

## **5 Case study B**

This chapter contains the data analysed for the second case in this multiple case study.

### **5.1 The company**

Case Study B ('Brand X') is the Australian subsidiary of a large, worldwide financial services provider that markets credit cards and expense management systems within the consumer and business markets. The subsidiary manages over \$2,750 million in customer-annualised spend. It has facilities and sales offices throughout Australia, with the head office in Sydney, New South Wales.

Brand X agreed to participate in this research on condition that their identity, for competitive reasons, is not revealed and their anonymity remains preserved.

#### **5.1.1 Brand X and its markets**

The market is driven by the need for companies to manage their employees' corporate expenditures. Brand X provides ease of management and high quality data and financial controls. The service comes at a premium price but Brand X's expense information allows customers to manage employee expenses while it also facilitates employee compliance with the company's expense policies. Customers range from the small home office market to global corporations (Table 5.1), with Brand X facing competition from quite different companies in the various market segments.

Brand X's 'large market' consists of national and global corporations with turnovers of more than \$750 million. Brand X's 'middle market' includes companies with between 10 and approximately 1000 employees, or companies with a turnover of \$3 million to approximately \$750 million. Within their 'middle market', Brand X has three segments: small, middle and large, with estimated market share of 88%, 20% and 34%, respectively. Management see greatest potential in the 'mid middle market' sector, as the small market has a high penetration and smaller companies have less need of a

complicated service model. Brand X has one major competitor, XYZ organisation in the large market, and credit card providers headed by the banks competing in its other target markets.

Market size	Market sector/segment
Large market National and global corporations	Corporate accounts
Middle market \$3–750 million turnover 10–1000 employees	Large middle market 34% share
	Mid middle market 20% share <i>Most potential</i>
	Small middle market 88% share
Small market Small-office-home-office (SOHO)	Small accounts

Table 5.1: Brand X’s market sectors

For customers in its middle market and the larger end of its small business market, Brand X launched a co-branded corporate card in September 2003. This card, involving two brand partners sharing equal brand prominence on the card, faces intense competition from banks, particularly National Australia Bank and the ANZ bank, which both offer Visa and MasterCard solutions for business expense management.

*“Their natural first ‘port-of-call’ would be their bank.” (AA5 59-69)*

However, the Co-Brand Card has given Brand X a considerable differentiator against the XYZ organisation, in that corporate users receive a cash rebate on expenses for executive or employee travel. The Co-Brand partners have deeply embedded relationships. For example, Brand X has had a merchant agreement with the Co-Brand supplier who use the Brand X card amongst their employees, while both partners have a complexity of relationships and contracts within the travel business and across a range of other Brand X clients.

*“Prior to the launch in September we were on par with XYZ card. Our product offering was quite similar. Now with this feature that we’ve brought in, that’s our key differentiator.” (AA5 196)*

A recent confounding factor has emerged for Brand X, destabilising the Brand X – Co-Brand union. In the consumer market, the Co-Brand partner has recently launched a consumer Co-Brand Card with XYZ organisation. This has created uncertainty and negative WOM between the two parties. Therefore, relationships with their Co-Brand partner have become more complex.

*“...our consumer group were extremely upset when they (XYZ) launched the card because that really is in direct competition with Brand X.” (AA5 97-105)*

### **5.1.2 New customer acquisition**

Brand X has three major target audiences within its service repertoire, and high growth strategy for customer acquisition in each of its markets:

- merchants who employ the Brand X card in their business
- business decision- makers
- employees of the above companies who use the credit card for their business expenses.

Brand X account management team seeks new customers through the authorised signatories of target businesses, opening dialogue with the customer decision-maker or program administrator. The business credit card end-users are not deemed important to acquisition, though their satisfaction can be important to the account’s retention. Merchant acquisition is a separate activity.

Advertisements for Brand X appear in the print media, television, cinemas, outdoor posters and on the Internet. However, most of this advertising and associated PR is devoted to Brand X consumer communication, rather than Brand X Corporate Services, the focus of this investigation. Some executives believe this focus can work against

Brand X Corporate Services, whose budgets have rarely stretched to establishing an individual identity.

*“From a corporate services perspective, (domination of consumer communication rather than corporate) actually does a negative job as well, because it creates confusion.” (AA9 304)*

Brand X Corporate Services has a more focused customer acquisition strategy. It employs inter-company networking, sales force WOM networking and mass-mail marketing with telemarketing follow-up, with the objective of giving a new business presentation to prospects of the finance departments from the target organisation. The lists are scrubbed against the current customer base and prospects already in the pipeline, with Brand X's bank competitors screened out. Following the presentation and follow-up sales processes, as soon as a business signs a contract, Brand X engages an implementation team with customer personnel, building the relationship with both companies in a structured manner.

With corporate customers, Brand X works with the corporation's program administrator, who signs off on all cardholders and dictates each user's spending entitlements and limits. The selling process for this financial product is elongated, taking up to a year to fully integrate the customer and Brand X. This acquisition stage is crucial for developing the customer-firm relationship, and it strongly influences retention and add-on selling (Blattberg et al. 2000).

*“We have had a very structured process in place to getting that client up and running and going well for us. That can take anywhere between 1 and 12 months.” (AA7 198-216)*

In summary, Brand X Corporate Services has six new customer acquisition methods:

- international customer and inter-department (cross-selling) referral
- WOM through industry related partners and professional firms
- WOM networking through a field sales force whose primary objective is 'large' and 'large middle-market' customers, gained through their own customer networks and the networks of industry partners, particularly those in travel. This extends to

sponsorship of professional bodies, increasingly a function of marketing, rather than field sales networking

- an external (sales) channel that acquires ‘small middle-market’ customers
- the call centre telesales channel that supports the field force. If Brand X cannot close over the telephone they call upon a field person, who arranges the paperwork, signs up the customer, then picks up the agreement and passes it back to the telesales person, who then finalises the sale
- the search engines of the Internet, and the Brand X Australian website and its linked worldwide website.

### **5.1.3 Customer retention**

Customer relationships are managed through Brand X’s retention management team. Individual members and their financial department receive a monthly statement and can access this information through the Brand X website. Internally, the website provides program administrators with management information, such as monthly reports of card members’ expenditure, which can be used to compare current and previous monthly spending, for instance, or whether the expenditure is legitimate and conforms to the company’s own business rules. The client company has the option of waiving the employee’s rights and having the employee repay the account.

Other relationship management initiatives include telephone calls, email, separate mail-outs, and monthly invoice/statements for business customer cardholders. User enquiries are dealt with by Brand X’s low-cost call centre servicing channel.

*“We’ve taken the approach that telephone servicing is the way to go and we’re certainly able to service effectively 90% of our customers.” (AAI 200)*

## **5.2 Data collection**

Details of the research methodology were described in detail in Chapter 3. Data collection for Case Study B involved interviews, participant observation and analysis of documents. Data were collected in February, March and April 2005.

Eleven in-depth semi-structured interviews were conducted, with an average duration of one hour. Two additional call centre representatives took part in one call centre interview, taking the total number of interviewees to 13:

1. National Manager Corporate Purchasing Solutions Australia New Zealand, and previously Sales Manager Large Markets
2. Retention Manager, cards
3. Acquisition Manager, Asia Pacific
4. Call centre Manager/ Head of Operations
5. Call centre Team leader (1)
6. Call centre employee (2)
7. Team Leader, credit
8. Public relations and advertising executive
9. Market Research Manager
10. Manager Small Business Markets
11. Relationship Manager cards/Major accounts.

Participant observation involved the researcher observing a sales team meeting for the Sydney area, and noting the issues discussed, including the leader's approach towards relationships and sales objectives with prospects and amongst customers. Participants were aware of the researcher's role beforehand. The researcher also observed business practices whilst waiting for interviews.

Public and internal documents were collected during the data gathering process. Public documents are those available in the company websites, printed publications, and sales and marketing information. Internal documents include the company's new customer acquisition marketing plans, market size estimates, acquisition roles and responsibilities, middle market marketing strategy documents and launch timetables. In addition advertising commercials and viral email campaigns from the website were also downloaded and analysed.

The recorded interviews were fully transcribed. The notes from participant observation, general observation and pertinent parts of the documents reviewed were entered into a word-processor and subsequently encoded using NVivo 2.0, employing constructs and themes drawn from current knowledge of WOM extracted from the relevant literature.

Confidentiality was ensured by electronic records and information being password protected, and hard copies of documents being secured in a home-office locked filing cabinet.

### **5.3 Corporate understanding of WOM management**

Unlike their consumer product positioning where leisure and lifestyle play a central role, the Brand X Corporate Services product fills the distinct business need of corporate expenses management. Overall, Brand X executives believe that their customers, particularly in their 'large market' sector, have a conservative, rational, pragmatic outlook towards their heavy corporate fiduciary responsibility and are not prone to WOM referral.

*"...They do like to think of themselves as a little bit more rational, our loyal customers we're talking about giant corporations ... our loyal customer is someone senior in the finance line, spends the vast majority of the day wrapped up internally in their jobs and have limited opportunity to get out and talk to others." (AA7 222)*

Marketing executives believe the 'large market' and high-end 'mid market' customers are influenced more by company-originated communications and media communicated brand values than by peer group WOM. They believe 'large market' customer referral is

insignificant. In fact, the field force also has doubts as to how WOM from satisfied customers can be harnessed to affect new customer acquisition.

*“We do have a lot of satisfied customers. I’m not sure whether we’re building up opportunities for them. We could probably build in processes by which we create more opportunities for our customers to recommend (Brand X) to prospective customers.” (AA7 729-738)*

Customer retention executives for Brand X’s commercial card market have seen no evidence that corporate customers refer others, and so WOM does not form a part of Brand X’s current growth strategies.

*“I am not aware that our customers are recommending our products in the commercial space to non-customers. I receive no feedback directly from customers that says that they do it, and I see no feedback from our sales channel suggesting that it is a practice... that they do it.” (AA6 50-6/ 44-47)*

However, towards the lower segments of the ‘middle market’, Brand X executives accept that small business owners practise a significant amount of networking and tend to use WOM as a method of canvassing opinion amongst those whom they trust.

*“You are looking at a combination of web, certainly advertising has a certain sway. Perhaps as you get to the bottom end of my customer segment, WOM (from customers referring others) would have more sway.” (AA7 16-25 /AA9 87)*

### **5.3.1 WOM and customer acquisition**

WOM influences Brand X’s customer acquisition in Australia in five major ways: through the Internet, WOM networking, relationships with travel agencies, sponsorship, and by referral processes.

Internal research by the company has shown that over 65% of prospective customers use the anonymity of the Internet to gain an impression of the company, compare competitors’ products and initiate eWOM referrals. Brand X has acquired over 1000 business customers a year through the Internet.

*“The web acquires approximately 100 customers per month. I also know that in my business 67% of the potential customers do their research on the web.” (AA9 132)*



WOM networking by Brand X executives and the sales force – maintaining personal connections and fostering relationships with employees – can produce a stream of WOM referrals that lead to customer acquisition. In fact WOM networking and alliance partner WOM are the greater WOM contributors to customer acquisition in Brand X.

*“It’s a very touchy-feely kind of a customer generation process, very hands on, very much based on personal relationships.” (AA7 9-15)*

In contrast to the marketing department’s idea of WOM, which is firmly fixed in ‘satisfied customer WOM’, the field force believe their relationship with travel agencies is an increasing source of referral leads into corporate businesses in the ‘large’ and ‘middle’ market. Regardless of Brand X’s image or reputation, field force executives consider new customer acquisition depends heavily on their personal WOM networking and relationship efforts.

*“We have very good relationships with most of the large travel agencies that manage corporate accounts, they will ring one of those up and say ‘here’s a very good account - I’ll pass on an introduction (WOM)’. That’s an example of a channel that works well (for WOM).” (AA7 3-7)*

A major contribution to field force WOM networking has occurred through Brand X sponsorship of industry events in the travel and finance sectors, particularly amongst senior decision makers who attend financial management conferences. Increasingly, marketing is now becoming responsible for management of professional forum sponsorship and therefore activity that stimulates WOM.

*“In this particular space WOM would have its greatest impact in a forum-type situation, having customers speak to prospects ... has a significant impact.” (AA8 321-325)*

A significant volume of leads come to Brand X from referral processes within the organisation, such as Brand X’s own travel services business. This is known as ‘referral’ as well as ‘cross-selling’. In the Brand X ‘large market’, personal relationships of the field force and WOM networking have brought significant numbers of leads. Other WOM successes are in partnerships and reciprocal arrangements struck with corporate expense consultants involved in providing expense solutions, and referrals through a powerful Big Four accountancy firm that received outstanding service. Brand X’s many WOM networking referral processes are variously referred to by executives

as ‘advocacy’, ‘third-party introducers’ and ‘customer intros’. Such non-organisation referrals, the cross-referring of customers from one organisation to another, can significantly assist company performance (Buttle 1998).

*“Another team out there in Brand X that sells travel...they will refer (business) onto us. I distribute the lead to one of my guys – that’s what we call a cross-sell.” (AA7 452-508)*

The launch of the new Co-Brand Card, in tandem with improved customer service, has led to increased customer satisfaction, significant quantities of customer WOM referrals, and new customer acquisition. Referral from the Co-Brand partner’s sales team is occurring in increasing numbers. Therefore, these alliance partner opportunities have sparked a renewed focus on WOM referral from customer acquisition marketing management.

Overall, however, WOM is impeded in the Australian ‘large market’ because new customer acquisition tends to be a worldwide head office decision, with global customers governed by global contracts that are often five-year agreements. Large corporations find switching to Brand X prohibitively costly. Consequently, ‘mid market’ opportunities could be considered more lucrative for WOM recommendation although, conversely, ‘mid market’ customers are less likely to require the value that ‘large market’ customers see in Brand X’s expenses management package.

*“Global customers don’t change frequently because...we would typically sign up a contract for five years... the cost of changing to a much larger organisation compared to a smaller one is absolutely huge.” (AA1 222)*

### **5.3.2 WOM and customer satisfaction**

Customer service has been recognised as important by Brand X only within the last three years, following a direction from the United States head office to adopt a customer-focused, rather than sales, approach. Nevertheless, poor results during the last two years compared with Brand X’s Australian customers and Brand X experiences overseas have prompted US and local management to act. Major changes were made to service delivery processes, and action programs have been implemented and task forces created to specifically address customer satisfaction. However, despite these measures,

it appears that customer satisfaction has not reached sufficiently high levels to produce positive WOM.

*“As a result of last year’s study, we had a task force set up to develop action programs. As a result of the action workshops that were done, it was clear that our organisation was poorly equipped to meet the needs of ‘large’ markets, and it also was clear that there were issues with our service delivery side as well ... so they have instituted two major reform projects, forming an entire task force.” (AA0 34-41)*

As a consequence of task force initiatives in the quest for an increase in customer satisfaction, the company’s mission and vision statement have been revitalised. New customer service ‘100% customer satisfaction’ strategies have been implemented, such as the Global Leadership Team’s objectives and priorities, now permeating the organisation.

*“From what I have seen, (WOM) is now a key priority for what we called our GLT, which is our Global Leadership Team, in terms of ...creating advocacy and unbelievable ‘off the Richter scale customer satisfaction’, so they do that by looking at how we service our business and move away from the one size fits all, understanding that the 80/20 rule is even more ...within our business, so they have a look and see what we can do to deliver, create advocacy simply through delivering such high value, so that is starting to flow down through, cascade down through the business in terms of priority.” (AA5 123)*

The recent Co-Brand Card implementation has opened up a ‘middle market’ opportunity, in which Brand X has previously struggled. The new card, together with greater customer focus by the company, has resulted in noticeably more customer WOM referrals. More customers are talking about the benefits and referring their business owner friends to Brand X and the Co-Brand offer. Consequently, the new Co-Brand Card is beginning to signal a change towards management’s appreciation of WOM’s contribution to new customer acquisition amongst the company’s middle market such that marketing management are now keen to explore ways in which Brand X can harness it.

### **5.3.3 WOM and image**

WOM in Brand X is also recognised as being stimulated through communications in support of the company's image, particularly through public relations and advertising. Advertising has featured testimonials and celebrity endorsement, which Brand X have employed for over a generation to create WOM and new customer acquisition. Employees believe positive WOM from corporate sponsorship of worthy causes, such as victims of the South East Asian Tsunami, and employees' social cause involvement, heightens the company's image and adds to its reputation. The Brand X Public Affairs Department issues press releases and conducts public relations activity around these events, which stimulate WOM. While employees strongly link WOM and improved corporate image to advertising and public relations output, they don't believe the organisation does enough of the latter for the business-to-business division.

### **5.3.4 WOM vernacular**

WOM in Brand X is described differently across the organisation (Table 5.2). WOM is seen by senior management, customer service management and marketing management to be closely linked to customer service and new customer acquisition. However, the sales force are more likely to refer to WOM as 'referral' or 'customer testimonial' and 'customer advocacy' and other words which describe customer introductions.

They also describe WOM as being part of their networking processes in the quest for new customers, whereas the public relations and advertising team talk about press releases, PR stories and 'spin'. Negative WOM has more universal understanding. Such terms as 'complaints management', 'crisis management', 'damage control' 'bad publicity' and also 'media mayhem' punctuate the language of all managers. In fact, managers are able to explain escalation management and damage management processes and what the company does more easily than they are able to describe organisation-influenced positive WOM processes.

WOM taxonomy	Terms used by Case B
<b>Positive WOM</b>	
WOM Service delivery	'Customer WOM' 'Service satisfaction WOM' 'Advocacy'
Referral	'Referrals' 'Recommendations' 'Brand Champions' advocacy' 'Key influencers' 'Key advocates' 'Customer testimony' 'Introducers' 'Testimonial' 'Networking'
Communications	'Press releases' 'PR stories' 'Publicity' 'Spin' 'Crisis management'
<b>Negative WOM</b>	
Dissatisfied customers/donors	'Complaints Management' 'Bad service experience'
Non-resolved complaints	'Escalation Management'
Media comment	'Crisis Management' 'Media contagion' 'Bad publicity' 'Media mayhem'

**Table 5.2: WOM vernacular**

### 5.3.5 Negative WOM

Brand X management are significantly apprehensive of the outcomes of negative WOM, particularly negative WOM emanating from media comment when management are put under scrutiny. Brand X's Public Affairs Department is heavily involved in ameliorating negative publicity and negative WOM through media liaison. In fact, each department has established 'crisis management' plans to counteract the threat of negative publicity and the negative WOM effect.

*“It’s becoming more important to us that bad publicity is minimised and that a good spin is put on those issues.” (AA8 320)*

Brand X has more managed processes and strategies in place to control, suppress or ideally prevent negative WOM than it has for generating positive WOM. These include CRM systems and processes. To ensure fast resolution of complaints and to produce ‘Win-Win’ outcomes, customer service employees follow a set complaints regimen and have been specifically trained to deal with customer dissatisfaction. Crisis management strategies have been introduced to all departments with procedures for dealing with any escalation of customer dissatisfaction, leading ultimately to intermediation by senior management and Public Affairs engagement with the media in an attempt to lessen any potential damage to Brand X’s image through negative publicity and negative WOM.

All Brand X executives have been associated with WOM in its negative sense through customer referrals that have gone awry and have compromised the business. The organisation was shaken by a major negative WOM experience, when at the last minute Brand X lost to its competitor a tender it had been certain of winning, equal to approximately five per cent of Brand X’s then turnover, solely through a customer referee damning Brand X’s customer service. Brand X has continued to reel from this negative WOM experience.

Other negative WOM incidents circulating in the marketplace and put about by bank competitors have damaged Brand X’s image and new business success. Similarly, corporate WOM networked groups, which are seeking to benchmark Brand X and reduce costs, are threatening Brand X’s profitability. The Brand X field force collects and collates data about negative incidents and competitor information, which is sent to the international head office and collectively disseminated to Brand X subsidiaries worldwide. The company is taking the problem so seriously that it is deliberating on strategies and processes to counteract negative WOM regarding its capabilities.

### **5.3.5 WOM management**

Brand X marketing executives give WOM a low priority. Brand X operates on a profit-oriented regime; senior management want tangible evidence of a marketing strategy’s

return on investment and, as WOM has not been measured or attributed, WOM is currently not seen as particularly significant.

*“Our revenue performance, which chunks down into five or six revenue lines...finance always expects to see deliverables against that investment.” (AA6 23 /AA9 786-796)*

In fact, neither middle management nor senior executives have ways of relating to how WOM affects customer acquisition or retention, because the field forces take an undisciplined approach to new customer acquisition record-keeping.

*“We have coding systems or source codes. When it’s come as a referral ...it’s on-going education of our field reps in particular. They tend to use ‘other’ all the time.” (AA5 43-45)*

WOM in Brand X is thought to be extremely difficult to manage, even uncontrollable. They see WOM as being beyond their control, and they are sceptical regarding how referrals can be used positively to affect business performance. For instance, out of management control, advocates and the field forces’ special ‘mentors’, however keen to give WOM about Brand X, may not be in a position to effectively advocate Brand X. Thus Brand X managers have concerns about advocacy, particularly when the business model has changed and processes are very different from the recent past.

