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Virtual Marketing in Virtual Enterprises

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1. Abstract

Virtualization caused tremendous evolution in the economics of marketing channels, patterns of physical distribution and the structure of distributors and developed a new concept that is known as virtual marketing (VM). VM combines the powerful technologies of interactive marketing and virtual reality.
Virtual enterprise (VE) refers to an organization not having a clear physical locus. In other words, VE is an organization distributed geographically and whose work is coordinated through electronic communications." It should be mentioned that here VE encompasses all other similar phrases like Virtual company, virtual corporation, etc.
One of the greatest challenges facing business owners and managers – both for traditional and virtual organizations- is finding a way to cost−effectively communicate frequently and consistently with their target markets; and the virtual marketing perform this function at the best possible.
In this paper, we focus on the concept of "Virtual marketing in virtual enterprises".

Key words: virtuality, Virtual marketing, virtual enterprise

2. Virtuality

Virtuality is heard in many global corporations today. But basing decisions on this is elusive, as "virtuality" itself isn't clarified.

"Dictionary of Words" defines it as "the quality or state of being virtual". The Oxford English Dictionary lists three possible definitions for virtuality. The first of these is archaic, and means "the possession of force or power" or "something endowed with virtue or power." The second possible definition is "essential nature of being, apart from external form or embodiment. The third possible definition, which also corresponds to the common usage of the word, is "a virtual (as opposed to an actual) thing, capacity, etc; a potentiality.

Everything has a reality and virtuality. Nelson divides virtuality into two parts: conceptual structure and feel. In every field these have different roles. Since the emergence of telecommunications, virtuality has materialized more clearly as a method of imaginative mutual interaction.

In this paper, "Virtuality" refers to the seeming of anything, as opposed to its reality. With virtuality you can simulate complex environments, markets, decisions, answers, and even build an enterprise without any physical assets!

3. Marketing

Before defining of virtual marketing, defining marketing itself seems necessary. Marketing is the analysis, planning, implementation, and control of programs designed to increase visitor awareness and use of collections, facilities, and services in a way that will mutually benefit both the organization and the visitor1. In other words, marketing is a management tool that focuses on identifying the needs, wants, and demands of customers and developing products to meet those needs (Neighbors, 2002).

3.1.   The Marketing Process

Figure 1: The marketing process overview (Source: www.smartsmallbusiness.qld.gov.au)

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1 - www.ozco.gov.au

3.1.1. Research your Market Environment

Research your industry and your competitors and establish who your target customers (or target market) are for your goods or services. Only once you know:
• Who your customers are, what their needs are and how much they are prepared to pay.
• Who your competitors are, what they sell and at what price/s.
Then you can decide how to position your goods or services in your target market/s and develop a marketing plan to achieve your goals.

3.1.2. Develop and Implement your Marketing Plan

Marketing covers much more than just advertising goods or services. When developing your Marketing Plan, consider how you will use the elements of your marketing mix to attract customers, meet their needs and keep them coming back for more.

3.1.3. Review and Improve

After you have implemented your marketing plan, determine how well it has increased your sales and profits (review) and make any necessary improvements (improve). If your marketing plan is written down, it will be easier for you to see how your plan has performed.
Marketing is the planning and execution of the production, pricing, promotion and distribution of goods and services to create exchanges that achieve individual and business objectives.
Put simply, marketing is about matching every part of your business with your customers so that:
• You meet their needs.
• They are aware that you meet their needs.
• They are motivated to buy from you.
• They are motivated to keep buying from you.
If you don't achieve these outcomes, customers won't buy from you and you will go out of business. It won't matter if you make the best product in the world or if you are very good at bookkeeping and administration - poor marketers go out of business.
Also, Marketing has evolved over the last two centuries, as the systems of production and consumption have changed owing to the rapid development of technology. This rate of change has seen the advent of mass manufacturing, rapid communication systems and rapid transport systems. It is clear that marketing, in this context, initially moved from fragmentation to mass and more recently to segmentation activities (Tedlow, 1993).

