interface of rational and emotional)

It is known, that successful management is impossible without the reasonable and weighed marketing strategy (implemented consciously and systematically or spontaneously and to some degree arbitrarily). In turn, a successful marketing strategy implies reasonable, flexible and somewhat innovative usage of language means that is in the broad sense of discourse. McCarty's well-known marketing mix formula — 4 Ps (Product, Price, Promotion, Place — was expanded by Mr. Lauterborn to 4 Cs (later 7 Cs) where Product = Consumer Wants and Needs, Price = Cost, Promotion = Communication and Place = Convenience. In the given formula P (Promotion) component and to a larger degree its correlate C (Communication) is directly connected with language behavior of the marketing activity producer. Any marketing activity is impossible without verbal forms and in linguistic sense the form of existence of marketing is personality-centered and status-oriented discourse. Linguistic peculiarities and laws of formation and functioning of marketing terminology are caused, first of all, by extralinguistic factors. Developing and acquiring new signs, marketing gradually became philosophy of the business, one of basic scientific disciplines in its area. It is not just some procedure, but rather a way to comprehend that how to satisfy the consumer's need. Marketing affects all aspects of business and commercial activity. In turn the discourse is to some degree philosophy of language functioning if it is understood in the broad sense. The concept of discourse is one of the most often heard today, but at that it is rather fuzzy, it is impossible to consider, and that it has a precise definition at present. Several definitions of discourse are: discourse is written or spoken communication or debate; a formal discussion of a topic in speech or writing; a connected series of utterances; a text or conversation; communication of ideas, information, etc., especially by talking; conversation; a long and formal treatment of a subject, in speech or writing; the use of language in speech and writing to achieve pragmatic meaning.

Modern linguistics pays a lot of attention to studying of various types of a discourse. It is conventional to divide discourses into personality-centered and status-oriented. The personal discourse is communication between interlocutors, who know each other very well. The status-oriented discourse is «speech interaction of representatives of social groups or institutes with each other, with people realizing their status and role potential within the limits of established public institutes». The reasoning is always dialogic and is wider than the logical proof, it includes not only «technique of thinking» (logic proper), but also «persuasion techniques» (art to subdue thought, feeling and will of the person). In connection with application of discursive «persuasion technique» Yu.V. Ryabukhina has examined one of the areas of services — tourism.

The supply of tourist services inseparably linked with management of addressee's motives and needs. These motives and requirements inseparably linked with argumentative strategy of positioning and promotion of tourist services, that is with main kinds of reasoning: rational and emotional, as well as with various methods of persuasion and suggestion. The discourse of tourist marketing is some kind of a sociolinguistic phenomenon with own means of persuasion, basing on certain values peculiar to a given society. There is a larger number of works devoted to the advertising language analysis, notably, to comprehensive analysis of a tourist discourse from the point of view of linguo-cognitive methods of linguistic manipulation including reasoning, metaphorical modelling, analysis of basic concepts of the discourse and a motivational component. Brochures, catalogues and other advertising materials intended directly for the end user that is for «tourist» proper were a material for the majority of works. It was interesting to Yu.V. Ryabukhina to study a linguistic component of «B2B» materials, that is addressed to professionals — colleagues and competitors of the sender. Rather special material dealing with the international professional exhibitions of Luxury Travel Market was selected for this purpose. Target audience of the given kind of a discourse — professionals with a huge operational experience from different countries. Conventional means of attraction of the «direct» client have no effect upon the given audience. All tourist business professionals know perfectly well all advantages of each destination — for example, such clichés as «Sankt-Peterburg — a City of White Nights», «Hermitage is One of the Four Largest Art Museums of the World» do not work. What means are used to draw professionals' attention? How to achieve so that exactly the given product is chosen, and the text is written in English, but it is intended for an international audience, i.e. it is a question of lingua franca. Linguistic manipulation theories were used as criterion of effectiveness of marketing behavior strategy. Undoubtedly, this is a status-oriented discourse in its form, since it is a question of professional communication. However a persuasive component is obviously personality-centered, as each time it is necessary to convince a certain person, a given person that he at least should take an interest in the product. And now it is this person who will promote decision-making at the enterprise level, and linguistic manipulation theory considers recipients' personality characteristics, in this case managers'. Materials of several exhibitions of Luxury Travel Market were studied. The International Luxury Travel Market — ILTM) — traditionally main international exhibition where professionals from all over the world gather, held annually in France, in Cannes. Exhibitions are organized by a British firm, and for the exhibition in Cannes all materials are thoroughly selected by British experts who, in particular, pay a lot of attention to general materials of the exhibition, tactfully editing their linguistic component as well. Other exhibitions which are held under the aegis of the same British company are a little more independent, that is obvious from their materials that, on the one hand, have

respective regional color, and on the other hand, are much poorer linguistically. In their materials stereotypes prevail, it is more difficult to distinguish one material from another, discourse characteristics play a smaller role in marketing strategy, than economic parameters. Each company or group of companies aspires to appear at the exhibition with some program of brand creation, and not with a set of offered products.

