

1 Introduction

This chapter considers the background and relevance of the study. Importantly, it presents the questions posed within the study, outlines the scope, the research methodology and the structure of the thesis. Finally, it demonstrates practical contributions to knowledge in terms of intended academic journal publications.

1.1 Background to the research

‘Who are my customers?’, ‘How can I retain them?’ and ‘How can I acquire and grow new ones?’ remain major questions in the minds of business leaders who recognise that without customers, there is no business. Companies must work hard to gain and keep customers, and to do so at a competitive cost. Investments in ERP systems and supply chain management have increased the quality of service delivery. Delivery cycle times are squeezed to levels unattainable a few years ago while costs of sale have been reduced (Kaplan and Norton 2007). These global trends help to explain why customer relationship management (CRM), a business strategy to efficiently and effectively increase the acquisition and retention of profitable customers by selectively initiating, building and maintaining appropriate relationships with them, is on the minds of many CEOs. It also explains why analyst firms estimated that enterprises worldwide would spend about \$US 20 billion on CRM and sell-side eBusiness applications by 2003, a market that was predicted to more than double to \$US 47 billion by 2006 (Payne and Frow 2006).

Customers are increasingly expecting service to be available anytime with 24/7 access, anywhere (Sterne 2003). Access to eService (including self-service) enables businesses to utilise technology to manage one-to-one relationships, which can assist with the development of improved customer relationships and to implement processes for enhanced ‘customer experiences’ (Payne and Frow 2006). Customer relationship management has been categorised by Payne (1997) into three major schools of thought: the American, the Anglo-Australian and the Nordic approaches. Each has similarities, and differs from the dominant marketing mix perspective described by the 4Ps

(McCarthy 1971; Kotler 2000). The relationship aspects of relationship marketing have been addressed by Coviello et al. (1997) as Database marketing, Interaction Marketing and Network Marketing, and have been illustrated by Gummesson (1999, p. 78), reproduced here in Figure 1.1.

Type of Product \ Type of buyer	Consumers	Organisation
	Marketing management/ mix 4Ps	Network Approach
Goods		
Services	Services marketing theory	

Figure 1.1: The substantive domains of marketing theories (Gummesson 1999)

However, there is a gap between the emphasis placed on customer retention and organisations’ need to acquire new customers. It is in this environment that the current research focuses on word-of-mouth (WOM) within the organisation’s communications mix, and WOM’s impact on new customers coming to the organisation.

Thus the purpose of this case study is to investigate, in depth, the management of WOM. Viewed from the company’s perspective, the aim is to examine the role WOM plays, and describe and analyse the circumstances of WOM management in the services sector. Further, this research seeks explanations consistent with current theories as to the nature of WOM-generating activities and how and why service organisations stimulate and control WOM. Finally, this information can be used to build a more useful theory of the WOM phenomenon, which can be applied to other service industries. This research, therefore, is an attempt to break new ground in understanding WOM in its real-life contexts.

In order to achieve such a goal, an appropriate methodology must be chosen. The selection of the research strategy is of prime importance; the design and definition of

the methodology have significant implications for the nature of knowledge and meaning in management science (Hodgson and Rothman 1999). Thus the research strategy chosen for this study has been driven by two main considerations: the nature of the research problem, and the objective of the research. Note that throughout the thesis the term 'WOM' is used to refer to positive WOM; negative word of mouth is referred to specifically by the term 'negative WOM'.

1.2 Relevance of this study

WOM has been recognised as important in both the business and the academic literature. In fact, the earliest edition of Kotler's marketing management textbook (1967) acknowledged that 'advertising is one of several influences on a person's behaviour and probably less important – because it is known to be self-serving – than such influences as peers and personal observation' (p. 456), a comment generally ascribing the speaker's independence. This autonomy is reflected in Arndt's (1967) description of WOM as 'oral, person-to-person communication between a receiver and a communicator, whom the receiver perceives as non-commercial, regarding a brand, product or service' (p.3). Forty years later marketing has adopted a customer relationship focus and employs customer relationship management systems. A significant body of customer knowledge of WOM has been accumulated and researchers are uncovering more organisational influence.

Research generally supports the claim that WOM has more influence than other marketer-controlled sources on behaviour (Fieck and Price 1987; Dube and Morgan 1998; Rust and Oliver 2000). However, the literature is divided regarding the main role of WOM. Many authors believe WOM is a tool which compares favourably with advertising in acquiring customers. Indeed, WOM does this more cost-effectively (Hughes 1994; Cross and Smith 1995; Cafferky 1996; McKenna 1991); it can be up to ten times more expensive to attract a new customer than it is to retain an existing one, and bringing a customer to the same level of profitability can be up to sixteen times more expensive (Peppers and Rogers 1993; Rosenberg and Czepiel 1984). Other authors see positive or negative WOM simply as a measure of customer loyalty or commitment.

For instance, Zeithaml et al. (1996) and Oliver (1999) have determined that WOM that results from customer satisfaction is an important predictor of behavioural intention towards customer loyalty. Thus WOM from satisfied customers in referring new customers to the organisation can be a substantial contributor to profitability (Reichheld and Sasser 1990). Reichheld (1996) has further demonstrated the significance of WOM referral to customers' lifetime value (LTV) to the organisation. Buttle (1998) has identified one of the positive effects of customer satisfaction is advocacy based referrals. Gummesson (2004) agrees with these authors, saying 'successful relationships make customers valuable part-time marketers who give referrals and spread positive word-of-mouth, adding marketing muscle without burdening marketing and sales budgets' (p. 145). However, Payne (1995) has argued that the creation of not just satisfied regular customers, but 'advocates' for the organisation (both customers and non-customers), is a crucial condition for WOM utterance.

Thus the challenge for managers is how to develop and institutionalise WOM amongst customers and non-customers of the business. This has raised the following two questions:

- ***How aware, if at all, are companies of the role and importance of WOM?***
- ***What, if anything, do companies (hope to) gain from WOM management?***

File et al. (1994) have demonstrated that WOM can be manipulated, with the valence and the volume of post-purchase WOM being affected by management efforts. Mohr et al. (2005) believe managed WOM is essential to the successful adoption of new products and services. Other authors cite evidence of the measured impacts of complaints management processes, and service recovery programs on WOM (Keaveney 1995; Swanson and Kelley 2001), and unconditional service guarantees and merchandise return policies (Peck et al. 1999). Within the relationship marketing paradigm, customer incentive schemes encourage WOM referral (Buttle 1998; Reinartz and Kumar 2002; Stokes and Lomax 2002).

Furthermore, within the relationship marketing paradigm some goods and services organisations take a network approach to create reciprocal referral and forge supplier

and alliance partnerships, struck to gain access to each others' customers (Payne et al. 1995). It seems clear evidence that some organisations can influence the frequency of referral and direction of WOM. Thus this leads to a third question:

- ***How, if at all, do companies generate positive WOM?***

From a marketing perspective, WOM can be either positive or negative. As over 20 per cent of customers can defect per annum (Reichheld 1990) and spread negative WOM (Jones and Sasser 1995), complaint resolution may be a key area for consideration within the WOM equation (Buttle 1998, 2003). Desatnick (1987), referring to data from the White House Office of Consumer Affairs, asserted that '90% or more who are dissatisfied with the service they receive will not buy again or come back. Worse still, each of those unhappy customers will tell their story to at least nine other people, and 13% of those unhappy former customers will tell their stories to more than twenty people'. Keaveney's (1995) research into service failure revealed 75 per cent of customers had told at least one other person, while 85 per cent switched providers; in competitive industries customers are likely to exit without complaining to the company and they will engage in negative WOM (Fornell and Wernerfelt 1987; Blodgett et al. 1993; Spreng et al. 1995). Blodgett et al. (1993) and Mangold et al. (1999) explicated that negative WOM, uttered from consumers who express dissatisfaction with a service provider, is at least as powerful as positive WOM, a point echoed by TARP (1979). Thus customer-focused organisations employ sophisticated complaints management systems and CRM processes to counteract customer dissatisfaction and customer switching, and promote customer satisfaction. Thus this leads to a fourth question:

- ***How, if at all, do companies prevent, or control, negative WOM?***

There is a dearth of data in the literature concerned with who manages WOM within the organisation. If WOM can be manipulated through heightening the customer experience and increasing customer satisfaction, it is an employee management issue. However, Balmer (2001) has indicated that corporate public relations influences both formal and informal WOM communications, which affect organisational reputation. Moffitt (1994) investigated the possible sources that could affect an organisation's public image. She concluded that an organisation's reputation is formed by both marketer-controlled advertising and publicity, and non-marketer controlled secondary WOM sources; these

include what consumers hear from others, conversations between family members and within social networks, casual encounters with employees or other stakeholders including customers and suppliers, and amongst intermediaries such as stockbrokers (Balmer 2001; Balmer and Greyser 2002; Davies et al. 2003). In fact, Davies and Miles (1998) ponder why a stated objective of corporate communications is not to produce output WOM amongst targeted stakeholder groups through various media channels. Thus this leads to a fifth question:

- ***Is WOM management a defined organisational responsibility?***

Lindgreen and Crawford (1999), Hallowell and Ruberto (2002) and Helm (2003) have sought to calculate returns on relationship management (CRM) programmes, by categorising customers and creating predictive models which attempt to map the customer's potential to either contribute towards, or detract from, profit. These authors have categorised customers by their contribution in both monetary terms and their ability to attract friends, colleagues and acquaintances to the business. Aldrich (1999) investigated annual average lifetime value (AALTV) amongst not-for-profit mailing donors; both he and Magson (1999) include WOM referral under the term 'reciprocal' acquisition, as part of the not-for-profit donor equation. However, Hallowell and Ruberto (2002) have recommended that the WOM effect be individually calculated on the basis of incremental profit from a customer recommending a service to others, thus computing the lifetime value of an incremental customer.

Rust et al. (2004) consider WOM effects notoriously difficult to measure when calculating customer value. While Buttle (2002) questions the effectiveness of CRM implementations, he notes that The Royal Bank of Canada, whose profit growth approaches 25 per cent and revenue 10–15 per cent, no longer views CRM as a program but as a core strategy. This strategy has a high return on investment (ROI). Key effective measurement scales include increased retention, average customer tenure and satisfaction levels, as well as referral rates. In fact, Reichheld (2003) strongly suggests that WOM may be more important than those involved in measuring the worth of customers to the organisation may realise. He states that in most industries, independent of size, there is a strong correlation between a company's growth rate and the percentage of its customers who are enthusiast-promoters, i.e. those who say they

are extremely likely to recommend the company to a friend or colleague. He calls for more simplistic, effective measures. This gives rise to the final two questions:

- ***What metrics, if any, are employed to measure WOM activity and effects?***
- ***What processes and technologies, if any, are deployed to support the management of WOM?***

1.3 Scope

This DBA research has been conducted in both the business-to-business and consumer market arenas within two service industry settings and one not-for-profit organisation. While the researcher acknowledges that companies have WOM relationships both inside and outside the organisation and with consumers and non-consumers, this study has been limited to the context of WOM as described by employees and, with the not-for-profit organisation, a volunteer-donor committee member.

The DBA has a projected time frame of three years whole-time, and therefore time is a constraint. Furthermore, the questions of this study concentrate on finding answers to the way WOM is managed in service organisations. With a projected objective of 50 interviews there has had to be a trade-off, and this has come at the cost of including customers. Thus this research has concentrated on marketing, communications and service departments of the organisations because of its internal perspective on whether, and how, WOM is managed. Therefore, other stakeholders – including consumers, government or suppliers – were not interviewed, despite WOM being an important component of service that influences the customer's evaluation of these organisations' business and communications outcomes.

1.4 Research methodology

Qualitative multiple-case study research was considered the most appropriate methodology of answering the research questions, given the objectives of the research

and the complexity of the WOM problem. The research has adopted the realism paradigm, with the researcher’s interpretation of reality based solely on the data collected and the interaction with informants.

Yin (1994) argues that research situations which attempt to deal with research questions of ‘how’ and ‘why’ – as opposed to ‘who’ or ‘what’ or ‘where’ – are more explanatory and thus are likely to lead towards the use of case studies. Snow and Thomas (1994), in answering ‘who’ or ‘where’, describe these as predictive questions which are more appropriate to quantitative methods. In contrast, they consider ‘how’ and ‘why’ establish relationships amongst constructs and provide theoretical rationale for observed relationships, for which these authors advise using observation and interviews. Creswell (1998) also recommends qualitative methods to answer ‘how’ and ‘what’, although favouring quantitative methods for the question of ‘why’; Carson et al. (2001), citing case research – and, indeed, the majority of researchers analysing these methods including Yin (2003) – recommend qualitative methods to answer ‘how’ and ‘why’ questions (see Table 1.1).

Author	Qualitative methods	Quantitative methods
Snow and Thomas 1994	Key questions of ‘How’ and ‘why’	Who, where, what and when
Creswell 1998	How and what	Why
Carson et al. 2001	How and why	What, how should
Yin 2003	How and why	What

Table 1.1: Research methods and research questions

The research comprised three case studies from three organisations. Data were collected through 56 tape-recorded in-depth interviews, participant observation in meetings between companies, and observation of business practices. It also included the review of documents – publicly available information such as that obtained from the companies’ and affiliates’ websites, confidential marketing strategy documents, and company and annual reports. Other data were obtained through media, such as press reports. Validity and reliability were ensured by using multiple sources of information. Provision of early drafts of the research report to informants allowed interpretation of

evidence and verification by the participants, thus triangulating the data and adding to its veracity.

Each case study was carefully selected, the initial condition being that the focal companies operate within Australia and overseas. Two cases are multi-national, one with its international headquarters in the USA and the other in the UK. The third case's head office is in Queensland, with overseas offices in New Zealand. The cases also vary in size and scale, type of product and service. Both single-case results and cross-case findings are reported. The literature was used to establish research questions which also helped define the nodes around which the fully transcribed data were coded and analysed with the aid of NVivo 2.

Being for a Doctorate in Business Administration, this research aims to offer a contribution to management practice. By virtue of the case work the impact of WOM referral on new customer acquisition and retention and its links with corporate reputation have thrown new light on WOM. This has led to a detailed outline of practical tools that can be used by practitioners to study and manage WOM in service companies.

1.5 Structure of the thesis

The thesis consists of nine chapters. This chapter has presented a brief description of the research background, outlined the research questions emerging from the literature, and described the research scope and methodology.

Chapter 2 gives a comprehensive review of extant literature of WOM, and the emerging question areas for the research.

Chapter 3 describes the case study methodology, the data collection and analysis, and how validity and reliability were observed. The reasons for choosing the particular methodology and the realism paradigm are explained. Finally, the chapter discusses the limitations of the study and the ethical standards observed in the research.

Chapters 4, 5 and 6 are the individual case studies of the three companies. For each case, the market in which the company operates is described, the methodology is

outlined, and each company's approach to WOM and how WOM affects the participants is discussed.

Chapter 7 is cross-case analysis, which describes the similarities and differences in the three cases that enable analytical generalisation. To increase the veracity of the results two service cases are first compared and then overlaid with the results from the not-for-profit case.

Chapter 8 reviews the research objectives and outlines the key findings of the study. It compares the WOM practices observed during the three case studies with the accepted body of knowledge in the literature, and highlights the implications of this study for WOM theory. Finally, it discusses the study's implications for management practice, first by providing general recommendations for managers and presenting a model for WOM management based on the conclusions drawn from the case studies, and then by presenting case-specific recommendations for managers of the three organisations.

Chapter 9 summarises the contributions of the study, noting its limitations and potential directions for future work.

1.6 Published contribution to knowledge

While the research proposition that WOM stimulates new customer acquisition has been confirmed in these service organisations, the practice of organisational influenced WOM is more prevalent. These findings have been described in a case study paper published in the conference proceedings of the International Business and Economic Conference, San Francisco, California USA and filed in the National Library of Congress in March 2007, entitled *The Role of Word of Mouth in Customer Acquisition in Service Companies: A 'Six-Markets Model' Analysis* (Williams 2007). The paper is reproduced in Appendix 1.

Two additional papers based on this research are being presented at international marketing conferences in 2008 and a third is being submitted to an academic journal (see abstracts in appendices 2, 3 and 4):

- Williams, Martin and Buttle, Francis, (2008). 'WOM in Services: Identifying the sources and improving the processes'. WOMMA conference, September 2008.
- Williams, Martin and Buttle, Francis, (2008). 'WOM in Service Organisations: the case for talking louder to people that matter'. ANZMAC Annual Conference, Otago University, New Zealand. December 2008.
- Williams, Martin and Buttle, Francis, (2008). 'Is your reputation worth talking about?' Planned submission to Journal of Reputation Management.

Other papers drawing on the conclusions of this thesis are planned for submission to a management practice journal such as the Journal of Marketing Management. A teaching orientated publication will also be targeted for a publication based on the case studies.

2 Literature review

WOM has been extensively researched; however, little work has specifically addressed WOM management. Thus this chapter presents a broad overview of the WOM literature. The chapter identifies the parent theories that underpin contemporary WOM research, and reviews the research that examines the antecedents and the power of WOM. It then considers the corporate understanding of WOM, and ways in which WOM is generated, including more recent online eWOM developments. Having reported on the outcomes of positive WOM, the chapter moves to describe the circumstances that give rise to negative WOM effect, and how organisations respond, particularly though complaint management. The subject of WOM measurement from the academic viewpoint, as well as that of CRM practitioners, is also presented. Finally, due to the paucity of academic literature on WOM management, the chapter contains a synopsis of selected largely anecdotal, publications on the management of WOM. This is followed by a chapter summary, which attempts a distillation of what we know about WOM from the literature review.

2.1 The parent theories of WOM: a perspective

There is no received body of knowledge on the parent theories or foundational disciplines that underpin present-day WOM research. However, my opinion is that two scholarly traditions, one classical and one contemporary, are evident in today's WOM research. Those traditions are the classical Greek philosophies of Aristotle and Plato, and Systems Theory. The former, which serve as a precursor to the multi-dimensional theoretical domain of today's interpersonal communication theory, deliver insight into the nature of inter-personal persuasion. The latter provides us with a structural framework for understanding WOM in a social context, whether that is dyadic or network.

