Word-of-Mouth Marketing: An Integrated Model

Miroslav Karlíček* – Ivan Tomek** – Miroslav Křížek***

Word-of-Mouth (WOM) has recently become one of the most frequently cited terms in marketing. It describes informal conversations and recommendations from current and potential customers about products and services. Due to their credibility, these conversations and recommendations have a massive effect on sales. For example, according to a McKinsey & Co. study, 67% of consumer-goods sales in the USA are based on WOM [20].

People talk about food and beverages, restaurants, electronics, music, fashion, investments, travel destinations, movies, cars, health and other topics with their friends, family members, colleagues, neighbours etc. These product-related messages have a powerful impact on customer decision-making. They are highly persuasive, because they come from highly trusted and unbiased sources (i.e. “people like us”).

A relatively large body of research suggests that in general, the impact of WOM significantly exceeds the impact of marketing efforts. If a product receives negative WOM, typically, it cannot be saved by marketing communications. For example, Hennig-Thurau, Houston and Sridhar demonstrate this in the movie industry. Based on their study, the marketing efforts of the studios generate only short-term success (i.e. increase the opening-weekend box office revenues of a movie). However, WOM (i.e. movie quality judgments by both general viewers and critics) is the primary long-term revenue driver [7].

Consistent results were also provided by the researchers Villanueva, Yoo and Hanssens [25] who examined the difference in the value of customers acquired by marketing communications and by WOM. Based on their research, marketing-acquired customers (i.e. customers induced by advertising and by direct mail) add more short-term company value, but WOM-acquired customers add almost twice as much long-term company value. WOM-acquired customers also generate further WOM and bring in twice as many new customers.

Similar conclusions can also be found in the research study of Trusov, Bucklin and Pauwels [23] who proved that WOM has significantly longer carryover effects on customer acquisition than event marketing and media relations (21 days versus 3 to 7 days). At the same time, WOM produces significantly higher long-term customer acquisition elasticity (approximately 20 times higher than the elasticity for events and approximately 30 times higher than the elasticity for media appearances).

The impact of WOM on brands is very strong. Organizations therefore try to stimulate positive WOM for their brands. These efforts, which are further supported by the decreasing effectiveness of traditional marketing communications, are denoted as “WOM marketing” or “buzz marketing”. The stimulation of online WOM is usually described as “viral marketing”.

This study was implemented in cooperation with the Outbreak WOM agency as part of the research programme The New Theory of Economics and Management in Organizations and Their Adaptation Processes (MSM 6138439905).

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The **goal of this study** is the analysis of WOM fundamentals in order to enable better understanding of how WOM works and how it can be stimulated. The study will focus on the fundamentals of both offline and online WOM. The analyzed fundamentals will be integrated into a complex model which should serve practitioners and scholars as a tool for the better understanding of specifics and relations between different modes of WOM stimulation.

**Fundamentals of WOM**

WOM marketing cannot be applied effectively without a detailed understanding of how WOM works. These findings were provided by the internal research of the Outbreak WOM agency, “Outbreak WOMonitor” [12]. This representative study was carried out in 2007 with 520 Czech respondents and has not yet been published in any academic journal.

First of all, WOM appears to be an **intimate activity**. Usually just two or three people are involved in brand conversations in the Czech Republic. WOM discussions in larger groups are rare (see figure 1).

![Figure 1: Number of Partners in WOM Discussions (in per cent)](image)

WOM typically occurs between people from **existing personal networks**. In the Czech Republic, brand discussions typically occur among family members, colleagues and friends. Brand discussions among strangers are rare (see figure 2).
Figure 2: Participants in WOM Discussions (in per cent)

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family member</td>
<td>48.6</td>
</tr>
<tr>
<td>Friend</td>
<td>10.8</td>
</tr>
<tr>
<td>Someone I know</td>
<td>18.7</td>
</tr>
<tr>
<td>Colleague</td>
<td>22.9</td>
</tr>
<tr>
<td>Shop assistant or sales person</td>
<td>7.9</td>
</tr>
<tr>
<td>Expert, celebrity</td>
<td>0.6</td>
</tr>
<tr>
<td>Unknown person</td>
<td>6.2</td>
</tr>
<tr>
<td>Someone else</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: Outbreak WOMonitor

Over 90% of brand discussions occur in the Czech Republic offline. WOM mostly occurs at home (49.7%), at work or at school (27.3%) or in shops (10.8%). Online WOM takes up 9.5% of all brand discussions, although this figure may have increased since 2007 (see Figure 3).

