

Word of Mouth Marketing (WOMM) in Digital Age

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Abstract

The most successful brands in the world today focus on delivering a better customer experience. Marketers have to ensure they have the right technology and customer data to allow them to deliver the right content and experiences across all the channels. While the present age consumers are flooded with wide variety of choices, the marketers are struggling to establish, stand out and deliver value to them. Marketing expenditures are increasing exponentially to discover ingenious ways for the products to reach, appeal and find their way to the customer's shopping carts. With myriad complex touch points in a decision journey for customers that is constantly changing, tapping into the trends is a must for marketers and brands to win. Despite many available channels to connect with targets, reaching new prospects and converting them to sales figures is not synonymous.

Marketing covers tactics from print advertisements to online strategies, to massive campaigns. One tactic that is often overlooked, is "Word of mouth marketing". Word of mouth marketing (WOMM) has been one of the most primitive promotional ideas practiced by marketers. This is based on the principle of pull marketing. The very basic and simplistic idea of WOMM (also referred to as "word of mouth advertising") is that customers do the advertising for businesses.

Every successful marketing platform/campaign, has been centred on the idea of getting the customers to talk about the brand/product. Word of mouth marketing is a powerful way to generate buzz for a business of any size and nature. Especially with today's new technology of email, Twitter, Facebook and Instagram, when one person starts talking about a brand, more and more people tend to join in. It's the age-old tactic of "bandwagoning." When people hear good things about a business, they feel inclined to join in the conversation. According to report by Nielsen, 92% of consumers trust recommendations from their friends or family more than any other form of marketing.

One of the greatest misconceptions about word of mouth marketing is that it's all new and happening online. The role of the internet and the new ways people use it to communicate are indisputably critical components of the sudden spread of word of mouth. Blogs and social media are a big deal because they empower lots of people to share ideas. But that's only a part of it – only about 20 percent of word of mouth happens online. The majority of word of mouth conversations actually happen face-to-face.

This paper aims to study the concept of WOMM, its nature and evolution over the years. It also discusses the effectiveness of WOMM through examples and explores a new approach to effectively deliver value to customers using WOMM.

Keywords: Consumer; Word of Mouth; Marketing Function.

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Introduction

The rise of new technology and media, the complexity and growth in sales and service touch points, the fragmentation of customer segments and changes in the customer purchasing behaviour,

have all brought the marketing-function a seat at the executive high table. It has become a strategic growth driver rather than a mere communication engine.

In the era of deep customer engagement, customers no longer separate marketing from the product. They don't separate marketing from their in-store or online experience. It is the experience that drives the purchasing decision. To engage customers whenever and wherever they interact with a company, be it a store; on the phone; responding to an e-mail, a blog post, or an online review; marketing must pervade the entire organization.

But the volume of information available today has dramatically altered the dynamics. As consumers have become overloaded with information, they have grown increasingly sceptical about traditional company-driven advertising. The biggest shift in today's marketing world is the change in how consumers research and buy products, and as result weigh low on the traditional "push marketing" strategies that are based on the idea of 'taking the product to the customer through all possible channels of media and distribution'.

It is in this context Word of mouth (WoM) marketing, known to be one of the oldest forms of "pull marketing", takes centre stage. WoM can prompt a consumer to consider a brand/product in a way that incremental advertising spending simply cannot. The right messages resonate and expand within interested networks, affecting brand perceptions, purchase rates, and market share. The rise of online communities and communication has dramatically increased the potential for significant and far-reaching momentum effects. The flexibility of WoM equity allows us to gauge the word-of-mouth impact of companies, products, and brands regardless of the category or industry. There's an appealing power and simplicity to this approach, but also a challenge: it's difficult for marketers to account for variability in the power of different kinds of WoM messages. Having realized its influence on consumer behaviour, more and more companies are moving away from traditional marketing strategies and opting for including word-of mouth in their marketing mix.

Objectives

This paper tries to discuss the following.