2.1.1 Classical Greek philosophy

Although most of the WOM research that is reported in this chapter has been published in the last twenty years, WOM has a venerable history. WOM has been recognised for centuries as a major influence on what people know, feel and do. Scientists and researchers alike agree that cultural knowledge has been passed by oral tradition from one generation to another. Theory of interpersonal influence has ancient origins, being derived from the classical texts of two giants of philosophy – Aristotle and Plato. In the 4th century BC, Aristotle produced what has been signalled as ‘the most important single work in the history of speech craft’ (Thonssen and Beard 1948). His book, *Rhetoric*, (Aristotle trans. Roberts 1924) emphasised the persuasive significance of three artistic proofs controlled by the communicator: ethos, pathos and logos. *Logos* (Greek for ‘meaning’) refers to the internal consistency, clarity, logic and evidential support of communication. *Ethos* (Greek for ‘character’) refers to the trustworthiness or credibility of the communicator. *Ethos* is often conveyed through the communicator’s tone, style, reputation and integrity. *Pathos* (Greek for ‘suffering’ or ‘experience’) refers to the communicator’s ability to appeal to the recipient’s sympathies and imagination.

These three attributes were regarded by Aristotle as the basis of seasoned discourse, rational discussion and persuasion. Aristotle’s *Rhetoric*’s emphasis is on the critical role of the speaker in inter-personal influence (Kahn 1999). His philosophy essentially takes a didactic position on interpersonal, or word-of-mouth, communication which is reflected in contemporary research into opinion leadership, influentials and market mavens. Plato, on the other hand, took language as a geometrical symbolism as an aid to thought, as if it were to free itself from dependence on natural language for presentation of relational nets (Brumbaugh 1965).

For instance, Plato was probably the first to write about the intercourse of cities with one another, thus moving from the dyad to more complex networks (Fisher and Lerner 2005). Plato also observed in *Phaedrus* that ‘similarity begets friendship’ (Plato 1968, p. 837). The positive relationship between the similarity of two nodes in a network and the probability of a tie between them was one of the first features noted by early structural analysts (see a review in Freeman 1979) which were followed by social

scientists who began systematic observations of group formation and network ties in the 1920s and 1930s (e.g., Bott, H. 1928; Hubbard 1929) and in the 1950s (Bott, E. 1955).

2.1.2 Systems theory

Systems theory provides a structural context for understanding interpersonal communication. A system is a set of objects that interrelate with each other to form a whole. The term 'system' can be defined as a combination of related parts organised into a complex whole. A dyad, composed of two people, can be regarded as a system. As a third or fourth person joins, it is still a system, but larger, and more complex. Each system is both a whole in its own right and a part of a larger system. A couple, family, community, nation, and culture could be described. Thus each is whole, yet part of a larger system.

Systems theory provides an organising framework for understanding the social, organisational and technological networks within which WOM is given and received. In general terms, a network can be thought of as a structure made up of nodes connected to each other by threads. Nodes from a WOM perspective are usually people or organisations. Threads are patterns of communication or WOM. Figure 2.1 illustrates a network. The letters are nodes and the lines are threads. Social and organisational networks are made up of such nodes and threads. Nodes are the individual actors within the networks and ties are the relationships between the actors. Thus Figure 2.1 shows how one actor can be more networked than others.

Whereas Aristotelian rhetoric focuses on the intra-personal attributes of the rhetor (or communicator) network theory, systems theory more generally focuses on the relations between individuals, not as multiple dyads but as a totality of network interactions (Wellman 1988). Therefore WOM networks represent a pattern of social structure and interactions that arise from personal relationships (Brown and Reingen 1987).

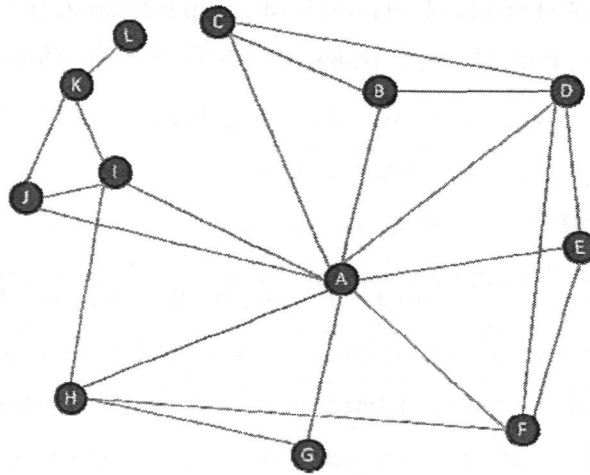


Figure 2.1: A network composed of nodes and threads

Social networks exist at many levels from families up to the level of nations, and play a critical role in determining the way problems are solved and organisations are run, and the degree to which individuals succeed in achieving their goals. Social networks play an important part in the diffusion of information and innovations amongst consumers (Midgely et al. 1992; Valente 1996; Duhan et al. 1997; Goldenberg et al. 2001; Steyer et al. 2006). At higher levels of network abstraction, a number of studies have examined the flow of communication across groups, the methods by which dyads or small groups aggregate their influence to form network-wide patterns in the diffusion of information and innovation (Brown and Reingen 1987). WOM arises within and is constrained by specific social relationships between consumers. In a society which operates under a logic of networks, WOM can be regarded as a central (not peripheral) phenomenon (Ozcan 2004).

Network theory not only has a role in helping us to understand social relationships, but it also has become significant in developing our understanding inter-organisational relationships. A business network can be defined as follows:

A business network is made up of nodal companies, organisations and individuals, and the relationships between them.

In the context of business markets, these nodes (nodal companies) are business units such as suppliers, producers, distributors, partners, regulators, contractors, customers, and other companies, organisations and individuals. A significant user of, and contributor to, network theory is the Industrial Marketing and Purchasing Group (IMP). Their focus has been on the role of interactions, relationships and networks in business markets. The IMP group model business relationships as composed of three core elements: activity links, resource ties and actor bonds (Hakansson and Snehota 1995). Put another way, a business relationship is an interaction of actors (people, departments, firms) using resources (knowledge, money technologies) to do things (make products, distribute to market, conduct research).

Actor bonds are interpersonal contacts between people in network-related firms; activity links are the commercial, legal, administrative and other connections that form between companies as they interact; resources are the human, financial, legal, physical, managerial, intellectual and other strengths or weaknesses of firms in the network. Bonds between actors may be thought of as close or distant, high or low in commitment, trusting or not trusting, dominant or submissive in terms of power distribution, co-operative or conflicted. WOM takes place in the context of these multi-faceted inter-organisational bonds.

Any firm participates in a host of different relationships, and the firms with which it has relationships also have relationships with other firms. Directors have multiple memberships of network companies' boards. Marketers meet up at branch meetings of their professional organisations. Salespeople organise social events for their key accounts. Personal relationships contribute to the atmosphere of a business relationship, making it close or distant, friendly or antagonistic, open or closed.

Since WOM communication is a social phenomenon, properties of social relations and interaction play a crucial role within both dyads and networks. These properties influence WOM behaviours, at both dyadic and networked levels, each of which interrelates with the other, such that 'small scale interaction becomes translated into large scale patterns and these in turn feed back into small groups' (Granovetter 1973, p. 1360). Therefore social network analysis produces an alternative view to traditional social scientific studies where the attributes of individual actors matter. From a social

network perspective, individuals are less important than their relationships and ties with other actors within the network.

Networks, whether social or organisational, are receiving more attention today than ever before. Indeed, in today's networked society everything is becoming electronically connected (Davis et al. 1998), and is more joined than ever (Mulgan 1998). The Internet is enabling a degree of connectedness among human beings that was simply not possible in the era of mass media.

Having reviewed the two major parent disciplines that underpin contemporary WOM research, I now present my review of the literature.

2.2 WOM in the literature: a definition

The influence of WOM on consumer behaviour has been extensively researched since the 1960s (see, for example, Arndt 1967; Brown and Reingen 1987; Wilson and Peterson 1989). These authors have confirmed that WOM is a consumer-dominated channel of information, an exchange of thoughts, ideas or comments between two or more consumers concerning an evaluation of goods and services (Dichter 1966; Singh 1988). These actions are not considered of organisational influence (Arndt 1967; Bone 1992; Mowen and Minor 1998) because the sender gains nothing from the receiver's subsequent actions (Schiffman and Kanuk 1997). Consequently, WOM is perceived as an unbiased, experience-grounded and more reliable, credible, and trustworthy source of information than organisation-influenced communication (Day 1971; Sheth 1971; Berry 2000).

Murray (1991) found that service consumers place more confidence in personal sources of information – the WOM of family, friends and peers, which has a greater influence on propensity to purchase. Day (1971) also remarked on source reliability and the flexibility of interpersonal communication, estimating WOM to be nine times as effective as advertising at converting unfavourable or neutral predispositions into positive attitudes. In fact, the earliest edition (1967) of Kotler's marketing management textbook acknowledges that 'advertising is one of several influences on a person's ... behaviour and probably less important – because it is known to be self-serving – than

such influences as peers and personal observation' (Kotler 1967, p. 356). The distinction between the marketing source and WOM, in terms of advertising, was defined by Stern (1994), who noted 'WOM differs from (advertising...) on its lack of boundaries... WOM involves the exchange of ephemeral, oral, or spoken messages between a contiguous source and a recipient who communicate directly in real life...' (p. 7). On the other hand advertising has been characterised by Alexander (1964) as any paid form of non-personal presentation of ideas, goods or services by an identified sponsor, though Buttle's (1998) analysis determines WOM is generally thought not to involve any payment, and thus is free of organisational influence.

Until recently, definitions of WOM – together with Arndt's (1967) characterisation of WOM as oral, person-to-person communication between a receiver and a communicator, whom the receiver perceives as non-commercial, regarding a brand, product or service – have been widely accepted. But this view is now being challenged. Reingen and Kernan (1986) made the distinction that WOM flows within referral networks, for instance within social networks, which evolve for the two-way flow of information about the purchase of goods and services. Stokes and Lomax (2002) believe these definitions of WOM require further updating in the context of electronic forms of communication, because 'word of mouth is being given a new significance by the unique property of the Internet' (Dellarocas 2003, p. 1407), which is a growing source of recommendation as well as complaint (Buttle 1998; Helm 2000) and a source of buzz marketing (Carl 2006a). Buzz marketing has been described by Rosen (2000, p. 7) as 'the aggregate of all person-to-person communication about a product, service or company at any point in time', which, in the light of other authors' ideas, seems inadequate.

More recently, Hughes (2005) describes buzz as communication which attracts the media or sparks conversation through (online) transmission. Balter and Buttman (2005) depict it as communication which generates publicity, entertains and transmits information about a product. In contrast, they describe viral marketing as online only, consisting of video clip or email, usually off-beat, in bad taste or anarchical, and susceptible to creating bad buzz. This thought is reflected by Montgomery (2001, p. 93) who describes viral marketing as 'marketing that infects customers with an advertising message which passes from one customer to the next, like a rampant flu virus'.

On the other hand, Thomas (2004, p. 67) describes buzz as ‘the amplification of initial marketing efforts by third parties through their passive or active influence’. McConnell and Huba (2003, p. 42) illustrate this idea, describing Buzz as ‘WOM + Word of Mouse = Buzz’, suggesting that what distinguishes buzz from WOM is the online component, whose antecedents tend to be organisation stimulated.

These views differ from early descriptions of WOM in the 1960s, and the recent definition of WOM by Stokes and Lomax (2002, p. 351) as ‘all interpersonal communication regarding products or services where the receiver regards the communicator impartial’ – a description which ignores ‘hidden’ organisational manipulation of WOM, understood by many online authors to make WOM less independent (Montgomery 2001; Vilpponen et al. 2006). Though Stokes and Lomax’s description does not discount manipulation, they arguably prefer to leave the onus on the receiver’s perceptions of the independence of the WOM giver.

Having discussed the evolving descriptions of WOM, the prevalence of WOM citing cases up to the most recent occurring within business and customer oriented organisations, including the Internet, are described. This is followed by an appraisal of the Power of WOM compared across industries with a focus on Advertising and, finally, by an examination of innovations and their effect on WOM.

2.3 Prevalence of WOM

It is argued by many researchers that professional firms generally don’t use advertising or promotional communications. They use the WOM of satisfied customers to build their client base and referrals between other complementary professionals to grow and to be profitable (Wheiler 1987), WOM being to the professions the most important source of new customers (Beltramini 1989). However, WOM is also claimed to have built the customer bases of service companies, who have either used no advertising or have emphasised WOM as part of a mix of communications methods. For example, Godin (1999) cites, from largely anecdotal sources and material, the success of brands almost entirely built by WOM: business-to-business companies like Hewlett-Packard, Oracle, SAP and Sun, and business-to-consumer service firms including Yahoo! IKEA, Amazon, Prada, Starbucks, Polo Ralph Lauren and Armani. Kotler (2003a) points to

brands such as Viagra, Palm Pilot, and BMW Z3 Roadster and companies such as Virgin, The Body Shop, USAA, as well as Starbucks and Amazon which have been largely built by WOM, with a minimum of advertising, often as a result of a lack of requisite budgets (Joachimsthaler and Aaker 1997).

Other organisations, including Apple, have used both remarkable advertising and WOM. Again Godin (1999) argues that without significant WOM, these 'exceptional product' companies could not have acquired the value and the cachet they now hold. Similar distinctive company images that enhance customer recognition and recall have been mentioned in stories about a number of companies. Consider Nike's early advancement in track shoes, Wells Fargo's stagecoach roots, and L.L. Bean's hunting and fishing background, which all add authenticity and differentiation to the brand (Berry 2000; Aaker 2004; Delgadillo and Escales 2004; Berry et al. 2006). Roberts (2000) suggests the goodwill of existing customers can be harnessed by utilising their WOM recommendations. He quotes Heckman (1999), who demonstrates how WOM communications had helped Chevrolet generate salience and favourable associations amongst prospects for the redesigned 1998 Corvette.

Other anecdotal examples include the meteoric diffusion of Botox (Ries and Ries 2002) and the cult-like status of Krispy Kreme donuts (Serwer 2003) have not been attributed to advertising but to their promoters' use of non-traditional means to create buzz or WOM. Such is the proliferation of buzz, more than two thirds of the US economy has been affected by buzz or WOM, much of which is probably organisationally influenced (Dye 2000).

Despite some authors believing WOM can be influenced, the literature is weighted toward WOM emanating from satisfaction with customer service and past sales (Godes and Mayzlin 2004). The recent emphasis on the creation, measurement and management of service quality is closely tied to the need to generate favourable WOM, customer satisfaction and repeat purchases. For example, Jeff Bezos, CEO of online retailer Amazon, having no budget for launch advertising but recognising the success of WOM, trusted on good service to launch the brand: 'It was seeing how successful WOM was in that first year, that really led us on this path of being obsessively, compulsively, analytically focused on customer service' (Spector 2000, p. 149). However, Christiansen and Tax (2000) believe that managers are interested in WOM because of its impact on

both customer acquisition and customer retention. A number of researchers have attempted to delineate how firms or 'the people behind the brands' (McAlexander et al. 2002, p. 50) can build deeper, more committed relationships with customers and turn them into WOM champions. They have covered a significant body of research in domains ranging from service delivery and customer satisfaction (e.g. Fournier et al. 1998), relationship marketing (e.g. de Wulf et al. 2001), loyalty (e.g. Reichheld 1996), and customer-company identification (e.g. Bahattacharya and Sen 2003) to CRM (e.g. Winer 2001).

Customer relationship management (CRM) aims to achieve customer retention and loyalty, attempting to generate enhanced revenue streams from customers over a lifetime of purchases (Peppers and Rogers 1995). CRM also aims to target prospects who are more likely to be profitable (Buttle 2003). There is much in common between CRM and the visions of the market-oriented company. Jackson (1985) considers a market orientation critical to understanding customer relationship management. Deshpandé et al. (1999) define market orientation as 'the organisation-wide generation of market intelligence or information of the customer's current or future needs, dissemination of that information across departments, and organisation responsiveness to it' (p. 247). Through CRM analysis, Reichheld (1996) demonstrated WOM contributes significantly to a firm's performance, thus a market-oriented business understands the substantial long term revenue and profit streams that loyal customers generate.

From this idea the magnitude and share of each customer's purchases can be increased, for instance, by cross-selling more services to existing customers. An organisation can better grow its current customers and their purchases by specifically targeting individuals. In the financial sector this is an important part of any marketing strategy (Meidan 1996). Identifying the most profitable segments and demonstrating their value to the organisation, by anticipating their expectations, is crucial (Buttle 2003). In fact, not all customers are equally responsive or valuable to the firm (Rust et al. 2000); some will purchase more than others. Pompa et al. (2000) established a correlation between customer satisfaction and a higher share of wallet, i.e. the higher share of a customer's total expenditure within that category. Their analysis found that loyal shoppers allocate between two and four times as much of their monthly budget to their first-choice store. Those loyal customers also tend to be twice as significant in profit terms as

promiscuous shoppers, who shop at a greater number of outlets. Loyal customers, these authors established, are also generally better WOM advocates of the service.

While many organisations recognise their customers as the most legitimate source of referrals to prospective customers, few organisations have formal processes to maximise referral from existing customers (Gremler et al. 2001). There is also a strong tendency by most companies to simply let referrals happen (Peck et al. 1999), rather than developing marketing activities to leverage the power of advocacy. Though the understanding of the impact of WOM on the performance of the service organisation has been investigated (Greisling 1994; Rust et al. 1995; Zeithaml et al. 1996), overall the subject of advocacy and referral marketing is significantly under-emphasised from the perspective of both academic research and corporate practice (Peck et al. 1999).

