

7 Cross-case analysis

This chapter contains the cross-case analysis of the three cases contained in chapters 4, 5 and 6.

7.1 Introduction

This chapter summarises the results of the three case studies described in chapters 4, 5 and 6, with the aim of assembling evidence from the responses to the research questions. In each section, the observed approaches and practices of WOM in the two service sector cases are discussed first; these are then compared with the not-for-profit case. Thus any fundamental difference between the service cases and the not-for-profit organisation can be delineated, while including the latter enables a more thorough analysis of WOM in organisations. For all three cases, the discussion compares the influences of contextual or related factors on WOM practices, and the alignment of WOM strategies to current theoretical positions. The final sections of the chapter identify and discuss the managerial implications of this study.

7.2 Summary of WOM practices

The WOM practices of cases A, B and C have been fully described and discussed in chapters 5, 6 and 7. Overall, five dimensions of positive WOM and four of negative WOM have been identified from the three case studies. Stimuli for both positive and negative WOM come from several sources (Table 7.1) including those prompted by exceeding customer expectations, considered outside the organisation's control, externally stimulated WOM factors and organisational influenced WOM factors.

WOM stimuli	Positive WOM	Negative WOM
Service delivery WOM	1. Customer satisfaction	1. Customer dissatisfaction from complaints/Users' benchmarking practices
Organisation influenced referral marketing	2. Customer advocacy development/ WOM networking/referral marketing/ Non-customer influenced advocacy development	
Organisation influenced communication	3. Publicity/PR internal employee and external customers and prospects	
External influenced media communication	4. Positive media exposure (i.e. to disasters in the NP)	2. Negative publicity from media comment
Informal WOM	5. Employee WOM	3. Negative WOM and rumour amongst employees and stakeholders
Competitor influence		4. Negative criticism and 'badmouthing' product or service

Table 7.1: Comparison of positive and negative WOM stimuli

7.2.1 Characteristics of positive and negative WOM

Positive WOM is characterised as being closely linked to six distinct arenas residing within a framework of the public's attitude towards the organisation's image and the informal communications of employees which constitute a part of the organisations' identities:

- the product or service itself
- customer service delivery and customer satisfaction
- communications, including (i) external media comment and publicity coming from outside the organisation, over which the organisation has no control; (ii) organisation-influenced advertising, public relations and sponsorship communications activity, over which the organisation has control of initial output and where WOM is strongly linked to public relations activity and image-building; (iii) formal employee communications; and (iv) informal WOM, which is linked to organisational identity

- influence markets, which are groups that can apply pressure on the service organisation or equally provide referral opportunities through endorsement of the organisation
- organisational referral processes commonly associated with relationship marketing and WOM networking, which are closely aligned to new customer acquisition, particularly in the business-to-business divisions of these cases
- supplier/alliance partnerships, some of which concern innovations; these associations are struck mainly to gain access to new prospects and provide WOM networking opportunities also create WOM.

In the three cases investigated, negative WOM arises from four main sources:

- customer dissatisfaction through failed service delivery. Unresolved complaints can escalate, with unresolved negative WOM spreading beyond local networks and eventually being championed by the media. It can also derive from customers' industry benchmarking practices
- media comment, often regarding company ethics or disagreeable corporate policy, or arising from association with competitors or stakeholders under media criticism; such group association can disaffect the whole industry
- informal communications of employees and other stakeholders such as suppliers, who can engage in negative WOM from the inside that can affect the organisation externally as well as internally
- those competitors which generate negative WOM around the product or service and denigrate the organisation, disrupting new customer acquisition initiatives amongst potential prospects. Negative WOM from competitors can concern service quality or the product itself.

Within influence markets, user groups' procurement and supplier evaluation is a negative WOM threat, against which these cases believe they are powerless. These organisations link service delivery, price comparison and scrutiny, potentially

damaging business performance. Case B believes benchmarking across industries or intra-industry will lead to a decrease in margins through negative WOM, while Case A has experienced both positive and negative effects from benchmarking while negotiating corporate donations.

7.2.2 Organisations' attempts to influence WOM

Customer service delivery

The quality of service delivery leads to positive WOM in two ways:

- as a consequence of customers' expectations being exceeded, described as emanating from high levels of 'customer satisfaction'
- from dissatisfied customers' grievances, which, when resolved to the customer's satisfaction, leads to these customers uttering positive WOM towards the organisation or its employees.

In contrast, customer dissatisfaction with the organisation's products or services has the potential of spreading negative WOM amongst customers' local networks, affecting the company image and disaffecting other customers of the organisation or its potential prospects. Thus the organisations' customer complaints processes are designed to prevent such negative WOM and its escalation.

Organisational communications

Organisations' external communication practices fall into three broad categories:

- communication influenced by the company and designed to gain awareness, build company image, and subsequently contribute to acquiring new customers or donors. This includes manipulation of media sources beyond the organisation's immediate control. For instance, the NP organisation has manipulated national news coverage of disasters to its benefit.

- WOM practices designed to defend the image of the company and its employees from complaints and negative WOM. On one level the service organisations employ CRM and sophisticated processes in response to customer complaint behaviour (CCB), and in satisfactory resolution of complaints. On another level, crisis management procedures are employed in response to negative media comment. These processes are also adopted in cases of complaints escalation when complaints are not satisfactorily resolved and the media champion customers' grievances. It is through these processes that the organisation attempts to ameliorate or extinguish negative sentiment and negative WOM occurring towards it or its officers.
- the organisations' internal communication, which is designed to positively influence the internal identity of the organisation through employees and other stakeholders.

Organisational referral practices

WOM referral practices influenced by the organisation are designed to encourage new customer acquisition through cultivation of existing customers. These are:

- WOM networking by senior management and their sales forces. This includes stimulation of WOM advocacy through gaining both customer advocacy and the favourable predisposition of non-customers towards the organisation. In the NP organisation such practices are concerned with vital donor-volunteer identification and through that new donor acquisition, as well as annual existing donor-volunteer reactivation.
- the striking of supplier/alliance partnerships through which management open up referral opportunities and enhance organisational image (see Table 7.12).

Non-customer WOM advocacy or negative WOM criticism

Positive WOM can occur without the WOM giver actually experiencing customer satisfaction, because no purchase has occurred. It happens without direct organisational contact or tie. This may result from WOM amongst satisfied customers or stimulation by media sources or as a consequence of the pass-on effect of non-customer advocacy stimulation. Similarly, negative WOM can occur from the pass-on effects of dissatisfied customers, or those disaffected by negative media comment.

7.3 Corporate understanding of word-of-mouth management

7.3.1 WOM vernacular

In the lexicon of services management WOM is a phrase applied in customer acquisition circles, in both consumer and commercial business divisions, where customer-focussed marketing is practised. Table 7.2 summarises the positive WOM taxonomy of the three cases. Description of positive WOM in the service companies falls into three main areas:

- customer service delivery, described as ‘word-of-mouth’, ‘advocacy’, ‘customer referral’ and ‘goodwill’
- organisational influenced communications surrounding public relations, with descriptions such as ‘press releases’, ‘good PR’, ‘PR stories’, ‘publicity’, ‘spin’ and organisational ‘reputation’
- organisational influenced new customer acquisition or lead generation referral processes, describing WOM as ‘testimonials’, ‘customer referrals’, ‘advocacy’, ‘networking’ and ‘key influencers’.

Within the three organisations’ commercial divisions ‘referral’ and ‘advocacy’ are the predominant expressions. While these both refer to WOM, referral is a specific term, reflecting a personal relationship between the referrer and the benefiting organisation’s employee, most often a member of service organisations’ sales forces. This referral process is also described as ‘networking’. Though ‘WOM networking’ is not seen as being a part of

WOM vocabulary in the sense of ‘satisfied customers’ recommendations’, the contribution of referral and advocacy is significant within lead generation and subsequent customer acquisition processes.

While Case C commonly describes WOM as ‘advocacy’ and ‘referrals’, the ‘key influencer’ description also is used. Case B’s many WOM networking processes are variously referred to by executives as ‘advocacy’, ‘third-party introducers’ and ‘customer intros’, and ‘cross-selling’, and also in Case C, where prospects have been specifically targeted, as ‘rubbing shoulders’, and ‘old boys network’. Because cross-selling is predominantly used when selling additional products or services to existing customers, there remains an element of confusion with WOM.

Positive WOM taxonomy	Case B	Case C	Case A
WOM management	'Word-of-mouth' 'Advocacy'	'Word-of-mouth' 'Advocacy' 'Talk'	'Word-of-mouth' 'Advocacy' 'Stories'
Referral management	'Referrals' 'Customer intros' 'Key influencers' 'Third party introducers' 'Introducers' 'Customer testimony' 'Cross-selling'	'Customer referrals' 'Referral' 'Key influencer management' 'Cross-selling' Networking 'Old boys' network' 'Rubbing shoulders'	'Influencer identification' 'Significant others' 'Committee Processes' 'Right asker' 'One gets five' 'Honoured friends' 'Involvement'
Communications	'Press Releases' 'Publicity' 'Positive spin' 'Good spin' 'Goodwill' 'Reputation'	'Press Releases' 'Publicity' 'Good press' 'Spin' 'PR stories' 'Goodwill'	'Good publicity' 'Good PR' 'Reputation'

Note: Cases B and C are listed first in this and subsequent tables to enable direct comparison of the commercial organisations, before consideration of Case A, the NP.

Table 7.2: Positive WOM taxonomy

With Case A, the NP, there is little difference in the understanding of WOM as it applies to recommendation of the organisation. However, the effects of ‘the stories people tell’ which,

passed around over time, reflect the organisation's philosophy, and are recognised as essential to image and reputation building.