Figure 3: Location of WOM Discussions (in per cent)

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet (chat, blog, email, other)</td>
<td>9.5</td>
</tr>
<tr>
<td>At home</td>
<td>49.7</td>
</tr>
<tr>
<td>At work/school</td>
<td>27.3</td>
</tr>
<tr>
<td>In a shop</td>
<td>10.8</td>
</tr>
<tr>
<td>In a restaurant/bar</td>
<td>6.1</td>
</tr>
<tr>
<td>In means of transportation</td>
<td>4.1</td>
</tr>
<tr>
<td>Someone else</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: Outbreak WOMonitor

Another interesting insight into the nature of WOM is that, contrary to common reasoning, the majority of WOM discussions are positive (see Figure 4). Only 13% of WOM discussions
are negative although negative WOM does tend to spread faster. This is because some people pass negative product information to a larger number of other people than in the case of positive product information [12]. It also appears that in general, negative information attracts more attention than positive information and impacts greater on customer decision making [14].

Another fundamental question regarding WOM is whether some people are more influential than others. However, academic research in this field is inconclusive and disunified. In this context the terms “opinion leaders”, “market mavens” and “influencers” are used. In the online environment the most influential people are described as “e-fluentials”. For the purpose of this study these terms will be applied as synonyms, denoting people who spread more WOM than on average.

Unfortunately there is no study which would focus on opinion leadership in a Czech context. Based on the US research study, opinion leaders represent 15% of the US population [8]. These people are much more engaged in WOM than average US citizens: they refer to 149 brands weekly, almost twice as much as the average US citizen [8].

Opinion leaders make recommendations across many different product categories. They are typically engaged in more than ten product and service areas [8]. Contrary to various theoretical concepts, opinion leaders thus appear to be influential not only on one topic, but on a wide range of different subjects. This finding was also reported by Smith, Coyle, Lightfoot and Scott [15] and by Merve and Heerden [11].

Before integrating the features of WOM into a basic model, it should be said that WOM is strongly influenced by the media and vice versa. The media represents an irreplaceable source of information which stimulates WOM, even though its credibility is much lower than the credibility of WOM [12]. On the other hand, WOM also influences the media: typically, what is discussed by people consequently grabs the attention of the media.

It should also be stated that WOM is affected by key opinion leaders (KOLs). In the context of this study, this term denotes different authorities in a given field, i.e. experts, celebrities and other opinion formers. KOLs influence WOM discussions through participation in the media and by direct personal contact with other people.
The basic WOM model is visualized in Figure 5. The model depicts connections of simplified personal networks. It also indicates the opinion leaders (the dark faces) who engage more actively in WOM than the average population. The influence of media and KOLs is also illustrated.

**Figure 5: Basic WOM Model**

Source: the authors

**Fundamentals of Online WOM**

Even though less than 10% of WOM in the Czech Republic occurs online (see Figure 3), it can be estimated that the importance of online WOM (e-WOM) is growing due to more and more Czech people using the Internet and spending increasing amounts of time online.

E-WOM traditionally spreads among people via email, and nowadays also via online social media. The term “online social media” especially describes online social networks, blogs and different online content communities.

According to Constantinides and Fountain, online social media is “a collection of open-source, interactive and user-controlled online applications expanding the experiences, knowledge and market power of the users as participants in business and social processes”. These applications “support the creation of informal user networks facilitating the flow of ideas and knowledge by allowing the efficient generation, dissemination, sharing and editing/refining of informational content” [3].

Unfortunately there is no adequate Czech research on online social media, although the importance of these “new” media is apparent from the US research studies. For example, almost 45% of US Internet users create or share some online content each month [24]. Almost 44% of US Internet users use an online social network at least once a month [16]. 14% of US Internet users have a blog updated at least once month [21]. Almost 50% of US Internet users read a blog each month [21].

