

e-Word-of-Mouth Marketing

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Consumers frequently rely on personal advice, recommendations, and suggestions from friends, family, and acquaintances when making many of their purchasing decisions. These personal informal exchanges of communication that consumers share with one another are often referred to as word-of-mouth (WOM).⁽¹⁾ WOM often takes the form of objective product information in addition to subjective personal opinions and experiences.

These very same WOM principles have spread rapidly in the field of Internet marketing. On-line WOM practices are referred to as electronic or e-word-of-mouth (e-WOM). Popular press articles have even dubbed this “word-of-mouse” marketing.⁽²⁾

In traditional word-of-mouth marketing principles, it is thought that communications coming from a personal source, such as a friend, co-worker, or relative, have a much greater chance of being received positively, as opposed to communication received from a nonpersonal source. Simply put, people find endorsements coming from friends or acquaintances to be far more credible and trustworthy than those received from a nonpersonal source such as a television commercial or a magazine advertisement. To illustrate, researchers have found that 94 percent of messages are considered at least somewhat or very believable when delivered by a personal source.⁽³⁾ Additionally, others have found that face-to-face WOM was significantly more effective and persuasive than print media.⁽⁴⁾ It stands to reason that these findings should also hold relatively true for electronic communications that come from a personal source rather than a nonpersonal source. One such study found that 85 percent of people open links or attachments that are forwarded by a friend.⁽⁵⁾ In the following pages, we explore the WOM environment as it explodes into the electronic era, the consumers generating the word, and the marketers behind the message. ◀

Generating WOM

Marketers attempt to generate WOM through advertisements that feature positive portrayals of the product being used, through free product samples, and by using opinion leaders such as celebrities to communicate the positive benefits of the product. Although WOM is not effective for every product category, it can certainly play a large role in how consumers view products that are new to the market or may be a potential risk in purchasing, such as expensive, new-to-the-market items. Products that are important to a consumer's identity and are consumed in social settings would likely stand to benefit from positive WOM.

While marketers strive to generate satisfied customers in the hope that they will share positive WOM with others, negative WOM has been shown to be even more influential than positive WOM. Both positive and especially negative WOM have the ability to quickly become widespread. This process becomes multiplied with on-line interaction between consumers where word can travel to many in a very short amount of time.

In today's ever-changing world, consumers are being exposed to marketing messages in ways that were unimaginable a relatively short time ago. Currently, marketers have the ability to collect and utilize consumer data in more efficient and effective ways to reach potential customers directly. Certainly, the rapid diffusion of Internet usage over the past decade has facilitated this rise in the quantity and quality of consumer database information available to marketing researchers. Marketers have quickly realized that the Internet allows them to reach consumers in new and exciting ways.

e-Word-of-Mouth Examples

Electronic word-of-mouth constitutes a multitude of activities. These activities can be divided into specific categories based on the control and influence a marketer has over them. Figure 1 describes the delineation between the different types of e-word-of-mouth actions. Each of the forms of e-word-of-mouth listed below is detailed in the following sections.

