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Buzz Marketing-SWOT Analysis

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Abstract:

Economic liberalization, Globalization and Information Technology paved way to bring out phenomenal changes in dynamic marketing world. The increased competition and sizzling issues encountered in area of advertising made internet as the most convenient and cost effective method of marketing. Currently the goal of most of the companies is to locate the right way of effective marketing communication with customers as such "Buzz Marketing" tool emerged as a popular viable adjunct to traditional marketing communication. "Buzz marketing" as a viral marketing technique attempts to create preference and demand among prospective customers via contagious talk about a brand, service, product or idea. The present paper focuses to explore the SWOT of "Buzz" on Red bull energy drink which made an impact on consumer buying decisions.

Buzz spreads like "wild fire". All you need is a good product and the rest will take care of itself which helps companies in building a successful buzz campaign. As technology continues to facilitate the delivery of an electronic buzz marketing message easier, some advertising experts predict that electronic buzz marketing techniques will become a standard component in all cross media advertising campaigns. Buzz marketing through Online Social Media (OSM), therefore is a delicate engagement for the futuristic marketers that, considering the influence and significance of the OSM users, can be successfully managed through intensive involvement with the very OSM that would be intervened into. Although Buzz approach may be effective in the short term, once consumers recognize its selling intent, the phenomena may have a boomerang effect.

Keywords: Marketing communication, Buzz marketing, Promotion Tool, SWOT, Impact

1. Introduction

“If we don't create the Market, it doesn't exist-Dietrich Mateschitz”

Marketing has undergone a sea change due to the complexities of individual consumer's behavior. Kapferer (1994) stated that in modern society, where mass advertising is progressively more criticized and where individuals not keen in traditional advertising marketing has created alternatives to communicate with its communication target and target customer, marketers are now geared up to walk off anywhere they can find a confined audience to promote the intrinsic worth of their products. In US investment in social media in the preceding years has shown escalation in advertising marketing and customer reach outlook. Statistical data for the year 2010 exhibit 1.7 billion incurred by advertisers on social media with 53 per cent specifically allocated to Facebook, and Buzz marketing, when compared to traditional methods to reduce marketing costs. In the present scenario people have drowned in advertising and surplus information, where buying decision process is more complex eliminating the need for buzz marketing, Media buying and increased advertising and production costs resulted in lower communication cost, as maintaining an old customer is 1/5 buzz marketing cost than to widen new customer base. The idea of buzz marketing existed for many years. Some firms like to create excitement about their products through Buzz Marketing. Buzz marketing is a form of viral advertising where carefully selected consumers are encouraged to talk about the product to friends and family in the hope that 'chatter' will create a buzz about their product. Firms will target people that are known as "trend setters"; people who are usually aware of the next big thing. When you 'get a buzz going' around a brand, you're inspiring conversations, interactions and discussions that centre on that brand.

For instance, Circuses once used morning parades to tease potential spectators about what their, elephants and clowns would perform during night. The walk through by animals led to chanter among the town's residents and soon the circus would sell out, before social media took shape. Circus entertainment was limited in ability to market their shows beyond a few posters. The most effective way for circus management to obtain people for buying tickets was by spreading the word through a start like a parade.

According to McKinsey & Co in May 2002, a survey showed that 2/3rd of sales of consumer goods are in varying degrees by a buzz marketing and other non-traditional tactics. In the meantime the purchase cost of the mass media and advertising production costs are mounting. In this context, Buzz Marketing is a novel trend in the modern global competitive era to campaign the new products. The present research is embarked to study the SWOT analysis of “BUZZ” with respect to “REDBULL ENERGY DRINK”, helping in

capturing the attention of customers and media to the point- where talking about the brand becomes entertaining, fascinating and net worthy. To investigate these aspects, descriptive research is under taken.

2. Objectives of the Study

- To examine awareness of buzz marketing as a promotional tool in the market.
- To analyse the impact on purchase decisions.
- To carryout SWOT analysis on Red Bull Energy Drink.