Social networking sites (SNS) have become massively popular recently. For example, the largest site, Facebook, has more than 430 million users worldwide [17]. The penetration of Facebook in the Czech Republic has exceeded 25% with the number of users reaching 2.6 million [18].
SNS can be defined as online collections of registered users who share information with others registered users (“friends”). SNS users typically engage in two activities. They create new content by editing their user profiles (adding pictures, writing messages etc.) or consume content created by others (viewing pictures, reading messages etc.) [22]. SNS thus represents an important platform for e-WOM.

It has been proven that people primarily use SNS to keep in touch and learn more about friends they have previously met offline. Finding new friends seems to be a much less important function of SNS [10]. Thus SNS primarily connects people who know each other from the real “offline” world. SNS should therefore be understood as a transfer of existing offline personal networks into the online sphere (see Figure 6).

E-WOM is also spread via blogs (personal online journals) and content online communities. These are different online forums and other websites which attract Internet users who share similar interests and enthusiasm (such as movie fans, mothers with children, buyers of a particular product etc.)

E-WOM in the environment of online community content is anonymous. Therefore it should be less persuasive than face-to-face WOM or e-WOM in the environment of SNS. However, participants probably do not perceive other community participants as primary sources in the information exchange. It appears that it is the community website itself which is perceived as the “primary actor” [2]. The effects of the online community content should therefore be distinguished from the effect of face-to-face WOM or e-WOM on SNS. The same is true for blogs, which function as “individualized media” (see Figure 6).

**Figure 6: Integrated WOM Model**

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![Figure 6: Integrated WOM Model](image_url)
**WOM Motives and Triggers**

WOM cannot be stimulated without understanding why people engage in brand discussions and what are the main triggers for these discussions.

Unfortunately the question of what actually motivates people to spread WOM has not yet been adequately answered for Czech consumers. However, foreign studies do exist, for example, Smith, Coyle, Lightfoot and Scott concluded that the primary motive for WOM is a basic human desire to be helpful. Based on their research, giving good advice makes people feel that they are needed and valued [15].

According to Sundaram, Mitra and Webster [19] consumers engage in positive WOM because of product involvement (to relieve the excitement caused by product use), altruism (intention of aiding the receiver to make a satisfying purchase decision), self-enhancement (enhancing their self-image among others by projecting themselves as intelligent shoppers) and helping the company. For negative WOM, the researchers found four main motives: These were vengeance (to retaliate against the company associated with their negative consumption experience), anxiety reduction (sharing a negative experience with others in order to ease anger, anxiety and frustration), altruism (warning others) and advice seeking (obtaining advice on how to resolve the problems).

Hennig-Thurau, Gwinner, Walsh and Gremler identified four main motives why people express opinions on online consumer platforms. Consistent with the previous research studies, these motives were the desire for social interaction and economic incentives, a concern for other consumers and the potential to enhance ones own self-worth [16].

However, it should not be forgotten that people also spread WOM to entertain others. Not all WOM conversations are focused solely on product recommendations. People also talk about the entertaining activities of companies, such as funny or original adverts and events, which are more or less connected to brands.

Some research studies also tried to identify the motives behind e-WOM on SNS. According to the US commercial study, Internet users who have followed a brand on Twitter or who had “friended” a brand on Facebook or MySpace gave three main reasons for this behaviour. These reasons were 1) exclusive deals or offers, 2) being a current customer of the brand and 3) interesting or entertaining content [5]. In this context it seems that opinion leaders are more likely to openly communicate brands on their Facebook profile than opinion seekers [1].

Research also indicates that brand fans on SNS are more likely to recommend a particular brand to other people. According to the US commercial study, 60 % of Facebook fans and 79 % of Twitter followers stated that they were more likely to recommend the brands they had become engaged with [4].

The corresponding question for the motivation behind WOM is what are the main factors triggering WOM? According to Sundaram, Mitra and Webster [19], satisfaction with superior product performance and a positive experience with employee behaviour account for about 60 % of positive WOM. On the contrary, almost 60 % of negative WOM is caused by a poor response of the company towards product problems and by situations where people perceive the product value as inadequate compared to the price.

However, these are simply triggers regarding product and service experience. Even though these triggers are, according to the research study of the WOM agency Outbreak [12], of great significance in the Czech Republic (they generate 55.8 % of all WOM discussions), they are not the only ones (see Figure 7). Another major WOM trigger is advertising (23.1
WOM is also triggered by news in media (6.2 %), sampling and events (5.6 %) and anything which is new, different or surprising (11.6 %).