4. What is Virtual marketing?

Virtual marketing encompasses all web-based marketing tools like e-mail marketing, banner advertising, weblogs, news settlers, and using your own Web site as a marketing tool, etc. It is important to realize that the Web (or cyberspace) is another means through which you can market your business. It does not replace the existing marketing channels you are currently using and have found to be successful. Furthermore, a web based marketing strategy is not an 'optional extra' to your existing business strategy. Rather, marketing your business on the Web must be part of a tightly coupled action-oriented marketing and advertising plan - one that leverages the individual benefits of print, broadband, and interactive media.

There is a drive for multinationals to consider the absolute dislocation of time and space in undertaking marketing transactions. The Internet, in turn, offers a virtual 24 hour experience in any market sector for global information prospecting.

After here, we use VM as a series of web-based marketing approaches that enable customers to simulate, customize, and experience goods and services in cyber space as like as in real word.

3.2.   Why use VM?

Some drivers that make VM more efficient than traditional marketing:

3.2.1. *Increasing rate of High speed internet access*

Broadband is now mainstream, with more than 50 percent of the U.S. market using broadband. That trend holds true globally as well, according to "World Broadband Statistics," a quarterly report from U.K.-based research firm Point Topic. The report found that the number of broadband subscriptions worldwide has increased 25 percent, to 190.3 million in September 2005 from 152.4 million in December 2004, with the Middle East and Africa showing the sharpest rise in broadband services. With global broadband use on such a precipitous rise—and Internet users growing more savvy by the day—it's more important than ever for a Web site to capture each visitor's imagination. Features such as virtual tours, video diaries, and other brands of multimedia can provide users with a rich, interactive experience, even if they are thousands of miles away. Companies are continually experimenting with different mixes of these online elements to ensure their Web sites suit their marketing message perfectly (Magnani, 2006).

3.2.2. *Searching the web, plays an important role in purchasing behavior*

- Search is first online activity after email;
- 213,000,000 searches per day just in the U.S.A.;
- 81% of users search to find products, services, and other businesses;
- 40% of all searches are for goods and services (Kook, 2006).

3.2.3. *Increasing online sales trend*

Over 20% of sales in 2010 will be conducted via e-commerce (Kook, 2006). Figure 2 shows the portion of online sales from 2005 through 2010.
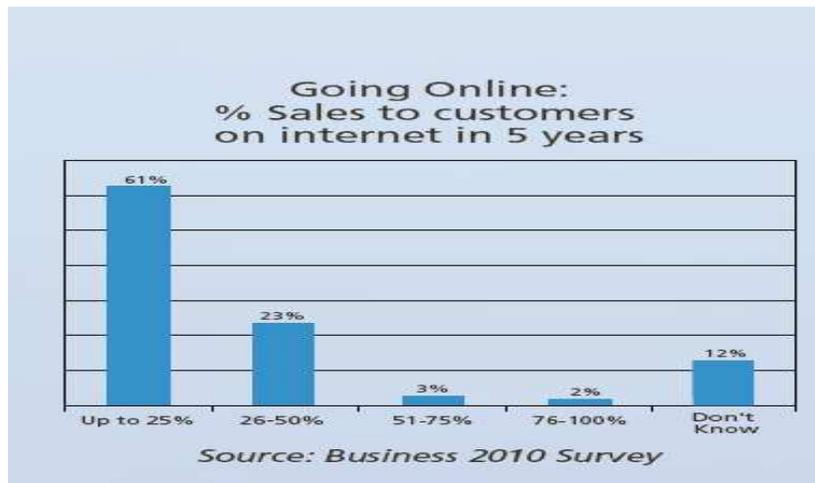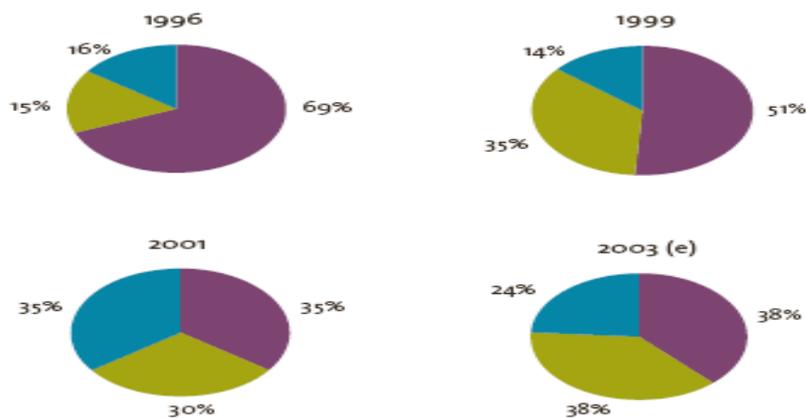
Figure 2: %sales to customers on internet in 5 years