2.4 The power of WOM on choice

The importance of WOM has been recognised for over a quarter of a century (George and Berry 1981; Parasuraman et al. 1985). Filser (1996) considers WOM the most important informal means of communication between consumers about goods and services; it can also operate as an important source of pre-purchase information (Rogers 1962; Bristor 1990; Harrison-Walker 2001) and it significantly affects consumer purchasing behaviour (Mangold et al. 1999) and both short-term and long-term judgement (Richins 1983; Bone 1995). WOM is particularly important when considering the purchase of a new product or service (Richens 1983; Brown and Reingen 1987) with the potential for strong influence over decision-making (Bloch et al. 1986; Buda and Zang 2000). Herr et al. (1991) and File and Prince (1992) have established that WOM also influences the decisions of major donors to non-profit organisations; prospective donors look to others' testimonials to gain confidence, and 'communicated within charity networks, WOM is the method the affluent reach (buying) decisions' (Prince and File 1994, p. 117).

WOM effects have been found in goods and food products (Katz and Lazarsfeld 1955), dental products and services (Silk 1966), automobiles (Newman and Staelin 1972; Swan and Oliver 1989), travel (Gitelson and Crompton 1983), automotive services (Engel et al. 1969) and adoption of new products or services (Arndt 1967; Richens 1983; Brown

and Reingen 1987). Mangold's (1987) review of the impact of WOM in the professional services context concluded that WOM has a more emphatic influence on the purchasing decision than other sources of influence.

According to an NOP World study (2005), face-to-face is the strongest medium for consumers to make recommendations and spread WOM. When asked how consumers make recommendations, 80 per cent said they make them in person, followed by 68 per cent who said they make them over the telephone. The study found that less than 40 per cent of consumers used email to make recommendations to others, including via personal email (37 per cent), by email forwarding (32 per cent) or through mass emails (12 per cent). Carl (2006b) corroborated these findings; his research established face-to-face was the most frequently reported WOM episode (76.9 per cent) followed by telephone (16.9 per cent). However, his research recorded lower ratios for online instant messaging (3.5 per cent), email (2.3 per cent) and chat room (0.4 per cent). While there are discrepancies between these findings, they suggest that, despite widespread technology adoption, the majority of WOM continues to be effected at the coffee house, in the mall or over brunch or at the gym, and that face-to-face discussions remain the dominant stimuli for WOM (NOP World 2005).

2.4.1 WOM and new product and service introductions

WOM has significant impact on new product adoption simply because awareness has to be built and consumers need information (Rogers 1983). WOM may be more important than advertising in the decision to try new products (Sheth 1971; Mahjan et al. 1984). For instance, even though advertising may contribute to WOM utterance (Liu 2006), it is generally accepted WOM strongly influences new movie selection by the viewing public (Miserski 1982; Bayus 1985; Neelamegham and Chintagunta 1999). WOM can accelerate a new product's acceptance, as well as reduce a brand's promotional expenditure (Holmes and Lett 1977). In fact, relative to direct profits from purchases, the value of WOM output can be high early in the product lifecycle (Hogan et al. 2003) and can represent a significant proportion of the economic worth of a promotion (Hogan et al. 2004). WOM can also form a sizeable proportion of customer value (Reichheld 1996) and subsequent contribution to company performance. Indeed, the executive vice

president of Paramount Pictures, in terms of a film's financial success, considers 'word of mouth is the most important element there is' (Bayus 1985). So many practitioners and researchers focus on the power of WOM in new customer acquisition (McKenna 1991; Murray 1991; Tax and Chandrashekar 1992; McCafferkey 1996; Mittal and Lassar 1998; Mangold et al. 1999; Harrison-Walker 2001). More recent articles in the literature have examined the effect of WOM on new customer acquisition for online companies who have built their customer numbers and, increasingly, their profitability through eWOM processes. WOM is also being more closely integrated into the service of many Internet companies with beneficial effect.

2.4.2 WOM and advertising

As has been previously discussed under new product introductions, WOM has been shown generally to have a greater impact on purchasing intention than advertising (Still et al. 1984; Bansal and Voyer 2000). Though these findings have been contested by O'Cass and Grace (2004), it has been established that WOM can be more influential than neutral print sources (i.e. the vividness effect) from giver to receiver (Herr et al. 1991). This further explained by the accessibility-diagnostics model of Feldman and Lynch (1988). According to the model, accessible information is not used as an input for judgement and choice when more diagnostic or probative – i.e. vividly presented – information is available (Herr et al. 1991). In further illustration of these effects, a study by East et al. (2005) found that advertising accounted for 14 per cent of brand choice, and though positive WOM varied between products it was responsible for 31 per cent, whereas personal search accounted for 22 per cent. However, Hogan et al. (2004) found that 'WOM often complements and extends the effects of advertising' (p. 271). Liu (2006) has found that a combination of advertising and WOM can increase the volume of WOM. It can affect consumers' opinions of value at point of purchase (Rajagopal 2006). In fact, Carl (2006a) has established that marketing communications are a component in approximately 40 percent of product-related WOM; television advertising is related in 16 per cent of cases, almost equally followed by magazines and newspaper advertising, while web banner ads account for 7 per cent of WOM stimulation. Thus WOM can complement mass media (Arndt 1967; Monahan 1984; Bayus 1985), as mass media can complement WOM.

Having analysed WOM within its traditional settings, I now consider it from an online perspective.

2.4.3 Electronic WOM

In this electronic age WOM need not be face-to-face, oral or ephemeral. Virtual WOM and eWOM function through email, electronic bulletin boards and blogs (Goldsmith and Horowitz 2006), where Internet users can search for information and supply WOM regarding their service experiences (Buttle 1998), interacting in a way that is analogous to WOM communication (Ba 2001; Ba and Pavlou 2002). In these ways eWOM creates the foundation for reliable communication (Weiber and Meyer 2000) and credibility (Assael 1998), and builds trust (Grabner-Kraeuter 2002), binding the customer more to the company and its brands (Winer 2001). This occurs despite the sender/giver often not knowing the person to whom WOM is directed. This new medium makes it easy for consumers who have never met to exchange WOM faster, and for many connected receivers to receive WOM in an instant (Weiber and Kollmann 1998) and to share information about products and retailers (Christiansen and Tax 2000), or give negative WOM or warnings about products (Widdows and Widdows 1998).

To acquire new customers Internet marketers have adopted viral marketing techniques, a concept related to but separate from WOM (Vilpponen et al. 2006). This has involved passing on company developed products, services or information from user to user (Helm 2000; Fitzgerald 2001). The success of these techniques is reflected in the 2001 survey by Jupiter Media Metrix, which showed that 45 per cent of online shoppers choose e-commerce sites based on WOM (Berry 2001). Examples include the widespread adoption of Hotmail; low risk, with an easy-to-use email address and free to anyone signing on, Hotmail spent less than US\$500,000 on marketing but within 18 months had attracted 12 million users (Kotler 2003a). In 2003 Google was estimated to be worth US\$1 billion; again, it spent virtually no money on advertising, yet Interbrand's Brandchannel.com voted it brand of the year in 2003, displacing the previous year's winner Apple and beating Coke and Starbucks (Forsyth 2003).

eBay, the online auction company, gains more than half its customers from referrals. Their CEO, Meg Whitman, told Wall Street Journal, 'We're spending less than \$10 to

acquire a new customer. The reason is that we are being driven by WOM' (Reichheld and Schefter 2000, p. 109). eBay found that the costs of supporting referred customers are less than those acquired through advertising and other marketing efforts. WOM also happens through chat groups and through unlimited numbers of discussion groups and home pages (Strauss and Frost 2003); eBay members form user groups to help each other out.

Buying and selling community groups like these are thriving. Toyota owners hold online discussions to share experiences and Sony encourages conversation between customers on the PlayStation.com website; it uses the feedback to develop future direction, concepts and communication strategies. More evidence of WOM's integration into the service is that following every transaction, buyers and sellers rate each other. The ratings are published on the site, and thus every seller-member's reputation becomes a public record (Reichheld and Schefter 2000).

The literature is weighted towards WOM being an output of customer service. The following analysis outlines the processes and structures under which these conditions occur and covers customer expectations, service quality and customer satisfaction, customer loyalty, customer advocacy and, finally, employee effects.

2.5 Customer expectations

WOM can shape customer expectations (Webster 1991; Zeithaml et al. 1993; Zeithaml and Bitner 1996; Devlin et al. 2002). In industrial purchasing contexts, WOM influences expectations and perceptions during the information search phase of the buying process, and it influences customer attitudes during the pre-choice evaluation of alternative service providers (Lynn 1987), the experience of other services modifying consumers' expectations accordingly (Kurtz and Chow 1993).

Thus consumers will often compare their expectations with their experience of the product performance after purchase. WOM is driven not only by product/service performance but by satisfaction or dissatisfaction with the purchasing process (Tanner 1996), a process that can affect WOM beyond the initial purchase (White and Schneider 2000). Thus if service performance is below expectation the customer might sense

cognitive dissonance (Festinger 1957). The potential for cognitive dissonance is incorporated into the disconfirmation paradigm, of which the key elements are: 1) evaluation of expectations of product performance; 2) comparison of perceived performance with expectations; and 3) a post-purchase judgement that the experience was noticeably better or worse than anticipated, and which leads to feelings of satisfaction or dissatisfaction (Hill 1989).

The paradigm (see Figure 2.2) predicts that a customer will experience satisfaction when expectations are met and dissatisfaction when performance is less than expectation. The closer the service performance matches the desired level of service, the greater will be the satisfaction with the service encounter. Satisfaction is therefore an evaluation which considers that the product experience was at least as good as it was supposed to be (Hunt 1977). Thus satisfaction is related to the size and direction of the disconfirmation (Churchill and Surprenant 1982).

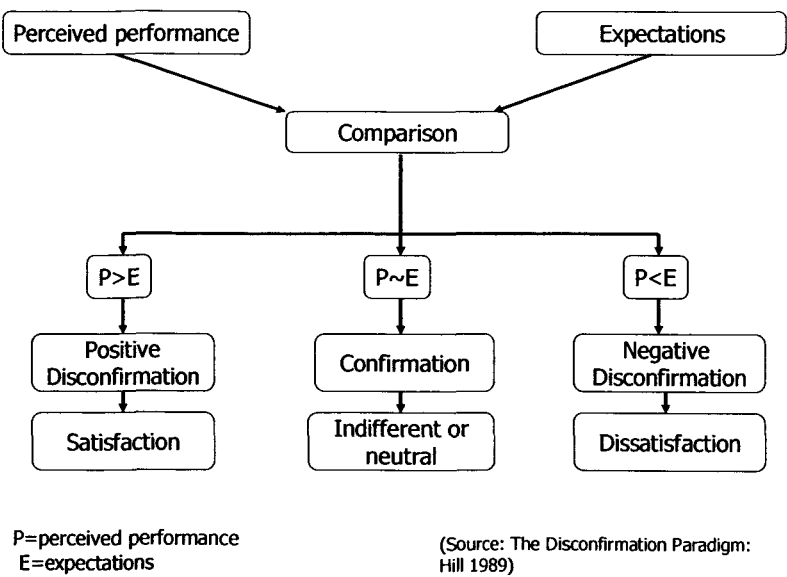


Figure 2.2: The disconfirmation paradigm

While positive disconfirmation logically leads to satisfaction, which in turn may lead to positive responses such as brand or store loyalty, favourable WOM and complimenting behaviour, negative disconfirmation has the opposite effect. Thus negative WOM can

be conceptualised as an outcome of negative disconfirmation of expectations, which can influence future decisions negatively (Tybout et al. 1981; Bolfing 1989; Devlin et al. 2002).

However, Hill (1989), considering the work of Woodruff et al. (1983), suggested the relationship may be more complex, consisting of zonal ranges rather than being monotonic and continuous. While Zeithaml et al. (1993) promoted customer expectations of services as a spectrum ranging from a desired level of service at one end to an adequate level of service at the other, with a ‘zone of tolerance’ in between, Oliver (1997) produced an integrated conceptualisation of expectations research (see Figure 2.3).

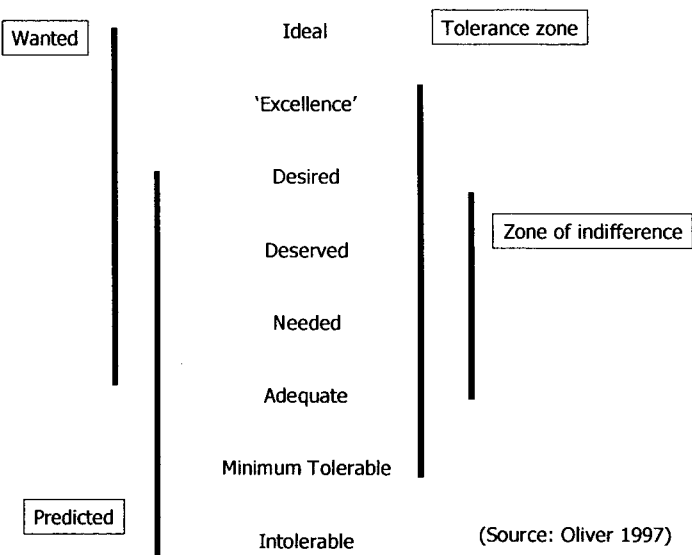


Figure 2.3: Expectations according to level of desirability

Thus Buttle (1998) describes customer satisfaction as the customer’s cognitive or affective reaction to overall service encountered, stating ‘it seems plausible to infer that positive WOM is associated with performance above that what was predicted and negative WOM with performance below that which was wanted’ (p. 247). Buttle’s conclusions confirm the findings of Bitner (1997), who described the results of exceeding customers’ expectations in the context of the ‘satisfaction-profit chain’ of

Heskett et al. (1997) and the findings of Parasuraman et al. (1988), who showed that satisfaction is positively associated with customers' repurchase intentions (behavioural loyalty) and WOM propensity (attitudinal loyalty) (Zeithaml et al. 1996).

2.5.1 Service quality, customer satisfaction and WOM

WOM's importance in shaping expectations of service is well documented (Zeithaml and Bitner 1996). Service quality has been linked to the customer experience of consumption (Swan and Oliver 1989; Bone 1992, 1995; Zeithaml et al. 1996) and to WOM in the stories people tell (Bucci 1995), which can be managed by firms (Bitner 1990). Therefore to ensure consumers are satisfied with a specific service encounter, service firms must provide a level of service which, at a minimum, meets a consumer's service expectations. Thus a consumer's expectations define the baseline, standard or norm against which subsequent performance is judged. However, consumers are voicing frustration and dissatisfaction with such experiences (Parasuraman et al. 1985; Surprenant and Solomon 1987). Considerable emphasis has been placed on the impact of service quality in determining repeat purchase and loyalty outcomes, with their concomitant connection to profitability (Rust et al. 1995). Delivering appropriate service quality is considered an essential strategy for success and survival in to-day's competitive business climate (Parasuraman et al. 1985; Reichheld and Sasser 1990), and service quality is a major driver of customer satisfaction (Buttle 2003). Underpinning these authors' findings, Gustafsson and Johnson (2002) have shown that perceived service and satisfaction drive WOM and customer referrals in a commercial setting.

While customer satisfaction has been equated to an individual's subjectively favourable evaluation of an outcome and/or experience associated with consuming a product (Westbrook 1987), satisfaction is conceptually a purchase outcome whereby consumers compare rewards and cost with anticipated consequences (Churchill and Surprenant 1982; Bolton and Drew 1991), thus in most contexts is considered transaction specific (Parasuraman et al. 1988; Bitner 1990). However, not all researchers agree that this applies to service related satisfaction. Cronin and Taylor (1994) consider satisfaction an outgrowth of service quality, a cumulative evaluation rather than being transaction-specific. This idea is magnified by Grönroos (1988) in his Perceived Service Quality

Model, which explicates that perceived quality of a service is a function of expected quality (generated from organisation influenced communication, including image, WOM, customer needs) and experienced quality (generated from technical quality and functional quality).

Most published reports of WOM concern a satisfied customer communicating with a prospect (Heskett et al. 1990; Tax and Chanrashekaran 1992; Mangold et al. 1999; Oliver 1999; Harrison-Walker 2001), with the purchase experience subsequently triggering the spread of WOM (Anderson 1998). Westbrook (1987) reported that satisfaction levels mediate WOM. WOM in banks may be affected by either cognitive or affective dimensions of customer satisfaction (Bloemer et al. 1998); WOM increases as satisfaction increases (Swan and Oliver 1989). Blodgett et al. (1995) determined that there is a clear relationship between customer satisfaction and WOM, and one of the positive effects of satisfaction is that new customers, at this stage of the purchase cycle, are more prone to delivering advocacy-based referrals.

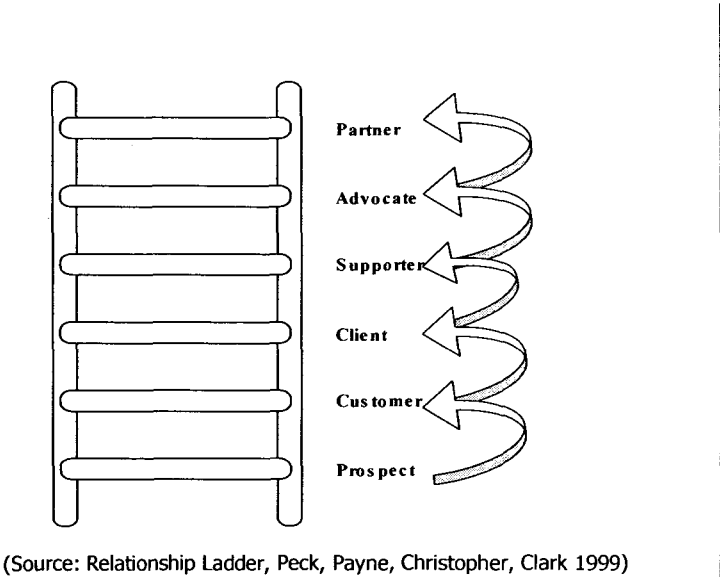


Figure 2.4: Relationship marketing ladder

Christopher et al. (1991) described the process of turning new customers into regularly purchasing clients, and of progressively moving them up the relationship ladder (see Figure 2.4) through being strong supporters of the company and its products, and finally

to being active and vocal advocates for the company, thus playing an important role as a referral source. White and Schnieder (2000) have further argued that an effective way to build long-term relationships and move customers up the ladder is by meeting or exceeding their expectations for service quality. Therefore, the assumption is that WOM functions to draw customers onto the loyalty ladder (Figure 2.4), thereby converting a prospect into a customer (Christopher et al. 1991; Peck et al. 1999).