3. Literature Review

The development of communication and information technologies has encouraged the emergence of new communication channels that have enhanced the options available to businesses for building relationships with clients. (Albesa, 2007) In the last years, conventional marketing strategies and marketing communication are being classified as less effective (Oosterwijk & Loeffen, 2005). Companies are not satisfied with their marketing results compared to their expenses; therefore its effectiveness is questioned (Oosterwijk & Loeffen, 2005). Consumers are paying less attention to advertising because of advertising clutter and selective perception (Oosterwijk & Loeffen, 2005). Kaplan & Haenlein (2010) conceptualized OSM as a set of internet applications, ie. Blogs, social networking sites, content communities, collaborative projects, virtual game worlds and social worlds that offer people the opportunity to interact with other members by creating profile sites, group communities, uploading pictures and sending instant messages. A study by the Royal Mail (2004) to determine which information sources made people 'more comfortable' with a product, found that a recommendation from a friend was at the top of the list (76%), even above the person's own past experience (68%). Word-of-mouth marketing therefore seems to be an appropriate tool to overcome advertising clutter. Although this study reveals the effect of organic word-of-mouth, it can be accelerated by 'manufactured' word-of-mouth which is referred to as buzz marketing. According to Search CRM.com (2010), buzz marketing is a viral marketing technique that attempts to make each encounter with a consumer appear to be a unique, spontaneous personal exchange of information instead of a calculated marketing pitch choreographed by a professional advertiser. A social networking website is defined here as "one that allows internet users the ability to add user-generated content such as: comments, feedback, ratings, or their own dedicated pages" (iProspect, 2007; Kaplan & Haenlein, 2010). According to the Socialnomics (2009), a survey made on 880 marketers showed that the number one benefit of using social communication channels (SCC) was to generate exposure for the firm whilst the second and third was to improve traffic on the website and build new relationships. Greg (2004) opined buzz marketing as, "the amplification of initial marketing efforts by third parties through their passive or active influence". Hughes (2004) expressed buzz marketing on its functional characteristics as: "Capturing attention of consumers and the media to the point where talking about your brand becomes entertaining, fascinating, and newsworthy; A conversation starter".

4. Relevance of Buzz Study

- New interactive and digital media technologies into the marketing industry gained a momentous prominence on the use of online content to create buzz about a product, service or company.
- Buzz generates a highly powerful and interactive form of word-of-mouth referral that occurs both online and offline.
- Sophisticated word-of-mouth campaign flatter consumers to be included in the elite group of those in the "know" and willingly spread the word to their friends and colleagues.
- Techniques of Buzz marketing will turn out to be a standard component in all cross-media advertising campaigns.
- Reliable form of marketing where reviews or recommendations made by respondents are considered to influence buying decision of the consumers, strengthening brand image and buzz marketing supports others forms of marketing.

5. Buzz Marketing as a Tool of Marketing Promotion

5.1. Conceptual Framework to Marketing Communication

"Never sell a product or service. Always sell a concept." by Joe Sugarman

Marketing communication is the "Promotion", part of the "Marketing Mix" or the "four Ps": Price, Place, Promotion, and Product, a strategy used by a company or individual to reach their target market through diverse communications and Promotion is what marketing communications is all about. In recent times there is a paradigm shift to emails, SMS, blogs, television and company websites which have become the trendy way of transmitting the organization's message to the consumers. To reap proper benefits of advertising, organisations should evolve effective communication process which identifies where the investments are being done and what is bringing more return on investment.



Figure 1: Marketing Communication Process

The integrated marketing communications is a data-driven approach which spots the, consumer insights and develops a strategy with the right amalgamation of offline and online channels which should result in a stronger brand-consumer relationship and grown manifolds in recent years due to numerous changes in the advertising and media industry.