Increasing number of internet users around the world as shown in Figure 3.

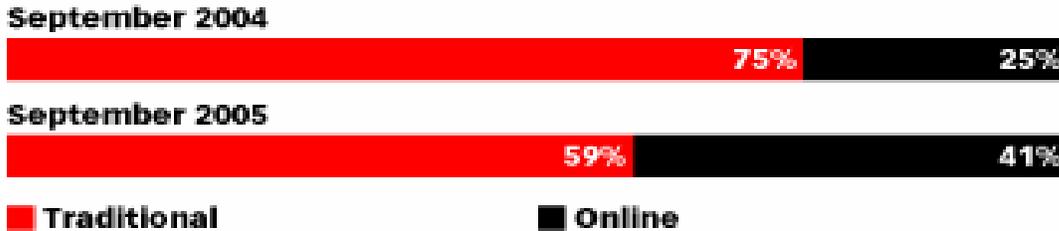**Figure 3: evolution of internet users in the world**

(Source: European Information Technology Observatory (EITO), 2001)

3.2.4. *Traditional media power decreases:*

- Audiences ratings TV shows, prime TV viewers down (50% since 1970 for the major channels)
- Customers exposed to ads: 1/3 watch, 2/3 mute-switch-leave
- Internet vs. TV: Internet users average about three hours a day working with the network, about 50 percent more time than the average television viewer watches TV.
- Internet users watch about 20 minutes less TV than the average viewer.
- 10% of users prefer to miss TV than Internet
- McKinsey: TV advertising in 2010: 35% as effective as in 1990
- And Advertising costs increasing (Constantinides, 2005).

For reasons mentioned above, most of companies are shifting from traditional marketing to virtual marketing and therefore allocate more budgets to online marketing than traditional marketing as shown in figure 4.

Figure 4: Traditional vs. Online marketing Budget Allocation of USA direct marketers 2004 & 2005 (as a % of total)

September 2004

| 75% | 25% |

September 2005

| 59% | 41% |

■ Traditional   ■ Online

(Source: Faculty of Business, Public Administration University of Twente, 2005)

3.3. Creating a collaborative environment that runs 24/7

It's clear that marketers need to create an environment where they can present the right content to the audiences that need it, when they need it, encouraging discussion and feedback about successful marketing approaches, and analyzing what works and what doesn't. Marketers could create such an environment on their own, pushing out materials, corralling sales reps and partners for feedback, and making sure reps didn't sell with old messages — but they'd need to work 25 hours a day. And they'd have to do all this administrative work while also finding time to train new staff, creating new and updated marketing messages, and launching new products. What marketers need is a system for gathering, tracking and managing information that runs itself — with little administrative input from them, and no Frantic calls to IT for help.

In an ideal world, this "ecosystem" runs 24/7, making it easier to manage marketing initiatives across time zones or after hours. Intranets and extranets may sound like the obvious solutions for this problem but they present their own headaches. They require heavy maintenance, and extensive support from IT — just the kinds of things that marketers don't have time for. In addition, they're a completely static way to store information — there's no way to gather or analyze how the content is being accessed or used. With VMs, the gap between sales and marketing is bridged through better communications with all sales channels.

VM does all of the necessary communications tasks-but does them far more efficiently than marketers can manage on their own. It markets "continuously," 24/7, leaving marketers free to offload many tasks, and helps them gain back time to devote to creative and strategic planning. It creates a way to gather valuable feedback. And, it connects channel partners to the entire sales and marketing organization.

