

Word-of-Mouth in Services: A Multiple Case Study

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The Academic Senate on 13 December 2007 resolved that Dennis Martin Williams had
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This thesis represents a major part of the prescribed program of study.

The following quote from a classic advertisement shows the importance of creating awareness of the organisation in the initial stages of building business relationships (Dowling 1994).

I don't know who you are.

I don't know your company.

I don't know your company's product.

I don't know what your company stands for.

I don't know your company's record.

I don't know your company's reputation.

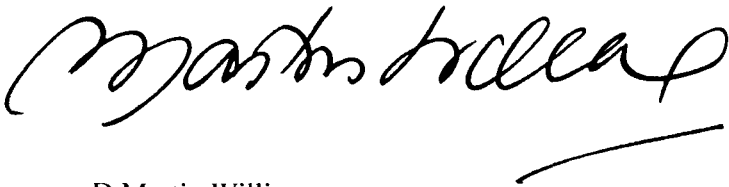
Now what was it you wanted to sell me?

In fact, Goodwin and Ball (2003) in formulation of a new acquisition measurement process, the ACA Marketing Scorecard, which directly links customer acquisition metrics with revenue growth, computed metrics under the conditions of awareness, consideration and acquisition. They also stated customers and prospects when not aware of you – cannot consider you. These authors go further, saying when prospects don't consider you, they can't purchase from you and when they don't purchase from you, they can't experience the competitively superior services you offer, thus can offer no customer satisfaction or WOM.

Certification

This thesis is submitted in fulfilment of the requirements of the degree of Doctor of Business Administration (DBA), in the Macquarie Graduate School of Management, Macquarie University. This represents the original work and contribution of the author, except as acknowledged by general and specific references.

I hereby certify that this has not been submitted for a higher degree to any other university or institution.

A handwritten signature in black ink, appearing to read 'D Martin Williams', with a long horizontal stroke extending from the end of the signature.

D Martin Williams

July 2007

Abstract

This study explores the processes and characteristics of WOM in the Australian business environment by examining how executives of large organisations deal with communications and customer relationships. WOM has become increasingly significant to business performance. Traditionally a face-to-face phenomenon, WOM can now also be remote via use of the telephone and the Internet.

To date the majority of the WOM literature considers WOM to result from service beyond expectations. Even when significant resources are concentrated on customer relationship management (CRM), this study demonstrates that WOM emanates from other sources such as organisation-influenced communications, internal processes and WOM networking, thus supporting the recent work of some authors who have suggested that stimuli other than happy, satisfied customers may influence WOM. Opinion is divided on the relative importance of positive and negative WOM. However, there is general acknowledgement that WOM affects organisational performance. Positive WOM can contribute to new customer acquisition, reflect customer loyalty and enhance the organisation's image and identity, while the opposite effect of negative WOM can lead to organisations concentrating on complaint resolution to prevent switching, and crisis management to prevent damage to image, reputation and identity. In this study of service organisations the threat of negative WOM to business performance has been found to dominate management processes.

A regional energy company and two multinational organisations, from the financial services and non-profit sectors, participated in the study. Semi-structured face-to-face interviews were conducted with managers from the marketing and communication departments, and participant observation took place within business meetings.

The cross-case analysis has provided specific recommendations for managers of the three cases to take advantage of the WOM phenomenon in enhancing their business success. The Six Pillars of WOM model is a specific output that can be used constructively to identify, examine and manage cross-organisational processes that influence both positive and negative WOM. This study has shown that organisational

efforts can have significant impact on WOM and new customer acquisition, even in markets where there is low customer satisfaction. Indeed, organisation-influenced WOM and WOM networking techniques have a much greater role than anticipated or previously realised. Nonetheless, much exploratory research remains before the WOM phenomena are well enough understood to the point where their application leads to improved organisational performance.

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Abbreviations used in thesis

AALTV	Annual Average Lifetime Value
ARU	Australian Rugby Union
CCB	Customer Complaint Behaviour
CGM	Customer Generated Media
CLTV	Customer Lifetime Value
CRC	Customer Referral Campaign
CRM	Customer Relationship Management
C-RM	Cause-Related Marketing
CSR	Customer Service Representative
DBA	Doctorate of Business Administration
ERP	Enterprise Resource Planning
ESGD	Explosive Self-Generating Demand
eWOM	Electronic Word-of-Mouth
GOC	Government-Owned Company
KPI	Key Performance Indicator
MGM	Member-Get-Member scheme
MGSM	Macquarie Graduate School of Management
NCA	New Customer Acquisition
NOP	National Opinion Polls
NP	Non-Profit
LPG	Liquid Petroleum Gas
LTV	Lifetime Value
PR	Public Relations
VOIP	Voice Over Internet Protocol
WOM	Word-of-Mouth

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Writing a doctoral thesis was always going to provide me with a challenge. If I had known what would unfold over the next six years I would certainly now think twice about scaling the mountain. During this time I have experienced personal difficulties I would have either have ignored or in business life found ways of getting around which have not been possible in the circumstances of an academic environment. I have had to sort these problems out myself. In the end I am relieved that the process is drawing to a close. I can now devote my life to other pursuits beyond the narrow focus of the Doctoral Candidate.

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About the author

Martin Williams was educated in Scotland. He achieved a Diploma in Business Studies at Glasgow College of Printing in 1969 and a Diploma in Marketing Research at Liverpool Polytechnic in 1971. He has a graduate diploma in marketing from the Chartered Institute of Marketing UK of which he is a Fellow, and diploma in corporate governance from the Australian Institute of Company Directors. The author came to Australia in 1981 and co-founded direct marketing agency Cartwright Williams in 1985. He was named Australia's 1997 Direct Marketer of the Year and is author of *Interactive Marketing* published by Prentice Hall in 1994 with a second edition *Interactive Marketing – Building Loyalty One-to-One*, in paperback in 1997. After 16 years, the author sold his interests in the direct marketing agency, Cartwright Williams Pty Ltd Australia and Leo Burnett Cartwright Williams Direct in Singapore 2002. Since then the author has undertaken a Doctorate in Business Administration at Macquarie Graduate School of Management (MGSM), researching word-of-mouth (WOM) in service industries.