Choosing the most imperative communication elements is vital for the triumph of company's business and the advertising drive must be proficient crossways all platforms. Once the integrated marketing process is set, the company can harvest prosperous dividends where an effective marketing communication process is the order of the day.

5.2. Buzz – 'Effective tool of promotion'

Buzzing, also described as 'micro-marketing,' presuppose that a person-to-person marketing message is so powerful that it could potentially reach more people than a broadcast message, if only it is buzzed about in great quantity by people who have very long contact lists and no misgivings about promoting products to anyone who will listen in. Internet has helped firms speed up the Buzz creation process where Instead of people talking in person about the product, word can spread swiftly through social media sites like Facebook, Twitter and popular Blogs. Thus "buzz" marketing is highly effective for spreading the word about a new product or service. The buzz on the Internet only works, if possible to generate a message that the user wants to go and must be in the "followed by the message*" a special interest or personal satisfaction where the Internet has been instrumental in increase of concept and tools inherent in this type of media used to convey information in a few clicks. Word of mouth between two people has a more credible effect than a print advertisement or TV commercial. Businesses that hire the services of these buzz marketing agencies and buzz marketers include companies that sell: Cars, Technology, Consumer products, Movies, Beverages, Fashion, Cosmetics, Children's gear. Companies are predicted to spend more of their marketing dollars on encouraging people to talk about their services particularly through Buzz marketing. Growth rate of 14% between 2011-12 where this category ranks second trailing behind the segment in the media entertainment and communication sector.

According to CNW Marketing Research "Wind" points out on the 15 largest U.S. television markets as evidence of why, buzz marketing is becoming so important to companies today. Found that more than half of the Ads for cars, credit cards and pet-related products are ignored by television viewers. In addition, 42% of Ads about home products are ignored, as are 45% of fast food advertisements. "The 30-second commercial is becoming less and less powerful. That's why Vespa turned to buzz marketers to ride its scooters around town and talk up their 'cool factor' when they debuted, and why Ford loaned its new Focus cars out to buzz agents for the first six months of its launch. In each case, companies looked for ways to gain high visibility and personal recommendations through buzz.

"Buzz marketing is one of many elements that a company should be doing when trying to get a new product out to market. "What people have to realize is that it's not a strategy; it's a tactic. That's an important distinction,"

5.3. Implementation

- Encourage communications through website forums and social networks
- Give people something to talk about with information that can be easily shared or forwarded and publicity events that inspire people to tell others saw or experienced.
- Create communities and connect people such as user groups, fan clubs, and message boards
- Work with influential communities by identifying influential people and informing them about the company's plans and encouraging them to shares.
- Research and listen to customer feedback which can be done by tracking online comments to social networks and collecting survey data.
- Engage in conversation by establishing blogs and a social media-presence and contributing to them on a regular basis.

6. SWOT Analysis –Red Bull Energy Drink

Energy drinks are soft drinks promoted as boosting energy drink, generally do not emphasize energy derived from the calories they contain, but rather through a choice of caffeine, vitamins, and herbal supplements and is one of the fastest growing sector within the beverage industry. Red Bull founded in Austria by Dietrich Mateschitz, developed a unique formula of Red Bull Energy Drink and applied the product to a distinctive marketing approach with the well-known slogan “Red Bull gives you wings”. Red Bull GmbH (Red Bull) is a producer and marketer of functional beverages marketing its products under the brand of Red Bull and portfolio includes Red Bull Energy Drink, Red Bull Sugar free, Red Bull Zero Calories, Red Bull Cola and Red Bull Editions has presence across the North America, South America, Europe, The Middle East, Africa and Asia Pacific.