The brand creation program should include: clear dissociation from competitors and unique selling proposition creation; working out of communicative system of individual style identity (name, logo, design, image etc.); symbolization of additional specific benefits and emotional values. With tourist industry development, as well as with intensification of international contacts of regions and provincial towns image components of countries brand aspire to change (more or less successfully). One of the examples of utterly unsuccessful use of brand name including the linguistic, is «Belye dni (White Days) » project they tried to promote in the 2000s in Sankt-Peterburg. It was meant to favor tour sales to Sankt-Peterburg during the winter period. Leaving aside an economic component of the given marketing project, which was not very thought-out per se, we will look at its linguistic component. It is quite clear, that the term White Days was suggested in contrast to the hyped-up brand White Nights that is as an antonym. But what does the term White Nights mean? It is already a trope per se, some oxymoron, contrast lies in the term itself, as it is supposed there is some natural phenomenon behind that. Such a word combination, in fact, draws attention — and it is perfectly known in the world. The White Nights brand actually works. Creators of the new, winter term proceeded from the premise that term White Nights per se is so stable that its decomposition by replacing one of the components will lead to occurrence of «sharp» and attractive brand name. But it turned out, that the term White Days lost a keenness of the initial and meant nothing new, sharp or attractive — and it was one of the reasons of that why the project failed — none of serious operators could even roll out the new product — a linguistic component of the idea was not thought out, was chosen quite poorly and failed. Goal-setting — underlying component of any activity and tourist marketing is no exception.

«It is essential to create memories, to find engagement and, above all, to go for simplicity — in business professionals' opinion, meaning that exactly these characteristics of a discourse will promote goal achievement — that from huge number of offers in a professional field the goal is achieved by the wished that it will be chosen by the expert. A vivid method of creation of «memorable events» is usage of «telling» names and brands — Fairmont Hotel — per se speaking brand, but Fairmont Peace Hotel positions itself as the hotel where Noël Coward wrote *The Private Lives* — this long known method invariably works. Not only places are given where historical events could happen but where any books were written — that favors a surge of popularity of both a hotel and a book. Branding — known and somewhat invincible «weapon» — Ritz-Carlton Hotel in

Shanghai renders the following service: a souvenir doorplate with hotel logo and an engraved last name of the guest. At that guests stay for one night in this hotel, get the plate and move to a cheaper hotel as staying in the Ritz costs a fabulous sum of money. Descriptions of hotels are «strewn» with names and brand names — text visually looks as a scattering of star names. Thus survey of Luxury Travel Market representatives has shown that none of them knows all the names, but confess, only if they are warned, that the survey is linguistic and has nothing to do with the industry. The abundance of names creates the feeling of belonging to the elite world, and the combination of symbolic names with less known ones intensifies this feeling, consequently, the influence on target audience. Thus, for a discourse of tourist marketing products (materials of the international exhibitions of Luxury Travel Market products) is on the whole typical the aspiration to application of innovative syntactic structures, text organization and its lexical content. At that, of course, discourse created by native speakers of English, is remarkable for higher persuasiveness owing to more accurate and creative use of language means. The discourse created by those for whom English is not native language, also aspires to imitate English language structures and elements, in some cases it works, descriptions are vivid and metaphoric. But, as always, it is important at that not to trespass the bounds of creative use of foreign language to exclude such examples in descriptions as «Our Wines Leave You Nothing To Hope For» (the phrase from the description of «wine tour» for VIP clients — and intention was, certainly, totally different). To accurately describe one's product, to present it in the market (in what, actually, the task of the marketing expert consists), it is necessary to understand the value of a product, value of its presentation and own value as a successful manager. The discourse is an integral part of marketing mix, its active component, it should be used virtually with «surgical accuracy» as an inaccurately chosen structure of a discourse, its incorrect construction can lead to consequences opposite to the set objective — tourism product promotion. At that successful construction of a discourse will be the powerful tool of strategic marketing problems solution.

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