- The concept of Word of Mouth (WoM) Marketing and its characteristics
- How WoM Marketing works?

- Reasons to adopt WoM Marketing
- Successful WoM Campaigns
- Negative WoM along with examples
- Suggested Approach

Literature Review

The history of marketing can be traced back to the beginning of trade and commerce itself. Going even further, it wouldn't be a stretch to say that marketing establishes its roots in the very history of human communication. When new ways of transferring information are discovered, they are quickly adopted to promote, improve, and facilitate the transfer of goods or services.

Word-of-mouth has been around, well, since cavemen roamed the earth. The first tool used by the prehistoric marketers was language, voice and primitive tools. It is said that word-of-mouth has always existed since a human first pointed to a cave painting to share the location of a good hunting ground with his family. One can imagine that, in the early days of human civilization, marketing was primarily through word of mouth. The location, quality, price, and availability of a certain product or service could be only learned by direct verbal contact with the actual purveyor, or someone who had been in their direct contact. WoM became a scientific term only after the rise of positivist communication research in the US following World War II.

Even today, it is common practice that when consumers want to purchase a product or service, they tend to seek information from family members, friends, and others. It is considered the most favoured and trusted source of information. However, technology has increased social connectivity making it easier than ever for consumers to do marketing.

Word-of-mouth Marketing can be defined as a form of communication among consumers based on their personal experiences and impressions of a product or service, and is non-commercial in nature. Word of Mouth Marketing Association (WOMMA) has defined word-of-mouth as "the act of a consumer creating and/or distributing marketing-relevant information to another consumer."

WoM marketing can either be organic or amplified. **Organic WoM** occurs naturally when people become advocates because they are happy with a product and have a natural desire to share

their support and enthusiasm. **Amplified WoM** occurs when marketers launch campaigns designed to encourage or accelerate WoM in existing or new communities.

The earliest edition of Kotler's (1967, p. 456) marketing management textbook acknowledged that 'advertising is one of several influences on a person's behaviour and probably less important than such influences as peers and personal observation' - as it is known to be self-serving.

Every day, individuals are exposed to television commercials, print ads, radio ads, billboards on buses, roads, and buildings, telemarketers, direct mail, salespeople, Internet brochures, and other commercial messages. According to Silverman (2001) an individual is exposed to about 200-1000 sales communications a day. In addition, advertising experts estimate that each customer is exposed to more than 1500 ads every day. Basically, consumers filter the messages they show interest in. It is definitely easier to listen to their friends. According to Stern (1994) Word of Mouth differs from advertising in its lack of boundaries.

In 1955, Katz and Lazarsfeld found positive WoM seven times more effective than newspaper and magazine advertising, four times more effective than personal selling, and twice as effective as radio advertising in influencing consumers to switch brands. In 1983, Morin uncovered that referrals from others accounted for three times as many purchases as did advertising when consumers were asked what factors influenced their purchases of 60 different products. According to Sheth (1971) WoM was more important than advertising in developing awareness of an innovation and in securing the decision to try the product.

Characteristics of Word of Mouth Marketing

Word-of-mouth is a powerful communication tool due to the following characteristics

- *Credibility*: Consumers tend to ask people who have already experienced or tried the product before the purchase. It permits the consumers to share their opinions, independent of manipulation. Research indicates that personal sources encourage people to use the product or service because they are perceived as being credible or knowledgeable on a specific topic.
- *Customer experience delivery*: When an individual is about to purchase a product, he wants to try the product, and wants to get low-risk and real

world experience when using it. What gives word-of-mouth most of its power is the fact that it is an experience delivery mechanism, to share the one's experiences.