*“(I don’t want) my advocates and my mentors out there to sell it, because we always do a better job than they will.” (AA7 384-396).*

## **5.4 Objectives of WOM management**

The processes of WOM occur in most departments of the organisation. WOM occurs in customer acquisition through field sales and marketing management of alliance partner WOM processes, markedly with the Co Brand card offer. It occurs within customer service and the operations of Brand X call centres. It occurs in communications management in formation and defence of the company’s image through crisis management, and in media liaison particularly through the Brand X Public Affairs Department. Internally, the organisation’s identity is enhanced by employees thinking and saying good things about the organisation and its business. WOM occurs within the

market research function, in customer satisfaction measurement and the collection of competitor negative WOM incidents.

The objectives of positive WOM management	Case B
New customer acquisition, via advocacy, referrals, and alliances	*****
Reduced operating costs, through comparatively lower costs of new customer acquisition	***
Enhanced customer service delivery/ training	****
Enhancement of awareness of the organisation, its image and its services	***
Enhancement of the organisation's reputation	**
Increased purchaser confidence and reduction of purchase risk for prospects/via customer's personal testimonial	****

\* The more stars, the more important is WOM to the achievement of the objective

**Table 5.3: Objectives of positive WOM management in Brand X**

Brand X mentors are individuals within the travel agency arena who advise Brand X on particular market areas, or target customers where Brand X intelligence is lacking. This ‘inside’ information assists Brand X in putting together new business proposals that are more likely to succeed.

The objectives of negative WOM management	Case B
Reduction of impact of negative WOM from customer complaints	****
Reduction of impact of negative WOM on the organisation's image from media comment	*****
Increased relationship strength and loyalty through satisfactorily resolved complaints	**
Reduction of impact on the organisation's internal identity (employees) from adverse media comment	****
Reduction of impact on the organisation's reputation from adverse media comment	***
To counteract impact of competitors' negative WOM	**

\* The more stars, the more important is WOM to the achievement of the objective

**Table 5.4: Objectives of negative WOM in Brand X**



The objectives of positive and negative WOM management in Brand X are summarised in tables 5.3 and 5.4, respectively. Thus Brand X has much to gain from WOM management across the organisation, with benefits in five areas:

**1. acquiring new customers.** This can be achieved a number of ways:

- Brand X celebrity endorsed advertising – creates WOM and, from that, new customers
- WOM from satisfied customers – acquires new customers at cheaper cost than advertising or direct marketing
- Brand X international users' referral and key influencer advocacy – testimonials from Brand X customers are mandatory for new business presentations. Regular satisfied customer participation and testimonial endorsement is also used in industry group sponsored conferences and networking events where customer advocacy can act as a risk reliever
- WOM through solicited advice from users and others through the web
- WOM networking through Brand X field force's links with travel agency and advisor/mentors' advocacy
- WOM networking through sponsorship of industry bodies – for instance, incentivised referral through sponsorship of CPA's annual conference
- WOM through co-opting complementary service providers, particularly in the corporate finance arena, to recommend Brand X
- Alliance Partnerships are a major source of new customers. Brand X senior management and specialist departments seek brand name partners. This strategy is a major source of referral for Brand X.

**2. increasing awareness and enhancing the organisation's image.** The Brand X Public Affairs Department supplements advertising communications and is responsible for transmitting positive stories, designed to build the company's image through the media, particularly by PR that create positive WOM. Media liaison through building media relationships is an integral part of WOM management.

**3. reducing customer dissatisfaction.** As a consequence of customers' service delivery expectations not being met, negative WOM is strongly linked to customer dissatisfaction and complaint management. Speedy solutions and 'Win-Win' outcomes for both the organisation and the customer through complaint management is a high priority. In an effort to improve customer satisfaction and retain customers, customer service training focuses on WOM outcomes.

**4. protecting the organisation's public image and its identity amongst employees.** When Brand X comes under threat or the reality of media criticism, and negative WOM, Brand X's 'crisis management' internal and external procedures are instigated.

**5. attempting to thwart the efforts of competitors** who are using negative WOM to frustrate Brand X's lead generation. Brand X research department collects and disseminates information and negative WOM defensive tactics from around the world.

## **5.5 Generation of positive WOM**

It is generally recognised that WOM is a contributor in many industries to new customer acquisition. This is also the case for Brand X, despite past service delivery problems causing some executives to be sceptical of Brand X's fortunes in this regard. Revived emphasis on customer satisfaction and the implementation of CRM processes and systems is changing customer satisfaction and anticipated WOM output, particularly within the call centres. WOM is also a product of advertising and PR communications enhancing awareness and the organisation's image and reputation. However, a significant effect on new customer acquisition is made by the field force, where WOM networking processes are pronounced.

### **5.5.1 WOM and customer satisfaction**

#### ***Service quality***

Company research shows service quality is essential for customer satisfaction that leads to WOM recommendation. Management aims to have all aspects of Brand X's service –

easy access and timely, correct information for customers –working well in concert, resulting in customer satisfaction and WOM generation (See Table 5.5, Customer Markets).

*“In focus groups people would say ... ‘I recommended you, because the information that I get from you is consistently correct, it is on time, it is highly usable, I can download it into my business systems and when I phone you I talk to someone the first time’.” (AA3 66-68)*

‘First time’ service excellence and speedy problem solving are seen as the keys to generating positive WOM (See Table 5.5, Customer Markets – Customer Service recovery WOM).

*“In Brand X’s case, (to get people to recommend you) you have to provide very good service.” (AA4 378)*

*“In Brand X’s case, (to get people to recommend you) you have to provide very good service the first time and to solve problems quickly because our position in the market place is premium service, premium value, value that it is different to what else is available.” (AA3 63)*

Customers want Brand X employees to listen, be honest and tell the truth, which will allow executives to be proactive in improving the customer’s business processes, so that the same issues will not recur.

*“Customers want truth. They want to be able to express their request, for it to be understood in the immediate first time resolution. They also want us to be proactive, to not just see their first issue resolved...They would like to see us make recommendations to improve upon existing processes.” (AA8 81-87)*

Positive WOM is more likely if customers are able to form a long-term relationship with a Brand X employee they trust. Thus a requirement for WOM is personal trust and strong relationships.

*“(WOM) would be relevant to how long they have been a customer and how long we’ve dealt with that individual... my first role is to gain their trust...to demonstrate my responsibility and gain their trust.” (AA8 213-215)*

### **Company processes to improve service quality**

Monitoring over the past two years has shown low levels of customer satisfaction. Customers' high opinions of the brand have not been matched by service delivery. Brand X USA is demanding a more customer-focused philosophy and has introduced programs to retrain employees and customers into Brand X's new methods of doing business.

*"There's been recently a new strategic direction that's come down from the US that mandated that we are now customer service focused... And we've changed our name from 'Operational Servicing and Support' to 'Customer Services International'. It's been branded differently to get people's mindsets changed." (AA1 222)*

The new Brand X '100% customer service indicator' has been introduced to enhance customer service. The company believes this mantra will lead to increased customer satisfaction, and therefore higher growth and profitability, to which every employee should aspire. Simultaneously, more efficient Brand X complaint management processes have been set up to resolve issues and suppress potential negative WOM through the call centre and field force. As a consequence, service delivery has been improving. The launch of the new Co-Brand Card in tandem with customer service improvements has signalled that customer satisfaction is on the increase and has contributed to new customer acquisition.

*"We have a new phrase which is a '100% customer service indicator'. So from the highest of management this is what they want the customer to experience. That is what we want to base our entire year on. And that's how we feel that we will grow in the market place." (AA8 173-181)*

### **Testimonials from satisfied customers**

WOM management in Brand X's business is much to do with supporting potential prospects – often cautious financial managers – in their decision-making. Therefore, Brand X, when making new business pitches, employ the highly regarded practice of WOM testimonials from appropriate customer companies both here and overseas at appropriate seniority levels.

*"Nobody likes to be made a fool, so people tend to seek out other opinions and validate what's being said, so that they can actually have a level of confidence in making decisions." (AA9 753)*

Brand X mandates incorporating WOM testimonials into new customer acquisition programs and new business presentations, actively seeking advocates' involvement on a face-to-face basis in industry events and conferences.

*"Advocacy is very, very powerful. It's far more powerful and effective than me standing up and giving them a sales pitch, because they have an actual customer telling them what they actually did." (AA7 510-526)*

### **Surprises for customers**

Surprise is a trigger for WOM. The key feature of the Co-Brand Card, the rebate, has resulted in customers expressing surprise and gratitude for this unexpected bonus, which in turn has generated positive WOM. A departure from routine expectations is recognised as an effective way of engaging customers on a more personal level, thus potentially creating greater loyalty, repeat business, and WOM referrals; Pine and Gilmore (2000) consider 'what you remember' goes beyond the normal experience, and recommend their 3-S model of 'Surprise', 'Sacrifice', and 'Satisfaction' as a means of staging memorable surprises.

*"Some people didn't even realise they were getting a rebate, from what I've heard anecdotally, rebate cheques are going out and people are ringing up and saying 'what are these – thanks for the cheque, but I don't understand?'" (AA0 59-67)*

Brand X may not have to stage anything special to stimulate WOM. Often the customer is pleasantly surprised by standard features of which they were unaware because they had not read the small print.

*"We simply had services that they didn't expect. It's surprising that the smallest things that we do will make an event that is successful in the customer's eyes." (AA8 111-113)*

## 5.5.2 WOM and brand image

### ***Internal image***

Loyal committed employees are invaluable in generating positive WOM, furthering Brand X's distribution and 'talking up' Brand X's advantages with a view to signing up new merchant distribution or credit card customers. Passion towards the brand is a trigger for advocating the brand amongst friends and business acquaintances.

*"We have a very strong sense of advocacy. (Our) people will insist on using their card at the point of sale, they talk about it with their friends, (our) people do feel quite passionately about the brand." (AA4 45-48)*

Brand X internal communications include a number of publications and internal emails designed to inform employees of relevant new products and successes in Australia and around the world. In guiding employees, Brand X has established a corporate vision and values statement for employees to follow, a benchmark for customer service and customer satisfaction and thus positive WOM. The mission statement comprises eight values, believed by executives to directly enhance market performance by delivering profits to shareholders, and providing both employment for its workers and exemplary customer service for its clients.

*"If we lift those eight values we will not only succeed with our customers, we will succeed for our shareholders, we will succeed for employee personal development and we will succeed in our society that we live in being a good corporate citizen." (AA6 61-66)*

The eight principles which guide Brand X employees on how to deal with customers and thus affect WOM are:

*Customer commitment* – we develop relationships that make positive difference in our clients' lives.

*Quality* – we provide outstanding products and unsurpassed service that, together, deliver premium value to our clients.

*Integrity* – we uphold the highest standards of integrity in all of our actions.

*Teamwork* – we work together, across boundaries, to meet the needs of our clients and to help the company win.

*Respect for people* – we value our people, encourage their development and reward their performances.

*Good citizenship* – we are good citizens in the communities in which we live and work.

*A Will to Win* – we exhibit a strong will to win in the marketplace and in every aspect of our business.

*Personal accountability* – we are personally accountable for delivery on our commitment. (Source: Brand X website).

### ***External image***

External image within an industry is built through communications, such as advertising, public relations, sponsorship and direct marketing techniques, and also through customer experience of the service, media comment, personal contact, design, WOM, and pricing (Davies et al. 2003). For example, a reputation for brand leadership, expertise within the business management field and singular focus contribute to Brand X's premium image over such competitors as the banks. Brand X managers believe a strong image and WOM output amongst prospects and customers are linked. They believe positive conversation amongst prospects, customers and the general public is advantageous and puts the brand in a good light. The field force takes advantage of Brand X's strong image and market standing when approaching new business prospects.

*“(WOM about) the brand is hugely important from a ‘getting you in the door’ perspective. You can ring up anyone and say ‘I’m from Brand X, can I come and see you?’ and they will generally let you in the door, which is the value of the brand and its positioning.” (AA7 604-619)*

Management believe the ‘double’ branding of the Co-Brand Card – both Brand X and Co-Brand – enhances the image in customers’ minds, produces WOM and provides an advantage over the competition. In fact, Keller and Aaker (1998) endorse co-branding,

stating ‘it can create more compelling points of difference by leveraging off the combination of two or more separate companies’ brand equity.

*“The advantage in terms of recognition is the fact that you have two strong brands on the card, they believe that if I go with Brand X and they are both big enough to give me (more) value ...(than others) and that’s worth talking about.” (AA3 162-163)*

Brand X’s image has been reinforced through decades of both direct advertising and more tangible types of WOM. For instance, the Brand X office buildings in the centre of Sydney’s CBD are still a subject of positive WOM for the brand, long after the company has vacated it.

*“People still refer to the IAG building at the corner of X and Y street as ‘The Brand X building’ and it hasn’t been that for ten years.” (AA4 32-44)*

Similarly, Brand X’s well-known advertising tag line, using high profile celebrity actors, has not been used for 30 years. Yet this phrase remains in customers’ memory and is still widely talked about, ensuring a consistently high WOM output towards Brand X and has added to Brand X’s reputation.

*“We have a reputation for our advertising...some of our campaigns are iconic. ‘(Brand X’s tagline) is iconic. It is recognised by people of my generation and I wasn’t alive when it was created... (Brand X) marketing has been very clever in creating memorable, and talked about (advertising) campaigns.” (AA4 32-44)*

Indeed, Williams and Moffitt (1997) have found controlled factors such as advertising, philanthropy and organisational characteristics – buildings, employment, and size assisted by WOM– can be more influential than other message sources in forming the overall corporate image.

Finally, Brand X’s image is enhanced by new product development and innovation of service ideas, which also provides a competitive advantage, keeps customers interested and stimulates WOM.

*“Just seen to be an innovator, people are interested to see and talk about what we are doing in the market place.” (AA8 115-121)*



In fact, Brand X may be losing out on powerful WOM opportunities through not signalling to customers and prospects the extent of some their innovations, some of which remain un-promoted.

*“We bring in some great innovations where we probably need to push, sometimes we just don’t push them, so we can’t expect WOM.” (AA7 740-742)*

## **Publicity**

While WOM is linked to Brand X’s advertising it is more strongly linked to public relations activity. Positive WOM or ‘spin’ is stimulated by their Public Affairs Department, which oversees public relations and sponsorships, and also manages negative WOM when media comment hits the organisation.

*“(Public Affairs) are there to highlight the goods things, just as much as to monitor the misinformation.” (AA8 303-306)*

Press releases around Brand X events and product launches, integrated with other media such as the Internet, are part of planned activity designed to build the company’s image.

*“We actively have people in our PR Department putting spin-on things and making a good sound wave. (WOM) was big around the Co-Brand Card launch.” (AA8-236)*

Media liaison and building relationships with key journalists are essential for gaining favourable exposure and positive WOM, and also for helping to ameliorate negative WOM and putting a positive ‘spin’ in response to negative media comment (See Table 5.5, Influencer Markets–Media) through relationships being formed.

*“Media exposure doesn’t just happen. Relationships with the media are crucial to getting your message out in the press, TV or whatever.” (AA8 100)*

Involvement in social causes and citizenship initiatives is recommended for building firms’ identities (Fombrun and Rindova 1999; Fombrun et al. 2000; Davies et al. 2003) and adding a valuable WOM component (Miles and Davies 1998). In support of this,

Brand X executives believe sponsorship and events have added to the brand's image and have generated WOM.

*"You can do publicity where it can spark conversations (WOM) – it can be provoking in events, and for the causes we support." (AA9 337-347)*

Public Affairs also manages Brand X's many local sponsorships of outdoor events, and sponsorships featured on their website, such as the South East Asian Tsunami, which has resulted in a high customer response. Their association with such causes is also a significant feature in Brand X's Annual Reports and press releases. Over one third of employees are involved in social welfare initiatives sponsored through the organisation, which has high WOM value.

*"We sponsor (causes) every year, which generates WOM for the brand." (AA8 303)*

### **The Internet**

The Internet allows potential customers to discretely elicit eWOM about Brand X, rather than approaching the company directly for information. Input WOM is the process where prospects ask those they respect for their opinions about a product, service or individual. In fact, Mangold et al. (1999) report that in services, the most frequently cited WOM stimulus is the receiver's need for information (Input WOM), rather than the communicator's satisfaction levels. Multiple WOM opinions too, can be sought at a 'stroke of the keyboard' (Wellman et al. 1996; Lee and Broderick 2004).

*"They (prospects) can refer it to other people... People confer on the web-they use that as a way of comparing Brand X with the competition." (AA9 106-121)*

Company research has shown more than half of new accounts in Brand X's 'middle market' are derived through the web, rather than through other marketing communications (See Table 5.5, Influencer Markets–Media).

*"Recently we've done research. Over 50 per cent of acquired accounts derive from the Internet. The web gives instant access...but it's not in your face. It gives you kind of a very discreet way of coming into the company and not committing to anything." (AA9 123-135)*

However, executives are sceptical of Brand X's current online strategy commitment, particularly in terms of customer service and customer retention.

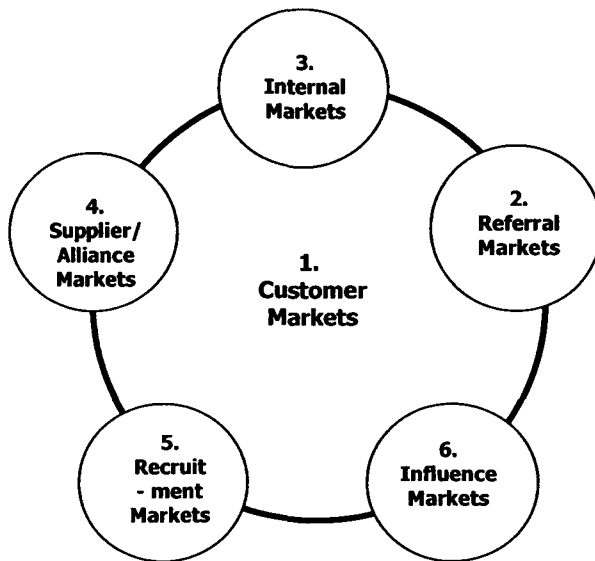
*"We don't use it in any real strategic or even in a structured tactical way to underpin the rest of our (retention) strategy online. We are not using the web from a relationship management or servicing perspective with our customers in any smart way to underpin the rest of our strategy." (AA6 81-87)*

Managers are largely unaware of the efforts Brand X communications department is making to create WOM contagion through viral WOM. Brand X produced two five-minute 'webisodes' with a sitcom star and an animated star together. The viral message has a Brand X product benefit creatively entwined in the storyline and has the objective of reaching 1.5 million people with more involving content and impact, leading to more WOM for Brand X (Zeederburg 2004). Brand X Corporate Service management believe viral WOM may be rejected by customers, and thus have questioned the wisdom of its employment.

*"While it's another way of getting the brand talked about, viral is a sub-standard WOM...I have a question over that (type of) WOM campaign." (AA4 71-80/AA9 706-721)*

### **5.5.3 WOM and referral processes**

As this research has shown, customer acquisition through WOM occurs from a number of sources which includes organisation influenced processes. One model particularly appropriate to understanding WOM referral in the Brand X case is the Six Markets model of Peck, Payne et al. (1999), which categorises different referral sources and influencers into six main groups (Figure 5.1).



Source : Six Markets Model, Peck, Payne, Christopher, and Clark 1999

**Figure 5.1:** Referral markets, based on the Six Markets Model of Peck et al. (1999)

Table 5.5 expands on the Six Markets Model, giving details of the six referral types and examples from the Brand X case. The rest of this section examines ways Brand X is leveraging customers and networks in order to generate positive WOM that leads to new customer acquisition.