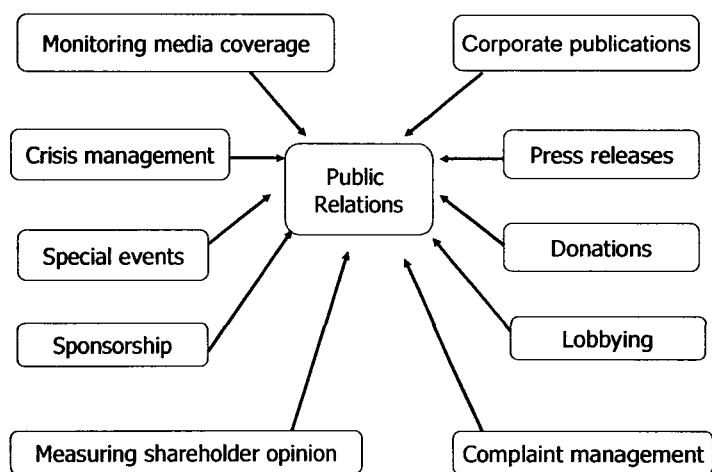
Case A, the NP, has many more ways of defining the processes of WOM networking; it is specific about the role of 'influence', and identified 'key influencer influence'. Their networking processes include 'involvement', where advocacy is stimulated by a greater experience, and organisational commitment, which allows peer pressure to be applied to encourage participation from donor-volunteers within their influence. In addition, advocacy is championed through designated 'Honoured Friend' status being applied to key influencer advocacy groups, such as solicitors.

In all cases positive WOM is significantly identified with 'public relations' and 'PR' activity. These are described most often as 'publicity' designed to put the organisation in a favourable light. Therefore through this channel WOM is closely linked to enhancing the organisation's image. PR departments are considered a concentration of WOM activity, both in the influence of positive WOM – understanding that WOM contributes towards awareness, image and reputation objectives – as well as that of negative WOM. These organisations' Public Relations activities (see Figure 7.1) are in line with the findings of Davies et al. (2003); each of the activities identified by can be seen in the public relations functions (and employment of external PR and reputation agencies) and WOM within these cases. Lobbying can be found under influence markets applying to interest groups and, in these cases, government influence.

Press releases are positioned to ensure that stories are published having 'PR value', therefore they have need of 'spin' or 'good spin' to create maximum awareness and WOM. WOM generated by organisational influenced means is also linked to the organisation's reputation. Similar descriptions occur within the NP organisation where the PR department is also central to WOM stimulation.

In the service companies, descriptions linked to negative WOM (Table 7.3) fall into three groups:

- customer dissatisfaction resulting from service delivery failure can lead to 'bad WOM' or 'negative WOM'. Other terms such as 'complaints escalation' and 'escalation management' are used when complaints go unresolved and the complaint escalates to more senior management's attention



(Source: Davies, Chun, da Silva, Roper 2003)

Figure 7.1: Public relations and reputation agency functions

- ‘crisis management’ and ‘issues management’ describe organisational internal processes used to counteract potential or actual negative publicity and negative WOM from media comment. In fact, when used to describe negative media comment and ‘negative publicity’ the words used to describe negative WOM have more poignancy – ‘bad publicity’, ‘crisis management’, ‘media contagion’ and ‘damage to reputation’
- informal internal communication, which affects internal identity and is described as ‘negative conversations’, ‘internal stuff’, ‘internal rubbish’ and ‘rumours’.

Negative WOM is also stimulated by competitors, particularly when an organisation is vulnerable to media comment, or when it is generally understood service levels have fallen beneath industry norms. Thus, in Case B, knowledge of problems arising from poor service delivery amongst the organisation’s customers has caused negative WOM which competitors have leveraged against them. Terms to describe this include ‘slagging-off’ and ‘badmouthing’ which impinges on the organisation’s reputation.

(Negative WOM incidents have also occurred when innovations or features are perceived to provide competitive advantage for either party.) Negative WOM from competitors has been found to damage chances of new customer acquisition and affect the business performance of these three organisations, as well as frustrating potential sales or donations.

Negative WOM taxonomy	Case B	Case C	Case A (NP)
Negative WOM Dissatisfied customers/donors	'Complaints management' 'Bad service experience' 'Reputation'	'Complaints management' 'Poor service' 'Service failure' 'Bad WOM' 'Reputation'	'Donor problems'
Non-resolved complaints	'Escalation management'	'Complaint escalation'	Donor lapse
Media comment	'Crisis management' 'Media contagion' 'Bad publicity' 'Media mayhem'	'Issues management' 'Crisis management' 'Bad PR' 'Bad press exposure' 'Negative PR' 'Reputation'	'Crisis management' 'Negative publicity' 'Adverse PR' 'Bad press'
Competitor negative WOM	'Unjust criticism' 'Badmouthing' 'Slagging-off'	'Competitor criticism' 'Competitor negativity'	'Breaking their charter' 'Reputation'
Employee negative WOM	'Internal rubbish' 'Negative corridor conversations'	'Rumour' 'Internal stuff'	'Stuff we keep to ourselves'

Table 7.3: Negative WOM taxonomy

When descriptions of negative WOM for the NP organisation (Case A) are compared with the service cases, donor satisfaction is not considered critical. Processes to counteract negative WOM from complaints have not been developed, and thus the words used in the NP to describe complaints focus on ‘unsatisfied donors’. There is no system to manage complaining donors. Those who are dissatisfied remain unidentified and are allowed to lapse. However, the effects of media comment are considered extremely damaging, with descriptions not significantly different from the service

cases. However, unlike the service cases, the NP organisation has been able to directly link ongoing donation reduction with media comment and negative WOM and, when it occurs amongst competitors, encroaching on the reputations of those in the industry as a whole.

7.3.2 Positive WOM in service organisations

Generally WOM is understood to be a consequence of customer satisfaction with high levels of service delivery, which these organisations seek to deliver. Managers of both service organisations believe that if the company is exceeding expectations in terms of providing ‘good service’, customers will be satisfied and predisposed towards uttering WOM towards the service or organisation. Therefore, it is accepted that high levels of customer satisfaction will stimulate WOM behaviour and affect new customer acquisition. Table 7.4 overleaf summarises the characteristics of positive WOM as perceived by the three cases in this study.

Across these cases, trust in the brand is considered an important factor in customer WOM stimulation. If customers trust the company, respondents believe WOM is more likely. Trust is equally important within personal relationships: when personal trust is built, WOM will occur. Furthermore, this latter relationship is prevailed upon within a customer’s personal testimonial in industry forums and sponsored industry events.

Though WOM is not stated as a specific organisational objective, this study found that the two service cases have implemented customer service practices and strategies designed to deliver high levels of service and thus elicit customer satisfaction and positive WOM from their customers. Such strategies are aligned to those of customer-focused organisations. Managers believe positive WOM can be affected by enhancing delivery of customer service, and that this in turn will positively affect customer loyalty and ‘goodwill’, and have a positive effect on the organisation’s reputation (see Figure 7.2).

Characteristics of positive WOM	Case B	Case C	Case A (NP)
Industry type effect: susceptible to high/low WOM	Low	Low	High competitor
Actual WOM by case	Low	Low	Low
WOM occurs as a result of higher service delivery levels	*****	****	**
WOM occurs from satisfied customers/donors	**Business markets	****Home Suite/Earth's Choice/LPG	**Volunteer-donors
WOM occurs from high levels of customer/donor satisfaction	*****	*****	**
WOM is contingent on strong personal relationships	*** 'We have to build trust in what we do'	**** 'Doing what we say we'll do'	**** 'the volunteer-donor committees trust us'
WOM is contingent on brand trust	****'Once it's broken, it's gone'	*****'Making sure our brand is trustworthy'	*****'Not me, the uniform'
Prone amongst (our) more emotive products and services	**	***	Competitors' offerings*
WOM is higher around innovative products	****	*****	(as above)
Positive WOM is positively affected by PR exposure	*****	*****	*****
Positive WOM is positively affected by TV coverage	****	****	***
Positive WOM difficult to manage	***	***	*
Exposure difficult to obtain/'there's no guarantee'	**	****	***
The WOM effect is difficult to measure	***	***	**

****the more stars the higher the respondent incidence

Table 7.4: The characteristics of positive WOM

“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)

Despite executives within these service companies believing that WOM can affect customer acquisition, they deem customer WOM and its effects to be low. They consider WOM is linked strongly to emotionally charged products and services; they do not see mainstream power and financial services or, in the latter case, its customers, falling into this description. For instance, in Case B, corporate financial customers are thought not prone to giving WOM referral. WOM is also adversely affected by global contracts, such as long-term agreements or high switching costs, which make switching

prohibitive. As a result opportunities for WOM recommendation are considered more likely amongst medium sized and smaller companies or those not globally aligned. In Case C, the nature of power supply and limited customer choice, together with limited direct customer contact, suggests low WOM activity from satisfied customers. However, customer satisfaction WOM is recognised as essential to sustaining their more emotionally charged products, where statistics of new customer sources demonstrate the contribution of WOM to their purchase choice.