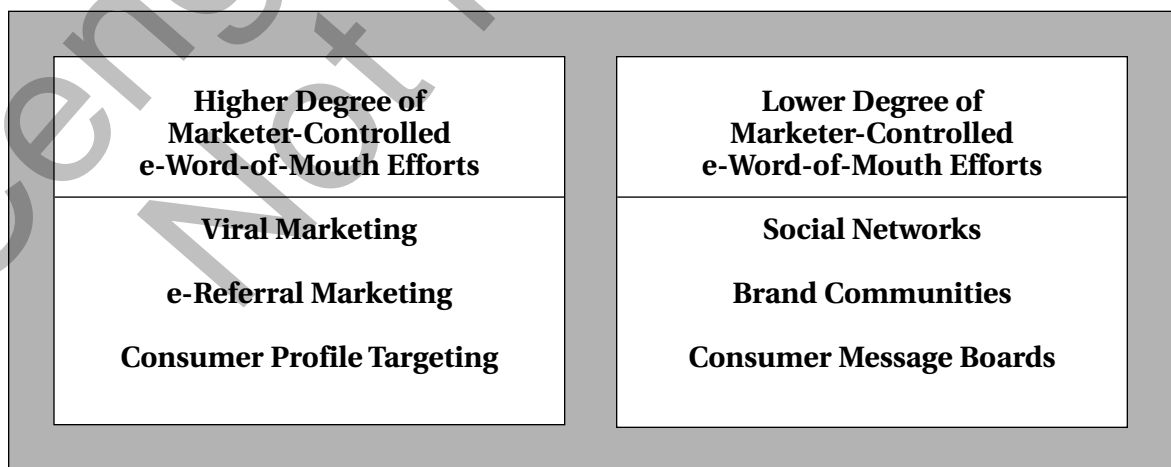


Figure 1.
e-Word-of-Mouth Typology

Higher Degree of Marketer-Controlled e-WOM

Viral Marketing

One type of e-word-of-mouth marketing garnering much attention in the popular press is a technique called *viral marketing*. This concept refers to the practice of a marketer creating an Internet promotional vehicle to draw attention to a brand, most often in the form of an e-mail or website address link that is distributed on-line by consumers. The use of the word “viral” correctly implies that messages take on the form of “viruses” that spread through contact with others. A form of viral marketing is one in which computer users pass along website addresses to others to attract visitors to a specific website. The more the message is passed along to consumers and drives website traffic, the more successful the viral marketing effort.

Widely recognized as the first successful example of viral marketing, Hotmail realized that it could help create brand awareness for its free e-mail service by adding an advertisement for its services at the bottom of all of its outgoing e-mail messages sent by Hotmail users. In the late 1990s, Hotmail added this simple message, notifying people of their free e-mail service and directing them to www.hotmail.com. Through the early 2000s, Hotmail had accumulated millions of new consumers through tapping into this network of computer users and spreading the word about their services. Hotmail became so successful through using this viral marketing approach that it was eventually purchased by Microsoft and has become an integral part of its e-mail capabilities.

More recently, Burger King has created an on-line promotional campaign that promotes an interactive website, www.subservientchicken.com, in which consumers can visit and type in commands for the man in the chicken suit to execute. The viewers are also able to notify friends of this humorous website by clicking the “Tell a Friend” link and supplying e-mail addresses. This has proven a very successful viral marketing campaign for Burger King and has generated a lot of press.

Positive or negative buzz about a new product can be instantaneous with today’s technology. Not only are on-line consumers able to access information immediately, they also are using text messaging on cellular phones to share instant reviews about numerous products such as movies or restaurants.⁽⁶⁾

e-Referral Marketing

A specific type of viral marketing is e-Referral Marketing. Here, marketers send promotional e-mail messages to past customers. These messages typically contain incentives such as coupons or special offers and may offer additional incentives to the consumer for using a specified link to forward the e-mail to another person, in other words, spreading the virus. With traditional referrals, a salesperson must ask the customer face-to-face for a referral. The biggest reason salespeople do not receive a referral is that they simply have not asked for it, but e-referrals are specifically designed to always ask for the referral with the direct link provided in the body of the e-mail message.⁽⁷⁾

The greeting card company Hallmark has e-mailed customers in its membership program offering them a printable \$5.00 coupon for their next Hallmark purchase. These offers contain a direct link to forward the e-mail to friends so they too might receive the coupon.

The giant consumer auction-based website, Ebay, is another example of a company that incorporates an e-referral marketing philosophy into its business practices. On every auction conducted by Ebay, users have the option of sending a notification of the auction to a friend by using the “Email to a Friend” link.

◎ Consumer Profile Targeting

Consumer profile targeting is an e-WOM marketing effort that targets consumers with common likes and interests by providing e-WOM reviews that are both positive and negative in nature. Whereas viral marketing tries to relay one message to many people, consumer profile targeting provides many e-WOM messages to a target group of people who are interested in the same type of product.

Babies-R-Us.com and its related partner Amazon.com are examples of marketers supplying customers with e-WOM messages from others. When a potential customer is looking up an item on its website, Babies-R-Us.com provides consumer testimonials through a “Customer Review” link. This link allows the potential customer to read the remarks of the people who have purchased the product in question. Reviewers also rate the item with a star system (e.g., 4 out of 5 stars), much like film critics do with movies.