<b>Six Markets Model referral types</b>	<b>WOM referral descriptions</b> (Peck et al. 1999)	<b>WOM referral sources in Brand X</b>	
<b>1) Customer Markets</b> Customers, users	WOM Customer satisfaction	X	Co-Brand Card Users
	Service recovery WOM	X	Call centre/sales force
<b>2) Referral markets</b>			
i) 'Advocacy' referral	'Advocacy' referrals customer advocates	X	Conference speaker advocates
		X	(viral eWOM Pass along)
	Incentivised advocacy i.e. Guarantees or unconditional reimbursement (Nordstrom, M&S)	X	Guaranteed speedy card replacement Incentivised advocacy i.e. Guarantees or unconditional reimbursement (Nordstrom, M&S)
	'Advocacy' referrals Non-customer (i.e. Virgin's image)	X	Event/sponsorship networking
ii) Customer base development	Customer Member-get-Member i.e. MCI	X	Past use
	('Family and Friends), Bring-a-Friend Events (Landrover)	X	Cardholder Benefits '1 <sup>st</sup> choice' Attendance Sponsored events
iii) General referrals	Professional referrals - inter-industry	X	'Big Four' Accountant
	Expertise referrals	X	Conference Customer Speaker testimonials
	Specification referrals	X	Expense software vendors
	Substitute or complementary referrals	N/F	
iv) Reciprocal referrals	Mutually dependant	X	Expense Software providers
v) Incentive based referrals (can be regulated against)	Fee-based	X	Celebrity Endorsement
	Free offers	X	Sponsored Concerts / Leisure Events
vi) Staff referral (often aided by CRM)	Past	(X-)	Negative WOM
	Present	X	MD / Employees / Field Force
<b>3) Internal markets</b>	'Internal Customer'	X	Cross-selling
<b>4) Supplier/Alliance partner referrals</b>	Customers	X	Co-Brand partner
	Sales staff	X	Co-Brand partner
<b>5) Recruitment markets</b>		X	Recruitment Customer-oriented tele-marketers

**Table 5.5:** Sources of referrals in Brand X, based on Six Markets Model (Peck et al. 1999) (continued overleaf)

<b>6) Influencer market referrals</b>	Political, Government, regulatory	X	Federal government endorsement Energy Institute
	Media	X	Liaison
	Celebrity influence	X	TV Advertising
	Search engine ranking	X	Website
	Online criticism	X	Ansett frequent flyers issue
	Competitors	(X-)	Negative WOM
	User evaluator groups	X	Purchasing departments
	Environmental groups	N/F	
	Financial/investor groups	N/F	
	Union/industry groups	X	Sponsor Accountants' Conferences
	Family Groups	X	Ethnic veto

X = WOM present

(X-) = Negative WOM referral

N/F = Not Found

**Table 5.5 (continued)**

### ***WOM referrals through employee networking***

Gummeson (2002a) argues that business is impossible without networks, and as far as WOM is concerned, it thrives on peoples' network of relationships. WOM networking by Brand X operates in a variety of areas: business-to-business contacts, professional networks such as accounting bodies, with existing business partners and through individual employees.

*“The best analogy of (referral) is a stone in a pond. The CEO will throw the stone in and the first ripple is business-to-business (contacts), the next ripple is professional networks- myself as an accountant sitting on the accounting board, the next ripple might be our business partners we already have, probably the last ripple is us as individuals and employees of Brand X advocating to their friends peers and colleagues.” (A44 49-54)*

Senior managers' personal relationship networks that go beyond work are seen as essential to WOM networking practice (see Table 5.5, Referral Markets–Staff referrals). Indeed, the networking of Brand X's CEO has been integral to the new business process.

*“One of the networks that we have is at a senior management level, typically business-to-business and personal relationship networks. Our CEO has a relationship with the CEO of Costco, they were able to do a deal over*

*dinner and as a result Costco are a great product now using Brand X. It's right down to personal relationships that employees have with their friends and colleagues where they advocate use of the card." (AA4 49-54)*

A recognised source of new customers for Brand X is referral from travel agents and travel consultants. Brand X field force executives build relationships with these consultants, who are hired to audit company travel and to set up systems. They move regularly to a new company – often as frequently as twice a year – and thereby maintain a stream of WOM leads (see Table 5.5, Referral Markets–Reciprocal referral).

*"I cultivate the individual, I don't cultivate the company because I know consultants where they change companies every six months, or every nine months, depending how long they were engaged for in that new company. I cultivate those contacts and treat them very, very well, simply because they are in a position to influence a new company every six months on our behalf." (AA7 337-344)*

Field salespeople have some autonomy in lead generation, and are encouraged to use their own initiative to cultivate relationships and to reward those who refer leads to them (see Table 5.5, Referral Markets–Incentive referrals).

*"If they do their own kind of unstructured stimulation of channels - they buy bottles of wine for their favourite travel agent, who refer them leads and they close that business or they take them out to lunch ...or take them out for coffee, and there's a lot of WOM around that." (AA7 287)*

Brand X has a high expectation its networks and its field force employees will deliver new customers. Many of these WOM processes, though anticipated by management, are beyond the control of the company.

*"So long as the results are coming in, I don't look to structure that - per se, part of their job is to have that autonomy." (AA7 287)*

### **WOM referrals through professional body networking**

In contrast to the other sectors, the finance sector has provided Brand X with a more complex sales task. In fact, in Brand X's 'large market' executives stress the need to gain access to the target group of prospects from the financial side of the organisation, particularly in the corporate sector. In answer to these marketing challenges, Brand X

sponsors appropriate conferences, targeting professional bodies within finance and accounting sectors where prospects can be approached face-to-face, a technique with which Brand X has had proven success in customer acquisition (See Table 5.5, Referral Markets—General Referrals—Professional).

*“If we get the right conference, as long as it’s a huge broad massive conference. If we have a small, selectively targeted conference, WOM can work extremely well for us.” (AA7 653-671)*

Where the conference takes place over two days and where more informal social engagement occurs, there are better opportunities for WOM where people within industries can talk with each other.

*“Most of them are overnight – they’re successful, kind of full-on responses, for example, the round table drinks, the cocktail party.” (AA7 653-67)*

Brand X has found WOM works to their advantage when delivered to a group (rather than single prospects), at the right time and with an easily digestible message.

*“We’ve looked at (timing). Plus we’ve looked at the way in which (the group) digest the information. A really simple one message ...but just make it digestible (and repeatable).” (AA6 573)*

For instance, a simple WOM message is vital when a prospect company sends to conferences more junior executives, who need to transmit what they’ve heard back to the key decision-makers.

*“If they are decision-makers all well and good, if they’re not decision-makers, they are still influencers, they need to go back and convert that into WOM within their own company, to the decision-makers.” (AA7 673-681)*

Sponsoring the annual conference or advertising on a company’s website is seen as lending support, which helps Brand X executives initiate WOM contact with tight-knit professional bodies, such as CPAs. Similar techniques are used to target the appropriate decision-making personnel, for example, purchasing management.

*“I know that we have got a very specific campaign to talk to accountants through sponsorship of CCH which is the organisation that disseminates tax data and accounting data.” (AA3 113-117)*



Brand X cites WOM success when it was made clear to the prospects that, when exclusively targeted at high-level business decision-maker CEOs of 'small' corporate and large business, WOM networking would be a benefit to those attending.

*"Those delegates were at a senior enough level i.e. CEO, for it to be a very good networking opportunity for the other delegates with the same profile, an opportunity to network and to create very good WOM with each of the CEO's...of the 100 delegates we have already signed up three of them."*  
(AA5 215)

The field force enthusiastically supports professional market conferences. However, sponsorship entails a significant investment. Marketing anticipate that new customer acquisition and 'cross-selling' will be more effectively achieved by sponsorships that are more aligned with Brand X values, professionalism and a return on investment, and consequently they have taken over forum and conference organisation.

*"It's a lot more strategic, what's the organisation like? Are they like mine? Do they have as clear values as we do? If they're non-profit, are they professional? Will they do the follow-up, when we add something will we get it back?"* (AA9 361-419)

### **Other WOM referrals**

WOM referrals come from a variety of other sources. Brand X enjoys a significant number of referrals from within its own overseas subsidiaries, such as travel insurance and security departments, and from Brand X's US customers. Management describe this process as 'cross-selling' (see Table 5.5, Internal Market referrals).

*"Another team out there in Brand X that sells travel...they will refer (business) onto us. I distribute the lead to one of my guys - that's what we call a cross-sell."* (AA7 452-508)

WOM occurs amongst ancillary expense vendors. The Brand X product software requires an interface with the customer's IT system, provided by program vendors outside Brand X. These vendors have strong relationships with some of Brand X's 'large market' field force and are in a position to migrate the Brand X product amongst their customer bases. Brand X therefore forms reciprocal WOM arrangements with expense management software vendors, with opportunities to provide joint solutions for

large corporate clients and spread WOM in favour of Brand X (See Table 5.5, Referral Markets—General referrals—Specification referrals).

*“We have those consultants out there doing expense studies on the corporate base. They’re effectively being an extended sales force. They’re actually doing a lot of the (prospect) qualification.” (AA7 740)*

The better respected the brand, the better the WOM endorsement. For example, one Brand X innovation, a payment system for one of ‘the Big Four’ accounting firms, provided great benefits in cash flow for the client. The imprimatur of the ‘Big Four’ brand name, added value to the WOM referral (see Table 5.5, Referral markets—General referrals—Professional Referrals).

*“That was a specialist services company and they’re out there singing the praises of this new system (WOM) to a number of clients. That’s largely because we did a very good job for them and because of the profile of that company. We’ve developed a new product effectively for them - they are out there effectively doing our sales for us.” (AA7 740)*

Brand X ‘mentors’ or advocates are very proactive third parties who are willing to discuss with Brand X methods for improving their customer acquisition processes. After they move to new projects the relationship with Brand X field force managers continues and is rewarded through Brand X’s field force (See Table 5.5, Referral Markets—Reciprocal Referral).

*“I have a group of these people within Sydney - by and large only within Sydney - who used to be in one company and then moved on – I’ve picked up a new company on a regular basis.” (AA7 337)*

## **Offers**

Offers – free information or cash rebates, for example – create WOM for Brand X. Company research has shown that up to 30 per cent of new account decision-making results from perceived personal gain. The new Co-Brand Card rebate offers are a particularly attractive incentive for ‘middle market’ corporate organisations, which promptly pay their travel invoices, including the agent’s commissions. As a result of the travel agents being paid in a timely manner the card provides travel agents with an incentive to refer Brand X, in what is termed ‘third party introduction’.

*"A field sales person may use a travel agency as an introducer of prospects. They say to that company, if you use the card then you will also get an X % rebate on your spend using the card, so we use third-party introduction."*  
(AA5 122)

In fact the 'middle market' field force say that the 'hard dollar' argument of the Co-Brand Card is 'driving' their current business model and that monetary rebate is responsible for WOM and recent Brand X growth.

*"The hard dollar is the best kind of (WOM) recommendation. In many instances, it drives the business model around today."* (AA7 123/ AA3 96)

An offer of free White Papers at conferences creates WOM both amongst prospects and when they are passed around those companies' internal company decision-makers. They reflect the prospects' industry and underpin the advantages of the data collection and analysis aspects of Brand X's service.

*"We also look to return immediate value to the customer by providing them with White Papers as a relevant benefit that triggers discussion (WOM)."*  
(AA9 17-23)

## **5.6 Prevention and control of negative WOM**

Negative WOM in Brand X occurs primarily in two areas: from customer complaints regarding service delivery and from media comment on issues or corporate actions they consider controversial. However, it also arises from competitors, and commercial and global policy disagreements with its own merchant customers and merchant prospects who believe Brand X fees are high. Negative WOM also emanates from the association of the brand with American policy.

Perhaps most galling for Brand X is the negative WOM which has occurred as a consequence of service delivery misinformation amongst its strongest long-term customer advocates. However, lack of attention to customer relationships during long-term contracts can lead to lingering customer dissatisfaction with service delivery, and the resultant negative WOM can have a devastating effect.

### 5.6.1 Competitors' negative WOM effect on new customer acquisition

Competitors, such as banks, spread negative WOM about Brand X, tarnishing Brand X's reputation in the marketplace and making new customer acquisition objectives more difficult to achieve. This is a problem for Brand X's field force, who, in recalling Brand X's vision statement, have disdain for the banks' practice of denigrating competitors.

*"Our competitors are putting out stories about (Brand X). I was recently going up against NAB and ANZ sales people, who were definitely putting a story out which was a story about Brand X which was inconsistent with what we try to put across - introducing the element of doubt in our customers' minds...and not doing our reputation any good." (AA7 178-186)*

A division of the Brand X's own organisation, the Travel Security division, is triggering negative WOM amongst Brand X competitors. The travel insurance and the travellers' cheque market is highly competitive. Because Brand X supplies a competitive billing platform, and competitors perceive Brand X to be in a commanding position and jealously guard what they believe could cede to them, the competition has reacted strongly to any perceived threat to their market position.

*"They're uncomfortable with recommending our product, because we compete with them. So they're actively saying, 'don't take this product up'. And they're coming up with all these reasons as to why you shouldn't take the product up, but of course, it's because they don't want to be recommending a Brand X product given that Brand X is their competitor." (AA0 133)*

### 5.6.2 Merchant cover

Lack of merchant coverage has produced negative WOM among customers, particularly significant when a Brand X customer's card is not accepted; Brand X's coverage compares unfavourably with that of their competitors. Brand X users believe coverage is weak in Australia and overseas. Such perceptions are especially negative amongst the Asian community. A joint agreement with JBC Japan is one venture designed to improve overseas coverage.

*"Lack of coverage is very negative. We certainly don't have the level of coverage that (our competitors) do." (AA4 127-132 /AA4 400-402)*

Merchants are also dissatisfied with costs and perceived lack of card coverage. While merchants are essential for Brand X's business, they are also critical of it. Brand X has higher merchant fees, which flows on to limiting the card's merchant distribution which leads, in turn, to customer frustration and negative WOM in the marketplace.

*"We have something very tactical which is the price that we charge, our merchant discount rate...very hard to break through. People go 'Brand X you are 2½ per cent or you're 3 per cent. It seems to be a keen piece of annoyance that is very difficult to break from.'" (AA4 21-26)*

### **5.6.3 Ethnic negative WOM, but positive Government WOM**

Executives believe that for the Asian community, in particular, WOM is critical to their decision-making. However, the Asian community holds negative associations towards Brand X, particularly for its lack of coverage. Asians being embarrassed by card non-acceptance by a merchant is a source of extremely negative WOM for Brand X (see Table 5.5, Influence markets–Family Groups).

*"Not so much in Australia, but outside of Australia- if you're not accepted at a particular restaurant, it can be very embarrassing, particularly in the Asian context of losing face." (AA0 134)*

On a more fundamental note, many Asians negatively associate Brand X with US global ambitions, militating against Brand X's acceptance by them in any form. Negative WOM for Brand X in this way is so bad in some Asian countries the company has considered a name change. On the other hand, the Australian Government looks on Brand X favourably as a supplier (see Table 5.5, Influence markets–Government).

*"WOM is particularly strong in the Asian culture. And relationships as well – like long term relationships – very critical. Being a multinational doesn't help, we would love to be able to drop the name and maybe adopt a new one. In Japan, for example, and in Australia there was some negativity surrounding the Gulf War. But the Government at the moment loves us because we're American." (AA0 243-253)*

#### **5.6.4 WOM buying group networks lead to negative WOM**

Customers can put their business up for tender to compare services offered by Brand X and their competitors. While they may not switch service providers, through collusion, pressure can be put on profit margins. Corporate WOM networks in Brand X's 'large market' allow detailed examination of the quality of Brand X service delivery and its associated costs amongst key industry group members.

Increasingly there is incidence of WOM networked benchmarking groups working across industries. A typical benchmark of Brand X can occur with up to approximately ten non-competing industries, which together within their purchasing departments have benchmarked their suppliers. They have shared information within those closed networks regarding Brand X's service. A number of WOM group networks also form to provide consolidated buying within industries. This process causes concern for Brand X and its business performance as collusion could work against Brand X's pricing structure and ultimate profitability.

*"(Cross-industry WOM) it's even, perhaps stronger than a network in that instance – putting together processes that benefit from some scale and then consolidating demand and putting that scale through a process." (AA7 317-319)*

#### **5.6.5 Co-Brand Card misalignment**

The Co-Brand Card's misalignment to some organisations has caused customer dissatisfaction. One example is 'over selling' the Co-Brand Card's rebate to some market sectors, such as 'middle market' customers whose travel component may not be large enough to earn a meaningful cash-back. However, problems are more likely to be associated with administration costs. Brand X's product has many features too sophisticated for some organisations to use productively. The negative WOM affects both Brand X and the Co-Brand partner. Brand X's Co-Brand Card relationship manager specifically addresses this aspect of operations to avoid jeopardising the many other areas of engagement with their Co-Brand partner.

*"The rebate, the money in your pocket, is not going to be paid to every business because some businesses might not have enough travel expense*

*component. This means (to avoid negative WOM) we need to remind customers that there is other value in the product as well.” (AA3 126-127)*

#### **5.6.6 Long-term customer advocates create negative WOM amongst prospects**

Certain long-term corporate customers, when asked by Brand X to recommend the company, have actually disparaged Brand X when contacted for a referral and testimonial by new business prospects. Such negative WOM incidences have caused significant losses to Brand X. One of these opportunities would have lifted Brand X turnover by as much as five per cent; without this negative WOM reference, Brand X would have won the tender.

*“There were two companies that we lost ...one was the largest hard tender in Australia ...we were very close to winning it, and then we lost it based on a referral. We were the winner and then when the referrals were done, some of the delivery was questioned.” (AA0 508-520)*

Brand X executives believe client advocates, especially long-term advocates of the business, pose a problem. The benefits these clients enjoy as a result of their longstanding loyalty do not always form part of the new Brand X business model. Consequently, referrals from these advocates raise newcomers’ expectations above what Brand X is currently offering as standard service.

*“People who are so client advocate focused, that they tend to actually do us a disservice by thinking that you get this, especially people who have a very long tenure with the organisation.” (AA3 70-76)*

The radical changes to the business model have meant Brand X has been unable to provide the same service to new customers. In other words, supposedly good WOM has set expectations that Brand X cannot now deliver. Thus the new customer experience of the service has disaffected both the new customer and the advocate.

*“Customers who are advocates (should) be given the new message and new policy thinking to update their knowledge of the company, which because of its new focus is a different organisation to its new customers than it has been to its old ones.” (AA3 70)*

### 5.6.7 Service delivery breakdown

In analysis of the foregoing it can be seen customer dissatisfaction with service delivery is strongly linked with negative WOM about Brand X. Until recently Brand X was 'back-end process' oriented and tended to neglect the real needs of its customers. Even though CRM systems could assist in predicting defection, until recently Brand X did not have the resources allocated to make proactive telephone calls to establish what problems customers were experiencing. In fact, a lack of problem solving and pro-activity has had a negative effect on the Brand X Corporate Services business' reputation in the marketplace. Thus there has been a gap between customer expectations and service delivery. Customers have tended to have high expectations of Brand X that have seldom been delivered. Thus the company has been taking considerable strides to re-adjust its service levels and enhance its reputation.

*"The reputation and WOM of Brand X was 'Great brand but (service delivery) was out the door.' And now (we're) trying to match the service with the brand name again, which is fantastic. The thing that blew me away when I started here was the brand never matched what service was being offered. But now (we're) trying to bring the two back together." (AA6 234-257)*

*"It's a long journey and some customers are very upset with us." (AA5 115-117)*

Poor customer experience triggers customer dissatisfaction and customer termination. Management believe this dissatisfaction could be long-term, extending the spread of negative WOM and thwarting chances of successful re-approach. Thus Brand X is keen to make major improvements in customer satisfaction across all of its customer touch-points.

*"Negative WOM is just a reflection on a poor experience – a previous experience, with the company...that could be at any point that Brand X touches." (AA7 631-639)*

Not all employees of customer companies are fully conversant with Brand X's business rules. Customer dissatisfaction and negative WOM occur when decision makers – who were sold the concept, signed off on the contract and received Brand X training – are not the ongoing primary contact at the customer company. Customers break the Brand X business rules of card usage which dictates the card is used for travel and



entertainment and business expenses, and are dissatisfied with the Brand X Credit call centre follow-up. Brand X's rules result in rejection of the charges, which are seen by the customer as being subjective and open to doubt. In fact, interpretation of the use of the Brand X card by end-users and their company program administrators are the major source of customer dissatisfaction with Brand X.

*"They start using their card for things they shouldn't do, and then our credit team gives them a hard time and that's when all the problems start... A lot of (negative WOM) is about miscommunication. If we had sold the product right in the first place or if we'd communicated what the card can be used for then they wouldn't start using the card for things that they shouldn't."* (AA5 202-213)

Customer dissatisfaction with Brand X's service delivery can happen early on in the relationship, if follow-up by the sales team does not occur smoothly and promptly after initial lead generation. To prevent adverse sentiment and to reduce the potential for customer dissatisfaction, Brand X executives believe that more education time and emphasis are required from the field force over the relatively long period of initial engagement.

*"If you dump them, you'll never see the client again. That, in the longer term – that's probably a negative way of dealing with that company...so you're not cracking open the champagne then, you're cracking open the champagne three months hence when you've done a really good job."* (AA7 264-273)

### **5.6.8 Complaint management**

Complaint management procedures are important for lessening Brand X customer dissatisfaction and positively affecting WOM output. Table 5.6 lists the tools management employ in the proactive processes designed to determine customers more likely to have dissatisfaction and in complaint management. It also includes the processes management enact when defending its image from the threat of media comment and exposure of issues brought to the public's attention by the media.

With recent customer focus strategies being implemented, current customer relationships are now proactively monitored using key performance measures.

Retention managers report monthly results of their activities which are also transmitted to the managing director.