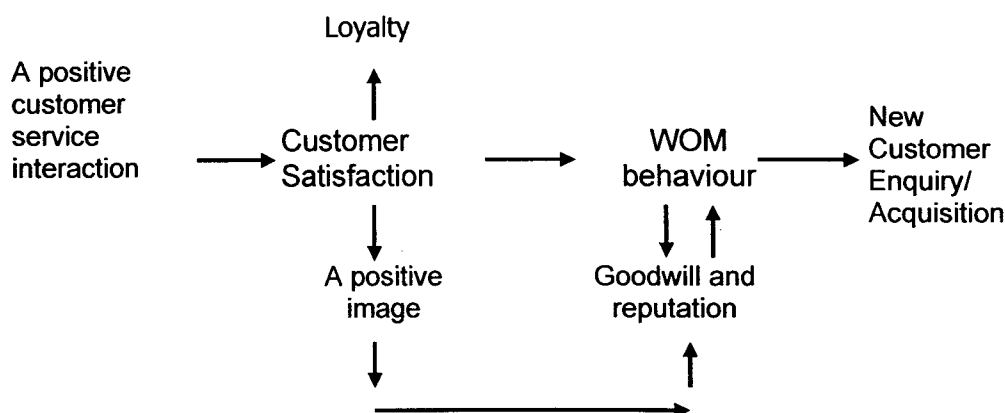


Figure 7.2: The customer service WOM effect on new customer acquisition (based on Davies et al. 2003)

WOM from donors on the database in the NP organisation is also considered to be low. Donor satisfaction is thought to be affected by the organisation’s inability to respond individually or speedily to donation receipts. Without a research monitor, donor satisfaction has long been thought both lower than might be anticipated and lower than other charity organisations. However, conversely, positive WOM is high in the category, again recognised by managers by the more emotionally charged causes of their competitors.

7.3.3 Negative WOM in service organisations

Negative WOM occurs from: customers’ mishandled customer complaints, escalation of complaints when unresolved, and negative media comment. In addition, negative WOM emanates from competitors, employees and other stakeholders. Unlike positive WOM, the understanding of negative WOM is universal in these organisations. Both service cases have suffered severe jolts from negative WOM that has resulted from poorly delivered customer service and the resulting relationship breakdown. Furthermore, when customer dissatisfaction has not been identified, the consequence has been all the more damaging. All cases have experienced severe blows from negative WOM following media comment.

While customer complaints affect the departments in which they occur, negative WOM from adverse media comment can affect the whole organisation. Thus these organisations display anxiety towards negative WOM, believing it affects multiple recipients, travels faster, and damages the organisation’s internal identity in the context of employee morale, its image and reputation.

Characteristics of negative WOM	Case B	Case C	Case A (NP)
Spreads to wider audience than positive WOM	****	*****	***
Travels faster/further than positive WOM	***	***	***
Occurs from customer/donor dissatisfaction	*****	*****	***
Occurs from media comment	*****	*****	*****
Occurs from employees (or from NP donor-volunteers,)	**** (in crisis)	***** (in crisis)	***** (donor volunteer dissatisfaction)
Negative WOM is impossible to control	*****	*****	*****
Negative WOM damages image	*****	*****	****
Negative WOM damages reputation	***	****	*****
Negative WOM is harmful to employees/identity	**	***	**
Competitor negative WOM hinders sales/donations	*****	***	***
Negative WOM effects business performance	****	*****	(whole industry)

*****the more stars the higher the respondent incidence

Table 7.5: Characteristics of negative WOM

Table 7.5 summarises the characteristics and effects of negative WOM in each of the three cases.

In Case B, negative WOM has occurred from dissatisfied customers who, rather than complaining about being locked into service contracts, have vented their frustration through negative WOM to prospects. Even when their specific testimonial has been requested, these supposed advocates have uttered negative WOM towards the organisation, affecting new customer acquisition and future business performance.

Case B has experienced a similar situation to that noted by Jones et al. (2000): even though dissatisfaction has been an ongoing phenomenon, the customer has remained behaviourally loyal, but only because of the high barriers to switching and long-term contracts. However, some of these customers have engaged in company-focused sabotage. When presented with an opportunity to lend the positive endorsement anticipated by the organisation, the opposite has occurred, akin to what Jones and Sasser (1995) have termed “terrorist” customers. For example, Case B did not win an account equivalent to 5 per cent of their then turnover, which they had believed was ‘a certainty’, through such negative WOM. Similar ‘terrorist’ tactics were experienced from a seminar participant asked to endorse Case B’s service, which if allowed to proceed, would have resulted in negative WOM with consequences for customer acquisition across a number of important prospects. These damaging negative WOM occurrences have created a need to revise customer satisfaction monitors and customer testimonial processes.

Management consider negative WOM emanating from media comment to be uncontrollable and therefore hold negative WOM in significant anxiety. Because negative WOM from media comment is beyond management control, these organisations are apprehensive of threatened or actual occurrences of being publicly exposed. Negative publicity and negative WOM are seen as significant threats to the organisations’ image, identity and even to the managers themselves. Thus the three organisations investigated assiduously attempt to avoid media comment and scrutiny.

Media criticism and scrutiny produce pressure from head office (Case B) and from major stakeholders (state government in Case C). Negative WOM diverts management from its purpose in managing the company, its employees and its customers. Though no attempt has been made to measure the effect of adverse publicity and negative WOM,

enough evidence exists to demonstrate its effect on reputation and business performance and therefore these organisations' defensive strategies are deeply embedded. The NP organisation is less concerned with donor complaints and more concerned with avoiding the public's dissatisfaction and negative WOM from media comment because this threatens its relationship with key stakeholders and influence groups, such as the federal government and its corporate and other donors.

'A beast which can be uncontrollable' (AA8-157)

7.3.4 Departmental interpretation of WOM

Positive WOM is interpreted differently by different departments. Generally senior management circles interpret positive WOM as being linked to customer service or customer satisfaction, which in turn is related to customer retention. It is also linked to fortuitous customer acquisition. In contrast, marketing departments recognise positive WOM as closely linked to new customer acquisition, which is part of their responsibility, and also to image-building. Therefore WOM is predominantly seen as relating to customer service and happy, satisfied customers, which is the ultimate aim of customer relationship efforts. The sales force associate WOM with the referral marketing processes they encourage (see Table 7.12, Referral markets) in their efforts to gain new customers. However, some departments, particularly customer service call centre staff, consider their cross-selling processes to be WOM.

On the other hand, PR departments interpret WOM as being a part of their remit, particularly surrounding the stories they concoct for the media, which are designed to enhance image by gaining maximum impact and exposure. Thus PR departments and advertising departments see WOM as being a consequence of organisation-influenced communications including advertising, sponsorship, celebrity endorsement, and supporting PR activity including media liaison and press releases. PR departments also link WOM to building and defending reputation and processes used to combat negative media comment in times of crisis.

As this investigation has uncovered, the sales force has a different view of WOM from other departments. They see WOM as closely linked both to WOM referral in the quest

for new customer acquisition and to the personal relationships they have built amongst their customers. In fact, the sales forces of these companies employ both formal and informal networking processes designed to encourage WOM. They practise customer cultivation and advocacy to gain testimonials from customers for use in new business pitches, and promote relationships with allied businesses to gain reciprocal referrals, some of which are incentivised. They sponsor industry events to access networking opportunities. In the NP organisation, WOM referral is integral to encouraging influential business persons' involvement in the volunteer committee (sales) network, and is essential to meeting annual appeal donation targets.

The many WOM referral processes conducted through these organisations' sales forces are not wholly understood by marketing, PR or advertising departments, or by customer service. Because WOM affects each department differently, WOM is interpreted differently, and as a result WOM management in these organisations remains uncoordinated. Thus, there are different opinions of the WOM effect. Managers have no universal policy or attitude to customers' WOM or its effects on new customer acquisition. This finding accords with scholars who have repeatedly lamented the lack of understanding or consensus about what WOM is (Arndt 1967; Holmes and Lett 1977; Goldenberg et al. 2001).

7.3.5 Harnessing WOM

Though customer referrals from satisfied customers have been recognised by management as making a valuable contribution to business performance in some industries, generally WOM from satisfied customers is considered a fortuitous addition to these organisations' current traditional customer acquisition methods, such as advertising.

Senior management believe customer service WOM is difficult to harness and is best managed through adjusting customer service levels. Management also discount WOM within customer satisfaction research, preferring to use more operable customer service delivery variables to affect higher levels of customer satisfaction.

PR departments consider WOM difficult to stimulate and their efforts at creating WOM are inconsistent. Therefore the media requires dexterous handling to achieve exposure and obtain WOM. Management also consider WOM uncontrollable. Furthermore, management consider WOM to be difficult to measure. In their business-to-consumer divisions, managers question evidence that WOM from satisfied customers has influenced new customer acquisition. They doubt the validity of the customer source data collected through their call centres and sales forces. This is partly due to questionable call centre collection and data entry methodology. On one hand, these organisations can be criticised for perpetuating questionable data collection practices while, on the other, lack of due diligence may reflect the low importance these organisations place on WOM and its effects. Such a situation reinforces management's scepticism of WOM, which, in turn, affects management attitudes. These attitudes appear to have coloured managements' judgement towards WOM as a whole, thus contributing to inhibiting organisational understanding and to operationalising WOM.

However, over-riding evidence from these cases suggests that what can be measured can be managed, and that what is not measured tends not to be managed. Therefore, because WOM has not been properly identified or measured, the significance of customers' WOM has been traditionally undervalued by management. Ironically, while WOM is seen to be an essential outcome of customer service delivery, and to measuring loyalty, the effect on customer acquisition of positive WOM utterance by happy satisfied customers has been generally discounted, and may be significantly undervalued in service organisations.

7.3.6 Objectives of positive WOM management

These organisations believe that because they are multinational companies and considered to be 'large monoliths', WOM towards them is generally negative. Thus there is a necessity to create positive feelings towards them, which they address primarily through communications. They recognise that positive WOM and negative WOM affect customer acquisition (see Table 7.6), which is the most often mentioned objective of positive WOM management. These organisations aim to harness customer service WOM, since WOM is less expensive than traditional methods of customer

acquisition, and in their business-to-business divisions the practice of using satisfied customer WOM from identified customers and closely associated business advocates is pronounced.