2.5.2 Customer loyalty

Heskett et al. (1990) have distinguished between satisfied customers and loyal customers, believing that loyal customers are most vocal in telling others, especially where service excellence may be hard to find. Satisfied customers stay loyal longer, talk favourably about the organisation, pay less attention to the competition, are less price sensitive, offer service ideas to the company and cost less to serve than new customers (Reichheld 1996; Kotler 2000). Links between customer satisfaction, loyalty and profitability have been found to be strong (Hallowell 1996). For example, studies of the German car company Volkswagen confirm that customer satisfaction has a strong impact on customer retention, and ultimately economic goals, which include WOM (Stauss et al. 2001; Weinstein 2002). Narayandas (1998) identified six benefits of customer loyalty and retention, when retention is grounded on strong attitudes towards the service provider: retention establishes resistance to counter-persuasion, competitors' offers and adverse expert opinion and a willingness to wait for product availability, pay a price premium and recommend the service.

Satisfied customers also generate new business for a firm via WOM recommendations (Reichheld and Sasser 1990; Schlesinger and Heskett 1991; Reichheld and Teal 1996; Zeithaml et al. 1996; Heskett et al. 1997; Kotler 2000). Gremler and Brown (1996a, 1999) consider firms can benefit from having their customers provide recommendations, becoming in effect an extended sales force, and that loyal customers who tend to express WOM are logically at the heart of the company's most valuable customer group.

This type of customer loyalty is more usually interpreted as a sign of commitment to a brand (Cross and Smith 1995). Thus a higher level of WOM may exist under different

customer circumstances. Christopher et al. (1991) suggested that a goal of relationship marketing is the creation of vocal advocates, and that there are strong parallels between advocacy and relationship marketing, as proposed in the Commitment–Trust Theory of Relationship Marketing (Morgan and Hunt 1994). Advocates – customers or former customers – promote WOM conversations with others, and serve as a marketing resource for the organisation. In effect they act as apostles, spreading their faith about the worth of a service provider (Dick and Basu 1994).

Research by Reinartz and Kumar (2002) into advocacy, a construct closely linked to that of commitment, revealed high loyalty customers of a service provider were 54 per cent more likely to be active in WOM (and of high loyalty customers 33 per cent were more likely to be negatively active), whereas behavioural loyalists were 44 per cent more likely to be active WOM referees. In fact, these authors determined that 120 per cent more profit was generated from committed loyalists, compared with those displaying behavioural loyalty alone. Baloglu (2002), investigating casinos, focused on repeat patronage and attitudinal loyalty, and found that truly loyal customers with more trust and emotional attachment or commitment (towards the casino) are more likely to spread positive WOM. In contrast, ostensibly loyal customers (frequent player club members) were recognised by their transactional behaviour and displayed much less commitment. ‘Ostensibly loyal’ is arguably closely related to ‘spurious loyalty’, which, with absence of commitment, has been equated to repeat purchase directed by inertia (Dick and Basu 1994).

Loyal customer levels of advocacy/commitment are illustrated in Figure 2.5. The WOM advocacy state has been described as a state of affective commitment which is a ‘hotter’ (Johnson et al. 1997) or more emotional state (see Figure 2.5). This state is related to the extent to which the customer identifies and is personally involved (Morgan and Hunt 1994; Bendapudi and Berry 1997; Garbarino and Johnson 1999), and to factors which create stickiness in the relationship, such as those affected by personal interaction between customer and company; and dependant on how the company manages the customer over time (Bendapudi and Leone 2002). In fact, Godes and Mayzlin (2004) consider transactional loyalists may not be the best participants in a WOM campaign. So at one end of the positive WOM customer continuum lies a merely satisfied customer, in the middle a customer whose repeat purchasing is transactionally satisfied

and may utter WOM on occasion, and at the other end a satisfied and committed customer who is attached emotionally and identifies with the organisation and is a vocal WOM advocate.

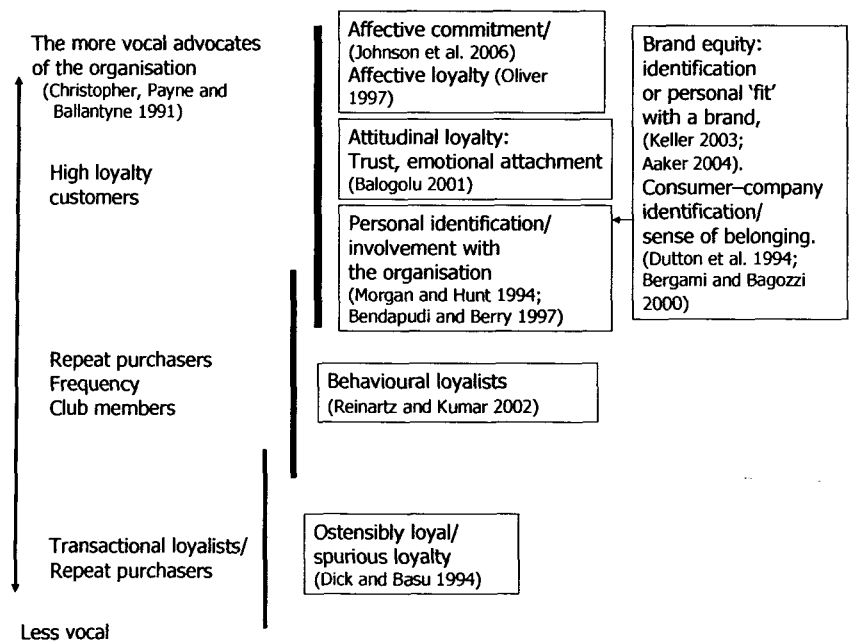


Figure 2.5: The positive WOM continuum

Hoskin and Beaver (1997) determined that a stronger consumer–brand relationship may occur amongst certain channel delivery systems, which in terms of human contact are more remote. For example, unusual advocacy strength has been found with direct marketing firms like First Direct Bank, Direct Line and Churchill Insurance, where contact is not face-to-face but by telephone and Internet. Their study found some consumers displayed WOM about the organisation but for various reasons did not purchase regularly. They provided no regular revenue stream to the firm but valuable WOM instead. However, the empirical work of White and Schneider (2000) found that advocacy may occur even without purchase or service quality being manifest.

These advocates may therefore contribute to building the organisation’s image and brand equity, which, in turn, results in new customer acquisition. The brand equity construct is also influenced by factors such as customer satisfaction (Keller 1993;

Selnes 1993; Berry 2000) and the degree of personal identification or personal 'fit' with a brand, as well as relevance to a customer's situation (Keller 2003; Aaker 2004). In fact, Bhattacharya and Sen (2003), drawing on theories of social identity and work by Mael and Ashforth (1992), Dutton et al. (1994) and Bergami and Bagozzi (2000), argue that customers will become WOM champions by consumer-company identification and a sense of belonging. Kumar et al. (2003) believe companies should decide to build relationships with particular customers based on the customer's apparent relationship intention and the customer's emotional attachment, through demonstrating a high WOM output, rather than on their transactional behaviour.

2.5.3 Customer-facing employees and WOM

Heskett et al. (1990) established that personnel in service organisations are crucial to creating customer satisfaction; empowering, teaching and supporting service people is critical because 'first line service personnel are the company in the eyes of the customer' (p. 228); furthermore, different conditions can evoke higher or lower levels of positive referrals or negative WOM.

WOM can be particularly effective when it includes appreciation of the salesperson's expertise (Crosby et al. 1990; File et al. 1994). Bonds can develop through repeated interaction between employees and customers (Gummesson 1987; Bitner 1990; Beatty et al. 1996; Cross and Smith 1995; Bendapudi and Berry 1997); in fact, customers in such relationships frequently describe their sales people as 'friends' (Beatty et al. 1996; Gwinner et al. 1998). Higher levels of employee involvement are likely to facilitate higher levels of WOM behaviour (Watkins and Liu 1996; Barnes 1997; Colgate and Danaher 1999). Rucci et al. (1998) cited the employee-customer profit chain at Sears, Roebuck and Company where service helpfulness directly affected customer retention and the likelihood of WOM recommendations (Figure 2.6). The Sears model was further described by Payne et al. (2001) as a predictor of revenue growth; a 5-unit increase in employee attitude drives a 1.3-unit increase in customer impression, a 0.5-unit increase in revenue growth and a quantifiable increase in store profitability.

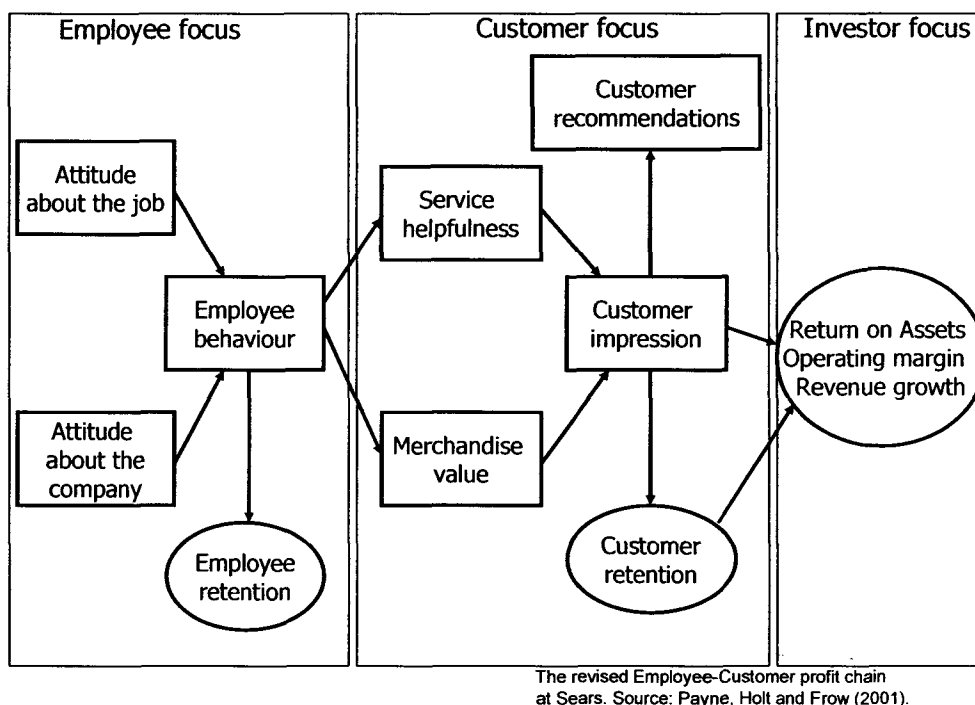


Figure 2.6: The employee–customer profit chain

Results of several studies suggest that vividly presented (face-to-face) information is more readily remembered and has more influence on judgement (Kisielius and Sternthal 1984; McGill and Anand 1989; Herr et al. 1991; Morris and Feldman 1996). While File et al. (1992) demonstrated that four dimensions of client participation in professional services – tangibility, empathy, attendance and meaningful interaction – are highly predictive of both positive WOM and new client referrals, Pugh (2001) showed that as much as 30 per cent of the variance of WOM intentions can result from customers’ reaction to emotions displayed by employees. Similarly, the empirical study by Yu and Dean (2001) established that positive emotions are an important predictor of positive WOM (as a way of sharing the positive experience). In fact, when customers are in more positive affective states or ‘emotional expressiveness’ they rate service quality higher, which may result in higher satisfaction levels and higher WOM (Mattila 2001).

2.6 Corporate understanding of WOM

Evidence that WOM is stimulated by means other than service quality of customer satisfaction is outlined in the following analysis of the literature, demonstrating WOM effects on corporate reputation and image and the non-customer WOM advocacy effect.

2.6.1 Corporate reputation and WOM

On an organisation level, image has been defined as perceptions of the organisation reflected in the consumer's evaluation of any direct satisfaction in consumption (e.g. trial, usage) and indirect contact (advertising, WOM and brand reputation), as well as the associations held in consumer memory (Keller 1993, 1999). A favourable image and a customer's overall impression are both created by managing the corporate identity; the corporate identity provides the bridge linking strategy with company image and reputation (Keaveney and Hunt 1992; Balmer and Stotvig 1997). Thus these concepts, though different, are closely related, socially constructed organisational resources that include 1) organisational identity, usually defined as what insiders think about their organisation (Giola and Thomas 1996), 2) organisational image, defined as what insiders believe outsiders think about the organisation (Dutton et al. 1994), and 3) reputation, which concerns knowledge or experience of an organisation held by its stakeholders inferred from its past activities (Weigelt and Camerer 1988), developed over time (Balmer and Stotvig 1997). Reputation can be important in consumer's service evaluations. Bharadwaj et al. (1993) argue that when buyers cannot easily evaluate the qualities and value of a service or capabilities of a service provider, then reputation, stimulated predominantly by positive WOM, may serve as an important proxy for more detailed evaluation.

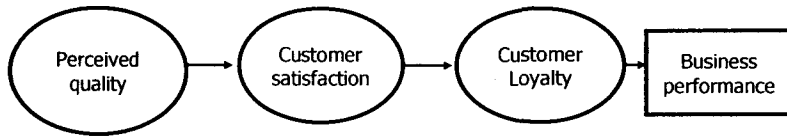
Deshpandé (2002) argues that brands and their reputation are images created in the consumer's head, largely formed by what people say. On the other hand, a firm's corporate identity, image and reputation – or, more broadly, corporate associations (Fombrun and Shanley 1990; Brown and Dacin 1997) – are conveyed to consumers through a variety of communicators (Whetten and Godfrey 1998). These lines of communication fall into two types: first, company-manipulated initiatives including press releases, company documentation such as annual reports, signs and symbols,

logos, and the appearance of corporate buildings; and second, external communicators of identity such as media, customers, monitoring groups and channel members, which are not entirely influenced by the company (Albert and Whetten 1985; Bhattacharya and Sen 2003).

Cornelissen (2000) views both the organisation's communications and its behaviour – including what it does not do (Shultz and Hatch 1997) – as messages that form the company's reputation. Cornelissen lists three message sources that can be influenced by the organisation: 1) the actions of related businesses 2) the various media the organisation attempts to control, and 3) interpersonal encounters of WOM. Cornellison quotes Buttle (1998), stating WOM is widely held to be independent of corporate communication, though in practice managers propagate beneficial information through their public relations departments. This information is then disseminated through personal and corporate networks, helping shape the corporate reputation and image (Deshpandé 2002). Thus WOM is associated with image and reputation. Furthermore, the purchase behaviour of potential consumers – especially those who have no experience of the product or service – can also be influenced by any of these three means.

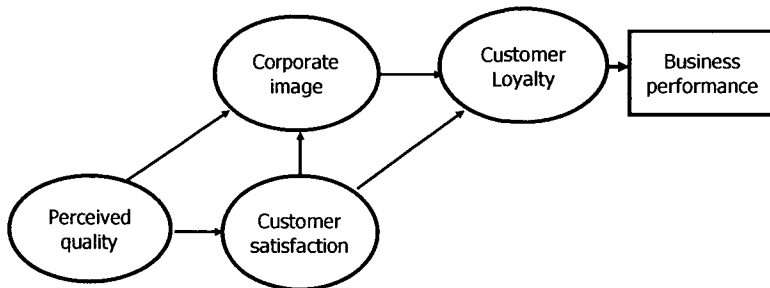
Several researchers claim that corporate image is a function of the cumulative effect on customer satisfaction or dissatisfaction (Bolton and Drew 1991; Fornell and Wernerfelt 1992). Andreassen and Linsdestad (1998) also argue that corporate image has a halo effect on customers' satisfaction judgement. These authors' research has established that corporate image has a strong impact on customer satisfaction and loyalty (Figure 2.6), described as 'repurchase probability' and 'likelihood of providing positive WOM', and that corporate image can be a strong driver of future intentions to purchase, especially amongst those with low service expertise. Thus these authors challenge the disconfirmation paradigm (e.g. Oliver 1997; see Figure 2.7 for comparison) and the role of service-driven customer satisfaction in stimulating purchase.

1. The impact of, service quality, satisfaction and image on performance



(Source: Oliver 1980).

2. The impact of corporate image on quality, customer satisfaction and loyalty



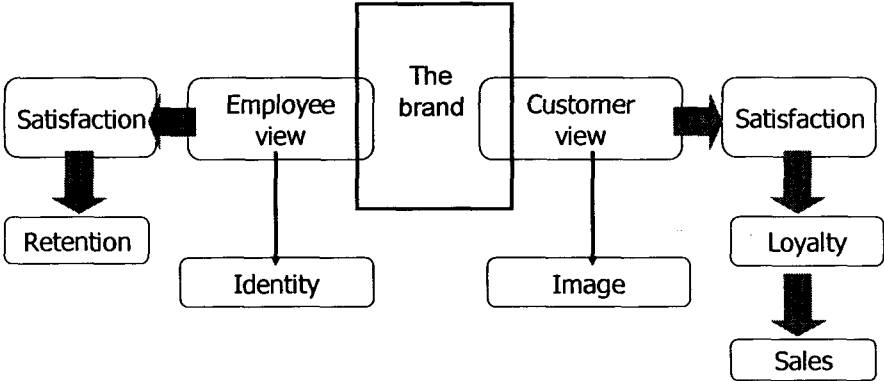
(Source: Andreassen & Lindestad 1998).