*“The final relationship I have within operations where we meet with everyone on a monthly basis and it is at my level and above or a supervisor level. That is to discuss key performance measures such as, are we sending our statements on time, are we sending them accurately? For existing customers and new customers, are we processing card applications quickly and despatching them on time, all these things that impact on customer satisfaction.” (AA4 476)*

Negative WOM management tools	Case B	
CRM continuing customer transactional analysis through CRM tools	X	Customer/value defection analysis, proactive customer/dissatisfaction communications
Continued customer service training	X	100% customer service WOM outcomes
Crisis management strategies	X	Damage management workshopping and scoping by department
CRM 'touch points' system	X	CRM tools
Complaints systems and procedures	X	Speedy resolution from employee fielding complaint, Win-win outcomes anticipated
	X	Allocation of supervisor responsible i.e. pseudo business manager appointee
Crisis/escalation management	X	Internal and external stakeholder
Employee media training	X	For those employees in the spotlight

X = WOM present

Table 5.6: Negative WOM management tools

Brand X also employs Siebel CRM systems and processes to indicate customer relationship strength. Customers’ ‘charge buying’ data are analysed. If the level of a customer’s charge buying declines, Brand X telephones the customer to verify the position and reduce any potential customer complaints and negative WOM.

*“We notice your charge rate has declined, is everything okay? Is there anything I can do for you?’ It talks about the value proposition, and about the discount and about our business cost saving programs.” (AA6 171)*

Trigger campaigns and mail-outs are also used to reinforce the strength of the customer relationship, reduce potential problems and boost customer expenditure when the customer’s use of the card has declined.

*“We also do trigger campaigns so when we can see expenditure is going down we will proactively phone up and find out whether there is a problem, what’s the problem and try and proactively resolve that.” (AA5 115-117)*

Brand X resolves customer complaints by finding the root cause of the problem and addressing the individual customer grievances as quickly as possible.

*“In terms of these complaints, killing them quickly is (our credo/mission) value and making them happy as quickly as possible. We have a range of channels where we accept a complaint, telephone, letters, and email. I have seen people do extraordinary things to ensure their customers realise how much they are valued and what we are prepared to do to support them.” (AA6 420)*

The call centre is initially responsible for resolution; the expected ‘Win-Win’ conclusion is drilled into Brand X employees during their many training routines. Any unresolved complaints are escalated to senior management.

*“A win- win situation is what we always strive for, that we at Brand X win and that the customer is satisfied, so therefore, they win. And that’s used within a lot of our training courses.” (AA6 249-251)*

Customer dissatisfaction in Brand X’s ‘middle market’ has been particularly marked, so an account management team has been set up with a field force Business Development Manager (BDM) or CAT manager responsible for resolving the issue. Brand X has addressed the demand from dissatisfied customers for additional senior management attention. Because of staffing problems this is effected by elevating talented call centre employees to take responsibility and act as a proxy manager until the problem is resolved.

*“We make one representative responsible for escalated issues... creating a pseudo business development manager within the card department just to look after an account that may be sensitive. I’m looking after three at the present moment.” (AA4 273-277)*

However, Brand X service recovery procedures have sometimes resulted in only temporary resolution. If the complaint resolution occurs with too few customer employees, negative WOM is created amongst those not involved. Furthermore, if the cause of dissatisfaction is resolved through one person and not shared by the whole team, the relationship bonds might be restored in the short term and on a small scale. Should that person leave – and Australia has high employee turnover – the memory of dissatisfaction lingers amongst the wider management group. In effect, program administrators unaffected by the recent upturn in the relationship -recall the dissatisfactions and negative WOM of the original incident and proceed to terminate Brand X's service. Therefore, the initial Brand X 'win-back' complaint management process can have achieved nothing.

*"We've had instances where we've done a recovery and that's strengthened the bond and the relationship and there's been a sense of working together ... however, if you don't spread your base and you work with one person ... and they move off, that makes you very vulnerable because everybody else just remembers the bad times and they don't remember all the things that you've put into play to try and improve the relationship." (AA0 125-132)*

When Brand X has finally broken its bonds with its customer, Brand X puts resources into understanding customer exit, which can assist in reduction of negative WOM. This allows executives of both parties to retain their mutual respect, and reduce negative sentiment and lasting negative WOM. The lessons learned have assisted in resolving issues on both sides so that if there is no hope of immediate retrieval, reactivation in the future is not out of the question. This is also a process appreciated by the Brand X employee, adding to his respect of Brand X and its internal processes.

*"We parted company in both instances a) with our dignity intact and also b) with a kind of mutual respect that it's just not going to work out and it wasn't necessarily all our fault, and it wasn't necessarily all their fault." (AA7 645-651)*

## **5.6.9 Media criticism**

While negative WOM occurs from customer dissatisfaction over service delivery, media comment provides Brand X with one of its greatest threats (Table 5.7).

Characteristics of negative WOM	Case B
Occurs from customer service dissatisfaction	*****
Occurs from media comment	*****
Negative WOM is impossible to control	*****
Travels faster/further than positive WOM	***
Negative WOM damages organisational image	****
Negative WOM damages organisational reputation	***
Negative WOM harmful to employees/internal identity	**

\* The more stars, the more important is WOM to the achievement of the objective

**Table 5.7:** Negative WOM stimuli encountered by Case B

Jolts from media exposure to issues that are sympathetic towards the aggrieved parties can cause internal upheaval and negative WOM externally and internally. This causes distraction from the day-to-day management of the company. It also exacts scrutiny from stakeholders, including customers and suppliers and internal staff, regulatory bodies, and international head office. When the company is shaken by negative publicity in the press, discussions amongst employees can lead to uncertainty and doubt about what to communicate to customers, and eventually adversely affect employee performance, thus making internal communication an essential part of negative WOM control.

*“It is damaging because it slows down productivity. Morale gets affected, and people don’t feel certain, it creates, not necessarily depending on how damning it is, but there can be a little bit of tension. There wasn’t anything saying we can reassure our customers nothing like that. I didn’t see anything formal.” (AA9 706/AA9 551-585)*

Managers believe multi-nationals are on the back foot with the press. Thus negative publicity should be assiduously avoided, as ‘*the press do not favour multinationals*’ (AA8-236). For instance, early warning systems are affected through their external PR agencies. Internal crisis management procedures, centred around the Public Relations Department are enacted when media exposure, adverse to the company and damaging to its image, erupts in the media or is threatened.

Brand X’s Public Affairs Department, using a strategy developed with senior management and the managing director, and the department concerned attempts to ameliorate negative publicity by ‘putting a positive spin’ on critical issues. However, once issues go beyond the company into the media, managers believe much of the negative publicity and subsequent negative WOM is beyond their control.

*“There are One-Tel situations where you end up in court with Jody Rich. That’s going to create a lot of WOM, but a lot of that’s outside our control.” (AA8 238)*

Some aspects of the organisation, such as corporate communications, can be influenced but not directly controlled (Cornelissen 2000). For instance, publicity and negative WOM in the press and on ‘talk-back’ radio surrounding the Ansett Airline collapse were considered a critical issue, and so both Public Affairs and Brand X’s legal team were involved in discussions.

*“Some customers did make complaints on radio talk back about their experiences ... again it was a matter of us having to explain that we had all sympathies for the customer, but we could only provide the correct information up to the point of what we had been advised by our own legal team.” (AA8 316-318)*

Phases in a crisis	Case B
Early warning system	External PR/ agency use Field-force data collection
Crisis preparation	Worst-case Scenarios/workshops Journalist identification
Crisis containment	Internal Protocols/PR Department lead External liaison with media
Learning from the experience	Internal and External actions assessed

**Table 5.8:** ‘Phases in a crisis’ (adapted from Mitroff 1988)

The ‘Jody Rich’ negative WOM incident became public knowledge through being widely reported in the media when it went to court. Jody Rich was a high profile

businessman whose judgement had been questioned, and who was before the courts over corporate governance irregularities and his refusal to pay debts to Brand X and other creditors. Communications to ameliorate these incidents and suppress the effects of negative WOM were again handled by the managing director and senior management working with Brand X Public Affairs Department, who then entered into liaison with their media and journalist contacts.

*“The media liaison system counteracted that whole thing because though the press would probably not be on his side, they would go to him for the information rather than go to us because Brand X was coming after him for all the (outstanding) money.” (AA0 566-592)*

Brand X crisis management procedures, which include media training and public affairs consultation, are seen as being essential in preventing damage from negative criticism and negative WOM. Contingency planning has been adopted by department managers in defence of their position and the image of Brand X (see Table 5.8). ‘Worst case’ scenarios have been work-shopped. Thus defensive strategies, which include journalist identification – particularly those predisposed to Brand X – followed by media liaison with selected media channels, have been formalised to be implemented with Brand X’s Public Affairs Department when media comment occurs. Such media incidents put management under stress and divert them from managing the organisation’s day-to-day operations.

*“I have just done a contingency plan (worked out with the PR Department) for just about anything that could happen within my business.” (AA4 110)*

*“It is important that we strategise for potential threats from the media. Our management is ever watchful for those occurrences, which can do so much damage to us.” (AA7 546)*

Through media liaison by Public Affairs, incidents reported in the media that created negative PR for Brand X and sparked negative WOM have been resolved in Brand X’s favour. However, while executives are confident of their media liaison abilities, and post occurrence processes are enacted to assess Brand X’s reaction and appropriateness of those measures, the real outcome of negative WOM is unknown because its effect has not been measured amongst stakeholders. In fact, management seem unconcerned beyond exposure of the issue in the media.

*“Negative WOM events that occurred some time ago were ultimately addressed by our Public Affairs, quite well and so, I felt that in the first instance it showed negatively to Brand X, but ultimately the (issues) were resolved...I think in our favour.” (AA8 287-294)*

#### **5.6.10 Internal employee dissatisfaction**

Often some time elapses between employees learning of negative publicity in the media and Brand X releasing internal information in reply and reassurance. Rumour and innuendo spread amongst employees, affecting their performance. The uncertainty among employees is exacerbated by the lack of internal communication within Brand X. While Brand X Public Affairs Department goes into action, no information is simultaneously disseminated among employees, especially if Brand X believes it is not the guilty party.

*“You hear about it in the press rather than through the company, I heard about it because was speaking yesterday with the product manager who is responsible for MR.” (AA0 551-564)*

### **5.7 Processes and structures for managing WOM**

While WOM abounds in Brand X, WOM is not well understood. Though it touches most parts of the organisation it does so in varying degrees. WOM is a strategic issue in Brand X because it connects with its image, both in terms of magnifying its positive image and also in reducing negative publicity and negative WOM. WOM is also associated with the organisation’s reputation; however, more so with negative WOM where executives report reputation being associated more with reputations being destroyed and thus being damaging to image. Playing such a significant part within the field force and within the processes of customer acquisition and customer cultivation, where direct employee customer relations are important to success, WOM also forms a part of the organisation’s culture, its productivity and revenue growth. WOM therefore goes far beyond either the management of WOM networking or the compass of the Public Affairs Department into the realms of the heart of the organisation, its reputation and its profitability.



Though no one section, department or person has ultimate responsibility for WOM as a whole (Table 5.9), WOM is integral to Brand X’s performance.

Brand X departments	WOM within departments
Senior line management	WOM networking
	Crisis management
	Customer satisfaction management/complaint resolution
	Customer acquisition and defection (retention) management
	Alliance Partnerships
	Social sponsorship policy
	Innovation
Communications	Internal identity and image enhancement through controversial Advertising, PR media liaison strategies and via a raft of Sponsorships
Public Affairs and Advertising Department	Advertising celebrity endorsement/sponsorships
	Negative WOM control in defence of the brand/via media liaison/internal crisis management /Brand X websites
Marketing Department:	
i) customer acquisition management	Testimonial search
	Professional groups sponsorships for WOM networking
ii) retention management	Retention and loyalty via relationship marketing/Brand X websites
	Crisis/damage management
Customer service /Call Centres	Customer acquisition through WOM from satisfied customers
	Complaint management and recovery WOM
	Customer service measurement
	WOM data collection
Sales force	Customer acquisition through WOM networking, and alliance partnerships/Co-Brand alliance WOM/sponsorships
	Customers' testimonial endorsement
	Satisfied customers' WOM brings new customers
	Complaint management and recovery WOM/Crisis management
	Customer service and operations 100% satisfaction training
	WOM new customer source data collection
	Innovative solutions
	Offers
Market Research	Enhanced customer service delivery utilising WOM measures, Negative WOM data collection

**Table 5.9:** WOM engagement in Brand X departments

### 5.7.1 WOM measures

Brand X marketing executives believe the most valuable measures in Brand X are profitability and customer tenure. There is no measurement of WOM per se in either marketing or Brand X's field sales department. WOM is a process that, due to its lack of precise measurement, has to be led from top management, from which example is set. However WOM is not a defined organisational responsibility despite managers believing WOM has to be lead by the CEO.

*"(WOM is) not tangible ... that's where you've got the value and where the emphasis is – it has to come up from the top and cascade down." (AA9786)*

WOM resides in many departments within Brand X in many different forms: new customer acquisition, formation of the company's image, and as negative WOM in complaint management and crisis management in defence of the brand's image and reputation.

Potential measurement of WOM occurs within the field force through their records of lead sources. Field force members do not consider the information valuable or management do not consider it actionable. Reporting is highly erratic and erroneous and is generally regarded by management as invalid. This also applies to WOM statistics collected from new customer acquisition media source data. The research department is also ambivalent about WOM data capture and unaware of WOM data collection by any Brand X department.

*"I don't have an idea of (a WOM) network. I don't know whether we capture it in our lead generation database, whether they have been referred by somebody else to Brand X." (AA0 42-47)*

Fewer calls by dissatisfied customers to the call centre is viewed as a measure of less negativity towards Brand X. The polarisation from heavy field force and call centre involvement with service issues to one where there are fewer incidents involving them is cited as indicating a change towards enhanced service delivery and positive WOM. This turnaround has taken a year and a half.

*“The measure for me is I very rarely get phone calls from sales people now. Whereas again 15 months ago I seemed to be fire-fighting sales people all the time. So we get a lot more positive feedback from the sales organisation now. It means they’re spending less time on servicing issues because they’re meant to be out there selling. So if I can reduce the amount of their time interacting with the customers from a service perspective, I also deem that to be successful. Because then it means that we’re providing the right level of service so their customer doesn’t need to go to their sales rep...it’s not a black and white metric but it is very much a measure of success I believe.”*  
(AA1 200)

### **5.7.2 WOM a key indicator of customer satisfaction**

The comprehensive yearly customer satisfaction study provides a context as to why Brand X is not achieving targets for customer satisfaction. It may reflect a reason for WOM not being recognised as an important contributor to image and new customer acquisition. The research drills down into approximately eight key processes concerning relationship management, including billing and payments, customer service, usage of the card itself, integration with expense management systems, MIS data quality, the benefits the client company values, and the benefits their employees enjoy. Results are compared with previous surveys to monitor customer satisfaction progress. They are also compared with US customer satisfaction scores.

One of three important key performance indicators (KPIs) of customer satisfaction research, ‘Willingness to recommend’, is seen by management as the essence of their customer satisfaction strategies, and particularly relevant to customer loyalty. However, within the research the KPI ‘overall quality’ is deemed by senior management to be a more important measurement, largely because management feel that WOM is not something they can control, whereas they feel they can adjust ‘overall quality’ as it pertains to service delivery.

*“Senior management don’t react to the ‘willingness to recommend’ question, as much as they would to a bad performance score, probably because they can do something about performance - they feel that they’ve got more control over that and they feel that there is a trend - by improving performance and by improving a lot of the things we do, they feel that we will lift ‘willingness to recommend’, so they’re seeing a causality there.”*  
(AA0 262-287)

Though ‘willingness to recommend’ is used as a proxy for customer loyalty, because there is no independent variable for WOM, WOM itself is not directly measurable using current research tools. So by these measures there is no way to determine the importance of referral by satisfied customers to customer acquisition at Brand X, or to relate satisfaction to actual WOM referral and new customer acquisition.

*“We’ve established that there’s a strong relationship between customer satisfaction and a larger share of wallet. The second survey we took a lot of those questions out because management was uncomfortable with us asking those questions, I think it was a big mistake.” (AA0 204)*

Brand X managers had been keen to include the share of business as another method of assessing customer satisfaction, but this has been abandoned as it is regarded as ‘too sensitive’. In fact, Garland (2002) established in a New Zealand bank setting that crucial drivers of profitability are relationship length and gaining as big a share of the customer’s personal retail banking as possible. This author also noted that improved service quality helped customer acquisition through new customers uttering positive WOM. It might be that executive pressure needs to be exerted into reintroducing these measures.

### **5.7.3 CRM systems**

The Brand X customer service call centres are of prime importance and thus CRM has relevance to customer relationships. Here employees are the predominant method of physical one-to-one contact with their decision-maker customers throughout the life of their relationship and are the ‘face’ of the company to the client in corporate business. As far as technologies and processes are concerned, WOM networking management is assisted by a Siebel CRM platform and contact management system. This allows acquisition, relationship and field force management to track customer relationships and key influencers within the domestic and overseas situations within one system.

A valuable measure for Brand X CRM is ‘charge-buying’, the decline of which can lead to customer termination. Customers from all segments are assessed on the basis of the following questions:

- Are customers redeeming all their points and then leaving?

- Is an organisation cancelling multiple member cards and then leaving?
- Are customers whose 'charge-buying' is declining, leaving?
- At a decision-maker level, is their calling rate into the organisation increasing substantially before they leave?

This research established 'charge buying' decline to be the key indicator of attrition and therefore of dissatisfaction.

*"The strongest indicator and the primary insight into a likely trade-in by a customer is charge-buying decline, the second reason for attrition is employee churn." AA6 171-183).*

In fact, analysis of customers' expenditure happens on a monthly basis. Results are fed back to customers through their program administrators. Following analysis and separation of lapsed members, employees concentrate on those with three months of consecutive decline in their 'charge-buying'. Despite implementation of CRM no actual measurement is applied to WOM referral. The organisation does not track incidence of customers referring their counterparts or colleagues in other companies, nor is the success of one sales person against another or the person giving the referral, recorded.

#### **5.7.4 Competitor negative WOM monitor and control**

Such is the problem of negative WOM coming from competitors' activities in the market place 'bad-mouthing' Brand X, the Brand X research department maintains a negative WOM market intelligence system, which captures this negative WOM activity. A report on relevant competitor news, including any new product launches, is sent to New York to be distributed world-wide to relevant parties. In fact, Brand X is attempting to develop tools to counteract competitors' negative WOM.

*"What we're trying to do is to develop tools based on factual information, which allow the sales force to be able to counteract what is being said about them." (AA0 35-50)*

## 5.8 Chapter summary

This study of WOM within Brand X has revealed that WOM is not well understood. Each department has a different understanding of WOM's contribution. In fact, WOM is considered to be less relevant in the financial services industries, particularly amongst large multinational businesses, where its effects due to long-term contracts are deemed to be low, and amongst financial management WOM is less likely to occur. Despite significant investment of CRM systems WOM's effects have been neither properly identified nor measured. Brand X currently suffers from a dearth of validated WOM data, particularly of new customer media sources or of customers derived through the field force. Thus WOM largely goes unrecognised. Further, Brand X has had low levels of customer satisfaction and therefore WOM amongst customers has also been considered to be low. Management discount WOM variables used in customer satisfaction research as being inoperable. In fact, Brand X management are prejudiced towards managing what can be measured, finding WOM difficult to both manage and control.

For example, Brand X executives have negative opinions towards customer advocacy. Outside of their control, 'champions of the brand' might not be equipped to articulate the brand adequately or entirely in Brand X's favour, thus creating negative rather than positive WOM. This view is echoed by the field force. Thus WOM is not considered by management to be a significant contributor to business performance and may indeed inhibit it.

However, positive WOM plays a significant role in many departments of Brand X. Against the background of consistently low customer satisfaction, the company is actively pursuing increased customer satisfaction levels and positive WOM to enhance its reputation. Through conducting intensive call centre and sales force customer service training the effects of higher service delivery levels focus on positive WOM outcomes. The company's advertising strategy, implemented over 30 years, and its online viral campaigns are testimonial-based. Though viral success is yet to be established, the website is becoming a channel for significant new customer acquisition, facilitated by discrete enquiry and eWOM. A number of processes are also enacted through the Public Affairs Department, which are designed to promote WOM to enhance Brand X's

reputation with key influencers, for instance, PR releases through media liaison and sponsorship. Over one third of employees are involved voluntarily in social welfare activities. Other instances include industry networking by senior management and cultivation of customers and prospects at more social events sponsored by the organisation. These events are used, first, to convert invited new business prospects to customers and, second, to convert customers, key influencer non-customers and media into advocates.

Despite low levels of customer satisfaction being achieved, WOM from organisation-influenced referral processes, particularly those managed by the field force, but also demonstrated by the managing director, plays a significant role in new customer acquisition. Thus where customer employee contact is able to occur, WOM can contribute to business performance. The many WOM referral processes exercised through the field force designed to attract new customer acquisition include mandatory testimonials and endorsements from both local and international customers and their brand names' reputations, and formal and informal networking arrangements amongst industry-associated third parties, suppliers and businesses where referral helps both parties. A significant number of processes promote WOM networking which includes sponsorships of industry bodies designed to target relevant new business prospects. WOM networking also occurs as a consequence of alliance partnerships struck to gain access to potential new customers, on which Brand X focuses a whole department.