◎ Lower Degree of Marketer-Controlled e-WOM

◎ Social Networks

The Internet has changed the landscape of many marketing activities. The way customers acquire knowledge and purchase products and services is strongly influenced by the use of the Internet as a premiere source of information. We are in the midst of a digital revolution, one in which the entire playing field of doing business has changed. Communication tools like the Internet are creating an evolution of a network economy,⁽⁸⁾ one in which people have an unlimited amount of objective and subjective information at their disposal with a few clicks of a mouse.

On-line social networks have arisen around product categories and individual brands. Marketers attempt to identify these oftentimes large clusters of people that congregate through on-line interactions. Information technologies allow for the influence of a large number of people with a greater variety of methods and less overall effort, making on-line social networks a very valuable proposition for marketers.⁽⁹⁾

A marketer for a line of cosmetics that does not employ animal testing in the development process may attempt to identify on-line groups of people that are associated with organizations that advocate the humane treatment of animals. By tapping into this social network, marketers can efficiently reach a pool of prospective consumers through the Internet. Once several group members use the cosmetics, e-WOM should follow, as the welfare of animals is central to the group's identity.

◎ Brand Communities

A specific classification of a social network that revolves around a particular brand is known as a brand community. A brand community is formally defined as a specialized community based on a structured set of social relationships among admirers of a brand.⁽¹⁰⁾ A primary attribute of brand community is that a feeling of belonging can transcend geographical boundaries. While interaction among members is important in a brand community, face-to-face contact is not a necessary condition for a brand community to exist. Therefore, interaction surrounding a brand community often takes place on-line.

A brand community is likely to be formed around brands with a strong image and a rich and lengthy history. When marketers take advantage of these attributes, they can play an instrumental role in building and sustaining a brand community. Many brand communities revolve around transportation brands such as Harley-Davidson,

Saab, and Jeep.⁽¹¹⁾ While marketers may try to take an active role in establishing a brand community, the existence and strength of a brand community often is independent of marketing efforts. The brand community survives and thrives through the continued interaction of community members regardless of marketing interventions. In some extreme cases, brand communities exist for products that have been abandoned by the marketer altogether as in the case of the Apple Newton, an early predecessor to today's personal digital assistants.⁽¹²⁾

Brand communities serve as extremely influential e-WOM channels between members with shared interests. There is often a sense of "us versus them" when it comes to group membership. When a consumer views him or herself as part of a group community, that individual is far more likely to respond favorably to other group member opinions. It would likely be effective for a firm to solicit and engage its existing customers who have an affirmative relationship with the brand community.

◎ Consumer Message Boards

The Internet has become a portal of information for everything and anything. It is easy to access chat rooms and message boards for virtually any consumer-related activity. On these opinion-based websites, consumers are free to express their feelings about the products and services they experience. Because marketers do not have control over these forums, consumer message boards are an interesting forum of unsolicited e-WOM. Websites such as Epinions.com are a valuable interactive sounding board for consumers to discuss products and for others to read testimonials before making purchases.

◎ Advantages of Using e-Word-of-Mouth Marketing

Traditional advertising is rapidly changing. Static ads in magazines, newspapers, and television serve a very useful purpose; however, many companies are finding the Internet to be a great *dynamic* advertising vehicle to supplement their television and print advertising efforts. Certainly, e-word-of-mouth marketing is not likely to achieve the reach television advertising has in the near future, but it can be used in conjunction with traditional advertising approaches to improve its impact.⁽¹³⁾

E-word-of-mouth marketing efforts are generally very cost-effective, and the message content can be changed quickly and often. The value of an e-mail address to a direct marketer can be significant. One such study found that using viral marketing, companies might be expected to find an 8 percent success rate when calculating the number of e-mails sent from the initial wave of respondents contacted. In short, the value of a valid e-mail address to a viral marketing effort may be around \$0.24 each.⁽¹⁴⁾

Product promotion has been historically thought of as trying to achieve one of several goals. Using the classic advertising AIDA approach, these objectives are generally to draw attention/increase awareness (A), generate interest (I), create demand/desire (D), and lead a consumer toward action (A). Certain forms of promotion work best for attaining certain goals. General advertising is thought to work best at increasing attention and awareness while generating interest in the product. Sales promotions are often introduced to complement the advertising efforts and lead a consumer directly toward purchase (action).