However, in business-to-customer markets, there is little direct evidence amongst the three researched cases of a concerted organisational effort to employ customer service WOM as a tool to gain new customers (however, an exception is Case C’s incentivised MGM WOM programs). For example, the regular and intensive customer service training sessions for customer-facing employees tend to focus on the role of positive WOM in delivering customer service and maintaining customer loyalty, as opposed to objectives of acquiring customers through customers’ WOM.

In Case C because of regional regulation of energy delivery to households, new customer acquisition opportunities are limited to the contested LPG and ancillary product and services markets. However, in the face of impending deregulation, customer WOM is primarily linked to the objective of securing customer loyalty by gaining additional sales of ancillary services to existing customers, in theory ‘locking the customer in’ to the service, much of which is achieved through cross-selling.

Objectives of positive WOM management:	Case B	Case C	Case A (NP)
New customer acquisition	*****	*****	*****
Reduced operating costs, through comparatively lower costs of new customer acquisition	***	****	***
Enhanced customer/donor satisfaction	****	****	*
Increased customer/donor loyalty	*****	*****	*
Enhancement of awareness of the organisation, its image and its services	***	*****	***
Enhancement of the organisation's reputation	**	**	**
Increased purchaser confidence via customers' personal testimonial and reduction of purchase risk for prospects	****	****	*****

**** The more stars the higher the incidence

Table 7.6: Objectives of positive WOM management

As mentioned above, WOM is strongly linked to organisational communications. Though advertising is linked to WOM, advertising strategies do not pursue specific WOM objectives. Despite WOM components being a significant element in the communications mix of each of these cases, WOM objectives are implied; they are not a key objective. Though these organisations consider WOM objectives when planning their communications, rather than achieve message pass-on, their main aim is to gain placement in the media, much as their advertising department would place a paid advertisement.

These organisations' commercial business-to-business divisions practise a myriad of WOM referral processes to effect new customer acquisition. They gain business by following customers as they move from one company to another. They cultivate and leverage relationships with customers and closely associated businesses to gain testimonials to reduce purchase anxiety in new business pitches. They strike reciprocal business arrangements and incentivise key influencer individuals to advocate their services. Alliance partnerships have also been struck with suppliers and high profile brands to gain access to customers and to enhance image.

7.3.7 Objectives of negative WOM management

From a managerial standpoint, a pragmatic objective of these businesses is to stimulate WOM. This is achieved by sparking good publicity or extinguishing bad publicity at its source. However, of the two, suppressing bad publicity and negative WOM is the more salient activity. While these organisations have sophisticated CRM systems to facilitate enhanced customer relationship management and promote customer satisfaction and positive WOM amongst customers, management have honed defensive strategies to combat customer complaint behaviours and reduce or prevent negative WOM (Table 7.7). So while the intended outcome of customer transactions is customer satisfaction, the emphasis of these organisations is towards avoiding negative WOM from customer dissatisfaction and preventing damage to the organisation from complaints, as opposed to promoting higher levels of customer satisfaction and WOM.

In tandem with the focus on complaint reduction, the reduction of adverse publicity and negative WOM provoked by media comment is a high priority. In all three cases

negative WOM has threatened management stability, affecting employees and the organisation’s other stakeholders. It has also negatively affected these organisations’ image and their reputations. So important is the threat of negative media comment, negative publicity and negative WOM to these organisations that they employ sophisticated damage reduction and crisis management processes in individual departments. In addition, internal communication procedures seek to control employee reactions. However, they are generally less effective in keeping employees informed of management attitudes towards a specific crisis. Employees tend to be better informed by media comment.

Objectives of negative WOM reduction:	Case B	Case C	Case A (NP)
Reduction of impact of negative WOM from customer complaints	****	****	N/A
Reduction of impact of negative WOM on the organisation's image from media comment	*****	*****	*****
Reduction of impact on the organisation's internal identity (and employees' WOM) from adverse media comment	****	**	**
Reduction of impact on the organisation's reputation from adverse media comment	***	***'to build a bank of goodwill'	**
Increased loyalty through satisfactory complaints resolution	**	****	N/A
To counteract impact of competitors' negative WOM.	**	***	*

****the more stars the higher the respondent incidence

Table 7.7: Objectives of negative WOM reduction

Like positive WOM output, these organisations’ external negative WOM processes are focused within their PR departments. Working with the department concerned and with senior management and, in a crisis, managing director level, PR leads the organisation’s response through to the media. The PR department is, therefore, not only involved in the production of WOM stories to improve the organisation’s image, but in times of crisis it is crucial for protecting the organisation’s image, and its reputation.

Negative WOM put about by competitors damages these organisations’ image and reputation and this adversely affects new customer acquisition. Case B collects and

disseminates field information to alert managers on a worldwide basis to ways of countering such negative WOM.

The NP organisation has no complaints management process; rather, effort is concentrated within the crisis management arena where, as previously discussed, processes are broadly similar to the service cases but are not as assiduously adhered to.

7.4 Generation of positive WOM

In the quest for new customers, WOM is considered a valuable addition to the communications mix. In these cases some communications methods are seen as antecedents of WOM, and WOM as an objective of organisational influenced communication, particularly PR. Therefore, the communications strategies of these cases are relevant.

7.4.1 Communications mix

Mass marketing and PR

The service organisations' communications strategies have much in common (see Table 7.8). It is clear from the service organisations researched that two types of marketing approaches are occurring: the 4Ps described by McCarthy (1971, in Kotler 2000) occurs in both business-to-consumer markets and business-to-business communications; the Network Approach described by Gummesson (1997) is more evident in business-to-business markets.

In mass marketing communication to consumers, these service cases do not separate image objectives and new customer acquisition objectives. The main media for business-to-consumer communication in these services organisations is television advertising, employing testimonial endorsement. In fact, the prevalence of testimonial-centric based communication strategies in mass communication within these cases has been notable. By coopting celebrities in their advertising campaigns these organisations seek higher awareness, enhanced image associations and through that new customer

(and donor) acquisition. This strategy has also stimulated high WOM (Figure 7.3 overleaf).

Context	Approaches
<u>Case B</u>	<ol style="list-style-type: none"> 1. Advertising/celebrity endorsed/Trade: Merchant endorsed 2. Offer-driven direct marketing acquisition mailings with call centre/telemarketing follow-up 3. Sales force WOM networking/access via sponsorship of industry educational events and WOM referral management activity 4. Website/Tsunami appeal/refer a friend 5. Viral campaigns/celebrity endorsed 6. Alliance partnerships/Co brand card alliance 7. Customer media source monitor: Referral (WOM) recorded through call centres, but not validated
<u>Case C</u>	<ol style="list-style-type: none"> 1. Advertising/ endorsement/sports heroes 2. Offer driven direct marketing/including MGM incentives/some call centre telemarketing follow-up 3. Sales force WOM networking/access via sponsorship of major sports event and WOM referral management activity 4. Sponsorship of Energy Institute with Federal Government endorsement/alliance partner appliance brands 5. Website rescue helicopter appeal/refer a friend 6. Customer media source monitor: referral (WOM) recorded through call centres, but not validated
<u>Case A</u> <u>(NP)</u>	<ol style="list-style-type: none"> 1. Inserts/newspapers/billing statements/victims' testimonials 2. Direct marketing acquisition mailings/celebrity endorsement/ victims' testimonials 3. Advertising/ portrayal of victims/celebrity endorsement 4. Website donations/Tsunami appeal/refer a friend 5. WOM Networking referral access via 'influencer identification', business donations/corporate donors/recruitment major annual fundraising event doorknockers. 'Key-influencer identification and referral'/bequests 6. Call centre donations/Donor media source data not collected

Table 7.8: Summary of customer acquisition approaches employing WOM processes

In the financial Case B high profile celebrity actors have endorsed the brand for over 30 years. Testimonial based strategies run throughout Case B's mass media mix including press and its viral campaigns, and trade press testimonials aimed at merchant recruitment. In the energy Case C, the endorsement of Australian national rugby teams' sports personalities in TV advertising has resulted in high awareness of the newly

launched brand. In Case A, though television is used minimally, testimonials from high profile public persona, as well as testimonials from victims of abuse and those receiving welfare are widely employed within its direct mail donor acquisition and reactivation campaigns.

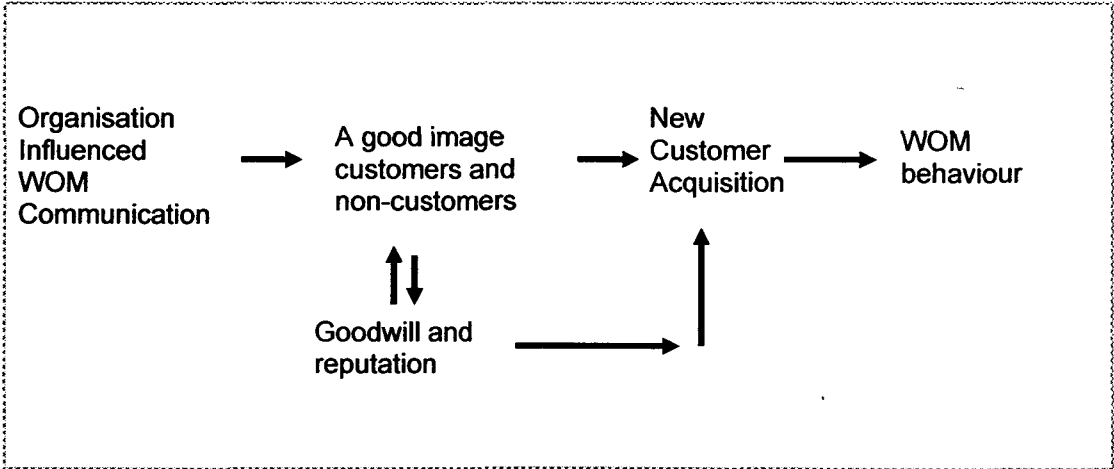


Figure 7.3: Organisational influenced WOM chain (based on Davies et al. 2003)

Despite the comparatively high incidence of WOM components within these services’ business-to-consumer mass marketing communications mix and the regular collection of new customer source information, it is notable that new customer acquisition statistics do not reflect the effects of these WOM strategies more significantly. However, this might be a result of the methods these organisations employ to collect the data, which have little accountability.