While the interpretation of positive WOM is different among departments, negative WOM and its effects are well understood throughout the organisation. In this context WOM is closely linked to customer dissatisfaction with service, and to the organisation's sophisticated customer complaint management processes. For example, negative WOM is seen as a major threat to the organisation, particularly when customer delivery service levels do not meet customers' expectations. Customers become dissatisfied and negative WOM is threatened or occurs amongst local networks, and thus sophisticated complaints management processes are employed. Built on the back of CRM systems, together with complaints escalation procedures managed through customer service, these are supplemented by predictive modeling and customer dissatisfaction identification. In addition, regular monitoring and measurement of customer satisfaction signal management's concern for quick resolution to customer dissatisfaction with the organisation and its services. However, customer dissatisfaction

can linger suppressed; many potential new customers have been lost because of the testimonials of customers the company thought would-be advocates, but who actually uttered negative WOM. Negative WOM is also promoted by competitors who have ‘bad-mouthed’ the company, resulting in the company gathering data on a worldwide basis to formulate counteractive measures.

However, of equal or more concern is the organisation’s deep anxiety for the consequences of negative WOM from media comment. Negative WOM is considered a menace to organisational image. Rumour and innuendo have occurred amongst employees. Thus negative WOM from media comment impacts not only prospects but also other stakeholders, including customers, employees, suppliers, government employees and other important key influencers. The resulting negative publicity detracts from management tasks, affects the company identity and brings pressure from stakeholders. Thus when crises hit the organisation, well-rehearsed crisis management procedures managed through Public Affairs, and senior management all follow a rigorously enforced protocol which includes media liaison.

Thus management need to recognise the nature of WOM and the value of balancing the positive and negative effects of WOM. Management need to evaluate WOM’s links to brand image, its effect on customer satisfaction, and its impact on new customer acquisition, by closely tracking referral effects. In order to better deploy its resources, management need to understand the links between WOM and WOM referral processes and the different ways of acquiring customers – WOM from satisfied customers, WOM networking and alliance partner referrals, as distinct from cross-selling – and appreciate the increasing evidence that discrete enquiry and referral is occurring through the Internet, with plans to improve online referral processes. The roles of all departments and all employees in that process need full understanding and transmission within Brand X. As a result WOM, if identified and properly managed, could have a more resounding effect on the organisation’s internal and external communication with beneficial consequences to its business performance.



## 6 Case study C

This chapter contains the analysis of the data in the third and final case in this multiple case study.

### 6.1 The company

Energex is a top 100 Australian company managing sophisticated energy distribution networks and delivering energy products, services and expertise throughout eastern Australia and in New Zealand (see <http://www.energex.com.au>). The company, a state government provider, retails and distributes natural gas, electricity and liquefied petroleum gas (LPG) from its base in south-east Queensland. In Queensland, Energex has a non-contestable monopoly and serves approximately one million residential customers.

The Queensland Government, Energex's major stakeholder, has not deregulated the market and is not anticipated to do so in the foreseeable future. Energex, however, competes in the deregulated markets of both New South Wales and Victoria with the likes of AGL, Energy Australia, Seapower, TXU, Western Power, Integral and Ergon, and has made substantial inroads into the industrial and commercial business-to-business energy markets.

Customers in Queensland have no choice in their brand of power supply, except for LPG. All homes and businesses have access to mains electricity, but line-of-main gas supply is available to only 20 per cent of the population. Potential gas customers outside this network choose one of a number of suppliers of LPG, which largely have monopolies within their agreed territory.

Energex management consider gas and electricity 'low interest products', with customers giving little thought to their energy supply or supplier. This attitude is not atypical; while more than two thirds of the economy of the US has been affected by WOM, some industries are more susceptible than others (Dye 2000). Those largely

immune to WOM include oil, gas, chemicals, railroads, insurance and utilities, reflecting the findings of the Energex case study.

Yet the influence of WOM on Energex is worth researching. In response to deregulation, Energex has ventured beyond its traditional boundaries into Victoria and New South Wales. Few energy companies have launched a completely new brand, nor have they attained the 60 per cent awareness levels in 18 months achieved by Energex. The complexities of Energex's marketing mix in reaching its customers are of particular note. Few companies are under the pressure exerted on Energex to contain complaints, bad publicity and the contagion of negative WOM as that exercised by its major stakeholder, the state government.

## **6.2 Data collection**

### **6.2.1 Background**

While the background of the case study is firmly anchored to Energex's role as a supplier of gas and electricity within the eastern states of Australia, the research concentrated on areas where Energex has direct customer contact, and on Energex's advertising and marketing communications. Particular areas of customer contact targeted included the marketing processes that surround regular customer contact through the energy bill, Energex's customer call centre activity, where most in-bound customer interaction occurs, and Energex's work in sales and new business activity, particularly the ongoing recruitment of new customers to Energex's Home Suite through WOM. Within Energex, a large amount of positive WOM is the result of past communications, customer service and sales activity. The case study also examined customer complaints regarding service delivery – partly provided by partners employed by Energex – and Energex's power supply obligations and how, in terms of WOM, these impact the company.

The case study considered WOM processes within Energex's advertising and public relations communications and media liaison. Examples included the Energex Energy Institute, a freely accessed information service, where WOM about Energex also originates, and the Energy Institute's and Energex's websites. Amongst the company's

most important activities have been its brand building and its industrial and commercial division's excursion into the recently deregulated markets of New South Wales and Victoria, where alternative communication methods of generating WOM have proved effective (Joachimsthaler and Aaker 1997; Ries 2002; Aaker 2004).

The study examined Energex's relatively new Energex Home Suite brand, an installation service, which competes in a retail whitegoods environment. Because it employs outside installers in an arms-length relationship, it is prone to customer complaints. The study explored WOM as it applies to the fully deregulated part of Energex, the LPG products division, a service company selling bottled gas domestically and by tanker to business customers. Finally, the study considered the WOM effects on Energex's 'green energy', Earth's Choice brand, which seeks to recruit customers into a programme of energy conservation.

The two data collection methods used were face-to-face interviews and sourcing of relevant documents.

### **6.2.2 Interviews**

Eleven semi-structured in-depth interviews, lasting approximately one hour, provided the most important data. Interviews aimed to probe the thoughts, beliefs and experiences of managers who are responsible for customer relationships and customer communications, by hearing their perspective of the features of WOM within the company, and their view of the relevance of WOM to acquisition and profitable retention of customers. Respondents were asked how Energex attempts to stimulate positive WOM and counteract negative WOM, to assess the value of WOM to the business, and to give examples of its measurement.

Interviews were recorded at the head office and subsidiary offices in the vicinity of Brisbane, Queensland and took place in October 2004. The research aims were explained, and the interviewee was then asked a number of questions designed to focus thinking and to determine the orientation of the company towards the customer. Subsequently, open questions guided the conversation, typically:

*“What do people say when they recommend your products or service?”...  
“How does the organisation go about encouraging WOM generation amongst existing customers?”... “Tell me about the processes the company employs to reduce the incidence of negative WOM?”*

During the interview, direct questions were limited. Interviewees were encouraged to build on their ideas and give instances of their experiences, describing their views of a number of common WOM and associated themes and constructs that had emerged from the literature. They were also asked for specific experiences of WOM incidences with their customers and prospects. Encouraging Energex employees to relate specific WOM episodes provided different perspectives on the same incidents, enabling the researcher to gain a fuller understanding of the phenomenon being investigated.

Potential participants had been identified through earlier meetings with the marketing manager. The selection criterion was the relevance of the person’s position in influencing the company’s relationships with its customers. Eleven staff members were invited to participate:

1. General Manager
2. Strategic Marketing Manager of Energex’s residential division,
3. Manager of Advertising and Public Relations
4. National Sales Manager for the Commercial Division.
5. National Sales Manager for LPG
6. Relationship marketing Manager Consumer Services
7. Call centre Manager
8. Call centre employee
9. Home Suite Marketing Director
10. Marketing Manager Earth’s Choice
11. Manager the Energex Energy Institute.

Three of the 11 respondents participated in more than one interview session, and three participants were asked to clarify the initial findings. The recorded material of one of the interviews was found to be corrupted, so further attempts to rescue this work were abandoned. The report was then submitted to Energex management for their final examination and approval.

### **6.2.3 Documents**

Public documents examined included those available on the company websites and reports of the company appearing in national press articles. Information was collected from internal sources such as company reports and statistical analysis made available by the Energex marketing team, the marketing plans synopsis for 2003, some 12 email notes, three performance reports and relevant printed communication campaign literature, and two videos of television commercials.

### **6.2.4 Data management and analysis**

Each interview was recorded separately. Recordings were fully transcribed under secure conditions, then coded with the assistance of NVivo 2.0. Confidentiality of both interview and document data was assured by storage in a locked filing cabinet in the researcher's home office. Interview data were stored electronically under password protection, with a copy securely stored in the MGSM research office.

The documents were coded to allow reference to interviews but prevent identification of the informant. The data were synthesised and cross-referenced for validity. This document was then despatched to Energex for clarification of some information. Direct quotations from participants are reported here to illustrate various points and assist understanding, with paragraph notation supplied through the NVivo process to allow accurate reference and tracking back to the source document.

## 6.3 Corporate understanding of WOM management

### 6.3.1 Role and importance of WOM

Energex gains customers, both domestic and commercial, through the WOM recommendation of satisfied customers, and it is deemed a potent force in the enhancement of Energex's image.

*"WOM is actually a very powerful force, the notion of having a good Home Suite job done and (customers') talking about it, is one of the most powerful things that we could ever do." (EE50 400)*

Management believe that positive and negative WOM occurs naturally amongst customers, and results from past customer service and communications activity, both company controlled and externally stimulated. In terms of customer service, managers believe 'what the company is doing now' will have a powerful effect on business, especially within the context of a satisfied customer providing WOM within their local social networks. They believe customers' attitudes towards the organisation's current customer service delivery will affect the business positively or negatively in the future, as 'WOM of the past' affects the business today.

*"The business as it stands today is a victim or a beneficiary of the WOM from the experiences of the company one, two, three years ago. What we're doing today is a big factor for the benefits or the future of the company in the next few years." (EE1 200)*

Across the organisation, managers assume that if the company exceeds expectations in providing 'good service', customers will be satisfied and predisposed towards Energex. Therefore, managers believe enhancing customer service will increase positive WOM and this will affect customer acquisition positively.

*"The kind of word-of-mouth (WOM) that happens is a result of providing good service." (EE50 210)*

Though management believe 'customer satisfaction' is the ultimate goal of their tasks, positive WOM output may be difficult to achieve in Energex. Managers accept that gas and electricity, in themselves, do not have the excitement to provoke WOM and therefore WOM is more likely to be triggered by the delivery of service rather than in the supply of energy alone.

*"It depends on what the product is. (Customers are not) going to immediately call someone else and say 'Gosh that Energex experience was fantastic'." (EE80 273-280/EE60 355)*

Furthermore, as customers have no option to choose their energy supplier, positive WOM within the context of new customer acquisition is unlikely to be reflected in business performance, particularly within the energy supply component of the business. However, some discretionary Energex purchases, such as a Home Suite air conditioning installation, provide a higher level of emotional involvement for the customer, and WOM surrounding that customer experience can occur to the company's benefit.

*"The Energex (Home Suite) experience in that instance is good, because it becomes more of a talking point, more than just the electricity or gas." (EE30 91-135)*

So, despite energy supply itself being considered low in generating WOM, Energex believes WOM is important and is strongly linked to enhancement of the customer experience. Its stimulation is made through 'customer service', rather than through other levers. However, the absence of any overarching positive WOM strategies at Energex may be more to do with the nature of WOM and the perception by management that WOM is a difficult tool to control and to employ productively.

*"I've no doubt that WOM is important for us, but a key risk I see is, how well that we manage it. I don't see that we have complete control over it. And all that we can do, is to try and make sure that the customer experience is as good as possible, on the way through." (EE50 210)*

### **6.3.2 WOM and new customer acquisition**

Energex management believe WOM has a valuable role in customer acquisition directly by generating new leads and sale of additional energy products, and indirectly by stimulating networking and alliance partnerships. WOM is a more cost-effective way of lead generation than alternative marketing controlled communication methods. One example is the 'market source' record of the customer service representatives (CSRs) in the Home Suite's call centre, a compilation of statistics which demonstrates that over one third of enquiries come from customers who are referred by friends and their social circle, rather than by other communication means such as advertising.

*“In our Home Suite area we do have what we call ‘market source’ where we do measure...in ‘market source’ we do have a big number for WOM.” (EE50 300/EE1 200)*

WOM occurs to varying degrees in most Energex departments and divisions dealing with customer service and sales. WOM forms a major component of new customer prospecting and new customer acquisition, and therefore impacts on acquisition marketing.

WOM also occurs in Energex’s consumer division’s marketing department through referral marketing initiatives, such as ‘Friend-get-Friend’ schemes employed for LPG, and the ‘green energy’ Earth’s Choice products. Direct mail marketing encourages existing customers to refer their friends and neighbours to Energex. Management believe energy saving devices and ‘green energy’, prevalent amongst their rapidly expanding range of Earth’s Choice products are increasingly attracting consumers’ attention and interest.

*“There’s no doubt that (green energy is) more on people’s minds and conversations which is making more come to us.” (EE30 210)*

The Energex commercial sales force achieves significant new customer acquisition through WOM networking and WOM alliance partnerships. WOM networking activity is concentrated primarily within Energex’s commercial and industrial divisions where business-to-business relationships are prevalent. Though ‘WOM networking’ is not considered as important as ‘satisfied customers recommending Energex’, the contribution of networking is nevertheless recognised in lead generation and subsequent customer acquisition. In fact, ‘WOM networking’ activity has substantially improved the fortunes of Energex, an energy company that has sought to expand its services beyond its Queensland boundaries.

### **6.3.3 WOM and customer loyalty**

WOM is also a component in customer loyalty and retention marketing in the form of sales of additional energy products. In Energex the process of selling additional services to existing customers is a key business objective designed to create ‘customer loyalty’, with such customers less likely to move to a competitor should deregulation occur.



In an effort to lock customers into the service, Energex 'cross-sells' its portfolio via direct mail and by telemarketing through its Call centres, achieving considerable new customer acquisition for Energex's Earth's Choice and Home Suite, as well as customer profitability. These sales are a direct result of employees' behaviour and, unlike WOM referral, are wholly dependant on the company-stimulated activity. However, within Energex there is some confusion regarding the demarcation of WOM in the 'cross selling' context. The Energex Energy Institute is seen by both public and manufacturers as an independent source of energy information, yet referral sales do occur. These are viewed by the company as falling within the arena of WOM since manufacturers and consumers have the perception that Energex employees "*give advice independent of the company*". Whatever the demarcation, the Energex Energy Institute dictates that this referral or 'cross selling' process is kept low-key so the perceived impartiality is not jeopardised.

*"If we do go into a contestable environment (we want to ensure) our energy customers are nice and safe, and the customers we want to be safe are sticky and are locked in." (EE30 163-165)*

#### **6.3.4 WOM and image**

Sponsorship has provided Energex with networking opportunities with access to key business decision makers, thus contributing to Energex's image. With their move into deregulated territory and with no previous history or relationships, Energex's integration of the Australian Rugby Union and Wallabies (Australia's national rugby squad) sponsorships with advertising, events and PR activity has established the new Energex brand in the minds of business managers who closely identify with the sport. By consciously using alternative communication techniques, Energex achieved over 60 per cent awareness in their business target group within 18 months.

In fact, sponsorship by Energex plays a dual role. In addition to enhancing the company image, WOM networking has given Energex a 'rite of passage' for its commercial division into new business opportunities, and has significantly spurred energy sales in its commercial division – for example, gaining the account for supplying energy to McDonald's stores across Australia's eastern states.

*“Through our relationship with the Wallabies, we have been able to network with literally thousands of hand-picked business prospects and potential customers in Sydney and Melbourne.” (EE1 311)*

The combination of advertising, public relations and event exposure of the various sponsorships has increased awareness of Energex and enhanced its image with the objective of creating still more WOM. Provision of impartial advice by the Energex Energy Institute to consumers about energy consumption and energy saving devices through its call centre and website creates WOM which, in turn, has also helped enhance prospects’ opinions of Energex.

Its sponsorship of social causes and involvement in local community activity stand the company apart. The Energex Community Rescue is a non-profit helicopter rescue service operating 24 hours a day, for which Energex customers have raised more than \$2.65 million. Promotion on the energy bill and a ‘click to donate’ facility on the website with the slogan ‘Help us keep flying for as little as \$8 a year’ ([www.energex.com.au/community\\_rescue/index.html](http://www.energex.com.au/community_rescue/index.html)), has increased the number of donor customers committed to supporting the cause – from 90,000 in 2003 to 135,000 in 2004 (EE1 667-668 and html doc).

*“The goodwill that it creates, it's a great talking point (WOM)” (EE30 215)*

Referral programs often have a dual objective, lead generation and contribution to the organisation’s image. Neighbourhood Watch in association with parents and schools has been sponsored to refer areas needing light. Energex has also been able to demonstrate mutually advantageous energy saving to the State’s health department heads through a case study in an important hospital. Other ‘Referral sales’ have been encouraged—referral partnerships initiated by the sales force to exploit niche market sectors concern public areas such as playgrounds, which offer opportunities for lighting concern security guard companies who have been incentivised to provide leads for night-time illumination.

In addition to WOM generated by satisfied customers, or through incentivised marketing schemes, or by networking through the sales force, management stimulate positive WOM through the company’s broadcast communications. Public relations effort and the publication of stories are strongly related to WOM. In fact, WOM is most pronounced in the organisation by the Advertising and Public relations department

liaising with the media to issue press releases on behalf of Energex and the Energex Energy Institute. Management in this department actively publish stories that are 'PR-able' – those with high conversational value. Of particular note are stories concerning innovative energy saving devices and news of significant sponsorships, particularly the four-year Wallabies rugby squad endorsement.

Energex communications managers aim to get people talking (WOM) positively and believe their investment in the Australian Rugby Union and Wallabies sponsorships has involved people and provoked them to talk about Energex. Thus their sponsorship activity has led to WOM that contributes both to the company reputation and to brand building. Management believe awareness and brand building cannot be treated separately and that WOM is an integral component of both. Energex believe their sponsorships and the publicity exposure obtained have been more effective in opinion forming than other forms of communication.

*"You get people talking, (WOM) for the right reasons or the wrong reasons. Our research would suggest we've been successful in getting people talking (WOM) for the right reasons. You can't really split awareness and brand building." (EE20 215)*

Energex has built its brand from its inception, achieving 60 per cent awareness in 18 months and exceeding awareness goals amongst its business target markets. Awareness has been backed with strong sales growth outside its home territory. Though affected through its many sponsorships, which include the Energex Energy Institute, the spearhead of Energex's successful image establishment has been their Australian Rugby Union advertising sponsorship of the Wallabies.

([www.energex.com.au/about\\_energex.html](http://www.energex.com.au/about_energex.html)).

*"We have the strongest interstate brand in both Sydney and Melbourne. Our brand in Melbourne is stronger than any Sydney suppliers, and our brand in Sydney is stronger than any Melbourne suppliers." (EE20 200)*

The strength of the relatively new Energex brand has also been witnessed through independent consumer research. So, while the advertisements and the communications strategy have been aimed at male businessmen and skewed towards Sydney and Melbourne, Energex's efforts have had a wider impact and consumer acceptance. When prompted, customers are prepared to talk (WOM) about the Energex brand positively and with conviction (See Table 6.1, Referral markets–Customer advocates).

*“As part of their OzScan survey, where they measure the mood of the population, they don't normally get company-related stuff out of these groups, but somebody said, 'we just like Energex', which is a lay person's inarticulate way of saying 'you've succeeded with your branding'. Another person articulated it by saying, 'Well, you see what happened in New York, on the negative wall, we know that with Energex on our side, that won't happen here'.” (EE20 112)*

PR stories are generally placed for two reasons: as an integral part of building the brand or, in negative circumstances, in defence of the brand. In the former, positive PR stories are normally integrated with and planned alongside other mainstream Energex communications activity. Though public relations and media liaison results in positive WOM from media exposure, this activity is described by Energex as ‘publicity’ rather than specifically ‘WOM’, and is deemed hard to achieve.

Alternatively, PR is brought into play to counteract negative media exposure. Here the response is directed specifically towards that particular issue and aimed at reducing or eliminating the continued media exposure which fuels negative WOM amongst customers, the general public and government departments.

*“So there's that (in response to media comment) sort of PR, then there's the sort of PR where we try to generate positive WOM. It is obviously the most difficult of all forms of communication because there's no guarantees, but at the same time it's far and away the most effective.” (EE1 153)*

When customer dissatisfaction escalates and comes to the attention of government, it puts management under intense pressure. For instance, when an Energex domestic or business customer decides to direct their grievances through a local MP, Energex management can be taken by surprise, hearing directly of the problem from a minister's office. Negative WOM brings an immediate and unwanted focus from government onto Energex management, officers and employees.