A successful e-word-of-mouth marketing effort can actually reach multiple promotional objectives. The e-word-of-mouth marketing execution may not only increase brand awareness, it can also motivate direct purchases. Take the following example of a consumer receiving an unsolicited e-mail from a new-to-the-area shoe

store that is attempting to cater to an upscale female demographic. Suppose that the e-mail addresses of this demographic group were purchased from another larger consumer database. Further suppose that the intended targets for this message were generally unaware of this new, high-end shoe store. A successful e-word-of-mouth marketing effort might take the shape of an e-mail to members of this demographic target group introducing the shoe store, listing the brands they carry, and mentioning that the store is holding a “birthday party” on a particular date. If you go to the store on that date, you’ll receive a 20 percent discount if you tell the salesclerk a code phrase, such as, “It’s Judy’s birthday.” The e-mail also strongly encourages you to invite friends to the “party” as well to join in the fun.

Assuming that this attracts an “invitee” to go to that store on that particular day, one could surmise that the invitee would be inclined to also let others know of her “special” discount and share the phrase that will provide the discount. The special discount would likely generate purchases above and beyond a typical visit to the shoe store. This simple e-WOM promotion, if successful, will have generated attention (A), interest (I), demand (D), and action (A) all in one straightforward promotional piece.

Disadvantages of e-Word-of-Mouth Marketing

Though marketers hope to have consumers share their positive experiences with others, it’s not realistic to assume everyone is going to be a satisfied customer every time. Experience shows that consumers that have a negative encounter are far more likely to share details of their unsatisfactory experience than in cases where expectations were met. Consequently, negative e-WOM can snowball more quickly than positive e-WOM and derail a marketer’s good intentions.

Another disadvantage to using e-WOM is that many people feel these efforts are often nothing more than unwanted solicitations, likening these e-mail messages to annoying telemarketing phone calls. A common computer term used to describe unsolicited messages is Spam, defined as inappropriate commercial messages of little or no value. This proliferation of unwanted e-mails has driven people to put Spam blockers on their computers, which filter out these e-mails preventing them from ever reaching their intended targets.

Conclusion

E-word-of-mouth is a complicated concept as marketers struggle to find a unique promotional device that will cut through the clutter of on-line communications. However, successful e-word-of-mouth marketing efforts can be an effective on-line marketing tool and serve several functions for product and service marketers. E-word-of-mouth marketing can create intrigue and generate buzz leading to traffic on a particular website (e.g., typing commands for a cartoon character to follow), which will in turn promote the company’s offerings. Other marketing-influenced efforts create awareness and provide product knowledge to consumers. Finally, some e-word-of-mouth marketing examples can be used to effectively drive sales with coupons and/or website links to share with a friend. Marketers also rely on people to take it upon themselves to forward these links and offers to a person they know will be interested.

Marketers need to be aware of the impact of both positive and negative e-WOM on their marketing efforts. As communication barriers continue to decrease due in large part to the continued adoption of the Internet, effective use of e-WOM activities will be of even greater importance in the future.

ISSUES FOR DISCUSSION AND REVIEW

1. Under what circumstances do you think e-word-of-mouth marketing is most likely to be successful?
2. Discuss any e-word-of-mouth marketing efforts you have come across. Did you pass these efforts onto other friends and/or family?
3. Where do you think e-word-of-mouth marketing is headed?
4. Do you feel that using e-word-of-mouth marketing is a sound strategy for building long-term brand loyalty?
5. Is e-word-of-mouth marketing better for creating awareness for a brand or for inducing consumers toward purchase?
6. How might technology drastically change how e-word-of-mouth marketing is utilized in the future?
7. Some have criticized e-word-of-mouth marketing as nothing more than targeted spam e-mails. How would you respond to such a characterization of e-word-of-mouth marketing?

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