3.4. Reaching Marketing Goals through VM

For every marketer there are key events that drive the workday, month or even year. Each one of these events requires marketers to package, promote, and deliver a variety of documents and collateral, as

well as collaborate with multiple audiences and analyze the effectiveness of each campaign. Along with each event comes months of careful planning, development of resources and information sharing.

VM helps marketers easily achieve their biggest goals. The VM automates every step of the process, from conception to retirement, enabling marketers to reach more audiences than ever before with customized messages and materials — and in half the time. A corporation uses VM runs 24/7 delivering resources, enabling teams, collaborating with partners and customers around the clock, and helping marketers manage the five key events that drive their day:

3.4.1. Launching new and upgraded products

Delivering new products requires that a variety of information is distributed to several different audiences. Application of VM enables marketers to package new sales product information into virtual sales kits, provide sales guidance and training through private partner websites, and alert current customers on just the products that are relevant to their business. VM continuously market and promote new products to any audience by creating one-stop shops for only the content they want. More importantly, marketers are able to update new content and automate the retirement of old product collateral with just a few steps.

3.4.2. Adding sales channels

Marketers need to arm partners with sales-ready material in order to sell effectively. In many cases partners represent many different vendors. Therefore it's imperative that you make it easy to learn about and sell your product, essentially making it easier to do business with you than with others they represent. A VM delivers automated, customized private websites for different partner audiences, helping to package content that's specifically designed for the user. From sales-ready customer presentations to pricing information, with VM marketers can decide which partner has access to what content. These private websites also host blogs and other collaborative forms of discussion that enable partners to bring marketers and sales teams into the process as they are selling. To better understand what partners you have or don't have mindshare with, analytics highlight who has downloaded what, and which pieces are making the most impact on those that represent your products.

3.4.3. Re-branding and updating messages

There is more to re-branding than updating look and feel. And every marketer understands the pain of retiring the old messaging, updating every piece of collateral and getting teams to talk the new talk. With a VM, marketers can update every single piece of marketing and sales collateral, partner extranets,

Customer extranets and e-mail campaigns in a fraction of the time .VMs deliver a single repository for all updated information from newly branded presentation decks, product datasheets, and updated customer case studies or posters. With each document, marketers create a description and associate other details, such as target audience and what solution the messaging applies, so that your sales channels know how to effectively and consistently use the messaging.

3.4.4. Driving marketing events

Tradeshows, user conferences, Webinars and other events give marketers instant access to people who are interested in the company and its products. VM help extend that relationship beyond the event and create an opportunity for further communication. Prior to and after the event you have a persistent place for those interested in an event to find information and collaborate. For example, a user conference portal is used to promote, disseminate information, and ultimately share best practices after the user conference is conducted. Another example is trade show events. Before attendees leave the show, marketers can deliver an e-mail with a portal user account that gives attendees access to an exclusive website. Now marketers have a captive audience for company news, user blogs, new products, features and services to drip content over time to inform and pique the interest of prospective customers.

3.4.5. Reaching customers

Today's savvy customers insist that marketers give them the information they want, when they want it. With the high availability of the Internet, customers know more than ever before about vendors. This requires the vendor to effectively deliver the right information on a continuous basis to differentiate them from the pack. A VM delivers private websites populated with the information they need during the buying process and after the sale. Marketers then gain insight into customer needs by understanding which documents are used and by which audiences. No longer are packages and folders lost through the postal service or via e-mail. Customers have a centralized location they can access from any computer to learn more about the company and its latest products (iCentera, White Papers, 2005).

3.5.   Advantages of Virtual Marketing

Virtual reality can be used to market products and conduct cyber-commerce in ways unimagined a few years ago. Following are a few of the benefits to be gained with virtual reality:

- Ability to give the user the true experience of product ownership, without shipping the product anywhere.
- Ability to demonstrate products in real time, using user-defined parameters.
- Ability to involve the user emotionally with the product (through sensory immersion).
- Ability to prototype and test factors, realizes cost and time savings, and enhances decision making.
- Closer association between the media and the message, since users enter the media channel and become a part of it.