Business-to-business communications

Within business-to-business markets the communications approach to new customer acquisition is broadly similar across cases. Business-to-business communications generally employ trade advertising and targeted direct mail with telemarketing follow-up, which is specifically designed to gain new customers amongst business targets. In cases B and C, targeted direct marketing mailings to cold lists are supplemented by call centre telemarketing follow-up, where the point of response contact is also made

through the call centre. Case A uses direct mail without telemarketing follow-up. Therefore call centres are the focus of customer service in these cases.

Public Relations and WOM

Public Relations departments could be termed the centres of WOM stimulation in these organisations. The PR departments are responsible for WOM output. In fact, PR has been growing as a means of organisations becoming known by their target audiences (Joachimsthaler and Aaker 1997; Levine 2003; Aaker 2004), endorsed by findings in Case A and Case C.

“Publicity (PR) is possibly the most powerful aspect (of communications)...WOM and comment from people is growing as a means of knowing about the organisation ... advertising is actually dropping a little bit...partly because of the clutter.” (SS3 80-81)

There are two types of PR management apparent. Brand PR is carried out with marketing managers and corporate PR, a finding endorsed by Balmer (2001). Within corporate PR, including internal communication to employees and external communication, most salient in situations of media comment and in crisis, and in control of negative WOM, this department is significantly close to the managing director. In terms of brand PR communications, these organisations have generally integrated their above-the-line mass media with that of PR communications. In all cases there is a halo effect of PR and advertising activities over their business divisions. In the service cases sponsorship of sports, social events and the arts form a sizeable part of these organisations' marketing mixes, around which corporate PR exposure to these events has been significant (see tables 7.9 and 7.10).

Method of communication	Case B	Case C	Case A (NP)
TV advertising	Main media* Celebrity Testimonial	Main media* Sports Sponsorship	Some station commercials in out of peak-time spots
		Team Members' testimonial	Sports personality endorsed
Press advertising	Merchant testimonial	Minimal	Minimal
	Business press		
Outdoor, including taxi back	Co-brand card Offer/Dual brand	Sports Sponsorship Team Members	Welfare recipients' testimonial
Radio advertising	Minimal	Minimal	Sports celebrity testimonial
			Media celebrity testimonial
Direct Marketing	Acquisition	Statement	(*Case A's main media)* Acquisition/and donor reactivation celebrity endorsed mailings Welfare recipients' testimonials
	Mailings/offers	Mailings/M-G-M offers	Welfare recipients' testimonial inserts in newspapers
Telemarketing/Call Centre	Follow-up to mailings	Some out-bound sales	N/F
	Cross-selling	Cross-selling	
Publicity - Radio, Press, TV, Regional TV	Sponsorships	Innovation	Disasters
	Travel and gifts	Alliance partner/'hi-tech' advances	Drugs/Rehab
Sponsorships and events which receive significant PR exposure	Social causes in which employees actively participate and arts events	Sports Sponsorship	Red Shield Appeal
		Energy Institute	Doorknock
		Social causes	
		Eco and arts events	
		Rescue Helicopter	
Websites/ all of which experience ownership issues	C-RM Tsunami Appeal	C-RM Rescue Helicopter Appeal	Tsunami Appeal
	Viral/Super-hero Celebrity endorsement	Limited development	Limited development
	NCA/eWOM referral		

*main media component
N/F = Not found

Table 7.9: Organisation-influenced communications mix

Stimuli for positive WOM	Case B	Case C	Case A (NP)
Public relations exposure	*****	*****	*****
Advertising strategy and creative content	****	***	***
Sponsorship events and prospect/ customer advocate attendance/ leisure bias	*****high (leisure arts)	*****high (sports)	****high (launch appeal)
Sponsorship industry-related networking conferences prospect and customer attendance/ educational business bias	** high	* low	* high Solicitors
Sponsorship of arts/leisure events	**high	**high	N/F
Sponsorship cause-related marketing (C-RM) subscription activity (Website)	* Tsunami	* Heli-Rescue	(Tsunami)
Employee social sponsorship involvement	*** high	N/F	N/F
Customer cultivation/MGM schemes	** (used in the past)	***	N/F

****the more stars the higher the respondent incidence
N/F = Not found

Table 7.10: Cross-case comparison of WOM stimuli

With the NP organisation, Case A’s corporate PR supports its welfare issues and fundraising needs. In addition, Case A is favoured with significant, but spasmodic, free media coverage in the form of major disasters to which Case A adds its organisational influence that attracts high awareness and WOM. Free television, press and Internet coverage of disasters that shows the organisation in a good light has had a high awareness, donation and WOM effect (Figure 7.4). Conversely, when the organisation has been demonstrated in a negative light, image has been compromised, donations have reduced and negative WOM has occurred. Therefore, this reinforces the proposition that donor satisfaction or dissatisfaction can be stimulated through positive or negative image (see Figure 7.4).

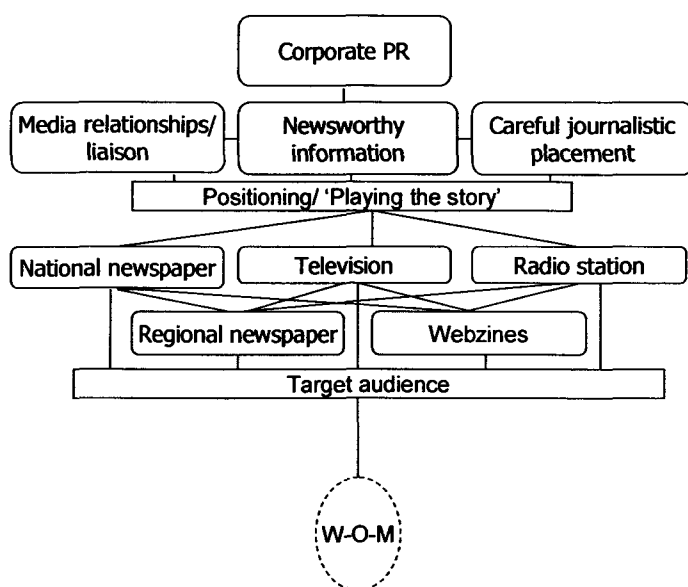


Figure 7.4: Channels through which publicity and WOM are stimulated

Media liaison and media relationships

It is not automatic that publicity and press exposure will occur; PR media channels are not always receptive to organisational approaches. Therefore media relationships are crucial to gaining placement. Media liaison is deemed essential to gaining favourable exposure (Cornelissen 2000; Balmer and Greyser 2002; Davies 2003) and to stimulating WOM. In all cases this has been reinforced. Tactics include employing skilled and seasoned PR employees with strong journalistic track records and talent in relationship-building with journalists and government influencers (Case C), or using journalist and media monitors to assist in determining appropriate channel selection and thus media placement (see Table 7.11). Case A has only one PR professional, whose background is not in journalism, and in this case media relationships have not been fostered and no media liaison has occurred. As a result, the organisation has encountered difficulties in achieving placement and in preventing negative WOM.

“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)

WOM success Strategies in PR	Case B	Case C	Case A (NP)
Employ senior ex-journalists	** Relationship oriented	****	No
Carry out media liaison with journalists	***Relationships assist placement and issues management	****Relationships assist placement and crisis management	No, through media advisory board only
Exercise selective placement	** Targeted channels	**Targeted channel	*Favoured channel options
Use multi-media PR strategies	*****	*****	** newspapers often precede other media
Press media channel emphasis	****	****	Radio

****the more stars the higher the respondent incidence

Table 7.11: Successful PR department strategies to enhance WOM

PR and volume of WOM

Not only are the right PR media channel selections essential; to create WOM the story itself must be compelling. In fact, Davies et al. (2003) cite the importance of media management in influencing how the media ‘play’ a story. Case B and Case C find that WOM is stimulated by press media, as well as where the media is placed, WOM stimulation strategies endorsed by Vernette (2004).

“So for publicity and WOM to happen, its influence in newspaper articles is very important.” (SS3 213-219)

“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. 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)

Gaining exposure in more than one media is important to WOM output (Figure 7.4). Wider media reach and coverage, which can include television as well as press, is more likely to result in WOM stimulation. Through manipulation the PR message has migrated from one media to the other and thus the WOM effect has been greater. For example, as shown in Table 7.8, Case A’s strategy employs newspapers first because newspaper articles are a major source of news for ‘talk-back’ radio, which gains

maximum exposure to two distinct audiences. This has had a multiplier effect, resulting in greater publicity and enhanced WOM.

"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)

7.4.2 The Internet and WOM

Overwhelmingly the researched organisations' websites are publication-biased. In Case B the website is also employed as a method of service delivery. However, other than their 'click to send to a friend' facility, which is not actively tracked by any of these organisations, the websites have no specific customer acquisition focus.