Figure 2.7: The corporate image effect on customer satisfaction and loyalty

Anderson and Sullivan (1993) found that providing consistent high customer satisfaction builds a long-run reputation effect that insulates firms from consumer switching. The investigations of Reuber and Fischer (2005) with CEOs showed that a firm's reputation and WOM also depend on customer satisfaction. These results support the findings of Davies et al. (2003) who argue 'what matters is the actual experience, and the match between it and our expectations. Get both right and a good reputation is guaranteed' (p. 64). Thus in exceeding customers' expectations, customer satisfaction is achieved, WOM is uttered and reputations can be built. Davies et al. (2003) illustrated their view of how corporate reputations are built through both customer and employee, in that the employees' satisfaction impacts on retention and their identity, while customers' satisfaction impacts customer loyalty and their image towards the organisation (see Figure 2.8).

So while customer satisfaction is integral to WOM output and forming an organisation's reputation, stimuli other than the quality of customer service should be taken into account when assessing the antecedents of WOM. These may include the company's communications and to those to whom it is directed; those communications that affect

image and reputation which could produce beneficial WOM. Thus a company's reputation can be formed through consumers' experiences, through communication deliberately influenced by the company to stimulate WOM and promote the firm and its brands (O'Cass and Grace 2004), and through informal dissemination not influenced by the marketer.



(Source: The Corporate Reputation Chain, Davies et al. 2003)

Figure 2.8: The corporate reputation chain

Recently, the Internet has demonstrated how reputations can be built relatively quickly, and in this arena reputation has been described as ‘the evaluation of a firm by its stakeholders in terms of their affect, esteem and knowledge’ (Deephouse 2002, p. 11). However, reputations can be equally easily destroyed. A single event can sweep aside years of ‘banked’ goodwill (Financial Times, 11 January 1992). Crises can seriously affect reputations and corporate image and can cost companies significant revenues. Sales of one of the world’s largest jewellery retailers, Ratner Group, went from sustained profits to significant losses when their chairman’s comment at a business conference that they sold ‘total crap’ was published on the front page of the Sun newspaper (Peck et al. 1999, p. 249). The losses continued for some time, fuelled by

regular press attention to the falling profitability. Sales of Shell petrochemicals fell an estimated 20–50 per cent when it was proposed that the Brent Spar oil platform be dumped in the North Sea, and press coverage led to environmental boycotts, adding to the public controversy (Livesey 2001).

Therefore corporate associations, such as corporate image and reputation, are important in the overall evaluation of a company and its services (Grönroos 1984; Bitner 1990; Gummeson and Grönroos 1998) and organisational success, such as patronage (Granbois 1981). The study by Boyd et al. (1994) showed that the most important criterion for customers' selection of a bank is its reputation. Similarly, Bloemer et al. (1998) found that the bank's corporate image determines the nature of the consumer expectations which, in turn, are a decisive influence on the formation of quality perceptions, and that image, quality and satisfaction all influence customer patronisation. Levy (1995) noted corporate image associations are especially relevant in higher risk product categories (Rossiter and Percy 1996; Dowling 2004) and, in particular, in the consideration of innovations (Gurhan-Canli and Batra 2004), such as more expensive or higher technology (Aaker 2004).

This also holds true for less well known products or when the product is of the experience type or credence type (Batra and Sinha 2000), which includes services. Thus the importance of a firm's existing reputation in leveraging the equity of the parent brand provides credibility for the new introduction (Argenti and Druckenmiller 2004).

While Barnes and Kelloway (1980) found that the perceived reputation of the firm gives rise to attitudes for and against WOM utterance and negative attitudes, Theng Lau and Ng (2001) believe the firm's reputation is important when dealing with customer complaints. Therefore as companies seek sales and new customer acquisition and loyalty, they must consider the effect of WOM on organisational image, identity and reputation, and examine what the organisation may be doing to stimulate desirable conditions amongst the firm's various stakeholder groups, and in preventing damage from complaints or customer dissatisfaction and in planning for potential crises.

2.6.2 Non-customer advocacy

Though there appear to be similarities between brand loyalty, advocacy and commitment – and brand equity – some authors have distinguished between them. Lastovicka and Gardner (1979) consider brand commitment largely attitudinal. Debling (1999) views commitment as different to brand loyalty. She defines it as an attitudinal construct, whereas brand loyalty is the observed behaviour of repeated purchase of the same brand, which may or may not involve any particular commitment to a brand. She cites Knox (1996), who classifies brand commitment as the psychological (longer-term, deep rooted and evaluative) component of brand loyalty, of which WOM behaviour is a highly desirable outcome (Johnson et al. 1997). Though Debling (1999) explicated that WOM/advocacy is a strong behavioural characteristic of commitment, she concludes it is difficult to separate definitions of brand commitment from those of brand loyalty or involvement.

However, it appears that both consumers and non-consumers can be committed to an organisation to the extent of spreading WOM that benefits the organisation; thus advocacy does not necessarily include regular purchasing. These notions lead to the idea that advocates need not necessarily be customers. Prince and File (1994) examined WOM in the non-profit arena and found that WOM can be created through testimonials and endorsements from key influencer individuals; furthermore, companies may seek such individuals to actively deliver WOM or to serve as role models for those who would follow. These findings support those of Payne et al. (1999) in that non-customer key influencers can exist amongst the consuming public, in the media, amongst suppliers and other intermediaries, and they can have a significant effect on consumer purchasing habits. Therefore in these instances it could be argued that factors other than service quality and customer satisfaction, related to customer experience, can stimulate WOM.

These findings prompt one to ask, if no employee involvement is present, or when no purchasing or no direct customer experience have occurred, what encourages WOM amongst these advocates? Clearly, WOM advocacy for organisations is highly desirable and studies show that organisations could make greater efforts to identify advocates both within their customer bases and outside transactional boundaries. This research leads to questions regarding the impact of customer satisfaction processes and loyalty

programs on WOM, what levels of customer identification the organisation may be carrying out to effect customer cultivation and advocacy programs, if any, and what effect these may be having on customer retention or on customer acquisition.

2.7 Generation of positive WOM

The following analysis concerns motivations for giving WOM.

2.7.1 WOM stimulation factors

As the consequences of selecting the wrong service supplier can be severe (Berry 2000), service customers are especially eager for unbiased, experience-based information. The survey by Mangold et al. (1999) established ten contexts that lead to WOM; the most frequently identified reason (53 per cent) was the receiver's need for information. WOM coming from the giver – 'co-incidental WOM' –accounted for 18.4 per cent and was mostly negative. WOM stimulated by the giver's satisfaction or dissatisfaction accounted for 8.8 per cent of responses, while 6.5 per cent of cases arose from observation of a purchase which prompted WOM. Thus these authors concluded that the dominant WOM stimulus is the receiver's need for information rather than the communicator's level of satisfaction.

File et al. (1994) explored associations between the various states of WOM. They defined 'Input WOM' as pre-purchase WOM solicited from third parties, and 'Output WOM' as post-purchase WOM provided to third parties. Input WOM has been shown to influence a variety of conditions: awareness, expectations, perceptions, attitude, behavioural intention and actual behaviour (Buttle 1998), and it may be particularly significant for high risk or intangible-dominant products (File et al. 1994). In fact, East et al. (2005) demonstrated that sought advice has more impact than unsought advice and is 1.5 to 2.0 times more effective.

Thus it seems axiomatic that there are situations where WOM can be given voluntarily, and although receivers may not be in a position to use the information they may retain it. For example, Vilpponen et al. (2006) state that electronic referrals are usually

unsolicited, however, WOM within a search process is purposefully solicited. The analysis by Theng Lau and Ng (2001) has indicated different motivations among WOM askers (seeker), givers and receivers. This doctoral research has built upon this work and investigated the different motivations for WOM stimuli from and to the WOM communicator, the WOM receiver and the WOM seeker. The following sections describe previous studies in this area.

Motivations for the WOM Seeker (Input WOM)

The WOM seeker may have any of several motivations for actively pursuing Input WOM:

- perceived risk. Greater perceived risk of a purchase leads to higher WOM activity (Arndt 1967; Kiel and Layton 1981; Murray 1991), whereas lower risk purchase decisions are less influenced by WOM (Still et al. 1984)
- perceived expertise of the seeker. Potential consumers with little product knowledge feel compelled to seek advice (Furse et al. 1984) – and the greater the perceived expertise of the giver the more likely they will be asked (Mitchell and Dacin 1996). Conversely, those with higher product knowledge are less likely to seek advice (Bettman and Park 1980; Brucks 1985; Bloch et al. 1986; Gilly et al. 1998; Bansal and Voyer 2000)
- situational factors such as information accessibility (Dick et al. 1990) and the need for information (Mangold et al. 1999)
- decision making simplification or reduction of information processing, and decision anxiety (Duhan et al. 1997) or evaluation complexity (Bansal and Voyer 2000)
- homophily. Tie strength (Bristor 1990), or interpersonal relationships (Frenzen and Davis 1990), facilitated through networks and demographic factors (Brown and Reingen 1987).

Motivations for the WOM Giver

Similarly, the WOM giver or sender can be motivated in a number of ways:

- satisfaction of the service experience (Swan and Oliver 1989; Singh and Pandya 1991) and trust (Ranaweera and Prabhu 2003; Edwards 2006), including trust in the employee (Gremler et al. 2001)
- perceived value and quality (Hartline and Jones 1996; Oh 1999). The higher the perceived value, the greater the likelihood of uttering positive WOM
- perceived risk. Greater perceived risk can lead to lower levels of satisfaction and less willingness to generate WOM referrals (Mattilla 2001)
- perceived expertise (see also active WOM seeker), affected by greater awareness and knowledge (Yale and Gilly 1995; Mitchell and Dacin 1996; Gilly et al. 1998)
- personality. WOM is more likely to be given by those who are self confident (Cox and Bauer 1964; Bearden et al. 2001), persuasive (Cox and Bauer 1964; Friestad and Wright 1994), assertive (McAdams 1988; Reynolds and Beatty 1999; Engelland et al. 2001; Wilson 2002), sociable (Lawther 1978; Theng Lau and Ng 2001), socially confident (Paridon 2006), and innovative and novelty-seeking (Uray and Dedeoglu 1997). Similarly, those who are self-confident and assertive may more readily engage in negative WOM (Day 1978; Bearden et al. 1980), whereas introspective people may tend not to speak up when dissatisfied with a product, brand or service (Theng Lau and Ng 2001). Those with higher education and income are more predisposed to engage in WOM (Lam and Miserski 2005). A segment of shoppers described by Reynolds and Beatty (1999) as 'Happy Social Shoppers' engage in highest levels of WOM and are the most satisfied and loyal
- homophily. WOM can be influenced by personal connection (Money et al. 1998;), interpersonal influence (Price et al. 1987; Bearden and Etzel 1989; Bearden et al. 1989), closeness, intimacy, support and association; (Frenzen and Nakamoto 1993), social networks (Bayus 1985; Reingen 1986; Steyer et al. 2006), involvement with the purchase decision (Landon, 1977), involvement with the product (Richins and Root-Shaffer 1988; Fournier et al. 1998; Martin 1998; Morris and Martin 2000) and

involvement with the product category (Beatty et al. 1988) – self relevance to the product or service (Chung and Darke 2006)

- attitude of the communicator. Positive or negative WOM can be influenced by a desire to help others (Arndt 1967; Richins 1984), a need for self enhancement (Sundaram et al. 1998), a person's attitude towards complaining (Singh 1990), their social status and social power (Gatignon and Robertson 1985) or their social class (Hugstead et al. 1987)
- commitment to the relationship. WOM can be influenced by relationship continuity with a particular retailer (Gordon 1998), relationship proneness (Beatty et al. 1988) or a will for relationship maintenance (Harrison-Walker 2001)
- situational factors such as information accessibility (Dick et al. 1990; Herr et al. 1991). As accessibility increases, consumers are more likely to use WOM (Biehal and Chakravarti 1986; Wyer and Scrull 1986); the proximity of others during dissatisfaction will encourage negative WOM (Bell 1967; Bone 1992; Theng Lau and Ng 2001); store layout can influence WOM (Kim and Jin 2001)
- financial advantage. Many customers join network marketing organisations to make money from WOM referrals (Coughlan and Grayson 1998).

There is evidence that WOM may not need to be uttered at all (Hill 1989). WOM may lie in transmitted consumption or retinal interpretation. Slama and Wolfe (1999) believe that symbolic behaviour may be placed in the context of self presentation motives, including avoiding disapproval and gathering approval and as such acting as a proxy for WOM. This is reflected in our clothes, music and jobs, all of which without saying a word tells others how we want to be regarded. These external signs appraise us and construct our reputations (Hogan et al. 1985), which can help us in getting ahead and, no doubt, being heard. Cialdini (2001) suggests the principle of social proof can be used profitably, from the producers of sitcoms who use canned laughter, to advertisers employing celebrities and use of terms such as 'fastest growing' or 'largest selling'. They attempt to convince viewers directly that a product is good and need only say that 'many others think so, which seems proof enough to have listeners concur' (p. 101).

Motivations for the WOM Receiver

In the case of the WOM receiver, motivation to listen (and react) may be influenced by:

- perceived expertise, such as source credibility (Dichter 1966; Dholakia and Sternthal 1977; Rogers 1983; Robertson et al. 1984; Gilly et al. 1998; Boles 2000). However, there is less likelihood of WOM influence on those with unique training or unique position (Schiffman and Kanuk 1997) personality, such as pressure from authority (Milgram 1974, cited in Cialdini 2001) or persuasive power (DeVito 1997)
- perceived risk (Arndt 1967; Cox 1967; Murray 1991)
- homophily and interpersonal ties, such as tie strength between the WOM giver and receiver (Engel et al. 1986; Bansal and Voyer 2000; Gremler et al. 2001), networks and relationships within a social system (Brown and Reingen 1987; Bristor 1990; Swanson and Kelley 2001), friends and family (Arndt 1967; Bohlmann and Qualls 2001) or cultural norms and susceptibility to interpersonal influence (Bearden and Etzel 1989) – for example, developing strong emotional ties to products and services when they are signs of group membership (Tan and Dolich 1983) or conforming to accepted standards (Lascu and Zinkhan 1999). The consumer might submit to the judgement and recommendations of the group collectively voluntarily and willingly, based on the rewards of membership and potential friendships, for example, through goal orientation (Weight Watchers), proprietary accessories (Apple Computers), buying clubs (Uncle Sam's), lifestyle ownership (Harley Davidson Owners' Group or H.O.G. club members) (Oliver 1999). Sub-culture lifestyle statements through fashions and movements which create a 'street credibility', such as the prominence enjoyed by Dr Martens boot company for twenty years, can facilitate high WOM and consequently require less advertising by that firm (Marketing 2002). Chung and Darke (2006) have demonstrated how personal significance and self expression can positively bias the overall amount and valence of WOM. These findings are consistent with Dichter's (1966) suggestion that WOM is often a means of gaining attention, and showing connoisseurship
- characteristics of the product or buying situation, such as newness and novelty or innovation (Rogers 1983), and intangibility, mostly associated with services, (Zeithaml et al. 1993; Murray and Schlacter 1990; Zeithaml and Bitner 1996), prior knowledge (Sheth 1971) or circumstances where product information may be difficult or

impossible to obtain. The model of Herr et al. (1991) demonstrated how initial product information can influence both judgement and the perceived diagnosticity of subsequent information; the impact depends on the nature of prior experience, and the frequency and diagnosticity of the information (Christiansen and Tax 2000). In fact, negative or positive WOM may be mediated when assessments run counter to (previous) feelings towards a product (Wilson and Peterson 1989). However, the greater the number of sources, the more believable the WOM becomes (Balter and Buttmann 2005), even if the message is flawed.

	Motivations of the WOM asker/seeker	Motivations of the WOM giver	Motivations for the WOM receiver
Perceived value and quality		X	
Perceived risk	X	X	X
Perceived expertise /source credibility	X	X	X
Personality (of the giver)	X	X	X
Homophily - tie strength	X	X	X
Commitment to the relationship		X	
Trust in the employee		X	
Communicator's attitude		X	
Involvement with the purchase decision or the product	X	X	
Decision making simplification	X		
Situational factors	X	X	X
Financial advantage		X	

Table 2.1: Motivations of the WOM seeker, WOM giver and WOM receiver

Table 2.1 cross relates WOM motivations and illustrates that certain WOM characteristics are common to the giver of post-purchase (output) WOM, the WOM receiver and the ‘asker’ of pre-purchase (input) WOM. For instance, perceived risk or purchase anxiety, perceived expertise of the giver and relationship tie-strength appear to be important variables which are all shared. In experience goods, as WOM is a risk reliever (Wilkie 1990; Filser 1996), a risk reduction strategy may do much to reduce or eliminate the uncomfortable feeling of risk-exposure, particularly in expensive or technical products and services. However, not all authors’ findings can be so easily

described; for example, Sundarum (1998) gives multiple reasons for WOM. He says positive WOM occurs through altruism, product involvement, self-enhancement and in helping the organisation. Negative WOM episodes concern altruism, anxiety reduction, advice seeking and vengeance.