Complaints can go beyond government and into the media. The added publicity whirlwind occurring in newspapers, on ‘shock jock’ radio and on prime-time television newscasts triggers further public relations action and crisis management processes in defence of the brand. This in Energex is called ‘issues management’, and is effected to reduce the potential damage from negative publicity and negative WOM to Energex and to the state government (and also in protection of the company employees themselves). Arguably, with the weight attached to complaints, their resolution and management of

situations when issues reach the press, compounded by government nervousness, the more salient arena for WOM within Energex is WOM in its negative context.

*“There’s the positive component, obviously, getting positive PR but then there’s the equally important, if not more so, is the ‘issues management’ component.” (EE20 100)*

Therefore negative WOM management processes are integral to all customer-facing departments. Energex coordinates customer complaints centrally; they are logged and managed in tandem with the Advertising and PR department, who are responsible for internal employee and external communication with both the media and the state government. Particular issues are handled by media liaison and press releases to counteract the effects of bad publicity and to prevent or lessen damage to the brand from negative WOM. In fact, Energex managers believe it is difficult to do anything about negative WOM and that once it is in the public arena it is largely beyond management control.

*“Once the negative message is out, it is uncontrollable by marketers.” (EE1 353)*

However, through building relationships and employing media liaison, counter-activity to the adverse publicity and negative WOM can be facilitated. Therefore, the strength of Energex media relationships can determine whether the publication of negative publicity is prevented entirely or, alternatively, contributes to a lessening of any potential adverse editorial comment. Therefore, media liaison management is an essential component in gaining media understanding and ‘working’ the relationship when it is needed to the benefit of the brand and Energex management.

*“The negative stuff can happen, especially from a branded perspective, you get media on your case and it can cripple two or three years work. Issues management is as critical a part of a marketing mix as any other form of promotion because, there’s many statistics to prove it, but you could spend millions and millions of dollars building a brand which is what we’ve done over the years and it can get destroyed in one day by media.” (EE20 100)*

Negative sentiment also results from disruption to power supply amongst Energex customers. Disruption can occur locally by a driver knocking over an overhead power line, or over larger areas by storms. However, it is the extraordinary increases in demand during hot weather and peak usage times that are more likely to exacerbate

customers' intolerance towards Energex's capabilities. When the infrastructure fails or the demand for power outstrips supply, the government's ability to manage the state's power needs is criticised in the media and openly debated, damaging their reputation.

Despite efforts to build goodwill with the customer, Energex's reputation as a reliable energy provider has been questioned by its inability to supply electricity, compounded by government actions such as imposing additional levies and extracting profits rather than reinvesting in infrastructure. Though Energex have appealed to their customers to help by conserving household energy to alleviate the problem at peak times, this has been ineffective and negative WOM has spread.

*"We ask consumers, when their air conditioner is on, to refrain from the use of the washing machine, or dishwasher or anything else that draws significant amounts of electricity at the same time. However consumer responsibility is a hard task and has proven difficult to manage." (EE80 1-131)*

Such situations are occurring more frequently, causing upheaval and inconvenience, and creating concern amongst both domestic and commercial customers. Consumers in greater numbers are becoming increasingly dissatisfied and even expect the power to fail. This has created a climate of negative sentiment of which government opponents have sought to take advantage, with media comment exposing the problem in the public arena, and thus raising the matter as an issue for Energex and its major stakeholder. In effect the media criticism is aimed straight at the competency of the state government.

Despite all the efforts the company, the strides it has made in image building and the positive WOM that has clearly surrounded the brand amongst their key decision makers in the sports and rugby fraternity through its advertised sponsorship, Energex's future growth in deregulated territory remains clouded by a sentiment of doubt and negative WOM. Energex's ability to deliver on its promises in its markets is under question. The fight to extinguish a negative image and negative WOM and replace it with a positive reputation and positive WOM remains Energex's major challenge for the future.

*"The goodwill we have built up can be severely damaged." (EE90 121)*

## 6.4 Objectives of WOM management

The previous section highlighted the positive role of WOM in new customer acquisition for Energex's more emotive products, such as Home Suite, and its prevalence within Energex call centres and the Energex Energy Institute leading to cross-selling. WOM networking has contributed significantly to new customer acquisition in corporate markets, while WOM has helped reinforce the brand and create the organisation's image and identity. On the other hand negative WOM has adversely affected the functioning of the organisation and its image.

WOM, either positive or negative and to a greater or lesser degree, occurs in most of Energex's departments. Many of the WOM-related processes are already managed within Energex departments. Nevertheless, Energex has much to gain from enhanced WOM management, and pursues the following objectives:

1. increase new customer acquisition. This can be achieved several ways:

- WOM from satisfied customers, cheaper than other new customer acquisition methods, including advertising and direct marketing, i.e. customers of Home Suite referring their friends
- implementing 'Friend-get-Friend' (MGM) incentivised WOM programs amongst existing energy customers targeted through profiling the customer database and using response incentives
- WOM networking using sponsorship with the objective of giving the Energex salesforce entrée to key 'blue chip' commercial accounts.
- exploiting specific market segments by employing incentivised referral tactics with hospitals and through security firms
- co-opting alliance partners referral, for example, WOM within the context of alliance partnerships forged with appliance manufacturers to gain access to their customers and to leverage their brand image
- encouraging WOM from non-customer advocates, for instance, the media

- providing reassurance and reducing purchase risk through the endorsement of the 'independent' Energex Energy Institute; for example, Energex Energy Institute's imprimatur and authority in the marketplace refers prospects to Energex products
- promoting the Energex websites where eWOM facilities and 'click to send to a friend' tactics are employed.

2. reduce customer dissatisfaction. Negative WOM has been strongly linked to customers dissatisfied with service delivery. Customer service failures and subsequent dissatisfaction affect Energex company management and damage the government's standing and image. Therefore, complaint management is a key Energex objective.

3. protect the organisation's image. Management defend Energex's position when negative WOM is associated with adverse media comment. When Energex comes under threat from media criticism, 'issues management' procedures are adopted by the department manager in tandem with Energex's Corporate Public Affairs department.

4. improve the image of the organisation. Energex's many social cause sponsorships and major sports sponsorship, coupled with their multi-media exposure through television advertising, events and PR, are designed to build the company's image with its stakeholders in home markets and competitive deregulated territory, as well as protect it in times of crisis. The Energex Advertising and Public Affairs department is also responsible for transmitting positive stories, which are designed to 'get talked about' and to build the company's image. These include using other alliance partner branded products.

5. improve the identity of the organisation with employees and government departments by ensuring that employees 'are saying and doing the right things' with the customer. Customer satisfaction is linked to WOM in Energex, which believes in a customer service focus. Customer satisfaction improvement through employees is high on the agenda. Managers in all Energex divisions emphasise improved customer satisfaction, which includes employing the 'right' people in pursuit of customer satisfaction, while training and employee motivational schemes are instrumental in improving employee attitudes towards customers.



6. maintain customer satisfaction as a key measure of the strength of Energex's customer relationship. Energex links customer service excellence and WOM output. Its annual customer satisfaction monitor is employed as a key metric in customer service benchmarking and service delivery in which WOM is a key variable of customer relationship strength.

## **6.5 Generation of positive WOM**

Energex uses WOM to improve its image, protect the brand in times of crisis, and acquire new customers. WOM occurs from customer satisfaction and it is anticipated that WOM will be an outcome of customers satisfied with a job well done. Customer satisfaction is measured by WOM referral variables. Customer satisfaction in an energy organisation may be inadequate for producing significant new customer acquisition; however, a number of organisation-manipulated methods – chiefly referral tactics and WOM networking through the salesforce – have propelled new customer acquisition in business-to-business markets. Publicity directed by the PR department, which involves exposure of the organisation's sponsorships and attachment to innovative products, has also produced WOM. The following describes in detail the methods by which the organisation generates WOM.

### **6.5.1 WOM and customer satisfaction**

Energex's call centres aim for a high standard of customer satisfaction. Approximately 1.8 million inbound calls per annum are received from approximately one million accounts. In the past, call centres have often been designed to drive costs out of the business, to answer calls fast, and then move on. Energex takes a completely different approach, encouraging CSRs to spend more time with their customers. In fact, the company believes the longer the call, the more satisfied the customer and the more satisfied the customer, the more likely it is a sale can be made. In addition, these longer, more satisfactory, customer-oriented conversations are more likely to trigger WOM. Thus the company's processes have assisted WOM stimulation (See Table 6.1. Customer Markets–Customer satisfaction WOM).

*“The call length average is approximately 5 or 6 minutes, about twice that of others. You'll hear them talking, ‘if you insulate with that, it'll cost you less to run and be more efficient and you can actually use a smaller size system’... that sort of conversation happening creates WOM.” (EE50 210)*

### **6.5.2 WOM and brand image**

Recurring themes in discussions of WOM are the notions of trust, reliability and reputation, which comprise management's ideas of their brand. In Energex there is an explicit government-backed community service obligation that the power will stay on and stay working. In fact, management believe there is a sense of trust that a government-owned company (GOC) has expertise in what it does and will deliver on its promises to customers; indeed, management consider trust in the brand is a precondition of positive WOM.

The sense of trust is also linked to building a strong brand image. Energex describes their communications strategy with the public and media comparisons with some others as having created ‘a high degree of trust’. The multi-media mix they have employed, including advertising, public relations, sponsorship and events management, is a strategy requiring more effort and expertise to manage, but which has stimulated WOM and built trust in the brand.

*“The brand is very strong, the brand is very trusted, Energex put a lot of time and effort into making it so.”(EE20 154)*

A heightened degree of trust is also reflected in Energex's value-added products and particularly its Home Suite division. Thus Energex brings trust to bear, benefiting from GOC ownership and using it as a risk reduction tactic in their marketing to prospects, like a ‘guarantee’. It also stands them in higher regard when being recommended.

*“Home Suite customers choose us for a whole range of reasons. The principal one is...we are a GOC, and publicly accountable, (in a referral situation) ...there's (an added) sense of trust that we will do the right thing.” (EE1 200)*

The general Energex philosophy is one of ‘help the customer’. This attitude is very much reflected in the Energex ethos and is central to all Energex's communications and

customer interface, particularly its call centres. In fact, apart from the quarterly statement mailed to each customer, Energex's main contact with its consumer and business customers is by telephone through the call centre. Management consider the company's image is affected by the way employees interact with customers, and so business success directly relates to employees' attitude towards the company. A positive attitude towards the company and its customers helps generate WOM, an approach partly driven by Energex's customer service mantra as reflected in their mission statement. Another is the benchmarks they assess through customer satisfaction research and the comparisons they make against other energy suppliers.

*"That positive brand comes from primarily the interactions we have with people. The staff in the frontline (are) very customer focused." (EE1 67-69)*

Energex LPG division also believe WOM outcomes are the result of exemplary employee–customer relationships. However, tenure in the job has also had an impact on customer satisfaction outcomes; Energex's employment practices dictate that their drivers, who have face-to-face relationships with customers, are hired for their customer skills.

*"Many employees have been with the company for long periods of their working life, for instance, 20–30 years. Our drivers are our most important WOM (instrument). If he does the right thing, we're right." (EE60 255-261)*

In the Home Suite arena, management consider those who carry out the work are directly connected to the company and how customers perceive the brand and its image. However, as they are external independent employees, Energex have much less choice in whom they employ, and so standards of service in this division and the company image are a complex issue for Energex.

*"Some of our licensees' staff are very, very good. They give us an outstanding image, while some are probably less so." (EE4 211)*

Energex believes that internal image is important for achieving a consistent external image and that if high levels of service delivery are achieved customer satisfaction will result.

Energex employees receive constant customer service training to enhance their focus on the customer and delivery of higher levels of customer satisfaction. For instance, the

Australian Rugby Union sponsorship programme enabled Energex to use their coach Rod McQueen for training and motivating customer-facing employees. Energex employees are also closely associated with the sports sponsorship in company advertising, which has contributed to implementation of the sponsorship and raised both employee enthusiasm and the level of communication with customers.

*“There was a lot of excitement around Energex at the time (training and involvement) gets buy in and get your staff on side...and talking.” (EE8 153)*

Energex have a number of internal processes which disseminate information about the company, its employees and their successes; these help activate WOM amongst employees, which in turn can be communicated to customers. For instance, when a new business success has occurred, such as the significant award of the McDonald’s business to the organisation, this was a feature of internal communication and employee publication endorsement.

### ***Advertising and publicity***

Energex believe that advertising in support of their sponsorships, such as the Australian Rugby Union, has generated positive WOM. In building a unique brand identity combined with traditional advertising, Energex have deliberately opted for alternative routes using communication techniques such as PR and events to surround their Rugby Union sponsorship.

*“To have high conversational value, whenever you make an ad you want to make it memorable, and to be talked about (WOM). By and large we’ve achieved that because we’ve taken a very different approach to a lot of things, not just to achieve awareness, it’s to achieve building of brand identity.” (EE20 250)*

However, after the awkward experience of a television commercial that was not only controversial, but risqué, management are now loath to create advertising that stimulates conversation and controversy for the wrong reasons, especially amongst its government stakeholders, and thus there is some reticence to employ advertising that is out of the mainstream and more likely to cause WOM.

*“There is a good example, a couple of years ago here where we did some advertising. It was all a bit – it was all a bit suggestive. But that creates a bit of stimulation of the market and it gets people talking (WOM), we’re probably a little bit too conservative in terms of our culture and our shareholders.” (EE50-571)*

While advertising has stimulated WOM, particularly within the context of the sponsorship of the Wallabies, the major area of positive WOM stimulation in Energex concerns the placement of positive PR stories in the media. The Advertising and Public Relations department engages in media liaison and attendant publicity and PR processes, and participates in events and the subsequent issuing of press releases.

Energex produces an abundance of stories, many emanating from both Energex and The Energex Energy Institute. Communications management consider editorial PR particularly successful in generating WOM. However, dexterity in managing the media –including content and nurturing relationships with local and national media – plays a significant part in gaining advantageous positioning and exposure of positive WOM stories. In fact, Davies et al. (2003) cite the importance of media management in influencing how the media ‘play’ a story, as Energex management attest, while Verndette (2004) echoes Energex’s findings that WOM is stimulated by press media, as well as where the story is placed.

*“For WOM, the media is the greatest starter, editorial media, for discussion and conversation, (its) WOM. So from a WOM perspective, clever media management and PR play a fairly important role.” (EE20 300)*

*“A good PR person can take almost anything and turn it into a media story through the art of positioning, and we do a lot of it.” (EE20 300)*

Cornelissen (2000) and Balmer and Greyser (2002) have demonstrated that corporate communication managers influence media reporting by issuing newsworthy information and establishing relationships with the media. This is reflected in Energex’s management techniques, which involve placing stories with certain journalists more predisposed to Energex, whilst avoiding others less so.

*“You can measure specific journalists. Certain journalists are on the negative side of things, others on the positive, so you know where to do your work how to maintain your relationships and where to build stronger ones.” (EE4 261)*

At Energex, PR events and messages are most often integrated with other elements of the marketing mix, creating a greater publicity impact and consequently a greater volume of WOM. Thus, wider media reach and coverage, which includes television and press, is more likely to result in WOM stimulation. In other words, integration of activity of more than one media reflecting the story of another is more likely to stimulate WOM (See Table 6.1, Influencer markets–Media).

*“The key (to people talking about it/WOM) is getting it through coverage. We’ve got The Courier Mail on board. They’ll be publishing the short list (of winners). We’re talking to the Sydney Morning Herald and The Age, and on Channel 7 Sunrise program about potentially doing something on the day we announce the winner.” (EE20 215)*

Energex further echoes a number of researchers’ findings on the effectiveness of public relations activity and WOM, that public relations activity has credibility over advertising, which suffers from clutter (Joachimsthaler and Aaker 1997; Ries 2002; Levine 2003; Aaker 2004). Furthermore, Levine believes customers are more likely to believe something an independent reporter says about the brand, than anything communicated by the company.

*“If you’re reading The Courier Mail or you’re reading the Sydney Morning Herald, and you see an ad for something, you say, so what? There’s a thousand ads, 30% of the paper’s ads every day but if you see an editorial piece saying that this product or that company are offering something different, special, it’s worth considering, then the power of that is ten times that of a paid advertisement or the end piece. The clear objective is to sell you something, it’s a third party endorsement, an independent third party endorsement, and obviously that carries weight, no bought piece of advertising can.” (EE20 300)*

### **The Energex Energy Institute**

The sponsorship of the Energex Energy Institute is instrumental in creating value for Energex. Its PR media channels are exploited to their fullest capacity across the many household appliance brands it represents, particularly leveraging seasonal opportunities of heat or cold in appropriate areas of energy consumption. In fact, many of Energex’s PR releases extolling energy saving come with the imprimatur of Energex’s impartial authority in the marketplace, the Energex Energy Institute. Born of the idea of moving

the company beyond its then environs of Queensland, in its quest for new customers in new markets, the Energex Energy Institute is unique. No other energy company has a similar strategy. The Energex Energy Institute's authority provides Energex with one of its best opportunities to build its image and stimulate WOM amongst its prospects and Energex's consumers. The Energy Institute's formula embodies free, authoritative, unbiased information and advice across a host of household needs and appliances. For prospects thinking about buying an appliance, the Institute can reduce their risk in purchase, and thus it is a tool for customer acquisition.

*"The Institute is the vehicle to take us forward. First of all we go forward looking after and reassuring the customer." (EE70 1-365)*

Prospects also gain reassurance through the imprimatur of the independent voice of the Energex Energy Institute. This tactic by any other word is testimonial based. The Institute fields approximately 2500 enquiries a month, with spikes at temperature peaks. Management believe that if there's something in it for customers, in this case when access to impartial information is free, it triggers WOM for Energex (See Table 6.1, Referral Markets, General Referrals-Expertise referrals).

*"People tell their friends about the Institute because we're a free service and we aim to be independently objective, even though we carry the Energex brand name." (EE70 1-155)*

The Energy Institute's credible personnel are also active in gaining radio and television exposure for Energex about energy saving and in the allied fields of gas and electric household appliances and their use. This activity turns into enquiries and footfall in retail outlets (See Table 6.1, Influencer Markets-Media).

*"I went to do a TV interview at Harvey Norman last year, and one of the sales people there said, 'Oh good, whenever you're on TV, I make sure that I take in what you say, because I know the next day that I'm going to be very busy'." (EE70 1-155)*

The Energex Energy Institute also actively courts alliance partners who combine more innovative energy solutions, allowing Energex to use these associations skilfully in cooperative communications activity, particularly with eco-friendly stories that generate interest and awareness (See Table 6.1, Alliance Partner referral). In multiple alliances with appliance manufacturers and federal government agency endorsement (See Table

6.1, Influencer Market referral–Government), the Energex Institute disseminates free information on appliances and energy saving devices through its website and, at regular intervals, via trade shows. It discusses how to use them by telephone through its call centre. WOM conversations, in favour of Energex, have been assisted through alliances with appliance companies, who also have reciprocal links.

*“(Consumers) might start with us. We have a list of everything that’s on the market, so they know what’s available when they go to Harvey Norman, even if the store doesn’t have every brand that’s on that list.” (EE70 1-155)*

### **Sponsorship**

Energex is also deeply involved in a raft of social sponsorships which include indigenous causes, innovation and the arts, and which it promotes as ‘encouraging connecting with the community’ (see [www.energex.com.au](http://www.energex.com.au), Green Power Accreditation Program Annual Audit p 23). Energex has supported Queensland’s indigenous theatre companies, helping to share indigenous music and dance. It supported the ‘Hear and Say Centre’ for hearing-impaired children. Some have won awards – for instance, its ‘Safe-Tree’ education sponsorship, which encouraged planting away from powerlines, won the internationally recognised public relations Golden World Award.

Energex’s communications department is convinced that WOM is triggered by its social sponsorship activities and the associated press exposure and public relations expertise and manipulation. In fact, many authors recommend involvement in social causes and citizenship initiatives to build firms’ identities (Fombrun and Rindova 1999; Fombrun et al. 2000; Davies et al. 2003) and provide a valuable WOM component (Gremier and Brown 1996b). Researchers Brown and Dacin (1997) have discovered the technique can affect attitudes towards the sponsor, as it helps to differentiate a brand from its competitors (Tate 1995; Murphy 1997) and can influence consumer choice (Barone et al. 2000). Hess et al. (2002) found that corporate social initiatives provide a greater benefit to corporate reputation assets than traditional corporate philanthropy.

*“The Arbor’s one, Energex Brisbane Festival, not dissimilar to Sydney Festival is another, things like ‘Hear and Say’, Cochlear implants for deaf kids, and there’s ‘Energex River Clean’, a bit like Clean up Australia, there’s a whole range of small things that don’t cost the earth, the trick then*



*is leveraging through PR, and that just gets people talking (WOM).” (EE20 215)*

In effect, Energex has leveraged the network of the rugby union fraternity to get their message across in the business markets of New South Wales and Victoria, using this as a platform with the two key objectives of building awareness and building personal WOM networks. Through these networks, new customers are acquired by inviting them and existing commercial customers to events and to the games along the road to the Rugby World Cup (See Table 6.1, Referral Markets–Customer Advocacy referral), where they can meet company executives.