Replicating the achievement of Dietrich Mateschitz-founder of Red bull created the brand 20 years ago and accessible in 165 countries and total consumption amounting over 40 billion cans with 5.387 billion cans sold in 2013. This demonstrated a 3.1 per cent increase in sales volume, which resulted in total revenue of EUR 5.040 billion which gained huge success worldwide and has 70% of the energy drink market and its triumph took the leading food and beverage players by bolt from the blue. Red Bull is also a large provider of employment, employing almost 10,000 employees as at the end of 2013 (Red Bull Australia, 2014). In India, the consumer acceptance growth rate of Red bull is significantly less in comparison with the market share globally, specifically in US and European market. The positioning of Red bull in Indian market is limited to the youth especially for Business Process Outsourcing (BPO) people within age limit of 19-28 years. Energy drinks will play a significant role in this growth, helping to boost value growth beyond the 2% CAGR predicted in volume terms, as energy drinks continue to grow in popularity amongst Generation Y consumers.

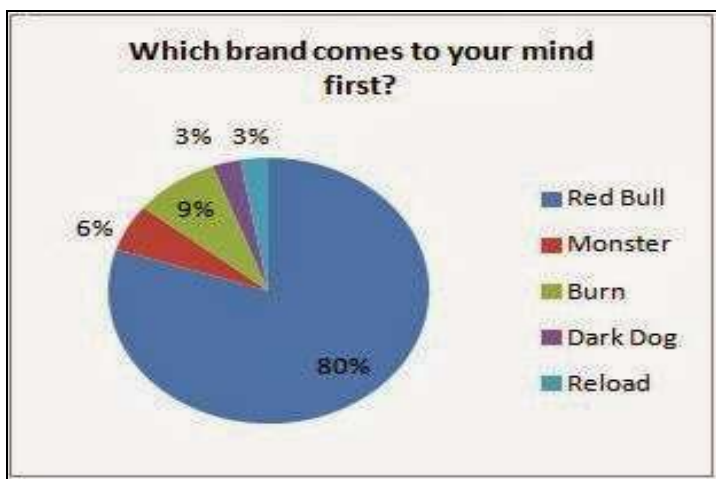


Figure 2 : Which Brand comes to your mind first?



Figure 3: Competitive Analysis

Source: ad-campaign-for-monster-energy-drink-11-638

Western Europe is Red Bull's second most valuable regional market after North America, representing 32% of the company's value sales in 2007. Amongst developed markets, Australia shows particularly strong growth potential, with a predicted CAGR of 12% in off-trade value terms and suggests a way forward to penetrate into new markets.

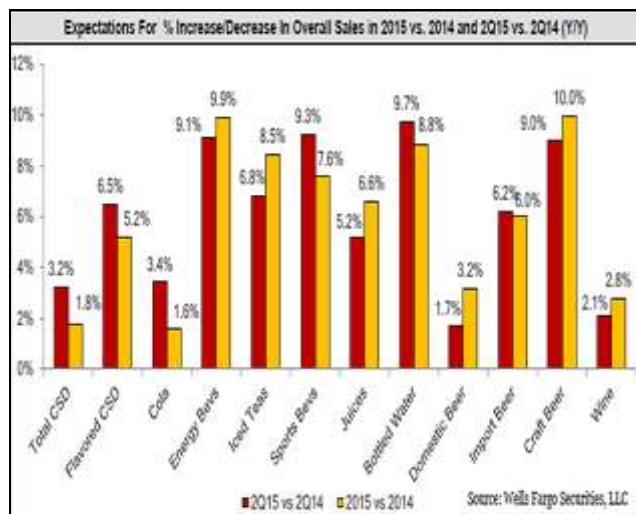


Figure 4

Rank	NUMBER OF SALES IN \$ MILLIONS		
	2013	2012	2011
1	Red Bull 3433	Red Bull 2950	Red Bull 2300
2	Monster 3147	Monster 2600	Monster 1900
3	Rockstar 821	Rockstar 780	Rockstar 660
4	NOS 274	Amp 300	Amp 330
5	Amp 239	NOS 250	Doubleshot 250
6	Full Throttle 104	Full Throttle 140	NOS 220
7	Xyience Xenergy 43	Xyience Xenergy 40	Full Throttle 130
8	VPX Redline -	VPX Redline 15	Xyience Xenergy 30