Sundarum (1998), also states that people talk in WOM episodes. These occur amongst certain people or groups with whom the giver (or seeker) has relationships, and within conversational subjects of interest, of which Carl (2006b) suggests the context could be mapped. The giver's personality can be a reason for giving WOM and can affect the WOM receiver, though the personal expertise factor of the giver appears more important to those seeking WOM. Certain types of people are also more prone to positive or negative WOM utterance. Thus processes for identifying and categorising individuals may be relevant for both input and output WOM. Therefore organisations need to be aware that different circumstances can produce different WOM effects. Because the relationship is important for consumers in many organisations, it may require relationship building and relationship resource management allocation (Reingen and Kernan 1986; Reichheld 1996; Buttle 2003). Financial advantage to give WOM via

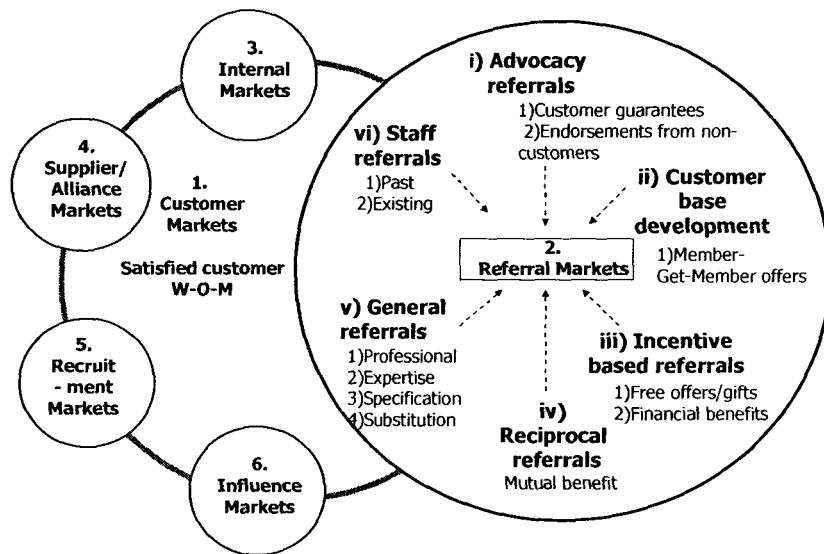
2.7.2 Networking

While eWOM is clearly conducted in a highly networked environment, many authors have endorsed the idea of WOM itself as a networking activity involving multiple recipients and senders (Brown and Reingen 1987; Heskett et al. 1997; Tullier 1998). Freeman (1979, p. 219) used the example of a communication network to describe the phenomenon: an actor with a high degree of centrality is a person 'in the thick of things', highly connected with many others, and this is a person who is 'a major channel of information' for other contacts. Heskett et al. (1990) contend networks are endemic to many services businesses. Swanson and Kelley (2001) agree in today's markets companies do not compete with companies; rather, networks compete with networks of friends, family co-workers and acquaintances, which in the future will be making buying decisions, based in part on the advice and recommendations of satisfied customers. Many authors believe WOM and social networks are synonymous. Gummesson (2002a) argues that WOM thrives on people's network of relationships. He

postulates that if society is a network of relationships and if business and marketing are subsets or properties of society, then there must also be networks of business relationships.

Gummesson (2002a) stresses the importance of relationships with the media, local governments, local trading bloc partners and others overseas. Inside the organisation internal customers and marketing management need to balance the relationships with key working partners and colleagues in manufacturing, accounting, personnel and other specialist functions. He states 'You need other market relationships to propel that success such as suppliers, other intermediaries and with competitors' (p. 346). These are sentiments supported by other authors who illustrate how cooperative relationships can deliver competitive advantages (Gruen 1975; Weitz et al. 2000). Misner and Davis (1998) suggest networks of suppliers and vendors to a service provider actively advocating the service provider. File and Prince (1992, 1994) have extended the exploration of WOM and referral networks to consideration of their role, importance and implications in non-profit settings. Here, trends demonstrate that informal networks are being supplemented by formal intermediaries and philanthropic advisors, as well as testimonials from key influencers. Rosso (1991) cites charities' use of specially recruited networks of influential volunteers who recruit donors from relationships forged amongst their own social networks.

The makeup of these networks has been explained by Christopher et al. (1991) and Peck et al. (1999), who specify relationships extending to a series of stakeholders or a number of distinct markets in these authors' Six Markets Model. This model concerns building and maintaining mutually beneficial networks of relationships in a variety of domains, not only in customer and referral markets (which may be end-users or intermediaries, and thus both customers and non-customers), but also supplier and alliance markets, forming a mutual referral partnership in a bi-lateral or multi-lateral form (see Figure 2.9). The Six Markets Model proposes six key market domains representing groups that can contribute towards organisational value in both business-to-consumer and business-to-business markets, and which are made up of a number of key participants:

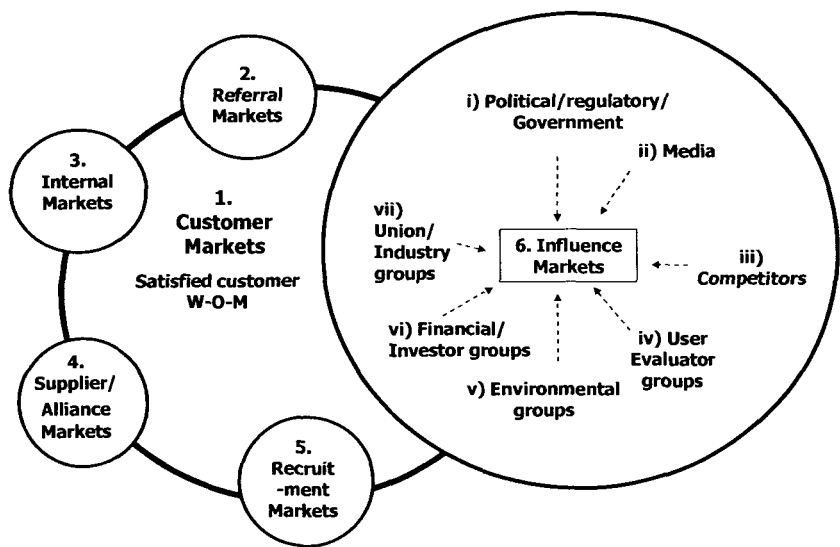


Source: Based on the Six Markets Model, Payne 1998

Figure 2.9: Referral Markets

1. Customer markets are made up of buyers, intermediaries and consumers.
2. Referral markets comprise customers who endorse or recommend the organisation to others, and non-customer referral sources. Customers may be encouraged to refer through replacement guarantees and Member-get-Member incentives. Referral markets are further divided into incentive-base referrals, reciprocal referrals, general referrals, and staff referrals (see Figure 2.9).
3. Internal markets are composed of employees. In terms of internal markets, WOM is the primary form of action in which organisation culture is expressed and reconstituted, and therefore has considerable impact upon the behaviour of employees (Buttle 1998).
4. Supplier and alliance markets supply competencies and capabilities and can form cooperative relationships, struck to gain access to each others' customers (Payne 1995). Supplier markets are distinguished by their connection through supply of goods or services. Alliance markets are those with whom the organisation has some form of strategic alliance.

5. Recruitment markets concern employees. WOM amongst peers can be important in attracting new employees.



Source: Based on the Six Markets Model, Payne 1998

Figure 2.10: Influence Markets

6. Influence markets (Figure 2.10) have the most divergent range of constituent groups. These include regulatory bodies, industry bodies, press and media, user and evaluator groups, environmental groups, political and government agencies, and competitors, as well as financial and investor groups and unions (Peck et al. 1999).

2.7.3 Opinion leaders

Certain consumers within a dyad have more power to generate WOM than others and in a network they can have a heightened effect. The ‘two-step flow’ of communication hypothesis (Katz 1957) suggests that marketer-influenced mediated communication flows to opinion leaders who, in turn, communicate it through WOM to their peers, thereby influencing their attitudes and behaviours and accelerating the diffusion of innovations and information (Katz and Lazarsfeld 1955). These authors differentiated between fashion opinion leaders, public affairs opinion leaders and movie-going

opinion leaders. Their findings have led to opinion leaders in the retailing context being referred to as 'market mavens' (Fieck and Price 1987).

Price et al. (1987) referred to mavens as 'smart shoppers' because they found that market mavens are more likely than other consumers to use shopping lists, advertisements and coupons. They tend to initiate conversations with other consumers, taking special delight in responding to requests for market information (Price et al. 1988). In retail settings, because of their information digestion through direct mail and media advertising they impart a large amount of information to others via WOM (Fieck and Price 1987; Slama and Williams 1990) and eWOM (Wiedmann et al. 2001). They buy new products and combine this with an assertive, independent, inquiring mindset and value consciousness, thus influencing perceptions of service quality (Engelland et al. 2001). These innovators break the ice and help promote the product to later adopters by spreading WOM and legitimising the product for other consumers (Uray and Dedeoglu 1997). Gelb and Johnson (1995) noted that 'not only does the market maven prompt WOM, but those with links to such individuals are disproportionately likely to act upon what they are told' (p. 56), and that they are likely to be found in volunteer leadership roles, with implications in a non-profit context.

McKenna (1991) considers that 'the 10% influence the other 90%' (p. 59). He worked primarily in B2B in the high-tech sector, and demonstrated how the computer industry grew in the 1980s and 1990s through relatively small numbers of selected opinion leaders in the press and the industry itself – the latter as knowledgeable experts – who 'spread the word', often via Internet. In this context McKenna (1991) advised launching a new (software) technological innovation initially by trade press exposure to start WOM, a strategy endorsed by Mancusco (1969) and Vernet (2004) and then, in turn, to opinion luminaries, financial analysts, dealers and finally to customers. Such active WOM practices in the software industry have been noted by Mahjan and Muller (1998).

According to over 30 years of NOP World research and more than 250 studies 'Influentials' are the one in ten Americans who tell the other nine how to vote, where to eat and what to buy. These people, whether called opinion leaders or influentials, lead the formation of attitudes, public knowledge, and opinions (Keller and Berry 2003). Opinion leadership theory has many implications for advertising and marketing. Opinion leadership can affect diffusion of innovation, product interest and trial. These

leaders will aggressively seek information, as they will talk about products with others and solicit others’ opinions too (Solomon 1994 p. 386). They are innovative and active communicators. Furthermore, they are seen as having ‘expert power’, because they are technically competent and convincing (Rogers 1983). They are attributed social power due to their standing in the community (Solomon 1994 p. 385), and with hands-on experience this makes them more likely to give either positive or negative information about a product’s performance. Finally, they have referent power since they tend to be homophilous or similar in terms of education, social status and beliefs with their opinion-seeking counterparts (Rogers 1983; Weimann et al. 2007). In 1999, Burson-Marsteller and Roper Starch Worldwide coined the term ‘e-fluentials’ to describe those opinion leaders who spread information via the Internet. e-fluentials represent about 11 million Americans, with each potentially influencing up to 14 people (Burson-Marsteller, 2001). Given a much greater Internet penetration, higher rate of computer literacy, and more user-friendly tools, e-fluentials are likely involve a much larger portion of society today. The exponential growth of social networking environments such as MySpace is a pioneering example of the multiplier effect of online WOM. As a free website, MySpace approached 80 million members within three years of its 2003 launch, with a sign-up rate of two million per week (Bulik 2006; Rosenbush 2006). It has become one of the most popular places for teenagers and young adults to communicate, socialize, and express themselves by sharing profiles, photos, and music with friends or strangers (Sun et al. 2006).

	General Consumers	Influentials sm
Magazine	54%	61%
In Store	53%	58%
Television	53%	55%
Newspaper	47%	53%
Coupon, Discount	44%	49%
Radio	37%	44%
Web	35%	45%
Free Sample	31%	39%
Email	18%	26%

NB. Influentialssm includes opinion leaders and market mavens

Table 2.2: NOP World (2005) marketing and media WOM stimuli

The NOP World (2005) survey also established a number of advertising and marketing sources as stimuli for WOM (Table 2.2), in terms of print magazines being equally important to the point of sale, with television and newspapers stimuli coming next. However, they endorsed the importance of opinion leaders to WOM output and that amongst ‘influentials’, magazines and in store stimuli were magnified.

Though Budd (2001) endorses opinion leaders should be identified and marketed to, and placing marketing resources on the profitable innovator group is supported by Clark and Goldsmith (2005), Walker (2004) is sceptical about these peoples’ influence, believing their power lies in their place within the existing everyday relational network. Consequently, this doctoral research includes investigation of the effects, if any, of opinion leaders, their encouragement of the diffusion process (Mahajan et al. 1995), and their contribution or otherwise to the organisation’s success.

2.7.4 Strategies and schemes to increase WOM

An extensive review of the literature was undertaken to identify alternative strategies and schemes to increase WOM. The following key alternative were identified: the state of customer delight, advertising, innovations, special customer benefits, and CRC and MGM schemes, loyalty schemes, corporate sponsorships, and finally testimonials, endorsements and demonstrations.

Satisfaction not enough to create WOM

Simply satisfying customers may not be enough to keep customers, or to create WOM; as W. Edwards Deming (1986) espoused, ‘It will not suffice to have customers that are merely satisfied’. Jones and Sasser (1995) echoed Deming’s work, clarifying the relationship between satisfaction and performance and finding that, with rare exceptions, complete satisfaction is the key to securing customer loyalty and long-term financial performance. In fact, a number of authors are sceptical that customer satisfaction on its own is enough to create WOM from customers (Gremler and Brown 1996a; Reynolds and Beatty 1999; Gremler et al. 2001). While Durvasula et al. (2004) have found the relationship between customer satisfaction and willingness to

recommend relatively weak, Ranweera and Prabhu (2003) established that in certain industries, trust is essential to loyalty and WOM output.

Perhaps the greatest proponent of the 'satisfaction isn't enough' philosophy is Reichheld (1996). His work at Bain and Co. found that of those who claimed to be satisfied or very satisfied, 65–85 per cent will defect. Oliver (1999) found in the automobile industry only 30–40 per cent of satisfied customers return to buy the same make or model leading to the assumption that customers need to be more than satisfied in order to repurchase and display WOM behaviour. For instance, a national survey in the US of 814 banks, reported in the September 1999 edition of *Bank Marketing USA*, showed that WOM depends on customers being very satisfied, scoring at least 4 on a 0–6 scale. Similarly, data from Xerox and American Express also show that customers scoring only at the highest levels of satisfaction tend to be loyal purchasers and 'apostles', i.e., customers who encourage others to buy from the company (Tax and Brown 1998). Direct Bank, a completely branchless bank, receives around 30 per cent of new customers following a personal recommendation (Buttle 2004). Garland (2002) found that banks were more likely to attract new customers through positive WOM if existing customers experienced high level of satisfaction. These studies may confirm that higher levels of WOM reflect customer loyalty and attract new customers, whereas lack of WOM could indicate dissatisfaction and defection, and would certainly lead to loss of potential revenue from new customer (donor) acquisition (Newman and Pyne 1997).

Customer delight

To create higher levels of customer satisfaction, Wilson (1991) has suggested surprising customers, exceeding their expectations. Research at Roche Diagnostic Systems strongly points to satisfied business customers who display 'customer delight' offer significant business potential (Keiningham et al. 1999). Amongst consumers, Pine and Gilmore (2000) recommend staging 'memorable events' in order to stimulate greater loyalty and prompt referrals. Chase and Dasu (2001) believe last impressions – not first ones – are important as they stay in customers' memories, are referred back to and passed on to future customers. Exceeding customers' expectations may be viewed as

showing commitment towards them (Geller 1997; Buttle and Burton 2002; Buttle 2004). Indeed, the intensity of surprise is significantly correlated with the frequency of WOM; the greater the number of positive surprises – through unique consumer experiences – the more WOM will be spread (Derbaix and Vanhamme 2002). However, ‘you cannot strategise to delight customers if you do not know their expectations’ (Buttle 2003, p. 304) and thus without detailed customer knowledge a company’s customers may be better served by its competitors. Therefore, the idea that companies must go some way beyond satisfaction norms to keep customers and to stimulate WOM is accepted, but the level to which one must go to achieve that goal is as yet unquantified.

Advertising

The volume of WOM correlates significantly with consumer behaviour and sales (Bowman and Narayandas 2001; Anderson and Salisbury 2003). One reason WOM matters is its influence on consumer awareness (Van den Bulte and Lilien 2001). Godes and Mayzlin (2004) found the more conversation there is about a product, the more likely someone will be informed about it and sales will increase. In fact, researchers have identified a number of specific contexts that evoke consumer WOM. Frequent repetitive advertising can increase WOM (Bayus 1985), particularly in the absence of other information sources (Tax and Chandrashhekar 1992). Ambiguity in advertising matter may also provoke comment (King and Tinkham 1990). Buttle (1998) suggests these findings are in keeping with the advertising axiom that it is vital to create advertising high in ‘conversational value’, which is consistent with evidence that if an advertising message generates uncertainty about a product or service, consumers will seek WOM in order to reduce perceived risk (Smith and Swinyard 1982). However, in relatively low risk services, the power of WOM may be more to do with the actual volume generated, by both consumer and advertising sources, rather than WOM being a substitute for advertising (Liu 2006).

Innovations

Drucker (1954) equated innovation with business success – the corporate brand requires a reputation for innovation because this enhances credibility and makes acceptance of new products more likely. Evidence of a powerful role for WOM in the diffusion of innovations and on new product adoption is well documented (Mahajan et al. 1990), since awareness has to be built and consumers need information (Rogers 1983). WOM may also play an important role for consumers deciding whether to purchase a product they do not know well (Mahjan et al. 1984), and it may be more important than advertising in securing the decision to try the new product (Sheth 1971). Deshpandé (1999) believes that product innovation may be even more important than advertising in creating new customers, and value innovation can help take the company beyond competing, projecting it into the future.

Innovator firms bring a perception of having assets and capabilities to deliver value (Aaker 2004). High perceived value or exceptional new products and brands get talked about (Zeithaml 1990; Godin 1999), and if they get talked about, they have a better chance of being bought. A study by INSEAD demonstrated how innovative companies can spend significantly less on advertising, as through value innovation (incremental improvements in cost, quality or both) these firms ‘generate a lot of WOM praise’ (Kim and Mauborgne 1997, p. 173) Firms should, therefore, as Porter (2001) advises, put innovation at the centre of the marketing strategy. Once the idea is made irresistible to a few key influencers, they will help spread WOM (Kotler 2003a) and accelerate its acceptance, as well as reduce the brand’s promotional expenditure (Holmes and Lett 1977). Thus innovation and innovator companies would appear to be beneficiaries of WOM and their impact is considered in the current research.