- *Exponential diffuse effect*: When the customers share experiences, the recommendations can snowball, resulting in runaway success. It can determine the speed of product adoption because the quicker consumers can get experience, the quicker they will be able to adopt a product or service. WOM creates "Network effects", a term in economics, meaning that some things are made more valuable if more and more people use them. Not that the items have more uses, but rather that more people are using them.
- *Interactive and bi-directional*: it permits tailored flow of information to information seeker.
- *Persuasive Nature*: This stems from its credibility
- *No Boundaries*: WOM operates across all industries. We have assumed thus far that management's focus is only on WOM between consumers. This need not be so. It can exist in different market domains such as the suppliers, alliances etc
- *Relevant, timely and saves money*: It is easier for consumers to let other people cut through the information clutter, process and refine it, filter it, tell what is the most important, or what to pay attention to, in order to benefit from others' experiences and thus save time.
- *Part of the product*: The recommendation by experts, whether an unsolicited testimonial or a paid endorsement, becomes one of the product's attributes or features.
- *Feedback*: WOM gives the receiver a unique opportunity to provide a feedback, allowing product development and significant data on consumer behaviour, thus, creating a connection between the brand and the consumer.

How Word of Mouth Works

WOM is the connectivity that drives all marketing efforts of a business into actions in terms of sales.

Sernovitz defines 5T's of WOMM as

- *Talkers*: finding consumers who will talk about the products or services. In every consumer base, there are loyal customers who will continually support products and services that they genuinely

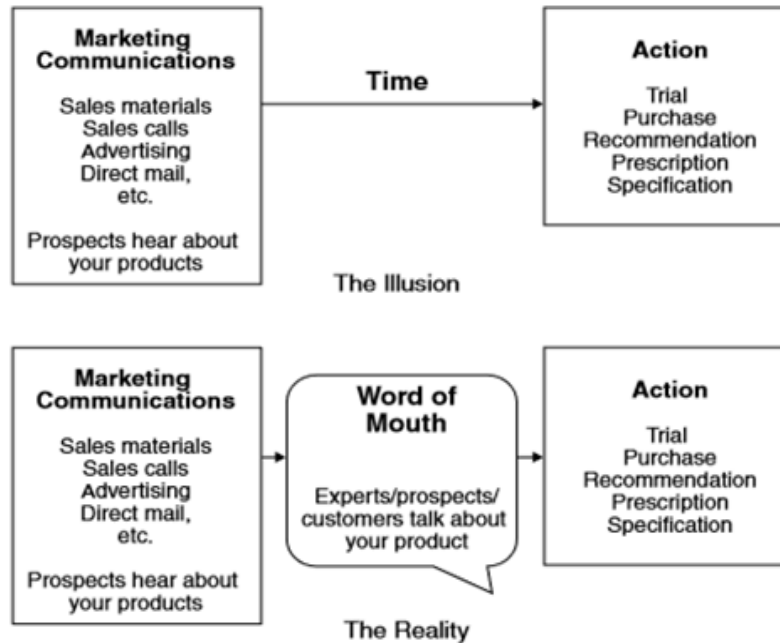


Fig. 1:

like. Talkers are basically the advocates of the brands/products.

- *Topics:* giving them a reason to pass along the word. It can be a new product, exclusive offers, socially-relevant issues, thought provoking concerns that customers relate to.
- *Tools:* providing them the tool to spread the message faster. This can be free samples, brochure, brand's website, and online communities.
- *Taking Part:* joining their conversation. This can include replying to the mails or queries, letting customers personally try and experience the product.
- *Tracking:* listening to them, measuring and interpreting the information from the customers. These metrics can be sales volume; test market, control market; tracking conversational reach and outcomes. Feedback can be considered as a means of updating the products/services.

Where and how does it start?

- *Experiential:* Dialog resulting from a consumer's direct experience in using a product/service. This is the most common and influential form and accounts for 50-80% of all word-of-mouth activity.
- *Consequential:* The discussion as a result of brand's marketing activities. This occurs when the consumer relays the message in traditional advertising, which often carries more weight than the ad itself.

- *Intentional:* Dialog originating from an influencer chosen to speak for the brand, often a celebrity or a top blogger. This form is less common.