Figure 5

6.1. Strengths

- World-leading brand-Red Bull is the leading brand in the expanding energy drinks category and made its tantamount with energy drinks in many markets.
- Strong focus-the company's narrow product portfolio allows it to focus strongly on the development of its eponymous brand.
- Benefits of private ownership-helps to make strategic decisions without the constraint of obligations to investors.
- Broad geographic presence-the company has established a broad international presence, selling its core product in more than 130 countries, which shields it against slump in the destiny of specific markets.
- Extensive subsidiary distribution network-Red Bull operates a well-developed network of international subsidiaries which help to distribute the brand around the world.

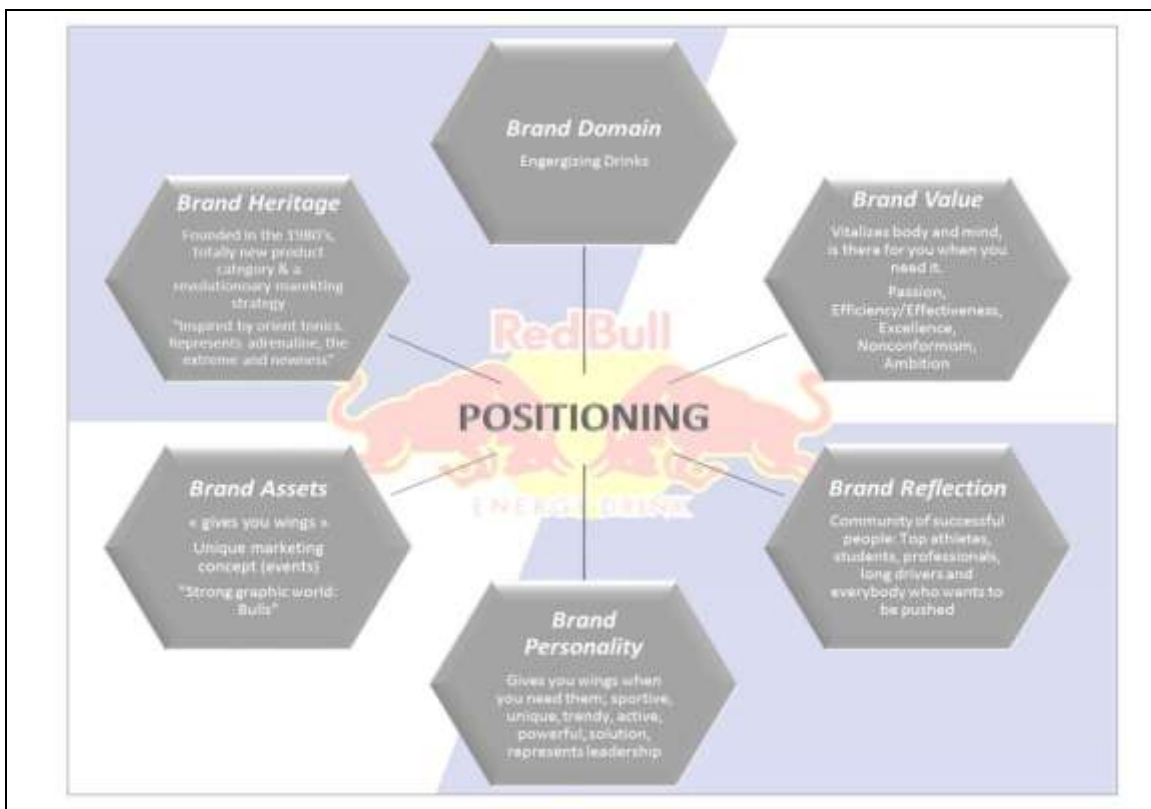


Figure 6

6.2. Weaknesses

- Reliance on a single category-Red Bull's reliance on energy drinks makes it susceptible to prospective shifts in consumer preferences.
- Lack of variety-the company's has limited portfolio with just two product variants which is a key disadvantage in a category in which competitors are offering a larger range of variants and flavors.
- Single production location-the company's use of a single production location adds to the cost of distributing the product to subsidiaries around the world.
- Raising capital-private ownership implies limited capacity to raise capital for investment in international expansion than rivals that are publicly owned.
- On-trade constraints-Red Bull's reluctance to form alliances with alcoholic beverage manufacturers in order to develop alternative packaging is impeding its development in on-trade channels.
- Heavy investment in marketing- investment of 40% company sales in marketing and promotion limits the funds available to invest in acquisition, expansion and new product and packaging development.

6.3. Opportunities

- Expansion in emerging markets-Red Bull has the opportunity to develop its presence in fast-growing emerging markets such as India and Mexico, where demand for energy drinks grow strongly in urban areas due to accelerated lifestyles and improving distribution.
- Healthier variants-rising consumer health-consciousness generates opportunities to expand energy drinks with healthier ingredients and more explicit purposeful properties.

- Hybrid products-as busy consumers look for quick energy boosts, paves way to hybrid products which combine energy-giving properties with other drinks categories, such as RTD tea, fruit/vegetable juice and bottled water.
- Complementary brands-Red Bull might deem the extension of a complementary functional drink, along the lines of its Carpe Diem botanical bottled water drink, which was extended from the UK to North America in early 2007.
- Strategic alliances-the company may consider engaging in more agreements with major multinational partners, as with Cadbury Schweppes in Australia, which would allow it to exploit established distribution networks and accelerate its penetration of new markets.