**Figure 7: WOM Triggers (in per cent)**

![Graph showing WOM triggers](image)

Source: Outbreak WOMonitor

**Conclusions**

This study has analyzed the fundamentals of WOM. It states that WOM discussions are intimate, primarily occur face-to-face and are mostly positive. It appears that some people tend to spread more WOM than others. These people are denoted as opinion leaders and should not be perceived as influencers for just one particular product category, but as general influencers over many different product categories.

People engage into WOM for many different reasons. The majority of these motives are connected with product experience (superior product performance, outstanding employee behaviour, inadequate response to product problems, inadequate product-value/price perceptions). However WOM is also triggered by advertising, media, sampling, events and anything that is new, different or surprising.

Marketers can particularly stimulate positive WOM and prevent negative WOM by providing superior products and services and by preventing purchase disillusion. However, they can also stimulate the WOM components depicted in Figure 6. These components are 1) interconnected personal networks with particular importance given to the opinion leaders, 2) media, 3) key opinion leaders, 4) social networking sites, 5) blogs and 6) online content communities. All of these components are interrelated and influence each other.

Influencing media and creating publicity is the main goal of Media Relations, which is a key part of Public Relations (PR) [9]. Influencing key opinion leaders and bloggers is also
part of PR activities. Similarly, influencing online community content can be perceived as online PR. Marketers can also focus on communication with opinion leaders. For example, they can sample them with innovative products and thus stimulate WOM. This tool is described as “product seeding”. Marketers can also spread viral marketing messages via email or SNS. They can create a general buzz which stimulates both WOM and publicity, for example by original and surprising marketing campaigns.

However, it is important to note that the character of WOM differs according to the particular product category. Some product categories receive more WOM than others. In general, it appears that people particularly seek advice when they have low expertise in a product category, perceive a high risk or are deeply involved in the purchase decision [26]. For example, it has been proven that e-WOM is most influential for costly electronics such as DVD players and computers, although far less influential for low-involvement products [13].

There are also other specifics. For example, it appears that WOM concerning beauty, personal care and fashion tends to be more intimate. In contrast, WOM concerning food and beverages can involve more people [8]. Sen and Lerman proved that people perceive positive and negative e-WOM differently for hedonic products, such as fiction books, and for utilitarian products, such as digital cameras. Based on their research, hedonic product marketers do not need to be particularly concerned about negative recommendations on the Internet as do utilitarian product marketers [14]. These specifics should be considered.

References:


ABSTRAKT

„Word-of-Mouth“, neboli šíření ústním podáním, označuje neformální diskuse a doporučení vztahující se k produktům a službám. Tyto diskuse a doporučení mají silný dopad na nákupní rozhodování zákazníků. Předkládaná studie proto analyzuje klíčové charakteristiky tohoto fenoménu, a to jak v offline, tak v online prostředí. Analýza má umožnit lepší pochopení toho, jak šíření ústním podáním probíhá a jak může být stimulováno. Analyzované charakteristiky jsou následně integrovány do modelu, který má sloužit jako nástroj k efektivnímu plánování Word-of-Mouth marketingu. Analyzovány jsou rovněž motivy a stimuly k šíření ústním podáním. V závěru jsou popsány vybrané implikace pro marketingovou praxi.

Klíčová slova: Word-of-Mouth; Word-of-Mouth marketing; online Word-of-Mouth; názoroví vůdci.

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ABSTRACT

Word-of-Mouth, i.e. informal conversations and recommendations of people about products and services, has a powerful impact on customer decision-making. This study analyzes the fundamentals of this phenomenon in order to provide a better understanding of how Word-of-Mouth works and how it can be effectively stimulated. Characteristics of both online and offline Word-of-Mouth are analyzed and integrated into a model which can serve as a planning tool for Word-of-Mouth stimulation. The motivation behind Word-of-Mouth and its triggers are also analyzed. Managerial implications are stated in the conclusion.

Key words: Word-of-Mouth; Word-of-Mouth Marketing; online Word-of-Mouth; opinion leaders.

JEL classification: M31