It is interesting to note that the new tools provided by the Internet allow customers to communicate not only with people they know but also with total strangers. Individuals are now able to spread the word to the rest of the world. E-mail exchanges, chat rooms, Web sites and other forms of Internet communications are responsible for creating and spreading word-of-mouth information. However, most of WOM conversations still predominantly take place face to face. 93% of WoM brand impressions occur offline.

Why Word of Mouth

Word-of-mouth plays an important role in the purchase process of many products and services.

1. There are 500,000,000,000 brand impressions each year generated by Word-of-mouth according to Forrester research.
2. According to Nielsen, 92% of people trust recommendations from friends and family over any other type of advertising.
3. According to Travel Industry Association, 43% people cited friends and family as a source for information about places to visit or flights, hotels or rental cars
4. A study conducted by MarketShare provides concrete evidence that word-of-mouth about

brands directly drives sales up to 54%, by amplifying the impact of advertising and marketing of all kinds.

5. Movies are driven by word-of-mouth. 53% of moviegoers rely on a recommendation from someone they know, according to a study by Maritz Marketing Research.
6. 70% of Americans rely on the advice of others when going to a new doctor.
7. WoM also works for recruiting, even for those you may not know well, but have met through networking. In fact, a survey by Career Choices shows, 60% of former job hunters found a new role through networking. In the case of professional services such as physicians, lawyers, certified public accountants, many rely on informal information channels such as WoM.
8. In all phases of product lifecycle, WoM can be used in order to attract new consumers and create

brand-advocates. When promoting a product, creating a buzz or capturing consumer reaction is among word-of-mouth objectives. The quicker consumers can get experience, the quicker they will be able to adopt a product or service.

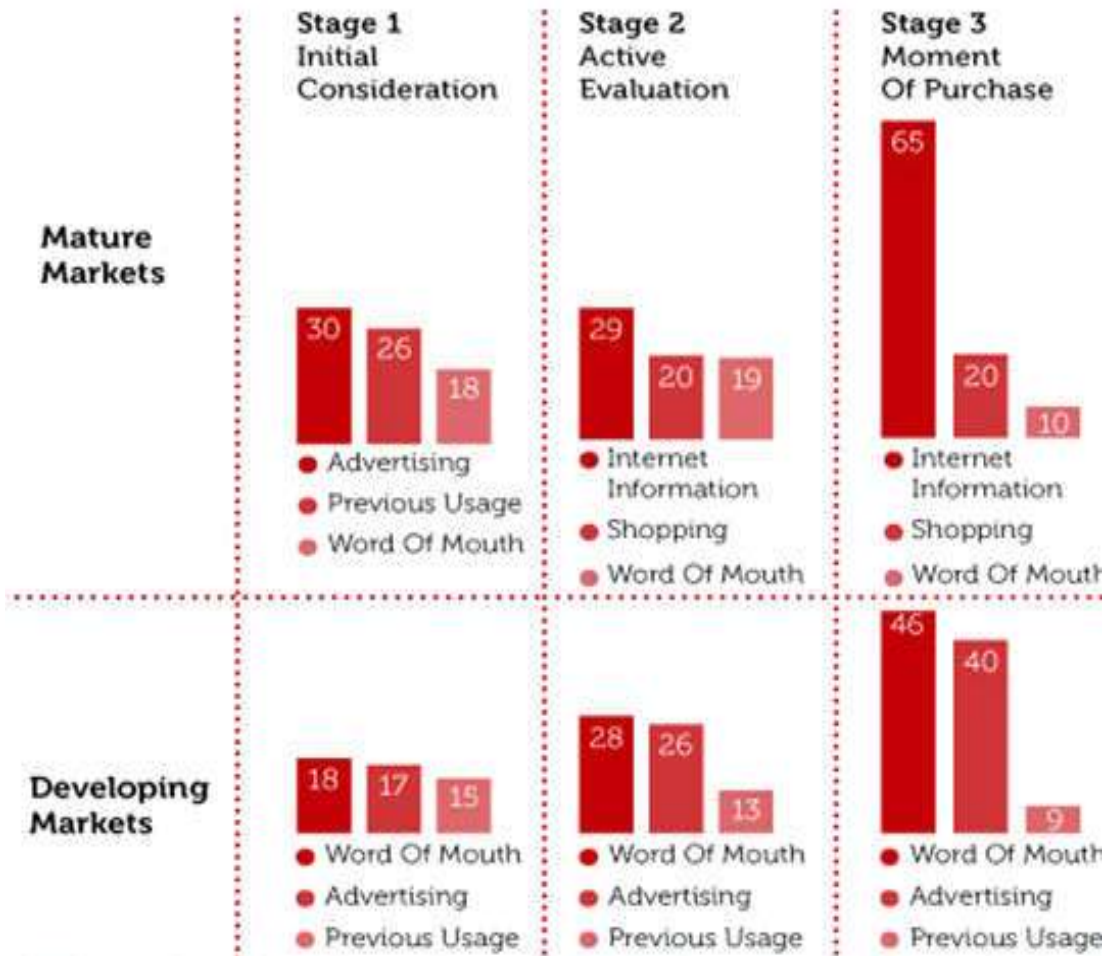
WOM can also Increase Brand Loyalty and Brand Trust