Vast increase in market potential since your product experience can be shared by anyone in the world who has the necessary computer hardware/software. Ability to use all four elements of the new communications paradigm (Ryan, 2001).

3.6.   Disadvantages of Virtual Marketing

Not every company will benefit from marketing its products with virtual technology. Following are some of the disadvantages of the virtual medium:

- Very expensive. Even with the moderately priced authoring systems expected to announced, virtual reality will still be an expensive marketing tool.
- High user expectations. Users will cut their virtual reality teeth on high quality, entertainment-oriented programs.
- Marketing programs that don't measure up to these standards will be unsuccessful.
- Not suitable for certain products. Virtual reality works best with products that require a great deal of user interaction.
- Long lead times. Creating virtual reality is, and will be, a complex process. As such, virtual reality promotions will take longer to create and produce than media such as the Internet, print, radio, and television.
- Small prospect base. In the near future, only a small fraction of North Americans will have the hardware and software necessary to access virtual reality applications (Ryan, 2001).

4. Virtual enterprise

In response to globalization and improved ICT, particularly the internet, existing and new enterprises are moving towards a form of strategic network known as the Virtual Enterprise (VE). This is revealed that although there is no generally accepted definition of the Virtual Enterprise, it is distinguished by its networked structure, its focus on its own core competencies and accessing other competencies through outsourcing arrangements, a complete reliance on ICT for communications and coordination and an overarching strategy to move its essential processes to a digital dimension.

4.1.   VE overview

The last decades of the 20th Century saw an unprecedented expansion of business into global markets and with it, increased global competition. The major drivers for these changes were increasingly demanding and discriminating customers, improved manufacturing techniques and extraordinary advances in Information Technology and Telecommunications (ICT).

Business responded to the new environment by closely scrutinizing and realigning at its competitive priorities. The first priority in the 1970s was cost reduction and efficiency. The second in the 80s was quality, and the '90s saw delivery speed become the major imperative.

The survivors emerged with smaller work forces, flatter organizational structures and generally more effective operations. (Liang) ICT innovations such as open architectures and the advent of the internet and its networking capability were particularly instrumental in both fuelling and supporting increased competition and globalization. ITC is still underpinning continuing and accelerating change in the 00s where flexibility and agility have become the watchwords.

In the late 80s conventional wisdom came to realize that large, diversified, vertically integrated mega-corporations such as General Electric in the USA and Daimler Benz in Germany could not

necessarily outperform their smaller more specialized competitors and began to search for alternative enterprise models. A new type of enterprise began to gain recognition. The new model had many names. Handy called it a 'shamrock enterprise', Ducker, a 'knowledge based enterprise', Quinn called it an 'intelligent enterprise', Goranson called it the 'Agile Enterprise'

Goranson, and Davidowe and Malone Davidow William who are among the more frequently referenced sources called it the 'Virtual Corporation. Venkatraman argued that the new form was not new at all but rather represented a different strategic paradigm. As the names and concepts multiplied, new and transformed organizations, such as Amazon Books, Netscape, and Cisco gained increasing prominence as the new way to do business. For the purposes of this paper, these organizations and others like them are known collectively as Virtual Enterprises (VE) as noted above there is many names for the new organizational model and although the conceptualizations differ slightly the names are often used interchangeably. Since the concept of a virtual organization arose from a commercial context, many scholars tend to continue to view the organization from that perspective. Virtual as an adjective can be applied to a wide range of activities. Similarly, 'enterprise' can also denote a variety of ostensibly noncommercial activities such as universities, medical facilities, and research. Over time the more inclusive 'Virtual Enterprise' (VE) has gained some, but by no means universal acceptance, in academic literature and is used throughout this paper in preference to the 'Virtual Organization' (VO).

In this paper, VE mainly refers to an enterprise that does not physically exists-but may be provide physically good and services- and runs all of its activities through IT-based structure.