In each case these organisations' websites lack a focus of ownership. Divided ownership problems and lack of resource allocation have inhibited marketing departments' access to these organisations' websites, which would contribute to building in new customer acquisition processes. Generally marketing management are neither well abreast of nor informed about the current online tactics or consumers' use of search engines. For example, Case B management had not been made aware of their consumer services division's use of viral eWOM. In fact Case B's marketing management remain sceptical of the tactic in new customer acquisition, particularly the use of viral WOM within their corporate services divisions. Where Internet or online criticism has occurred (Case A), marketing management – as well as advertising and PR management – have little idea of its consequence or what to do about it.

"Though it's a secure website, we haven't got a strategy; it's been a bit of a muddle really, until our website has got some kind of someone's owning it, it's difficult." (SS13 95-97)

"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)

However, in Case B, the website is attracting a significant number of new prospects. Prospects initially use the Internet to make discrete enquiries and are being converted to

customers from subsequent email and call centre action, while Case A has attracted increasing donations through its website. The power of the Internet in acquiring new customers and comparing one service with another is most evident in the financial services market in which Case B plays a significant role. In fact, over 50 per cent of customers have made their buying decisions using discrete enquiry and eWOM referral. This endorses findings by Wellman et al. (1996) and Lee and Broderick (2004) that multiple WOM opinions can be sought at a 'stroke of the keyboard'. However, this knowledge is not universally shared within these organisations. Thus the eWOM effect is not well understood.

"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)

7.4.3 C-RM initiatives and WOM

Websites of all three cases have a cause-related marketing (C-RM) component, to which their customers have been encouraged to donate. The current research thus confirms the findings of Lindgreen and Swaen (2005) that the Internet provides information about corporate citizenship initiatives and a firm's commitment to their stakeholders. In cases A and B, this has concerned the South East Asian Tsunami, while Case C features sponsorship of the local rescue helicopter. This strategy that creates trust and WOM, and is employed as a negative WOM reduction strategy by Case C, for its image effects by Case B and donation effects in Case A. The results strongly link C-RM to the organisation's image in terms of WOM output; indeed, that customers are responding to online initiatives of these service companies reinforces that WOM is occurring, and tends to confirm that C-RM initiatives can positively influence consumer's evaluation of product attributes (Brown and Dacin 1997), their attitude towards the firm (Creyer and Ross 1997) and add to corporate reputation (Fombrun and Shanley 1990).

In Case C, when products have been linked to environmental benefits, C-RM has stimulated WOM and subscriptions to these causes. Thus, corporate citizenship has had a positive impact on customer loyalty, as was found by Maigan et al. (1999). While

Maigan and Ferrell (2001) found C-RM can benefit from current employees' commitment, this is demonstrated most clearly in Case B, where a third of employees partake in such social activity with beneficial WOM effects.

Non-media communications and WOM

There is evidence that image is formed by methods other than organisational communications, and that these can have a high WOM effect. Case A cites the WOM effects of their uniforms, which can occur in meetings, or at a distance when employees are seen carrying out their business helping people out on the street. Each case has cited their logo and livery as contributing to their image and around which WOM occurs. Case B has cited its head office buildings as being a landmark and thus has created WOM, endorsing Williams and Moffit's (1997) findings.

7.4.4 WOM networking referral strategies

In business-to-business markets, customer acquisition processes are supplemented through cross-selling, primarily through call centres and by WOM networking referral. Senior and sales force management exercise a number of divergent referral strategies. WOM networking tactics include incentivised and non-incentivised referral (see Figure 7.5). Incentivised referral entails offering a reward for the successful acquisition of a new customer, for which the compensation to the referring organisation or the employee can vary according to the value and benefit.

Salient amongst these tactics is sponsorship of events where relevant new customer acquisition (NCA) prospects can be targeted (see Table 7.10). Sponsorships of industry or professional conferences and sport have allowed targeting of specific business prospects. Case B sponsors finance and travel industry events where participants learn more about their business and network amongst customer speaker-advocates. In Case C sports sponsorship and sponsorship of associated sporting fixtures have attracted customer advocates and potential prospects, as well as non-customer key influencers to whom these more social sporting events appeal. While these WOM networking strategies have had significant impact on new customer acquisition as far as sales forces

are concerned, in Case B, marketing have identified that accountability for new customer acquisition from WOM networking is required.

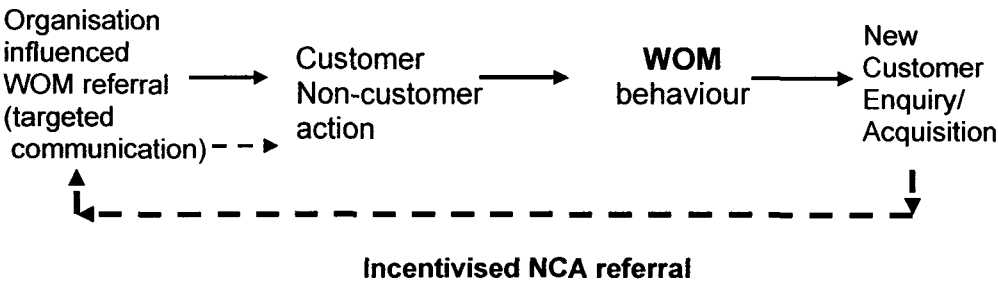
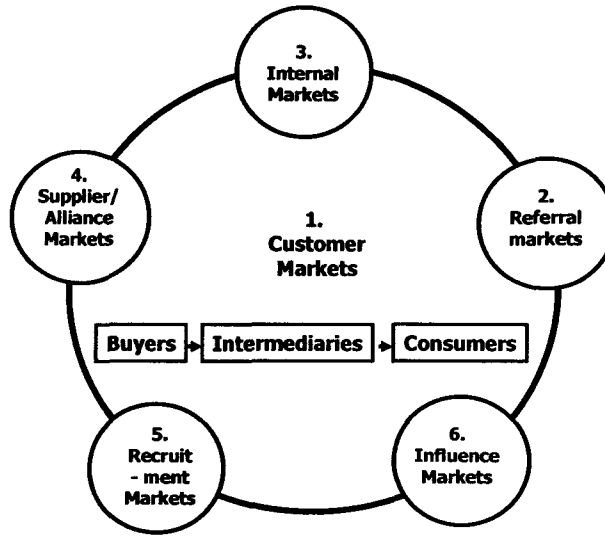


Figure 7.5: Referral networking, employing incentivised WOM

Alliance partnerships – predominantly with suppliers – form an important additional component to the referral networking mix. Alliances are generally designed to gain access to additional customers and are made primarily with suppliers who tend to be brand name organisations with their own customers. WOM referrals come from customers of the alliance partner, their suppliers, ‘third party’ advocates and from cross-selling each partners’ customer bases. Alliances with branded partners can also have beneficial impact on the image of the sponsoring partner. For example, Case B has enjoyed the synergies afforded through dual branding their credit card product, and Case C has recorded image advantages and WOM through association with its ‘high tech’ alliance partners’ brands.

In order to better understand these many and varied WOM and WOM networking tactics and alliance partner effects, the Six Markets Model of relationship marketing (Peck et al. 1999; see Figure 7.6) is adapted here to describe the processes of customer advocacy leading to customer acquisition (summarised below in Table 7.12).



(Source: Payne 1998)

Figure 7.6: The Six Markets Model as an analytical framework for WOM

The six markets model proposes six key market domains that can contribute towards organisational value in both business-to-consumer and business-to-business markets:

1. Customer markets are made up of buyers, intermediaries, and consumers (or donors) and can refer to both organisational and individual purchasers (Payne 1998).
2. Referral markets, comprising both customer and non-customer referral sources, produce advocacy referrals and customer-initiated referrals. They can include networks, multipliers, connectors, third party introducers, agencies and so on. These referrals are further divided into general, incentive-based and staff referrals.
3. Internal markets are composed of employees and staff some of whom deal directly with customers and may be in a position to influence referral behaviours. Internal markets are important for identification of employees' informal WOM communications. Cross-selling and other processes of up-selling customers have also been identified; for example in Case A, business donors have been referred to departments that have successfully acquired corporate donors.

4. Supplier and alliance markets include inter-organisational alliances. These are often struck to gain access to each other's customers (Payne 1995). Each case has employed alliances with suppliers to enhance WOM and new customer acquisition.

5. Recruitment markets are composed of potential employees. The service cases seek to find suitable customer-oriented candidates to fill customer -facing positions.

6. Influence markets comprise a divergent range of constituent groups: regulatory bodies, industry bodies, press and media, user and evaluator groups, environmental groups, political and government agencies, and competitors as well as financial and investor groups, and unions. Influence markets have great significance. Though 'investor groups' were not found, an additional category of influence, the family group, has been identified from this enquiry. Amongst media influencers, media liaison, relationship building and celebrity influence are significant. However, other categories such as search engine ranking and online practices (which could include blogs and chat rooms and, specifically, online criticism) have also been identified.

Table 7.12 overleaf summarises these six referral types and lists WOM referral descriptions for the corresponding customer acquisition processes employed by each of the three cases.

7.4.5 Testimonials and WOM

Testimonial-based communications have created high awareness and WOM in all cases. Thomas's (2004) findings – that testimonials given by someone with experience with the product or service and who testifies its worth are valuable WOM – are strongly confirmed by the present research. All cases are avid users of testimonials. Testimonials from existing high profile customers are an essential component of new customer acquisition. They are a feature of industry seminars and forums. For instance, in Case B, testimonials are mandatory in new business pitches (See Conference speaker advocates, Referral Markets, 1. Advocacy referrals: Table 7.12, overleaf).