*“The objective is to make people aware of Energex, in Sydney and Melbourne, at the same time provide a vehicle to physically get to know prospects (and get the conversation started).” (EE20 301)*

Energex have acknowledged full sponsorship involvement, including the use of rugby players in their commercials, clearly identifying Energex as deeply associating with the rugby players and the game (See Table 6.1, Referral Markets Non-Customer advocacy). Energex sponsor the Australian Wallabies to gain most effect; this included support of the player personalities, the co-opting of the teams’ coach and providing money for advertising and PR (Williams 1994, p 241). At the time the Wallabies were performing well, and a large percentage of the population were focussing on the possibility of winning the Rugby World Cup in Australia. In fact, Kumar (2002) and Dye (2000), underpinning Energex’s experience, state celebrities create WOM.

*“Now sponsoring anything in its own right achieves very little, unless you leverage it. So we made sure we spend at least 2 for 1, dollar for dollar, or dollar against dollar and within 18 months of signing an agreement with the Australian Rugby Union, we had 60% awareness in the Sydney and Melbourne business decision making markets.” (EE20 300)*

Recognition of Energex’s break-through success in branding using sponsorship has been reflected in the request by many of their peers for insights into how Energex achieved such high awareness in their markets so quickly. Their interest is in the execution of the Energex communications strategy, and particularly the combined handling of sponsorship and advertising, which has now been repeatedly copied by other major corporations.

*"We've been asked on three occasions, to speak to the ARU sponsor workshop on how to leverage, because in the beginning we were the only ones doing it. We were talking to Qantas, Coke, and Ford and all these major international brands, not so much now because others are doing similar things." (EE20 215)*

Exposure to sponsorship also has a dual role: building the brand image in the mind of its stakeholders, and protection of the brand identity. The image of 'good citizenship', produced through increased media familiarity with the company, its employees and its sponsorship activities, has been found to reduce a company's vulnerability to exposure, giving it the benefit of the doubt in times of crisis (Gremier and Brown 1996b). While results of investments in citizenship may be difficult for managers to equate, they build a hedge against downside risk, and can militate against the risk of reputational losses (Fombrun et al. 2000).

*"PR plays a critical role, an absolute critical role in maintaining the brand equity, maintaining the brand identity, building it and protecting it." (EE1 130)*

Thus WOM from sponsorship is thought to protect the brand's image. While the depth and quantity of Energex's strategy in a wide range of sponsorship activity suggest that the company has optimally used sponsorship to successfully build its image, it has also employed these sponsorships as a cushion against media criticism in the event of negative sentiment and negative WOM.

*"So there's ongoing maintenance as far as the brand in South East Queensland is concerned. There's 100% awareness but ongoing maintenance because from time to time the lights go out as they do everywhere. Now our objective (of using sponsorships) is to build 'a bank of goodwill' and we've been particularly successful in this. We've built a bank of goodwill through supporting various community activities...selective PR." (EE20 200)*

### **6.5.3 WOM and referral processes**

Energex takes advantage of referral processes from a number of sources: the Energex and Energy Institute's websites, networking, referrals through the various sponsorship schemes discussed above, incentive schemes and alliances. Energex's WOM sources and their relative importance to the organisation can be categorised by the Six Markets

Model of Payne (1995) and Peck et al. (1999) (Table 6.1). This section describes Energex's strategies for generating positive WOM.

<b>Six Markets Model referral types</b>	<b>WOM referral descriptions</b> (Peck et al. 1999)	<b>WOM referral sources in Energex</b>	
<b>1) Customer Markets</b> Customers, users	WOM Customer satisfaction	X	Home Suite users
	Service recovery WOM	X	Call centre / sales force
<b>2) Referral markets</b>			
i) 'Advocacy' referral	'Advocacy referrals' customer advocates	X	Earth's Choice customers
	Incentivised advocacy i.e. Guarantees or unconditional reimbursement (Nordstrom, M&S)	X	'People's Pact' / \$ guarantee
	'Advocacy' Referrals Non-customer (i.e. Virgin's image)	X	Event / sponsorship networking
	High profile personality	X	Rod McQueen/Rugby endorsement
ii) Customer base development	Customer Member-get-Member i.e. MCI	X	Earth's Choice / LPG Division / M-G-M
	(Family and Friends), Bring-a-Friend Events (Landrover))	X	Customers at Sports Sponsorship fixtures
iv) General referrals	Professional referrals/inter-industry	X	Qld Health Dept
	Expertise referrals	X	The Energex Energy Institute
	Specification referrals	X	McDonald's restaurants
	Substitute or complementary referral	N/F	
v) Reciprocal referrals	Mutually dependant	N/F	
iii) Incentive based referrals (can be regulated against)	Fee-based	X	Celebrity endorsement
		X	Sports stars endorsement
		X	Security Firms
	Free offers	X	Neighbourhood Watch
vi) Staff referral	Past	N/F	Ruby fixture / events attendance
	Present	X	
<b>3) Internal markets</b>	'Internal customer'	X	Call centre / LPG division drivers
<b>4) Supplier/Alliance partner referrals</b>	Customers	X	Cross-selling
	Sales staff	N/F	Air conditioning companies' websites

**Table 6.1: WOM sources in Energex based on Six Markets Model (Peck et al. 1999)**  
(continued overleaf)

5) Recruitment markets		X	Recruitment Customer-oriented LPG drivers
6) Influencer market referrals	Political, Government, regulatory	X	Negative effects of state government stakeholder
	Media	X	Liaison
	Celebrity influence	X	TV Advertising
	Search engine ranking	N/F	
	Online criticism	N/F	
	Competitors	N/F	
	User evaluator groups	N/F	
	Environmental groups	X	Eco/power sponsorships
	Financial/ investor groups	N/F	
	Union/industry groups	N/F	
	Family Groups	N/F	

X = WOM Present

N/F = Not Found

N/A = Not Applicable

**Table 6.1** (continued)

## Websites

The Energex Energy Institute's dedicated website receives approximately 2500 hits per month ([www.energexinstitute.com.au](http://www.energexinstitute.com.au)), with users taking an average of around ten minutes to search for information about cost- efficient energy consumption for the home. An interactive tool guides consumers around the site. The program calculates the approximate running and energy costs of appliances; an energy consumption chart demonstrates energy expenditure; the Energy Institute's energy efficient tips guide consumers into energy efficiency measures; and there is a 'click to refer a friend' facility to make it easy to send pages to friends. Management believe the website reflects advice given by the call centre, and that both create WOM (See Table 6.1, Referral markets–General referral–Expertise referral).

*"When the Institute gets involved, (the website or when they call us) our advice runs to (a) have the house designed properly, (b) have it insulated, (c) and make sure that you buy an air-conditioner that's going to cost you less to run ...the free advice creates WOM." (EE70 304-307/EE50 210)*

However, the Energex websites have limitations. For instance, Home Suite orders cannot be arranged over the website, and visitors must arrange a quotation by telephone.

Based on the Energex website's past history, some managers do not think the Energex website or Home Suite pages are particularly useful to their customers. For instance, though links exist to manufacturers' websites, visual representation of products on the Energex website is minimal. Some believe the website could be better designed, demonstrating products and services and contributing to customer acquisition rather than being used as a publishing tool for management of rules and regulatory matters.

*"The limited company owns the website and the retail company owns some bits within the website. So that again adds another layer of confusion to that because of the two companies owning different bits." (EE4 200)*

Management are neither well informed nor up-to-date about the website or the use of search engines in new customer acquisition. For instance, unlike some sites, the Energex websites are not seen as useful tools for eWOM referral.

*"There's a new website which is within days of happening. I don't know the exact timetable but it's basically there. I don't think it's as clever ultimately as some of the websites around... most people use the phone (anyway)." (EE50 210)*

### **Networking events**

Senior management of the Energex Energy Institute help build the company's image by speaking and networking at various community group functions, and by maintaining relationships with professionals in the industry. This interaction can lead to further advantageous media exposure. Output WOM for Energex, as far as the Energy Institute is concerned, results from the energies of the personality involved and 'quid-pro-quo' arrangements with employees' networks. Examples include national promotion of the Energy Star Awards, and senior management judging the Restaurant of the Year competition over the previous two years. These events gain exposure and create WOM (See Table 6.1, Referral markets—General referrals/Expertise referral). Thus in generating WOM, Energex owes much to the personal networks, reputation and energy of employees, rather than to the organisation directly.

*“The work I do on WOM is something that I do, not independently, but I do on behalf of the company. It’s more at a personal level. I have people within my circle of influence I call ‘my 400 closest friends’. They help me tremendously in the work that I do with WOM.” (EE70 1-155 EE70 235-249)*

### **Referral through sponsorships**

The Australian Rugby Union sponsorship strategy, as well as creating company awareness, has been used by Energex for WOM networking amongst potential business customers for its commercial division (see Table 6.1). WOM networking with ‘the right’ business people – particularly the endorsement of their rugby sponsorship targeted at key decision-makers – is lauded by sales management (see Table 6.1, Incentive based referrals). Heskett et al. (1990) contend networks are endemic to many services businesses, and Gummesson (2002a) believes WOM thrives on people’s network of relationships, as Energex attests. In fact, Energex has accessed new business through ‘the old boys’ network’, with subsequent creation of brand recognition, positive imagery and positive WOM about Energex amongst this influencer group. Thus the doors of large energy consuming commercial organisations open to Energex’s sales force with ease (See Table 6.1, Referral markets–Advocacy referral, non- customer).

*“The old boys’ network and the sport of choice in that network is Union. Get inside that and you’ve getting CFOs, CEOs, General Managers, Managing Directors where a whole lot are going to play the game (of rugby) so when our business people go out, talking about contracts, they’re talking to people in this link. There’s the background building of a brand, they know our brand as we come to see them.” (EE60 700)*

Energex have exploited their rugby sponsorship further by hiring Rod McQueen, the former Wallabies coach, for his motivational talent and for his business networks (see Table 6.1, Referral Markets, Advocacy–non customer). McQueen interacted with prospective customer groups at senior management forums and rugby matches, getting ‘up close and personal’. He appeared at internal and external employee gatherings, including the Energex business plan launch for staff, talking about what makes a successful manager and the keys to success, which gave those attending “a real feeling of belonging” (EE20 320). Aaker (2004) endorses the strategy, stating people and organisations prefer to do business with those they respect and admire.

*“Rod McQueen also has a reputation in the business market, particularly in Sydney and Melbourne, quite separate to his public profile as an extraordinarily successful coach, so we decided to get in early, and use him to build us through to the World Cup.” (EE20 300)*

In effect Energex have used the strategy of gaining respect by association; in other words, the company, the company keeps (Dowling 2004). The company Energex is now able to keep includes McDonald’s Restaurants in Victoria, New South Wales and Queensland, following a recent win in a competitive environment. This is the type of customer that the sponsorship strategy sought to attract, and which managers believe will assist Energex in further propelling WOM concerning Energex’s capabilities within the business market (See Table 6.1, Referral Markets, Staff referral).

*“We won McDonalds, not bad for a Queensland company, right up and down the east coast.” (EE90 400)*

### **Incentive schemes**

Referrals by networking also occur through campaigns designed to encourage users of Energex’s services to refer their friends. These schemes have had varying degrees of success. Based on an eco-friendly platform, the Earth’s Choice ‘Friend-get-Friend’ incentive scheme was promoted through the quarterly newsletter direct-mailed to customers and integrated with above-the-line components. Receiving almost no responses at all, management believe the scheme failed through lack of a financial incentive component.

*“We’ve had promotions where we actually said look, you have saved so many tonnes of greenhouse emissions, you might want to talk to family and friends (WOM) about the same thing.” (EE1 215)*

In contrast, WOM referral campaigns mounted through Energex’s LPG division offered an escalating dollar reward to customers who signed up their friends. Another similar customer referral incentive scheme is being devised (See Table 6.1, Referral Markets, Customer based development; Member-get-Member referral).

*“They get \$20 for hot water, and for heating as well, the reward is \$50, and there’s another one we’re working on.” (EE80 271)*

## **Alliances**

When launching new products, exploiting new areas of use, Energex have sought to promote their message through other means than advertising. Energex have spread WOM by sponsoring Neighbourhood Watch using school children and their family networks to advocate lighting in areas of need in the darkness of winter. To target other opportunities they have provided incentives to security companies with insights into public areas needing specialist lighting (See Table 6.1, Incentive based referrals).

*“We’ve certainly used things like Neighbourhood Watch programs, for security lighting products, we’ve used schools and educational campaigns in school. The children take the message home and it spreads (WOM). With other energy efficient activity we’ve looking to work up at the moment, that will certainly be involving kids, as a pseudo watcher and give them incentives to be involved in it.” (EE90 315)*

Other networking opportunities provide leverage amongst key influencers, whose recommendations have assisted Energex to communicate and sell energy-efficient products more cost effectively, a method advocated by Dye (2000) and Aaker (2004). Energex conducted a major energy efficiency project at Royal Brisbane Hospital, a flagship site targeted because of its ties with a key influencer in health. This has given Energex access to health decision makers state-wide (See Table 6.1, Referral Markets General referrals–Professional referrals).

*“It was news-worthy project, so we’ve picked up quite a bit of referral (business)” (EE90 400)*

### **6.5.4 Other influences on WOM**

#### **Innovation**

At Energex there is a real ‘buzz’ (Rosen 2000) around energy efficiency. In itself, energy efficiency is noteworthy; however, it is the new products, the ones that enhance energy savings and therefore are more salient, that bring consumer focus to Energex. Innovative products being brought onto the market, for instance, spark more customer interest. Particularly noticeable are new products that are energy efficient, those that positively impact the customer’s pocket through energy savings, and those that use



alternative energy. Innovative products are recognised to have ‘news value’ and are important to Energex for gaining PR coverage.

These products have benefits in image association and for generating WOM. Solar products and the heat pump product, a new type of hot water system, are good examples of new products and because they have ‘news value’ they attract attention. For Energex, taking the PR route to market, as opposed to other communication avenues, generates WOM.

*“It had all the PR components, its technology reduced energy consumption, and therefore greenhouse emissions, so you ‘PR it’ because it has news value.” (EE20 220)*

Energex sponsored the annual Energex Model Solar Challenge designed to associate Energex with innovation. This event in 2003 attracted a record 87 vehicle entries including a new category, solar boats. Other expensive high technology and energy efficient products, which due to prohibitive cost are inaccessible to the majority, creates a zone of higher conversational value and a network for referral (See Table 6.1, Influence Markets–Environmental Groups).

*“Innovative products stimulate talk in the market and appeal to many consumers. It’s a lot more efficient, so your cost of electricity for delivering the same amount of hot water is much less. Solar’s just got the whole green tag attached to it, energy efficient tag, it’s so nice, but it’s so expensive at the moment.” (EE80 340-344)*

Energex has benefited from employing joint promotion and innovative concepts to bring innovative energy products to consumers’ notice. In fact, some manufacturer alliances are particularly beneficial to Energex in image associations and in triggering WOM output because they are both innovative and prepared to spend more in gaining consumer exposure (See Table 6.1, Supplier/Alliance Partner referrals/company).

*“We’ve done quite a lot with Rheem, a bit with Daikin. The different suppliers have different policies on co-op advertising.... now we’re doing \$40 million a year, that attitude is changing, so we’ll be doing more and more of that.” (EE20 315/EE50 572-581)*

## **Diagnosticity**

A piece of information is perceived as diagnostic if it helps the consumer assign a product to one (and only one) cognitive category. In contrast, information that is ambiguous (i.e. information that has multiple interpretations) or that implies multiple possible categorisations is non-diagnostic. Hence diagnosticity refers to the extent to which a given piece of information discriminates between alternative hypotheses, interpretations or categorisations (Herr et al. 1991). Here the importance of diagnosticity in communication is illustrated by the problems the PR department has encountered in promoting their showpiece, the 'Energex Arbor', because of the difficulty in describing it.

*"The Arbor itself is there, it's a permanent structure. It's a bloody huge thing. It's there all year. It's a great big architectural, we've had so much trouble describing the bloody thing for people who haven't seen it." (EE20 320)*

However, WOM transmission has been stimulated by the clarity of message and ease with which consumers assimilate the concept. Reasons for the recent Earth's Choice subscriber base increase, management believe, lie in a new creative message that more adequately and succinctly communicates the proposition. Re-structured from a 3½% contribution, Earth's Choice was originally *"too hard for people to get their head around"* (EE20), the numbers involved being simply too confusing. The message was simplified by allowing customers to pay contributions at different levels – \$10, \$20, \$30, up to \$60 per statement – which then buys the equal rate of green energy. WOM transmission has been assisted by making the message easier for customers to understand and for call centre employees to pass on to customers.

*"Contributions went through the roof, and combining the simplified message with some cross-sell activity, made the world of difference and the \$10 or whatever multiple you choose, and on your account it says \$10 debit for Earth's Choice contribution gives an idea of how much green house gases you've saved. Customers gain a positive feedback every-time." (EE90 15-42)*

## **Timing**

Some occasions for WOM creation for Energex are markedly better than others. In the family context, WOM is particularly relevant at watershed events such as when setting up a home, or starting a family; whenever new appliances are being sought and discussed.

*“With products it’s about the good news, bad news, the barbecues, friends and relatives, the circle of influences, every family has that, and in particular, as young families are kicking off, I think the WOM component is far more significant. They’re going to start their first home, oh Mum, Dad, uncles, friends, whatever, when you were buying a new stove, did you prefer gas, electric, hot water.” (EE90 199)*

### **Ethnicity**

Management also believe it is possible that WOM contagion may happen more with immigrant families to Australia and friends, amongst their networks, more so than, for instance, in more established neighbourhoods.

*“WOM happens more within some ethnic groups than others, take your European communities, absolutely happen, take Asian communities, again, it will absolutely happen, and you get the positive or negative impact on both.” (EE90 216)*

### **Offers**

WOM has been stimulated by relevant offers, such as Friend-get-Friend (MGM) incentives, the WOM networking offers of free tickets to rugby matches and to dinners where customers and prospects can rub shoulders with key personalities, and free energy saving scoping for hospitals. Offers closely aligned to the product itself also help stimulate WOM. The free information given by the Energex Energy Institute has created WOM.

*“Some of the offers like guaranteeing 24 hour delivery of hot water, for instance. Some, a few companies are trying to do it now. But that sort of thing can be very good for conversation (WOM).” (EE50 543-547)*

## 6.6 Prevention and control of negative WOM

### 6.6.1 Complaint management

Negative WOM for Energex occurs from unsatisfactory service delivery, with dissatisfied customers complaining about Energex in their social and workplace situations. It also results from media comment; as a government instrument (GOC), Energex is under constant scrutiny from the media, and unresolved customer complaints quickly gain media attention. Negative publicity and WOM both damage Energex's image and reflect badly on the government, raising the question of government competence.

Because of Energex's government stakeholder interest, customer complaint processes are arguably embedded more deeply in the Energex management system than in many public companies. Customer complaints coming to the notice of government stakeholders or, worse, being broadcast to the wider public arena, have been strongly referred back to Energex management. Media exposure of customer dissatisfaction has carried a heavy consequence for Energex management.

*"Our competitors don't suffer the same GOC problems, certainly in our business. None of our competitors care if they're on the front page of the paper. They don't have the investment in brand. They don't have political shareholders who can be damaged by one domestic customer." (EE60 200)*

Customer dissatisfaction is particularly conspicuous when the power supply fails. At these times, echoes of consumer dissatisfaction invariably resound throughout the media. Government policies – such as additional levies to cover shortfalls collected through Energex's quarterly energy statement – also create negative WOM. The media make comment on issues they encounter and bring into the public domain. During power outages, the media highlight government activity such as extracting profits from Energex, rather than reinvesting in much needed infrastructure. Such incidents create negative WOM and damage Energex's image and reputation with its customers. Thus negative WOM image and reputation are closely linked.

*"The other time we get bad WOM is when we have a government issue. We had one where the government was receiving extra payments from the utilities, that has had effect on our reputation." (EE1 698-706)*

In normal circumstances, Energex's call centre CSRs deal effectively with customers' complaints. More serious complaints are logged and dealt with by senior management. The Energex complaints log is accessible online to managers.

*"We have a filter. The first filter that comes through the call centre, and I say to them you have the authority to fix the complaint there and then, if you can as long as it's not going to cost us a fortune. Use your best judgement. If they can deal with it there and then, bang, it's finished with. Only when they can't deal with it, does it come to me." (EE60 300)*

The CSRs aim to resolve issues directly and in a way in which the customer and company are both satisfied with the outcome. Both call centre CSRs and management, when involved directly, are charged with turning complaints into a positive. These processes accord with research that has suggested service recovery can have a larger influence on overall satisfaction and behavioural intention than do original service outcome variables (Fornell and Wernfelt 1987; Rust et al. 1992; Spreng et al. 1995). Apart from the obvious economic benefit, customers who have service failures satisfactorily corrected are more likely to share positive information about their experience.