Successful WoM campaigns

Tesla

Tesla as a company doesn't make sense on paper. It is impossible for a company that has consistently failed to meet production targets and burns through billions of dollars a year, to have a market cap of nearly \$60 billion. If it were any other company, investors would clamour for a C-suite overhaul, or increased accountability. But Tesla is more than just a car manufacturer; it's a vision of the future. Elon

Fig. 2: Top 3 Factors that influence whether a product is considered



Musk, has become the face of the brand since its founding. He is noted for his active presence on social media platforms to draw attention towards scientific innovation. Unlike traditional automakers like Ford and GM, Tesla doesn't have a massive advertising budget or multinational marketing campaigns. Instead, Tesla relies on word-of-mouth marketing. This works because of Tesla's tremendous brand loyalty. In 2017, when Tesla was hit with negative publicity involving a Model S fire, Elon Musk was quick to address the issue in a blog and other social media channels. Tesla even published email correspondence with the Model S owner whose car caught fire, so the public might better understand what happened. Because of this transparency, customers feel like they have a personal relationship with Tesla. In fact, Tesla Motors received the highest owner satisfaction score in Consumer Reports' annual survey 2017. According to the magazine, "Owners of the Tesla Model S gave it the highest owner-satisfaction score: 99 out of 100.

Ice Bucket Challenge

The most famous word-of-mouth marketing campaign of 2014 was inceptioned with minimal financial investment to raise awareness about Amyotrophic Lateral Sclerosis (ALS), a progressive neurodegenerative disease. The trend became a global rage between July and August 2014 with the ice bucket challenge. The fundraiser encouraged audience members to pour a bucket of ice-cold water on top of themselves, capture the event on camera, post it to a social media site, and encourage others to perform the challenge. A donation was also encouraged, although the challenge itself was the main emphasis of the campaign. Not only did the campaign receive a lot of WoM advertising across globe, with even celebrity participation, but it also proved effective by raising over \$115 million in donations.

Star Bucks

Starbucks, now a \$1.4 billion company, is a global Goliath and it owes its fame, not to traditional marketing but word-of-mouth advertising. Starting with a single, modest store in Seattle in 1971, it has now multiplied into 15,000 outlets in 50 countries. Starbucks' WOM strategy focused on providing high quality coffee, excellent customer experience, and a comfortable "third home" feel for customers. Starbucks deliberately avoided investing in traditional forms of marketing to discourage one-

way communication, and to create a better sense of community amongst its customers. Since the arrival of the digital age, Starbucks has been very active online, extending their sense of community through social media channels, creating a fully interactive platform. They also have site called 'My Starbucks Idea', to allow anyone to submit their ideas, suggestions and feedback to help develop the brand and improve the service.