Six Markets Model referral types	WOM Referral descriptions	Case B		Case C		Case A (NP)	
1) Customer Markets Customers, users	WOM Customer satisfaction	X	Co-Brand Card Users	X	Home Suite Users	X	Donors re-giving, Volunteers returning
	Service recovery WOM	X	Call centre/sales force	X	Call centre/sales force	N/A	
2) Referral markets							
i) 'Advocacy' referral	'Advocacy referrals' Customer advocates/ evangelists	X	Conference speaker advocates	X	Earth's Choice customers	X	Volunteer committees
		X	(viral eWOM Pass along)				
	Incentivised advocacy i.e. Guarantees or unconditional reimbursement (i.e. Nordstrom, M&S)	X	Guaranteed speedy card replacement	X	'People's Pact' / \$ Guarantee	N/F	
	'Advocacy referrals' Non-customer (i.e. Virgin's image)	X	Event / sponsorship networking	X	Event / sponsorship networking	X	Advisory Boards / Key influencers
ii) Customer base development	Customer Member-get-Member i.e. MCI	X	Past use	X	Earth's Choice/LPG Div/ M-G-M	N/F	
	('Family and Friends'), Bring-a-Friend Events (Landrover)	X	Card-holder Benefits '1 st choice' Attendance Sponsored events	X	Customers at Sports Sponsorship fixtures	X	Red Shield Doorknock involvement
iii) General referrals	Professional referrals inter-industry	X	'Big Four' Accountant	X	Qld Health Department	X	Media Advisory Board
	Expertise referrals	X	Conference Customer speaker testimonials	X	The Energex Energy Institute	X	Public Trustee/ Solicitors
	Specification referrals (mandated specs)	X	Expense Software vendors	X	McDonald's restaurants	N/A	
	Substitute or complementary referral	N/F		N/F		N/F	
iv) Reciprocal referrals	Mutually dependant	X	Expense Software providers	N/F		X	Welfare customer Recipients' testimonials

Table 7.12: Referral sources and their influence on new customer acquisition (adapted from Payne, 1998; Peck et al. 1999)

/continued	WOM source		Case B		Case C		Case A/NP
v) <i>Incentive-based referrals</i> (can be regulated against)	Fee-based	X	Celebrity Endorsement	X	Celebrity endorsement Sports stars endorsement	X	Solicitor Will writing days
				X	Security Firms		
	Free offers	X	Sponsored Concerts / Leisure events	X	Rugby fixture/ events attendance	X	Appeal Launch lunch
vi) <i>Staff referral often aided by CRM</i>	Past	X-	Negative WOM	N/F		X	Retiree advocates
	Present	X	MD / Employees / Field Force		X Call Centre / LPG division drivers	X	Employees' contacts in corporations
3) Internal markets	'Internal customer'	X	Cross-selling	X	Cross-selling	X	Business donors to corporate gifts
4) Supplier/ Alliance partner referrals	Customers	X	Co-Brand partner	X	Air conditioning companies' websites	X	Westpac Bank
	Sales staff	X	Co-Brand partner	N/F		X	Bank employees
5) Recruitment markets		X	Recruitment Customer-oriented tele-marketers	X	Recruitment Customer-oriented LPG drivers	N/F	Rely on volunteers
6) Influence market referrals	Political, Government, regulatory	X	Federal Govt Endorsement Energy Institute	X	Negative effects of State Govt stakeholder	X	Negative effects of State Govt/DOCS
	Media	X	Liaison	X	Liaison	X	Advisory Board
	Celebrity influence	X	TV Advertising	X	TV Advertising	X	Direct mail and radio
	Search engine Ranking	X	Website	X	N/F	X	Competitor's website
	Online criticism	X	Ansett frequent flyers issue	N/F		X	Individuals' criticism
	Competitors	X-	Negative WOM	N/F		X-	Negative WOM
	User evaluator groups	X	Purchasing departments	N/F		X	Employee Giving/ Corporate donation approval/veto
	Environmental groups	N/F		X	Eco/power sponsorship	N/F	
	Financial/ investor groups	N/F		N/F		X	Annual report corporate donations
	Union/industry groups	X	Sponsor Accountants' Conferences	N/F		X	Sponsor solicitor groups
	Family Groups	X	Ethnic veto	N/F		X	Ethnic veto

N/F =not found

N/A=not applicable

Table 7.12 (continued)

(Testimonials continued), Case C has leveraged the winning of McDonalds' restaurants business to endorse the organisation's capabilities, confirming testimonials are highly influential in forming favourable attitudes (Singh et al. 2000; Dean and Biswas 2001). In fact, the testimonial of customers is also called upon within organisational functions when customers and non-customer prospects rub shoulders and enter into WOM at sponsored gatherings.

The NP, Case A, uses personal testimonials in person-to-person approaches to new influential prospects to recruit new donors and donor-volunteers. It uses endorsements of high profile members of society as well as those of media identities, which, with airtime, are given freely; and within its communications material testimonials add to its image and create WOM. Perhaps the most powerful testimonies are those from socially disadvantaged people they have assisted. While Case A enjoys free testimonial endorsement within their mass media communications, the service cases pay significant fees for theirs through 'paid for' testimonials from high profile actors (Case B) and sportsmen (Case C).

Customer testimonials for service organisations fall into three categories: those for which a fee or a reciprocal arrangement has been struck; those co-opted freely from customers and closely associated trades or suppliers, who can theoretically benefit in the long run; and those from brand advocates with a strong affinity for the brand, who gain personal benefit from association. In service companies, satisfied users from selected customer companies and industries have been co-opted to validate the brand offering and reduce purchase risk for the prospect (See Table 7.12, Referral Markets—Customer advocacy). Case A has used high profile business people's testimony in corporate donor approaches, after ensuring their involvement through personal contribution.

"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)

Fee-based testimonials play an important role in these organisations' communications, with significant budget expended in recruiting high profile media identities and film star celebrities. Celebrity advocates might waive the fee as they benefit from the association, such as with Case A, the NP organisation. In Case A powerful testimonials are also

requested from those who have received the Salvos' care and assistance. These disadvantaged peoples' testimonials have been used with significant effect in direct marketing fundraising communications (See Table 7.12, Referral Markets–Reciprocal referral). This supports the theoretical standpoint of the highly influential Two Step Flow Theory of Communications (Lasarsfeld et al. 1944), which demonstrates that news, messages and information disseminate in society to average members of society by opinion leaders from various media, and which stresses the crucial importance of such information sources.

“Alan Jones has read that for me on 2GB. He didn't charge a fee and so we're using his influence.” (SS4 30/SS 4 28/ SS13 161/SS3 139)

7.4.6 Diagnosticity and brand image

WOM is more easily and effectively passed on to family, friends and colleagues when it is memorable and easy to understand. In each of the three cases, diagnosticity – how memorable, simple and aligned with the service the message is – has facilitated transfer of WOM. For example, Case A has the slogan ‘Thank God for the Salvos!’, and the new brand name of ‘Energex’ for Case C is closely associated with power and energy supply, making it easier to pass on the WOM message. The same generally holds good for the financial case, though strongly held negative associations held by the Asian community result in negative WOM.

“Those phrases seem to become imbedded in the ‘speak’ of our Chairman and volunteers. ...So WOM is there, how else do young people who I see on the street have that feeling that they must give to the Salvos? Where does that come from other than grandma or grandpa telling mum and their mum telling them?” (SS4 1-15/ SS 5 211)

There is evidence to suggest that in Case A, messaging has not always been aligned to its mission and as a consequence the target audience has received a number of diffuse messages, not always aligned to their mission. This mixed-messaging has had negative effect on donations and has damaged image and WOM. However, ‘Thank God for the Salvos’ is recognised as an important ‘catch-all phrase’ which, when passed around from advocates of Case A, has neatly encapsulated the positioning and reinforced the Salvos' mission. Case B also enjoys a catch-all phrase which, though memorable and

used as an amusing punctuation to stories about the organisation, is oriented more towards its advertising content. This suggests that what people say can be strongly aligned with the brand image, or in the mind of the advocate, the brand equity and a positive image that can be verbalised succinctly can assist the transmission of WOM messages which, if reinforced, can lead to pass-on being sustained over time.

7.4.7 Innovation and WOM

These service cases use innovation to competitive advantage. Each case illustrates that innovation is a significant stimulus for WOM, thus confirming the findings of Mahajan et al. (1984), Mahajan et al. (1990) and Rogers (1983) that strongly link the communications effort, product innovation and WOM. Further, these case studies confirm that high perceived value (Zeithaml 1988) and exceptional new products and brands (Godin 1999) get talked about. The innovations of alliance partners' 'hi-tech' brands, where the combined brands have synergies, have helped stimulate awareness and WOM. Promotion of alliance partners' innovations has 'news value', gaining PR coverage, and producing a halo effect that has added to these service organisations' image and reputation. Aligning the organisation to innovations associated with the environment and saving energy stimulate WOM as in case C's Earth's Choice products and their sponsorship of the annual solar car rally. Table 7.13 summarises the effect of innovation on the three companies studied.