4.2.   Appearance of the Virtual Enterprise

The stable VE consists of a market facing entity surrounded by a limited number of collaborating partners. The central entity is responsible for formulating ideas to anticipate and respond quickly to customer needs by focusing its energies on creative design and marketing. It will perform its function as a meta-enterprise managing and orchestrating the surrounding network of independent firms to meet customer needs. The central integrating firm will have executive responsibility for the network and will have its own legal identity. To the customer it will have the appearance of a traditional organization, but it will lack the structure. To the customer the network is the VE. The challenge in designing such a network is to create seamless interaction and integration among a variety of federated organizations so the customer will be unaware that separate organizations are serving their needs. The VE is built on inter-organizational ICT systems that facilitate reduced transaction and switching costs, and data sharing and coordination across enterprise, geographic and temporal boundaries. Without them the VE could not operate effectively. Indeed, the reasons for its alleged success are directly related to low transaction and switching costs, which are considered to more than offset the benefits of scale available to large firms. Lower costs facilitate flexible relationships with potentially more responsive partners with world-class competencies, and free firms to concentrate on single core competencies, so it is natural for web-based enterprises to concentrate on a single core activity. The VE's flexibility means that it is ideal at redefining its scope and reconfiguring its resources quickly and concurrently to match market opportunities. The reason that it can do this so effectively is its flexible linking to all existing, and new partners and quick delinking of departing partners (Hales, K.R; Barker, J.R, 1999).

Nowadays a new type and more virtual enterprise is emerged that is known as "virtual world". The most famous virtual world is "Second Life". Second Life is a 3-D virtual world entirely created by its Residents. Since opening to the public in 2003, it has grown explosively and today is inhabited by millions of Residents from around the globe. The Marketplace currently supports millions of US dollars in monthly transactions. This commerce is handled with the in-world unit-of-trade, the Linden dollar, which can be converted to US dollars at several thriving online Linden Dollar exchanges.

First-time users create a name and a graphic identity (an avatar). Land and objects are purchased from Linden Lab or other Second Lifers using Linden dollars. A small amount is given to first-time users, but additional Linden dollars must be purchased monthly to acquire more. An entire island can even be purchased. This have more than 6 million residents, it's not a game; it's another way of life. That's why the list of real companies using the Second Life world to reach out to their customers, brand, market and test products is growing at an alarming rate. And with $7million traded between residents per month, these companies are making real money out of virtual purchases. Virtual worlds can transform the way you operate by providing a new template for getting work done, from training and sales to product design and marketing. Second Life could be a way to extend your Real Life business into Virtual Worlds, but also a powerful way to enrich and innovate the way you do business in Real Life and prototype it as a marketing and sales tool in real life.

5. Virtual marketing in VEs

More an enterprise is virtual; more it uses virtual marketing tools. Virtual enterprises like Google, Yahoo, Amazon Book, and Netscape are appropriate examples of this subject. They are fully web-based and hence their target markets are internet users, it is not sane to invest on traditional marketing tools.

As mentioned above, cyberspace and internet plays a significant role in 21st current business environment and these force enterprises to make tremendous changes in their structures, processes, and approaches to adjust them with this changing world in order to survive their business. This issue is true about marketing tools these enterprises utilizing. In addition this is especially important in VEs that totally deployed on the web and need to just improve their approaches in marketing, because they were virtual since their establishment.

6. Conclusion

In response to a more competitive global environment and the availability of improved ICT, particularly the networking capability of the internet, there is a demonstrable shift amongst existing and new enterprises towards a new marketing concept known as virtual marketing. This paper took the form of a literature review to uncover a definition of the VM and VE's and the necessity of deploying VM in VEs. It was concealed that due to a number of different conceptualizations and types of VE, there is no generally accepted definition. However a number of common characteristics are apparent that mentioned above.

In other hand, since decreasing power of traditional media, increasing number of internet users around the world, and in addition the time people spend on surfing the web is much more than before, VEs as an extended, technologically advanced and ICT based organization that is only available through the web, can not rely on traditional marketing approaches like TV and newspapers, and should be developed new ways for achieving its new needs in new environment. VM, as a series of web-based marketing tools can cope with this duty.

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