- International production-expanding its production infrastructure internationally helps diminish the negative impact of exchange rate fluctuations providing greater flexibility on price in the context of growing competition and efforts helps to penetrate emerging markets characterised by low levels of purchasing power.

6.4. Threats

- Increasing competition-penetration of new players is stimulating the new range of rival products, both from innovative smaller players and major multinational beverage producers, which threaten to undermine Red Bull's strong position in the category.
- Shifts in consumer preferences- companies reliance on energy drink signifies its sensitivity to change in consumer preference towards other categories and the emergence of product which incorporate elements of energy drinks in other categories
- Regulatory Constraints- Red Bull is subject to regulations such as warning labels on cans due to the presence of high caffeine content and the inclusion of the stimulant Taurine, may get the product prohibited from sale in some countries, notably Denmark, France and Norway.
- Unhealthy image-rising consumer health-consciousness stands to chip away at demand for energy drinks, which are more and more perceived as unhealthy because of their caffeine and sugar content.

7. Conclusion

Buzz marketing an idyllic instrument for startups, small and medium sized companies with limited communication budgets and effective tool for large corporations wanting to make more noise in the market with a fraction of the advertising budget. A good buzz marketing campaign can only have a chance of succeeding if it combines both originality and attractiveness from the consumer's perspective confirming that the product is the first key success factor in order to benefit from quick and positive word of mouth. Buzz marketing is always about surprising and delighting the customers which will not work for all products and services as it is based on people "wanting-to have" or "do" the next "big thing". Buzz Marketing will only; ever be a small part of a firm's marketing strategy as it is difficult to maintain a buzz which is an inexpensive Way to kick start a marketing campaign for a new product or service."Products do have to live up to the hype, they do have to deliver. If these products aren't delivering coolness, this will not over time be a credible method." From the study of SWOT analysis, it is recommended that enhancing profits of Red Bull should capitalize on Volumes and compromise on its price where huge margin makes that possible without inculcating many changes in the production process and March ahead with an exclusive marketing strategy. Red Bull has the advantage of being the market leader keeping in mind that there is enormous scope of competitors entering the market focused towards setting a low cost supply channel and ensure it lobbies with the Government officials to curb any litigation against the drink, is kept in check. On the whole, with the right strategy in mind Red Bull can become a very profitable and successful brand in India

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