Customer treatment benefits

Jones et al. (2002), supporting the findings of Beatty et al. (1996), Dwyer et al. (1987) and Guiltinan (1989), have placed high importance on special treatment prerequisites delivered by highly trained service personnel. Gwinner et al. (1998) established that relational benefits to long term customers – such as confidence benefits, social benefits and special treatment benefits – have valuable outcomes for the organisation including

loyalty, customer satisfaction and positive WOM. These authors observed that customers rate social benefits more highly than special treatment considerations from service firms. However, Hennig-Thurau et al. (2002) found that special treatment benefits have little direct influence on customer loyalty. An explanation for this contradiction comes from Barnes (1994), who stated that in the context of relationships between customers and service companies, it seems plausible that extrinsic incentives lead to a kind of 'temporary' loyalty, but these fail to contribute to the development of what can be called 'true relationships'. Thus customers motivated by special treatment may be loyal only until they receive a higher offer from a competitor (Fournier et al. 1998).

Within employee–customer relationships, Gremler and Gwinner (2000) have introduced the rapport construct. Rapport is described as the perception of customers having an enjoyable interaction with a service provider employee; and is similar in exchange relationships to such constructs as friendship, trust and advocacy (Gruen et al. 2000; Fullerton 2003). Gwinner and Brown (2001) showed rapport is significantly correlated with satisfaction, loyalty and WOM communication, their empirical study of bank and dental customers demonstrating that these bonds significantly correlated with WOM behaviour above and beyond the impact of customer satisfaction. Hennig-Thurau et al. (2002) endorsed the construct, pointing to the difficulty of an employee attempting to strike up a relationship or friendship with a customer; they consider a 'rapport' possibly more feasible than a relationship and also more desirable from the customer's viewpoint. In fact, many service firms have recognised and encouraged employees to foster relationships with the customer to gain their loyalty (Reynolds and Beatty 1999). Gremler and Brown (1999), citing Southwest Airlines' employee rapport policy, also suggest that in situations where rapport-building leads to referrals, management should train and reward employees for positive interpersonal behaviours with customers.

CRC and MGM schemes

WOM amongst consumers may also be affected by external factors such as incentives or customer referral campaigns (CRCs). Stokes and Lomax (2002) determined a small gift can improve recommendations. MGM schemes such as US telecom MCA's 'friends

and family' scheme was propelled by WOM (Cross and Smith 1996) gaining a significant share of the market. A number of companies have harnessed WOM by giving customers incentives to promote referral amongst their friends, including American Express, British Telecom and Freeman's Home Shopping (Buttle 1998). In a focused study on the benefits of embarking on CRCs, Helm and Schlei (1998) found that 52.8 per cent of surveyed managers claimed that CRCs were especially important in acquiring new customers. Verlegh et al. (2003) established that if the reward for participation is shared and seen to reward referrer and referred, the latter is more likely to accept the offer.

Mangold et al. (1999) believe there is a fine line between a fair incentive and exploitative friendship. Based on a small empirical sample, Ennew et al. (2000) cautioned that CRCs have limitations and that positive WOM may be better generated from good relationships and good service, rather than from incentives. For example, Ikea asked visitors to its website in its first San Francisco Bay area store to refer friends, for which the referrer would receive US\$5. Within a few days the site accumulated 75,000 names but the company had to desist when invasion of privacy complaints started rising (Greenguard 2000).

Loyalty schemes

Haywood (1989) indicated that WOM is contingent on forming a relationship and identifying the issues so managers can take appropriate action. He has provided a 13-point plan for the management of WOM through customer acquisition and indirectly through retention. Though Reinartz and Kumar (2002) confirmed that many companies justify their investments in loyalty programs through their loyal customers bringing new customers through WOM, Dowling and Uncles (1997) found no research evidence which links WOM with loyalty schemes. However, Biyalogorsky et al. (2001) noted the large-scale referral reward possibilities afforded by the Internet, and the fast growth of sites such as Amazon.com and eTour.com, a web guide to hobbies and specific interests, where more than 30 per cent of new members come through referral incentives. Issued to registered users, these referrals earn them loyalty points, which they trade for discounts and free merchandise (see, for example, Gallagher 2002;

Byalogorsky et al. 2001). Bolton et al. (2000) also determined that customers who are members of loyalty programs overlook or discount negative evaluations of the firm, when compared with their competition.

Corporate sponsorships

Customers seem to respond to social initiatives. Marketplace polls (e.g. The Corporate Social Ratings Monitor 2003) indicate a positive relationship between a company's CSR initiatives, company evaluations and product purchase decision-making (Brown and Dacin 1997). These include positive loyalty outcomes and consumers' willingness to engage in positive WOM amongst friends, family and colleagues. Even focus group participants acknowledge they support issues or causes by contributions of money or time and recommend participating organisations by WOM to their families and peers. Thus positive WOM is a key behavioural outcome of an individual's association with an organisation (Bhattacharya and Sen 2003).

Testimonials, endorsements and demonstrations

Testimonials are codified WOM, given by someone with experience with the product or service and who testifies its worth (Thomas 2004). Reuber and Fischer (2005) surveyed CEOs whose focus was on leveraging relationships amongst major players in industry groups through networking groups and associations. They recorded three types of reputational triggers amongst their respondent: formal testimonials, informal WOM and product and service demonstrations. Demonstrations provide direct experience with the company offerings (Reuber and Fischer 2005), which is highly influential in forming favourable attitudes (Singh et al. 2000). In fact, Holmes and Lett (1977) found product sampling creates WOM.

However, the most common way to signal reputation is a formal written testimonial, as the perceived quality of the advertiser is increased when promotional material contains endorsements from product users (Dean and Biswas 2001). Testimonials also have the advantage of reaching an audience more quickly than WOM referrals through a

particular customer's social network, and the company also has greater control over their content.

2.8 Negative WOM

2.8.1 What is negative WOM?

Both satisfaction and dissatisfaction are antecedents of WOM (Spreng et al. 1995), so from a marketing perspective WOM can be either positive or negative. Richins (1983) found that negative WOM is more likely to be uttered if the product that fails to satisfy is more costly. Just as positive WOM has been linked to satisfaction, negative WOM may stem from dissatisfaction with previous purchasing experiences (Brown and Beltramini 1989; Singh and Pandya 1991; Blodgett et al. 1993), and results in telling friends about an experience while urging them to avoid it (Day 1978). The tendency to engage in negative WOM has been related to both the level of dissatisfaction and the consumer's perception of how the retailer will respond to complaints (Richins 1983; Brown and Beltramini 1989); an inadequate response will tend to encourage negative WOM from customers (Richins 1983; Blodgett et al. 1993). Mangold et al. (1999) believe WOM in service companies is more likely to be negative. Emotions about the buying experience can trigger either negative or positive WOM (Engel et al. 1969), both directly and indirectly by influencing the consumer's level of satisfaction with the service or product (Westbrook 1987).

Negative criticism can be spread as easily as positive WOM recommendations. Negative WOM has been researched in purchasing contexts – such as cars (Swan and Oliver 1989; Wilson and Peterson 1989) and hotel accommodation (Cadotte and Turgeon 1988; Stokes and Lomax 2002) – as well as in non-profit organisations (Cermak et al. 1991) The NOP World WOM Study (2005) established that around 40 per cent of Americans share their negative opinions – about travel (51 per cent), health and fitness issues (50 per cent), technology (48 per cent), TV programs (46 per cent) and investments (41 per cent). Arndt (1967) found negative WOM retarded sales of a food product more than twice as strongly as positive WOM enhanced it. Negative WOM adversely affects positive WOM communication, by detracting from positive messaging. In fact, in the face of negative WOM positive WOM can be neutralised and

have no effect on product judgements (Herr et al. 1991), and diminishes brand attitudes (Gelb and Johnson 1995; Ennew et al. 2000), and the credibility of a company's advertising (Solomon 1998). Thus, negative WOM hampers the brand's acceptance (Holmes and Lett 1977) and the effects of positive WOM are reduced.

Richins (1987) argued that negative WOM will be communicated to a greater number of people than will positive WOM. Desatnick, (1987) citing research conducted by The White House Office of Consumer Affairs into customer choice, asserted that '90 per cent or more who are dissatisfied with the service they receive will not buy again or come back. Worse still, each of those unhappy customers will tell his or her story to at least nine other people, and 13 per cent of those unhappy former customers will tell their stories to more than twenty people'. In short, negative WOM, uttered by consumers dissatisfied with a service provider, is at least as powerful as positive WOM (Arndt 1967; TARP 1979; Blodgett et al. 1993; Mangold et al. 1999). These are views confirmed by TARP (1989), who reported that dissatisfied customers are likely to tell twice as many people as satisfied customers. Studies in Canada and Singapore found negative WOM respondents told a mean of five others, while 80 per cent of dissatisfied consumers told at least three others (Theng Lau and Ng 2001).

2.8.2 Service failures and complaint management

Singh (1988) and Nyer (1999) have linked dissatisfaction and negative WOM with customer complaints about service failures. The more customers are dissatisfied, the more they are inclined to switch companies and complain about their dissatisfaction to others (Zeelenberg and Pieters 1999). Service failures typically occur when service is delivered at an unacceptable level, or when the service requested has been delayed or made unavailable. Service failures have been shown to act as 'triggers' which accelerate customers' decision to terminate or transfer a service relationship (Crie 2003). For example, a study by Bolton (1998) established 45 per cent of consumers may switch service providers based on a single failure incident or deteriorating delivery. Keaveney's (1995) research showed 75 per cent of customers had told at least one other person about a service failure, though only 7 per cent had told the original service supplier (the small percentage of people complaining has also been identified by Singh

1990; Blodgett et al. 1993; Stokes and Lomax 2002). Keaveney discovered 85 per cent of dissatisfied customers switched providers; and in competitive industries these customers are likely to engage in negative WOM (Etzel and Silverman 1981; Fornell and Wernerfelt 1987; Blogett et al.1993; Spreng et al. 1995).

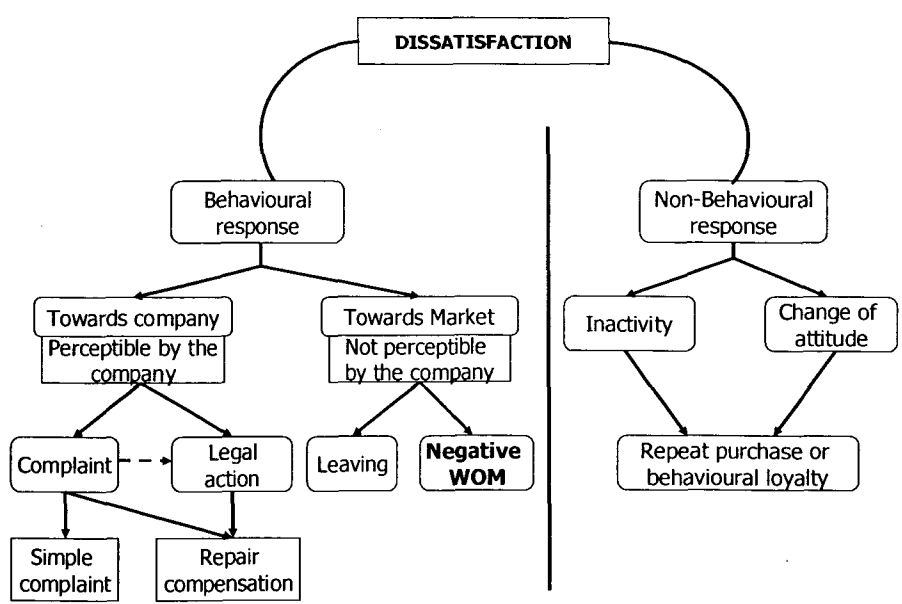
Service recovery refers to what an organisation does after service failure and how it goes about doing it (Levesque and McDougall 1996; 2000). One way of increasing a company's efforts in improving retention and to prevent significant customer losses (Folkes 1984; Folkes and Kotsos 1986) – given that it costs up to five times as much to recruit new customers as it does to keep current customers happy (Hart et al. 1990) – is to respond properly to service failures (Webster and Sundaram 1998).

Therefore customer loyalty relies on effective handling of customer complaints (Crie 2003) while customer relationship management focuses on a customer's needs in order to deliver high levels of customer satisfaction. Thus customer complaint behaviour (CCB) constitutes an important facet of the loyalty equation. CCB is a subset of all possible responses to perceived dissatisfaction around a purchase episode during consumption, or during possession of the goods or service. It also concerns the notion of protest or WOM communication or (negative) recommendation to third parties (Mooradian and Olver 1997) and even the notion of boycott (Crie 2003). Whatever the incidence of complaining behaviour and its onward transmission, Richins (1983) established that the frequency of complaints invariably underestimates real levels of consumer dissatisfaction and therefore the volume of negative WOM communications.

Verbal response is characterised by complaints towards the company and through friends and associates (Jacoby and Jaccard 1981). Buttle and Burton (2002) point to the findings of Hart et al. (1990) that, when complaints occur, 'more than half of efforts to respond to customer complaints reinforce negative reactions to the service' (p. 16). However, a number of studies show win-back is 50 per cent with customers whose problems have been resolved (Goodman and Ward 1993), and 70 per cent in Canada rising to 95 per cent for swift resolution (Hepworth and Mateus 1994).

Though companies build complaint management programs to receive complaint information and record complaints in a data warehouse, linking complaint and customer together in order to improve service quality (Buttle and Burton 2002), the majority of

customer complaints fail to reach the attention of senior management (Goodman and Ward 1993). As Crie (2003) describes (Figure 2.11), only part or some of the responses, divided into behavioural and non-behavioural responses, are perceptible to the company. They may vary from inactivity to legal action – either simply to express dissatisfaction or to obtain repair or compensation. Andreassen (1998) claims consumers take action over only a third of their problems and that 60 per cent of this action would be voiced, as opposed to exit. Jamieson (1994, p. 12) claims 70 per cent of dissatisfied customers do not complain to the company. However, Michelson (1999) claims this is higher at 96 per cent and of these 63 per cent defect.



(Source: Crie 2003 Consumer complaint behaviour)

Figure 2.11: Responses to dissatisfaction and complaint behaviour

Research into service failure and recovery strongly suggests that it is generally cost-effective for management to invest twice the profit margin associated with a sale to win back the customer (Fornell and Wernerfelt 1987). In fact, researchers have linked service recovery to consumer satisfaction (Bearden and Teel 1983; Gilly 1987; Tax et al. 1998; Goodwin and Ross 1992; Anderson and Sullivan 1993; Taylor and Baker

1994; McCollough and Berry 1996). Fisher et al. (1999) observed that sorting out complaints can bring considerable benefits, and may provide a company with a strategic advantage; for instance, a high degree of post-redress positive WOM, from complainers now satisfied, may result in goodwill that extends beyond the complainants themselves to their networks of friends, relatives and co-workers (Blodgett and Anderson 2000) and may, in a retail setting, attract other customers (Swanson and Kelley 2001).

Maxham (2001) examined the effects of differing levels of service recovery on consumer perceptions of satisfaction, purchase intentions and positive WOM, and found that in effective service recoveries, firms can maintain customer retention and loyalty and achieve an enhanced level of positive WOM intentions (Webster and Sundaram 1998; Smith et al. 1999). This outcome can result in higher profitability (Tax and Brown 1998), whilst reducing negative WOM (Blodgett et al. 1993). Thus dissatisfied customers may end up being more loyal as a result of the successful handling of the complaint, giving added weight to the ‘service recovery paradox’ of McCollough and Bharadwaj (1992). Thus proper recovery can satisfy two aims. Customer satisfaction can be restored and customer retention and loyalty maintained (Maxham 2001), which will promote referrals for future purchases (Goodwin and Ross 1992), while negative WOM can be reduced or neutralised, at least in face-to-face interactions (Blodgett et al. 1997; Matilla 2001).

However, Jones et al. (2000) noted that when dissatisfaction is an ongoing phenomenon, customers may remain loyal only because of the high barriers to switching. They may then engage in company-focused sabotage, such as negative WOM – what Jones and Sasser (1995) term ‘terrorist’ customers. Distinct threats are posed to companies with high percentages of dissatisfied customers (Jones and Sasser 1995; Aspinall et al. 2001) due to the destructive impact of former dissatisfied customers who warn others not to do business with them (Fisher et al. 1999). Furthermore, there are indications that the more loyal a customer is, the more likely they will complain, results reflected by Reinartz and Kumar (2002), contrary to customers with little to lose (Bolton 1998). In fact, Goodman and Ward’s (1993) US Office of Consumer Affairs study found loyal customers can display more disloyal behaviour than complaining dissatisfied customers, when problems remained unresolved (Buttle and Burton 2002).

Thus Buttle (2004) argues negative WOM can be influential, and companies should develop a complaints management process (integrated with CRM systems) to take a positive view of customer complaints and win back disaffected customers. Dissatisfied customers need to be able to complain directly to the company, in order that remedial action and negative WOM reduction strategies can be undertaken (Theng Lau and Ng 2001). These strategies include developing appropriate organisational processes (Stokes and Lomas 2002), which effect quick solutions that can facilitate service recovery (Shapiro et al. 2002) and lead to minimisation of negative WOM. In fact, re-patronage intentions and WOM behaviour have been found to be positively influenced by apology, or (financial) incentives (Theng Lau and Ng 2001), perceptions of fairness (Tax et al. 1998), or justice (Blodgett et al. 1993; Blodgett et al. 1997; Saxby et al. 2000). Buttle and Burton (2002) urge that the firm creates a powerful belief that the customer will receive justice. However, regardless of whether justice is received, intentions to patronise are not as great as with those who have never experienced problems (Zeithaml and Bitner 1996). Therefore the current study investigates the researched organisations' defection record, their customer complaint behaviour management processes, service recovery win-back processes, and what they deemed beneficial in the control of customer dissatisfaction and negative WOM.