Dettol

Reckitt Benckiser's Dettol, a liquid antiseptic that has been around since the 1950s, known as Lysol in the U.S., was struggling to grow in China. Furthermore, its TV ads weren't building the kind of brand awareness needed. Dettol was initially sold only in huge bulky bottles, seemingly unsuitable for daily use. It was used mostly for cleaning floors and laundry, limiting its usage. Reckitt Benckiser took that as an opportunity and adapted its products, by producing smaller bottles of disinfectant to create new behaviour patterns for using Dettol for small, everyday things. These were packaged into small "experience kits", with a leaflet of tips on how to use Dettol in everyday activities. The company distributed 48,000 samples to 4,000 influencer moms, each received one kit for herself and 10 more for her friends. The campaign was a massive success, reaching 46% of the brand's target audience. In five months, brand awareness increased five times, purchase doubled from 21% to 42%, and sales increased 86%.

Make a Wish Foundation

One of the most effective ways to use word-of-mouth marketing is focusing on the "emotional" side. People are more likely to share a brand experience that makes them feel something. Whether that feeling is sad, angry, happy, empowered, or excited; emotions drive us into action. Make-A-Wish Foundation is well-known for its dedication to grant wishes to children facing life-threatening illnesses. The non-profit organization on November 15, 2013, created one of the largest and compelling event for Miles Scott, a 5-year-old Leukaemia patient, who wished he could be the superhero, Batkid, for one day. The event was a great success with participation from former U.S. President Barack Obama and other government officials. As a result of its extraordinary word-of-mouth campaign, Make-A-Wish received 1.89mn social impressions, 555,697 #batkid hashtags, significant press coverage, more than 21,683 Instagram and Twitter photos posted, translating into increased donations.

Negative WoM

The pitfall about word-of-mouth is the fact that dissatisfied customers tend to spread their negative experiences to more people, than they do when they have positive experiences. Research shows that when an individual has a positive experience, he tells three people about it, and when he has a negative; he shares it with seven other people. Negative WoM has a stronger effect than positive WoM on consumers' probability of purchase and attitudes towards a product and the company. Negative WoM specifically in social media has the power to destroy the reputation of a company, built-up over years of toil, in no time. Some of the cases in which WoM had negative effects are as follows.

Dominos

Domino's Pizza is one of the world's leading pizza chains, with over 8,700 stores in more than 50 countries. In 2009, two Domino's employees posted a video of unsanitary and repulsive food handling practices conducted in a store. Domino's chose to adopt a "wait and see" approach and did not immediately address the growing fervor over the negative social media campaign that developed around this video. Within approximately 24 hours, there were more than a million views of the video on YouTube, with 5,000 comments on the video; negative discussions were also spreading on Twitter. The brand image of Domino's Pizza was tarnished quickly as the company took time to develop a response. Patrick Doyle, the CEO, responded with an apology two days after the video was posted, by which time the brand was damaged. A national study by HCD Research found that 65% of respondents who would previously visit or order Domino's Pizza were less likely to do so after viewing the video.

United Airlines

In 2008, Canadian musician Dave Carroll was forced to check-in his \$3,500 custom Taylor guitar instead of carrying it in the passenger cabin, only to have his instrument tossed around and severely damaged. The airlines dodged Carroll's complaint for nine months. After the company had refused, on email to pay \$1,200 for repairing the guitar, Carroll decided to write three satirical songs about his experience and uploaded them on YouTube in July, 2009. The tune, "United Breaks Guitars", had over 3.6mn hits in four days, which finally induced

the airlines to offer some compensation. This episode of bad public relations has certainly had an effect on people's decision in choosing an airline. The BBC reported that United's stock price dropped by 10% within three to four weeks of the release of the video, a decrease in valuation of \$180 million.