*"It's about turning that complaint into a positive. I wasn't about to say 'Well you're wrong'...In the end the customer was quite happy, and that's what we want." (EE30 300)*

A large number of complaints are associated with the performance of independent outside suppliers contracted to Energex. These licencees fall outside of Energex's immediate control. Installation has been regarded by installers as a one-off business transaction and therefore their customer satisfaction standards have often been lower than Energex demands. Home Suite complaints are first addressed through the appropriate licensee, who is charged with investigating and fixing the problem while keeping Energex informed of progress. The processes of complaint management in Home Suite can take longer because of the distance between the customer and Energex, and positive resolution at first encounter has been less likely. Thus in this division negative WOM is exacerbated.

As a result Energex has instituted a special task force to minimise complaints. With Home Suite, improving service delivery has focused on finding a method to implement

more effective control over the licensee installer. To this end, Energex has put an engineer, not a marketer, in charge of their Home Suite operation.

*"I'm an engineer not a marketer...reducing the number of complaints that we're getting, by being sort of very pushy in terms of our field processes and making sure that the installers have to fix up the complaints that they generate." (EE50 248)*

Energex believe this strong hand will cause a ripple effect, which will be recognised by other installers and, with continued pressure, this tougher stance will have a substantial effect on changing installers' attitudes towards customer dissatisfaction, putting pressure on them to improve their processes, resolve customer issues and increase service delivery.

*"A huge factor for the ongoing success of the business, is just to try and continually improve what we do and be seen to be doing it...being very pushy with our licencees and making sure that licencees fix up the complaints they generate, we're actually generating less complaints." (EE50 200)*

To address customer dissatisfaction and prevent non-resolution escalating to the government, Energex has a 'People's Pact' guarantee. This is designed to reassure customers of Energex's service delivery capabilities. It concerns a widely advertised company challenge that Energex will at the very least meet customer expectations. The Pact recompenses customers with \$100 when work carried out by Energex or its nominees has gone awry. Through this the company is hopeful of a lower likelihood of complaint escalation and a positive, rather than a negative, WOM outcome.

*"If Energex makes a promise to a customer and we don't meet it, then we give them a bonus. It's either \$50 or \$100, it's a promise we mention it in our newsletters and other literature." (EE1 708-714)*

### **6.6.2 State government intervention and 'issues management'**

To defend its position within government and media circles, Energex's marketing mix includes 'issues management' (7Ps, ie process: Kotler 2000). This is employed in crises when a complaint appears likely to escalate beyond management and go direct to government or the media. In these situations, procedures in place within the call centre

and in the field are supplemented by the Advertising and Public Relations department enacting media liaison processes in accordance with the severity of the issue.

*“Complaints...we have a strict process in line where a customer might want to escalate a problem.” (EE30 215)*

Thus ‘escalation’ procedures, ‘issues management’ and ‘media liaison’ are important Energex strategies for complaints management. More serious consequences arise through complaints directed from the offices of a government minister or from a local MP. Government pressure can severely disrupt the normal course of business, diverting management’s time and energy away from their main tasks. Complaints and queries from government concerning customer dissatisfaction not only have to be resolved quickly, but also need to be fully investigated, and the results reported through Energex back to the originating government office.

### **6.6.3 Media liaison**

Some idea of the impact of the media can be seen when a journalist calls to speak to a senior manager: managers assume the worst. Thus the threat of a negative story can have an equally negative internal effect at Energex as its actual publication and wider exposure.

*“Senior managers do because they’re often the ones who say ‘oh shit, some journo wants to talk to me because I’ve done something bad, or they want to crucify me’.” (EE20 120)*

Experts have been employed within the Energex PR team to keep control of external communications. For example, the Energex PR department, four strong, is a relatively large department, reflecting the importance of its task. This team have a wealth of experience as senior ex-journalists and media liaison specialists who command respect in their circles; their job primarily involves positive story output but they also have important responsibilities with the media, government departments and senior Energex management, including the managing director.

*“I started life as a journalist on the Sydney Morning Herald. I’ve got on staff, just added recently Garry who was ex-Bureau chief of the Financial*

*Review up here in Queensland and former Queensland correspondent for Reuters.” (EE20 250/EE70 215)*

These PR experts have experience in ‘media liaison’ and in creating relationships with the media. They are equally adept at parrying questions from government and allaying fears as to management’s capabilities arising from these same issues. Through them Energex also exercise tight control over media releases, managing the issues efficiently and, in so doing, preventing further escalation. The PR anti-damage ‘bridging’ strategy lessens the outcome of media scrutiny and the potential of negative publicity by preparing managers for media interrogation with likely questions and answers.

*“You work out your bridging, politicians live it, its one great big media management exercise is what they do, it should never be forgotten, it is an absolutely critical part.” (EE20 215)*

Management are also sensitive to damage that can occur if questions directed at employees are not answered with due deliberation, even at middle-to-senior management levels. In this regard the PR department plays an additional role of accompanying management in the media spotlight, including interviews on camera, where management’s mishandling of sensitive issues may be caught off-guard, and ensuring message conformity across the entire organisation.

*“I always take one of Justin’s team with me to stand guard over my mouth and make sure that they don’t ask any sensitive questions.” (EE70 420)*

#### **6.6.4 Disposition monitor**

Less warm media relations can lead to bias. Without warm relations and strong ties, negative publicity in the press can occur and promote widespread negative WOM amongst customers, employees and other stakeholders, particularly government officers. When bad publicity has occurred, a stronger relationship results in a dialogue with the media that has helped to ameliorate bad attitudes held by the media towards Energex, and thus either prevention of publication of negative issues or a more lenient attitude. Therefore the need to create better media liaison is seen as critical to Energex’s image. However, despite liaison and the relationships created, there are journalists watching for an opportunity to exploit management weakness.



*“All the good work can be undone, so managing that and it takes somebody who really knows what they’re doing, to ensure that you stay out of the media for negative reasons.” (EE20 115)*

Media measurement of journalistic output is therefore deemed of vital importance to Energex. Tracking the attitudes of journalists towards the company, based on the tenor of their articles, either good or bad, is an essential part of PR processes. To manage this successfully and knowledgeably, Energex relies on journalist-by-journalist story analysis which is based on a simple scoring methodology. Publicity is also rated by accumulated total media exposure. From this Energex is able to plan what information to feed journalists, how to conduct their individual journalist relationships, how to build stronger ties, and how to best react to the media during crises.

*“You can measure specific journalists because you’ll find that certain journalists consistently are on the negative side of things. For a particular organisation others are consistently on a positive side, so you know where to do the work, you know where to maintain your relationships. You know where to build stronger ones.” (EE20 315)*

#### **6.6.5 Website and call centre processes**

The Energex website ([www.energex.com.au/about\\_energex.html](http://www.energex.com.au/about_energex.html)) lays out company policies and answers questions raised regarding its competency to deliver on its promises. While there is an emphasis on energy conservation, the website also contains extensive information on strategies and plans to address various doubts in the public’s mind about continuity of supply and how the company will react in times of crisis. There are also email click facilities to refer friends (eWOM) by forwarding relevant website pages.

In response to customer demands, particularly regarding power outages, management have published Energex’s Strategic Plan for Summer 2004/05 (see [www.energex.com.au](http://www.energex.com.au)). These data were collected from Energex in November 2004 with follow-up in February 2005. This document incorporates recommendations from *Electricity Distribution and Service Delivery Review: July 2004*, which has isolated the problems Energex has encountered in providing solutions, including improved resilience to the network from severe weather, accelerated capital works programme to

respond to a huge 16 per cent increase in peak demand, faster and more effective response to network emergencies and an improved information service to customers.

This latter promise involves an extraordinary 100,000 calls an hour call centre capability with 70 per cent of calls to be answered within 30 seconds, and more detailed FM radio updates during power outages, website alerts, new emergency phone numbers, public safety advertising and associated information programmes with local councils.

## **6.7 Processes and structures for managing WOM**

### **6.7.1 WOM organisational responsibilities**

WOM in Energex is unevenly distributed within the organisation's departments and no one department or person is responsible for positive WOM output. WOM is highly regarded in Energex as being a strong contributor to new customer acquisition through WOM networking. This is seen as the responsibility of Energex's sales forces. WOM is also stimulated through high levels of customer service and the company's call centres, controlled, respectively, by sales management and customer service management. Therefore, while marketing is responsible for customer acquisition and retention and mounts new customer acquisition initiatives and loyalty schemes in which WOM plays an important role, 'new customer acquisition from WOM' to a large extent falls outside the jurisdiction of marketing.

WOM comes into the fiefdom of the marketing department when it initiates incentivised WOM marketing campaigns. However, WOM is at its most obvious in the Advertising and PR department, in its role in building and protecting the organisation's image and identity. This has been most pronounced within the context of Energex's many sponsorships. In addition, this department's role in *issues management* (crises management), in media liaison and management with its major stakeholder, the state government, gives Energex's Advertising and PR department a dominant and clearly defined corporate WOM role. Because no one department or individual has responsibility for WOM, and as WOM is believed to be difficult to manage, management's dilemma is compounded as to how to harness it to greatest effect. Table 6.2 describes each department's relationship with WOM concerns.

<b>Energex Departments</b>	<b>WOM within departments</b>
The CEO	Crisis management, complaints management and customer satisfaction monitor
Communications, Public relations and advertising PR and WOM stimulation	Image enhancement through Public Relations media strategies and WOM stimulation
	Internal identity, positive internal image
	In defence of the brand/negative WOM control via media liaison/ issues management practices
Marketing department	
i) customer acquisition management	Customer acquisition incentivised WOM i.e. M-G-M strategies
ii) retention management	Complaint/defection management
Customer service/call centres	WOM customer acquisition through customer service experience, and loyalty via cross-selling and referral sales
	Complaint management
Sales force WOM networking	Customer acquisition through WOM networking and alliance partnerships
	Complaint management
Market Research / Customer satisfaction measurement	WOM benchmarking and measurement
Energex Energy Institute	Image enhancement and new customer acquisition
Energex websites	Image/information management response to complaints

**Table 6.2:** Departments in Energex encountering WOM

### 6.7.2 One hard WOM measure

Energex assesses its customer acquisition and profitability across its divisions and departments by a variety of methods. Measures include each division’s range of KPIs, which are principally financial: revenue, gross margin, and net margin. Other KPIs are company, employee and customer measures: 1) the quantity of sales, 2) the customer’s speed in payment, 3) conversion rates, from the time the customer rings to completion of installations, and 4) complaint levels. Franchisees are also measured separately on their conversion rate and their complaint levels.

In addition to these measures, Energex assesses defection in their LPG division, for which they have instituted a customer relationship management (CRM) system. Because of their quest to expand their share directly from their competitors, and to gain insights into customer loyalty, Energex has analysed why their own customers might be

leaving. However, in terms of occurrences of dissatisfaction and negative WOM, questions have not been asked.

*“So if we’re trying to get 5,000 new customers switching over from competitors (we) measure how many customers we’re actually losing to go over to competitors.” (EE30 215)*

Energex has segmented their customer base by a combination of usage and customer ‘cost-to-serve’. ‘Cost-to-serve’ is calculated from gross margin across the range of products bought, less the cost-to-serve the customer. Factored in to this are the numbers of telephone calls made to the call centre and the method and timeliness by which customers pay. This segmentation creates a ‘value segment triangle’, ranging from the top segment ‘priority customers’, followed by ‘high-value customers’, then ‘potential-value customers’ – the vast majority of customers – and at the bottom the ‘value-destroyers’.

As a result of this segmentation, resource allocation is assessed, which includes individual customer telephone communication with Energex (EE1 454-468). Thus customers classed as ‘priority’ or ‘high value’, are communicated to with the objective of ‘locking them in’ and keep them as ‘sticky’ as possible. For instance, in new customer acquisition those top two tiers of customers are considered appropriate for ‘cross-sell’ and Friend-get-Friend recommendation of Earth’s Choice or Home Suite products. ‘Potential value’ customers, the largest and most valuable segment to Energex, are likewise encouraged along the profitability continuum up to ‘higher value’ customer status.

Despite the comprehensive use of CRM tools and customer data in Energex, there is only one ‘hard’ measurement that affects WOM directly. This is the collection of ‘market source’ information from Energex’s Home Suite and other call centres which track the reason a prospect has chosen to call Energex about a product or service. It also tracks the absolute numbers of customers who have purchased and through what channel they have come. Notwithstanding the substantial numbers collected this way, management are sceptical of the true validity of the measure. Management are aware how easy it is for CSRs to continue entering misinformation, even though the data cannot be put to any useful management purpose. Therefore, management could be criticised for allowing the inefficient data collection system to continue.

*“In our Home Suite area we do have what we call ‘market source’ where we do measure WOM. It’s not a perfect measurement, it relies on the CSRs pressing a button for market source, but in market source we do have a big number for say, WOM. We’re not quite sure if that’s an accurate figure because we think that might be just the easy button to press, as opposed to where did you hear about us, they’ll just naturally go WOM and press it as opposed to asking the question. So we’ve got a bit of an issue with getting our people to ask the right question.” (EE50 748/EE20 215)*

### **6.7.3 Advertising and PR measurement**

Even though Energex measure advertising response by media type and by each publication, management are sceptical of advertising measures and the correlation made between exposure, coverage and leads matched against response. The closest Energex gets to WOM output measurement is a methodology called Media Content Analysis (MCA), whereby media content is measured. Each article is given a rating of 1–10 in terms of positive/negative content, and journalists are rated for their negative or positive predisposition to Energex based on this assessment. While the measure by column centimetres is held in higher regard, no measure is in place that measures directly the result of positive or negative publicity occurrences or the WOM result that has occurred as a consequence of its publication.

*“There is a measurable component but it really still comes down to column inches and your negative/positive rating. It’s not very scientific, but you can measure the PR side.” (EE20 220)*

### **6.7.4 Post installation customer satisfaction evaluation**

In the case of Home Suite, post instalment customer satisfaction measures are limited to out-bound calls and an external survey. Customer satisfaction surveys through customer care calls are not made after every job.

*“There is no 100 per cent feedback process. Follow-up, post installation customer care calls are made only when there’s spare capacity. We haven’t done a lot of that in the past. We are trying to do more. We’ll be doing some outbound calls today, for instance, and asking customers on what their experience has been.” (EE50 200)*

In addition the specific technical ‘gap’ audit on a small number of installations is effected through a technical person. The questions concern whether the installation was appropriate, that standards have been met, and ensures the customer has not been compromised in terms of price. Management believe results from this audit have been good, but hardly reflective of the current focus on third party installers.

*“We also have a third party company who do a survey. The results - the results are pretty good you know and that’s generally true of our outbound call surveys as well. There’s a very high percentage of customers who are basically satisfied with the process all the way through.” (EE50 353-360)*

#### **6.7.5 Customer satisfaction research**

AC Nielsen conducts Energex’s customer satisfaction research annually. Customer satisfaction is high for Energex, and higher than most other energy suppliers on most dimensions, with scores of around 4 out of 5. Energex have a high rating, coming within the top two utility scores.

*“We measure brand attributes across a series of measures, with our customer’s perceptions we do quite well on every attribute. We are probably either number one or number two, against other utilities on almost every dimension.” (EE1 200)*

Whilst responses to the question ‘willingness to refer’ indicate a propensity for respondents to refer, this variable does not measure WOM directly. ‘Service quality’ is felt to be a more operable variable on which action can be based. Though WOM measurement is felt to be important, it is not used because the company believes if ‘customer satisfaction’ improves, the volume of WOM will automatically increase. Marketing management are also sceptical of the customer satisfaction measure and believes that ‘customer delight’ is a more desirable state and more reflective of customers’ intentions to remain loyal and to utter WOM. While this is not a current measure, management are seeking to implement customer delight scales within their customer measures in the future.

For some managers, the customer satisfaction research tool falls well short of being adequate. For instance, Advertising and PR management contend that when Energex

describe customer satisfaction (measurement), they are only talking about customers who have called their call centre and are not including a wider customer base.

*“You’re not necessarily talking about people who’ve actually bought something. We don’t necessarily go out and say how satisfied our customers are, it’s really ‘how happy were you with your experience, the customer experience’, so I think that stops a little short of being true customer satisfaction, from a customer perspective.” (EE20 157-164)*

In fact, in Energex Advertising and PR communications management believe that their contribution to these results is minimal compared with those in awareness and brand tracking. Because of the relationship between customer satisfaction and image of the organisation, research into customer satisfaction is as important to them as it is to customer service departments, and therefore their input should be equally valid.

*“As far as involvement in customer satisfaction studies, my involvement is not as much.” (EE20 200)*

## **6.8 Chapter summary**

This study of WOM within Energex has revealed little common WOM understanding. In fact, each department within the organisation has a different interpretation of the contribution of positive WOM. As the state government is the major stakeholder and its policies and the consumers’ opinions go hand in hand, the company feels consumers generally view it negatively. For example, when power outages occur, negative WOM happens in abundance within the community (and amongst competitors) and is further fuelled by the media, who point to the government’s lack of commitment to infrastructure investment.

In addition the industry affords limited occasions to communicate directly with customers, giving less opportunity to satisfy the customer and create WOM. While customer satisfaction levels are recognised as being high amongst those customers who have interacted with the company, and while research indicates the organisation’s reputation is high when compared with the industry, the WOM component of the customer satisfaction monitor – the likelihood of referral – is regarded as being difficult for management to use in adjustment of service levels. Despite significant investment of

CRM systems to assess the effect of WOM on customer acquisition, WOM has been neither properly identified nor measured, and though Energex currently collects new customer media sources, these are considered invalid. Thus the WOM effect of higher levels of customer service on new customer acquisition goes largely unrecognised.

Management find WOM difficult to manage. They consider the generation of positive WOM through the Public Relations department can be achieved only through employing highly paid professionals and building close ties with the media; even then special skills are required.

Through problems with service delivery, the outsourced installation force has created significant negative WOM, which has gone beyond management's control and has necessitated negative WOM compensation schemes and the attention and skills of higher qualified management to put right. Negative WOM is a constant threat to the organisation and its reputation. The organisation holds deep anxiety towards negative WOM, be that from complaints which can escalate to the state government or, even more so, wide public exposure of negative WOM from media comment, which diverts management attention and brings additional scrutiny from government. This negative WOM outside management control is considered uncontrollable. The resulting negative publicity creates negative WOM, detracts from management tasks, brings pressure on senior management from stakeholders and affects the company identity, both employees and morale within the organisation.

In fact, throughout the organisation, the effects of negative WOM are better understood than positive WOM effects. Energex has many more systems and processes devoted to reducing or extinguishing negative WOM – e.g. complaints management, 'issues' management and media liaison – than it does in the generation of positive WOM. Thus when crisis hits the organisation, well-rehearsed issues management procedures are managed through Public Relations, and senior management all follow a rigorously enforced protocol that includes media liaison amongst carefully selected key journalists. Media training may also take place with those in the media spotlight.

Positive WOM plays a more significant role in many departments of Energex than has been recognised. The company is adopting a customer focused strategy by conducting intensive call centre and sales force customer service training, and incentive schemes



that have the aim of achieving higher levels of service delivery, and that will result in positive WOM outcomes. The company's central advertising campaign in support of the sports sponsorship is testimonial-based, and has created WOM and higher levels of awareness than industry norms. For instance, through the sports sponsorship of the national rugby team and the integrated communications program supporting it, Energex has enhanced awareness and its image with customers and key influencers and at the same time provided WOM networking access to targeted prospects. In fact, the Energex PR department is involved in a raft of other social and arts sponsorships designed to improve the organisation's image and promote WOM, a strategy also designed as an insurance policy to defend its reputation in times of crisis.

Despite low levels of WOM related directly to the energy business, WOM from organisation-influenced referral processes plays a significant role in new customer acquisition. Thus where customer employee contact occurs, WOM has contributed to business performance. Examples include Home Suite or the Energy Institute's free information service, which refers potential customers to Energex and is available through the website and its call centres. Alliances with innovative energy companies and innovative products such as the Earth's Choice energy credit product have created WOM referral and contributed towards its reputation. MGM customer cultivation also creates referral and new product acquisition.

Many WOM referral processes are designed to attract new customers: formal networking arrangements with industry-associated third parties, incentive based referrals, cultivation of key influencers such as the media and environmental groups, and government endorsements. Alliance partnerships with energy efficient appliance manufacturers are struck to achieve beneficial image synergies and to gain access to their customers through their websites and the Energy Institute.

Management need to recognise the nature of positive WOM. It must re-evaluate WOM processes to include customer service WOM, referral WOM and image WOM. It must attempt to establish the value of positive WOM in terms of image benefits, as well as balancing the effects of negative WOM, which detracts from the image and reputation of the organisation. Thus management need to evaluate WOM's links to brand image, and the effect of customer satisfaction on WOM. Therefore closely tracking the effects of customer and advocates referrals can lead to better understanding of how WOM

impacts on new customer acquisition. In order to better deploy resources, management must understand the links between WOM and WOM referral processes and the different ways of acquiring customers: WOM from satisfied customers, WOM networking and alliance partner referrals, as distinct from cross-selling. The role of WOM in all departments requires to be understood by all employees involved in the process. As a result WOM, if identified and properly managed, could have a more resounding effect on the organisation's internal and external communication with beneficial consequences to its business performance.