2.8.3 Negative WOM on the web

Whilst eWOM can be an advantage to an organisation, this is not necessarily always the case. New technologies, like MySimon, allow companies and customers to carry out comparison pricing across the Internet, making it easy for them to contest the price they are being offered and to purchase where the price is cheaper (Deshpandé 2002). Auction and exchange websites, such as eBay in the business-to-consumer world and Freemarkets online in the business-to-business world, are in the business of setting up communities of networks which help consumers and organisations buy products at competitive prices. However, spurious negative WOM information can occur (Hagel and Armstrong 1997; Strauss 1997; Deshpandé 2002). The Internet's discussion groups provide networking that can quickly affect a firm's fortunes. For example, Intel found out quickly – but not quickly enough – of the information that fuelled negative

expectations and a market crisis towards their new Pentium processor (Fournier et al. 1998).

Hughes (2005) suggests the threat of negative WOM or 'bad buzz' can multiply from only a handful of dissatisfied customer cases to 100,000 people via Internet discussions, confirmed by Jeff Bezos CEO of Amazon, who said 'if you disappoint a customer on the Internet they are capable of telling 5,000 to 50,000 people' (Spector 2000, p 149). A number of 'hate' sites illustrate the capacity for online negative talk (Buttle 1998), such as litigation against McDonald's (Helm 2000) and sites like www.complaint.com, www.EllensPoison.Pen.com – and Australian site crikey.com – which can shame offenders into remunerative action. While they may be positive for the customer they can be punitively negative for the company.

Other sites aimed directly at the organisations themselves include <http://www.amexsux.com> and <http://paypalsucks.com>, and other corporate complaint websites, whose specific aim being the fomenting of negative communication about organizations have sprung up. These are the Internet version of consumer complainers. Propelled by activists, these complainers, under threat of wholesale transmission, will pursue their goals until a wronged party gets satisfaction (Sterne 2001).

While research suggests use is low, when respondents are aware of them they are more likely to use them, thereby exposing themselves to negative company information which could influence their perceptions of certain companies, information which might be passed on within their communities (Bailey 2004).

Marketing practitioners, Hart and Blackshaw (2006), have coined the acronym CGM or Customer Generated Media to describe the input WOM (or eWOM) effect as it occurs online. They describe the consumer power made available through technology advancements, including the Internet and voice-over-Internet-protocol (VOIP), and the threat they pose to organisations. They attribute CGM's importance to 1) consumers wanting to learn about other purchasers' opinions (input WOM), and 2) the availability of CGM that consumers are interested in, the ease of finding it online, its impact on the on purchase decisions and the likelihood of consumers making CGM postings based on their own experiences. This they believe dramatically increases the influence of one consumer's opinions on another consumer's purchasing decisions. They cite the

influence of personal forums, including blogs and journals, message boards, pass-on emails, and Websites with less than flattering names such as Dellsucks.com and social networks like livejournal.com and Slashdot.com, which elevate and transmit anecdotes and experiences often accompanied with pictures, videos and audios (Bailey 2004), such as found on YouTube and Facebook, where mainstream media trawl for potential stories to publish across traditional media.

So while websites have the power to attract new customers through customer marketers and favourable blogs, negative online eWOM also poses a potential threat. Thus organisations are advised to monitor the media for positive comment and new customer prospects, as well as negative WOM diffusion. The current investigation therefore included both online and offline WOM customer acquisition and negative WOM processes.

2.9 WOM measurement

2.9.1 Customer satisfaction research

Despite widespread interest in understanding WOM activity, little attention has been given to measuring WOM directly. Traditionally in industry research, questions concerning WOM are found directly within the context of service quality or customer satisfaction measurement, and these have provided researchers with a proxy for the measure of customer loyalty: a customer's 'willingness to recommend a product or service'. In fact, much of the current knowledge of WOM comes as a by-product of customer satisfaction research (e.g. Oliver 1997, 1999), and the service quality measurement SERVQUAL model of Parasuraman et al. (1988). This model is now a widely used tool with good reliability for measuring customer perceptions of quality across service industries, including public sector agencies (Wisniewski and Donnelly 1996), and its use is commonly referred to in industry as customer satisfaction research. WOM acts as proxy in SERVQUAL's behavioural intention dimensions for loyalty towards an organisation (XYZ) and includes:

- saying positive things about XYZ to other people

- recommending XYZ to someone who seeks your advice
- encouraging friends and relatives to do business with XYZ.

However, these research models may not establish the significance of positive WOM. For instance, Dursvasula et al. (2004) used the SERVQUAL dimensions to investigate service quality in the context of insurance (described as low WOM) and stock-broking (high WOM, relying heavily on agent's advice); in both industries they found, while WOM may be associated with satisfaction and loyalty, the evidence was more strongly weighted to customer dissatisfaction, particularly in respect of defections that resulted from these organisations' unsatisfactory service delivery.

Other researchers have viewed WOM as a dyadic process and focused on measuring the communications of the WOM giver to the receiver (Brown and Beltramini 1989; Wilson and Peterson 1989; Herr et al. 1991). WOM's volume (measures of total amount of WOM interactions) and valence (the positive or negative nature of WOM interactions) are amongst the most important WOM attributes which have been researched, volume by Anderson (1998) and Bowman and Narayandas (2001) and valence by Neelamegham and Chintagunta (1999). Christiansen and Tax (2000) investigated whether the timing of WOM – immediately or over time – is critical. Reingen and Kernan (1986) used surveys to map an entire social network to determine how people are important in the referral process. Though Godes and Mayzlin (2004) questioned the data collection methodology for WOM, using the Internet they were able to measure WOM dispersal. However, these findings are difficult to relate to corporate situations or to estimate an individual customer's referral contribution, thus Pruden and Vavra (2004) have proposed a volumetric approach to measuring and managing WOM.

2.9.2 CRM measurement

Reichheld's (1996) prediction of company worth based on a customer-by-customer transactional evaluation, included calculation of their potential revenue streams and the individual customer's WOM referral. He explained that customers are more profitable over 'a lifetime of value' (LTV); base profits are complemented by profits from increased purchases and higher balances, profits from reduced operating costs, profits

from price premiums, and profits from positive customer WOM referrals and thus new customer acquisition. In fact, the customer value model of Hogan et al. (2004) points strongly to WOM as a vital component of the LTV calculation, and Brady (2000) found that LTV is employed to guide resource allocation, such as advertising. Payne and Holt (2001) describe customer lifetime value as CLTV, an identical construct to LTV. Payne et al.'s (2001) research of very senior managers representing the top 500 UK organisations found only 21 per cent measured CLTV, while 75 per cent had considered it. Aldrich (1999) investigated annual average lifetime value (AALTV) of non-profit mailing donors. Though he and Magson (1999) include WOM referral under the term 'reciprocal' acquisition, as part of the not-for profit donor equation, like Dwyer (1997), Blattberg et al. (2001) and Newton and Buttle (2002), they see LTV as a strategic marketing tool in the valuation of customer relationships. However, as a component of their customer value calculations none of these authors made mention of WOM referral contribution of the individual (donor) customer. However, Payne and Holt (2001) propose a *relationship value management framework* to encourage their readers to identify causal relationships and linkages between multiple stakeholders to make more sophisticated calculations across the whole customer value process.

In this regard Hallowell and Ruberto (2002) state WOM should be calculated individually, based on incremental profit from a customer recommending a service to others, which includes knowledge of 1) the gross profit of an average purchase (revenue minus variable cost), 2) the number of purchases an average customer makes each year, and 3) the number of years the average customer continues to make purchases. Helm (2003) enacted a series of models and scoring methods incorporating both monetary and non-monetary elements to discover WOM referral contribution and 'uncover the hidden treasures' of referrals of individual customers. Though she concluded it unlikely that a precise measure of referral can be established, she suggested that researchers aim for deeper insights and a clearer understanding of the value of the customer in terms of their referral value. Rust et al. (2004), calculating customer value, concurred that WOM effects are notoriously difficult to measure. However, Reichheld (2003) considers that WOM evaluation may be more important than those involved in customer evaluation may realise.

Reichheld (2003) believes that most measurement is erroneous, as it is complicated and therefore difficult to apply. He calls for more simplistic, effective measures. He says most industries, independent of size, show a strong correlation between a company's growth rate and the percentage of its customers who are enthusiasts or promoters, those who say they are extremely likely to recommend the company to a friend or colleague. He recommends tracking net promoters – the percentage of customers who are promoters of a brand or company, minus the percentage who are detractors or only passively loyal, who typically take a toll on employees and increase service costs. Aspinall et al. (2001) also believe it is vital that organisations evaluate their retention criteria to link categories of performance or products with actions in the market. They suggest asking questions such as 'the likelihood of spreading negative WOM communications' when service problems occur.

In order to simplify market research measures, Reichheld (2003) has employed the question of 'a customer's willingness to recommend a product or service to someone else', stating that the result can help focus employees on the task of growth stimulation of customer referrals. Reichheld advocates increasing the number of promoters and reducing the number of detractors, thereby companies can more readily track repurchase and referral and apply that to growth. Companies with the most enthusiastic customer referrals include eBay, Amazon and USAA, which receive net-promoter scores of 75 per cent to more than 80 per cent, the goal of companies aiming for world-class loyalty. Quoting work carried out at Enterprise Rent-A-Car, where measures of customer loyalty have been affected without the complexity of traditional customer surveys and median statistics with ambiguous implications, Reichheld says the only path to growth may lie in a company's ability to get its loyal customers to, in effect, become its marketing department. Measurement of their propensity to do that is therefore essential. This particular WOM metric has sparked considerable debate. These findings have been substantiated by researchers at the London School of Economics, who found companies in the UK with high net promoter scores out-performed their competitors, whereas those with low net promoter scores underperformed (Marsden et al. 2005), endorsing Reichheld's findings (Reichheld 2006; Netpromoter 2006). More recently, whilst Keiningham et al. (2007) have also noted the rate of adoption of the Net promoter score by senior executives, they question whether it is indeed the 'the single most reliable indicator of a company's ability to grow'. Their research, which compares Net Promoter

scores to American Customer Satisfaction Index scores, suggests that managers' adoption of the Net promoter measure may have been erroneous.

2.10 Organisational influence of WOM

Few organisations have harnessed the full potential of WOM (Buttle 1998), with only a small proportion of WOM communications stimulated by commercial efforts (Mangold et al. 1999). Furthermore, organisations arguably struggle to harness WOM through effective marketing programs (Grenler et al. 2001). This may be due to WOM being transmitted informally and imperfectly (Ahn and Suominen 2001), and quite inaccurately (Allport and Postman 1946), which, when combined with the widely held belief that WOM can be influenced but not controlled (Wilson 1991; Lovelock 1996; Williams and Moffit 1997), may further prejudice organisational employment of WOM. However, there is considerable evidence to suggest that WOM management may be more prevalent than has been revealed. In fact, the research of Mohr et al. (2005) identified the importance of WOM management to the introduction of new innovations.

File et al. (1994) demonstrated that WOM can be influenced, in the sense of the valence and volume of post-purchase WOM being affected by management efforts. These and other authors cite evidence of the measured impacts of complaints management processes and service recovery programs on WOM (Swanson and Kelley 2001). Others see unconditional service guarantees which facilitate risk reduction (e.g. US retailer Nordstrom: Peck et al. 1999) and post-purchase recovery WOM (Keaveney 1995) as clear evidence that management can influence the frequency and direction of WOM. It is possible that the direction and valence of WOM communications might vary depending on the cost of switching from an existing supplier, and thus management strategies for attracting new customers may revolve around manipulating actual and perceived switching costs (Jones et al. 2002).

Other evidence of management influenced WOM lies in relationship marketing proponents who advocate incentives to customers to recommend their friends and families (Buttle 1998; Stokes and Lomax 2002). Research by Coughlan and Grayson (1998) supports this third party influence on consumer purchase decision-making. These authors and Carl (2004) point out network organisations, such as Amway (Biggart

1989), direct selling operations and pyramid schemes (Fitzpatrick and Reynolds 1997) all thrive on attracting customers through organisational influenced WOM, primarily based on their ability to derive personal income from referrals and selling through networks of friends and acquaintances. Organisations also create reciprocal referral and supplier and alliance partnerships, which are struck to gain access to each others' customers (Payne et al. 1995). In fact, the research of Mohr et al. (2005) identified the importance of WOM management to the introduction of innovations, in which eWOM's role is of increasing influence (Steyer et al. 2006).

In addition to the research literature, a number of authors and practitioners believe WOM can be influenced and this includes incentives being given to teams of people to make recommendations (Walker 2004). Carl (2006b) researched the role of agents specially recruited to give WOM. He found that amongst approximately 75 per cent of the conversational partners (the people with whom the word-of-mouth marketing agents engaged in word-of-mouth communication), it did not matter that they were talking with someone affiliated with a marketing organisation. Therefore participation in an organisation influenced word-of-mouth marketing program does not necessarily undermine the effectiveness of word-of-mouth communication.

Misner and Davis (1998) claim in their opinion-based publication *Business by Referral* there is a systematic way to manage WOM and gain referrals. McCord (2007) demonstrates how selling methodologies can be made more productive by integrating referral techniques. A number of managerially-oriented books that are typically not based on rigorous research advocate using satisfied customers as a powerful way to spread the WOM story, stressing the wisdom of creating consumer and business relationships and using customers as advocates (Wilson 1994; Misner and Davis 1998; Silverman 2001; McConnell and Huba 2003). However, analysis of the primary and secondary themes of these authors (Table 2.3) demonstrates that recent emphasis has been focused on overt WOM manipulation through means other than WOM from satisfied customers. For instance, focus is given to attracting key customer influencers and opinion leaders and targeting their social networks (Balter and Butman 2005), while others concentrate on attracting mega (media) network hubs with compelling stories (Rosen 2000; Hughes 2005; McConnell and Huba 2003).

Title and author	Primary theme	Secondary theme
<i>Word Of Mouth Marketing</i> Wilson (1991, 1994, 2 nd edition)	Satisfied customers spread WOM	Angry customers, negative WOM control
<i>Business by Referral</i> Misner and Davis (1998)	Building satisfied (business) customer relationships creates WOM	Targeting individuals' connected networks
<i>The Anatomy of Buzz</i> Rosen (2000)	Targeting network hubs and influencers	Seeding of a compelling story, amongst mavens, in the media, and venues
<i>The Secrets of Word Of Mouth Marketing</i> Silverman (2001)	Satisfied customers spread WOM	Compelling story
<i>Creating customer evangelists</i> McConnell and Huba (2003)	Creating satisfied customer advocates	Targeting key media hubs including celebrities
<i>Grapevine – the Art of Word of Mouth Marketing</i> Balter and Butman (2005)	Targeting 'influentials' amongst customers	Compelling story
<i>Buzz Marketing</i> Hughes (2005)	Story content controversy online and offline	Targeting individuals' networks and mega hubs, i.e. media
<i>Creating a Million Dollar a Year Sales Income</i> Paul McCord (2007)	Sales success through client referrals	Generate referrals through integrating referral techniques with selling

Table 2.3: Selected WOM management books

Dye (2000) of McKinsey & Co has also put forward a formula for managing Buzz (or WOM): Explosive, Self-Generating Demand (ESGD), stating that buzz is increasingly the result of shrewd marketing tactics. It includes the seeding of a vanguard group, using celebrities to generate buzz, leveraging targeted lists, using enlightened media strategies, tapping into counter cultures, being responsive and fast to act and sometimes rationing supply of product or information. Thus in some instances the WOM effect occurs through a vacuum of information, and a stifling of WOM stimulation triggers, which Brown (2001) believes, though successful, are far from being customer centric.

It appears that consumers are becoming increasingly cynical about the true independence of third party advice (Culligan 1995; Vranica 2005). Thus the distinguishing characteristics of WOM's independence from the marketer are being

eroded. Today WOM is being incentivised and rewarded; other WOM is produced electronically. Companies are increasingly attempting to harness the power of WOM by intervening in the recommending process. Buttle (1998), in his treatise on WOM, characterised the phenomenon by stating 'perhaps all that distinguishes WOM is that it is uttered by sources who are assumed by receivers to be independent of corporate influence' (p. 243).

2.11 Chapter summary

The word-of-mouth literature has focused mainly on four topics: the antecedents of WOM, the consequences of WOM, the importance of social structure in the flow of WOM, and measurement issues. Research has largely neglected the issues of 'what kind of information do individuals tell (or ask) each other' (e.g. WOM content about reputation or image). In summary, the evidence collated from the research-based literature suggests that, for products and services which offer value and innovative solutions, WOM is becoming an even more important way in which consumers around the world seek answers to purchase choices. This may be due in part to an increasingly networked world, where technology offers closer connections to friends and work colleagues. On-line interaction and buzz between the parties may support off-line WOM. This may be having a greater effect on purchase choice within social groups. WOM, from the consumer's perspective is still considered independent of manipulation, and thus its integrity as an independent source remains intact. However, the lines between this 'pure' perception of WOM and organisational manipulation appear to becoming more blurred. WOM in a business-to-business context differs from consumer-generated WOM. Here, WOM is biased towards customer loyalty and advocacy where close relationships dominate, and referral may be more to do with the development of close ties.

From a research point of view the theory of WOM has been extensively studied since the 1950s. There are, however, gaps; particularly evident is the lack of research into the management of WOM. In fact, the weight of WOM understanding is biased towards professional rather than service settings. In general, marketing research has attempted to identify the antecedents of WOM – the factors that influence the level and direction of

WOM about a product, service or provider and the consequences of WOM – the behaviour of those who receive it and their awareness, beliefs, attitudes and actual decision-making.

As we can see, most recent WOM research has been conducted from a customer-to-customer perspective, even though WOM is found in many contexts such as influence, employee and recruitment markets. While at a minimum WOM requires the existence of sustained relationships between stakeholders, customers or employees, within a networked society WOM has emerged as a central phenomenon; through eWOM the dynamics of WOM are changing. In tandem with these events authors have claimed WOM can be influenced to the organisation's advantage, rather than being independent of the organisation. However, with the exception of research into customer dissatisfaction, which demonstrates limiting negative WOM, the literature provides little evidence on how WOM impacts organisations. Very little is known about how WOM processes work in organisations, their role in marketing strategies or the extent to which managers can influence this form of communication. Thus in the context of fundamental change, the effect of WOM can best be understood by investigating the application of WOM management in service settings.