In 2017, security officials dragged passenger Dr. David Dao off United Express Flight 3411 from Chicago to Louisville, Kentucky. As a result of rough treatment, Dr. Dao was hospitalized. The incident, which passengers filmed on their smartphones, escalated into a public relations scandal for United Airlines. Subsequently, United's stock fell 1.1%. This plunge wiped out \$255 million of the airline's market capitalization.

Suggested Approach

Marketers all through have focused on the 4 P's: Price, Product, Promotion and Place. But to create a memorable brand experience the focus has to be on the 3 E's: Engage, Equip, Empower the customer. There is an inherently creative element to the process that must be artfully and uniquely applied to each brand. The right strategy can raise the value of the company, but it doesn't just happen by itself. This paper suggests an approach that has the following features.

1. *Target audience:* Understanding the audience is key to any marketing strategy. The more we know about the users and buyer personas, the more we can craft products, experiences, services, and marketing campaigns that focus on their unique preferences and needs. Customers like to feel as though they're getting something tailor-made for themselves
2. *Unique product/service proposition:* The starting point for managing word of mouth is understanding which dimensions of word-of-mouth equity are most important to a product category: the who, the what, or the where attributes. To turn consumers into an effective marketing vehicle, companies need to outperform on product and service attributes that have intrinsic WoM potential. For brand to become truly exceptional, it should be something that's memorable, a one-of-a-kind product or a quirky culture or emotional touch. Word-of-mouth can't be faked or invented for a product.
3. *Strong content:* Across most product categories, it is found that the content of a message must address important product/service features, if it is to influence consumer decisions. In the

mobile-phone category, for example, design is more important than battery life. In skin care, packaging and ingredients create more powerful word of mouth. Give them reasons to talk. It can be amazing products, great service, insider knowledge, social elevation, incredible stories, unbelievable facts or even funny disclosures.

4. *Connecting with influencers*: the word-of-mouth receiver must trust the sender and believe that he/she really knows the product or service in question. Influencers typically generate three times more word-of-mouth messages than non-influencers do, and each message has four times more impact on a recipient's purchasing decision. About 1% of digital influencers are bloggers.
5. *Creating platforms and involving networks*: The environment where word of mouth circulates is crucial to the power of the messages. Typically, messages passed within tight, trusted networks have greater impact than those circulated through dispersed communities. Make it easy for customers to advertise. Get them involved with your company through polls and questionnaires. Encourage them to share opinions with reviews and testimonials.
6. *Respond*: Engage customers in a host of different ways. Respond to them on social media, interact with them through podcasts, and even send them regular email updates. Listen to what they are telling you. Be part of the conversation about your brand. Be a presence in your fans' lives. All this engagement is essential for a strong ongoing brand relationship.
7. *Monitor*: The flexibility of word-of-mouth is that we can gauge the impact on companies, products, and brands. And because it measures performance rather than the sheer volume of messages, it can be used to identify what's driving—and hurting—the word-of-mouth

impact. Both insights are critical for marketers to estimate the tangible effect word of mouth has on brand equity and sales.

Conclusion

The rewards of pursuing excellence in word-of-mouth marketing are huge, and it can deliver a sustainable and significant competitive edge, and to realize higher returns on their marketing investments. The quality of product and service is a precursor to fuel the word-of-mouth engine. The beauty of WoM is that it works for businesses of every size and nature. The present age social media and connectivity will further facilitate in harnessing the power of WOM unconstrained by geographies. It is important for businesses to study and measure how marketing activities work to create customer responses, which activities trigger positive WoM and what aspects create a negative WoM.

Word-of-mouth marketing is not a bag of tricks that can be slipped into the standard marketing mix. Word of mouth isn't a one-shot deal. It's a commitment to a new way of thinking at all levels of the organization. We need to create situations and events that will cause the word-of-mouth to start, then spread like a wildfire. Everything in the rest of your marketing mix should fan the flames.

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