"Innovative products stimulate talk in the market and appeal to many consumers." (EE80 340-344)

"Just seen to be an innovator, the people are interested to see and talk about what we are doing in the market place." (AA5 123)

"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)

WOM referral Tactics	Case B	Case C	Case A (NP)
Innovation product	Brand X Co-Branded card	Carbon credit/'Earth's Choice' product Innovation alliance partner appliances Solar car rally sponsorship	Case A's competitors i.e. World Vision and single issue health causes
Innovative service solution	Big Four accountancy practice	N/A	N/F
Innovation offer	Brand X card cash rebate	Earth's Choice energy credit offers	N/F
Innovation communications	Innovative creative content in advertising	Innovative advertising/marketing strategy	N/F

Table 7.13: WOM and the innovation effect on services

In Case B, innovation is linked to the product in the form of their unique dual-brand credit card and to innovative product solutions. Innovation has also been also linked to the offer incentive of the rebate of free cash, and although certainly unique in the marketplace, in this instance innovation may be more to do with the price benefit. It can be argued that these organisations subscribe to ‘value innovation’ as described by Kim and Mauborgne (1997), who say that board level and director level managers are instrumental in directing the organisation’s policy, which includes fostering product innovations. With such policy-making and the resultant market launches of new products, WOM can be justifiably linked to senior management policies. Innovation is also connected to product by the NP, who compare their competitors’ more innovative offers and the resulting publicity, leaving them with a dearth of WOM. This case endorses senior management level connections with innovation, as Case A believes nothing can be done to change their service policy without the Commissioner’s and overseas head office approval.

Innovation has been connected to the advertising communications strategy for cases B and C, as well as to the uniqueness of their creative content. However, WOM in these instances might be initiated in response to an intriguing message, as suggested by Bayus

(1985), Bayus et al. (1986), Dichter (1966) or Mangold et al. (1999), rather than by innovation per se.

7.4.8 Input WOM

Understanding the importance of Input WOM has been illustrated in the eWOM episodes of prospect investigation of Case B, where online prospects have sought others' opinions to validate purchase choice. Rogers (1962) has contended that at one stage in the adoption process it must be determined whether mass media or WOM sources will be consulted, suggesting mass media be used early in the adoption process. More targeted efforts could be made to address customer anxiety later on. However, Case B avidly seeks key influencers' testimonial and the referral of closely aligned businesses early on in the adoption process. Thus Case B circumvents purchase anxiety by having advocates recommend the service in forums and industry seminars. Case C's sponsorship of the Energex Energy Institute has created an opportunity to both enhance customer knowledge and reduce customers' purchase anxiety. Though heavily branded, advice given is considered to be 'at arms length' to the organisation. Whilst its objective is to provide customers with added value, through giving free product and energy information to customers and prospects, it has been instrumental in providing Case C with valuable referrals. Customers have then gone on to purchase from Case C. The current research supports the belief of Gatignon and Robertson (1985) that input WOM is more likely to be sought to relieve decision anxiety. Because Case C's officers are considered largely free of commercial bias, this strategy falls into the WOM domain and within that the input WOM arena, rather than the cross-sell arena. It is therefore a profound WOM strategy.

"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)

7.4.9 WOM advocacy

Incentive offers to customers stimulate WOM

Offers have sparked WOM and have resulted in new customer acquisition. The referral networking practice of offering free tickets to sponsored arts, leisure, sports and launch (appeal) events has facilitated customer and non-customer (or donor) cultivation and advocacy and created WOM amongst customers and prospects. Free offers of technical information, through their relevance to the target company's needs and their pass-around value, have created WOM. The driver of Case B's performance has been the Co-Brand Card offering the rebate of free cash, to businesses using their card services.

Peck et al. (1999) proposed that customers can be encouraged to give WOM recommendations through Member-get-Member (MGM), or with Case C, Friend-get-Friend (FGF) incentives. These have been direct mailed to targeted customers to gain additional customers of their carbon credit Earth's Choice product, and also to successfully gain additional customers for LPG. Case C have further plans for such customer cultivation schemes which tend to have a relatively low (approximately 3 per cent), but profitable response. Case B has used these customer strategies in the past but currently do not employ them. The NP organisation does not employ such referral schemes amongst its donor base.

Non- customer key influencers and advocacy

In each of these cases advocacy is strongly linked to new customer acquisition practices (Table 7.14), which, to gain maximum effect, require relationship building. The service cases build relationships with the media to allow better story placement, and to enable them to use the strength of the relationship to better defend themselves in situations of media comment. They also build relationships with closely associated businesses so that reciprocal processes can happen. To gain favourable recommendations from key influencers, Case A promotes solicitor advocates to 'Honoured friend' relationship status, while Case B has given the term 'mentors' to those who can give them 'inside' market information to assist their new customer acquisition processes.

WOM advocacy occurrences	Case B	Case C	Case A (NP)
Key Influencer identification (media)	Media channels Journalist cultivation and relationship building	Media channels Journalist cultivation and relationship building	Media Advisory board organise Channel 10 sponsorships and Channel 7 promotions
Key influencer advocacy (other)	Allied businesses advocacy	Federal government of the Energy Institute 'Eco' sponsorships i.e. Solar	State government Sanction of role in disasters/ affecting WOM
Advocacy programs	Mentor program Incentives being researched	Not found	Public Trustee/Solicitor 'Honoured Friends'
Sponsored event customer and non-customer and prospect cultivation	Customer cultivation and advocacy/ sponsored business and leisure events	'Rubbing shoulders' Customer cultivation and advocacy to prospects/sponsored events	Donors and Volunteer Donors advocacy launch events Donor volunteer advocacy/sponsored Doorknock

Table 7.14: WOM advocacy effect on services

Customer advocacy

Significant sales force and senior management activity lies in WOM networking and in customer relationship cultivation through sponsored events where customers 'rub shoulders' with other customers, prospects and, in Case C, even enjoy the celebrity of meeting with sports identities. However, Case B views advocacy from existing longer-term customers with some distrust. They believe as their business model changes, the latest changes have not been assimilated by these customers. Thus their customer advocates extol the virtues of the organisation based on an outdated model of service delivery. Therefore, when a new customer's expectations are disconfirmed, dissatisfaction and negative WOM can occur. They wish to limit these effects, and the field force believes they could do this by intervening earlier in the advocates' WOM. Other executives are loath to promote customer advocacy.

7.5 Prevention and control of negative word-of-mouth

In these organisations, processes to control negative WOM involve several departments (Figure 7.7). This occurs primarily on two levels, ‘customer complaints’ and, in the situation of media comment, ‘crisis’ or ‘issues management’. In fact, in these cases negative WOM from media comment can involve the whole organisation.

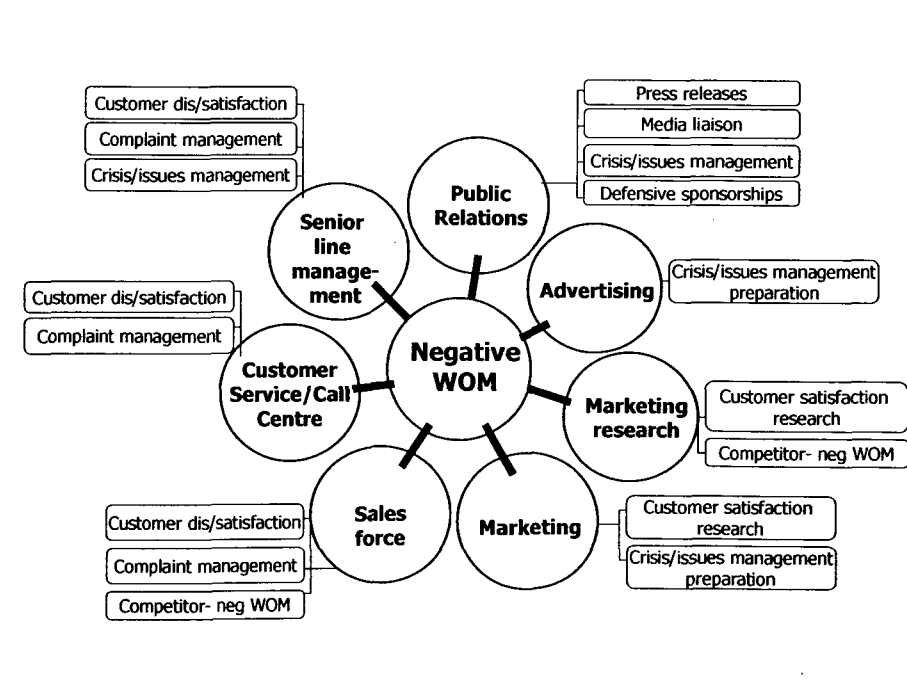


Figure 7.7: Departments involved in negative WOM control processes

Figure 7.7 illustrates how negative WOM embraces each department. Complaint management primarily concerns customer-facing departments, including customer service, the call centres and the sales force. In addition, in customer-focussed service organisations, complaint management is of major concern to senior management. However, in the NP it is not. In a situation of possible complaints escalation to the media or when media comment jolts the organisation, this is more often the concern of public relations (PR) and senior management including the CEO or, in the case of the NP, the Commissioner, though he is not always involved. While most other departments are involved in crisis management preparation, other departments collect

negative WOM information – the sales force and, in Case B, the market research department.

7.5.1 Dealing with customer dissatisfaction

The two service organisations use sophisticated processes and CRM systems to enhance customer relationship management and promote positive WOM. However, the objectives of negative WOM management lie chiefly in prevention of damage to the organisation from customer complaints (see summary of management processes in Table 7.15). CRM processes have been honed to assist in complaint resolution, which starts with proactive analysis of customer transactions and predictive data modelling.

To minimise customer dissatisfaction amongst existing customers Case B's CRM system allows the organisation to run algorithms designed to identify likelihood of reduced 'charge buying', a statistic used to gauge customer dissatisfaction and defection and thus an indication of relationship strength. Case C uses similar processes to identify least profitable customer segments (and identify potential FGF/MGM referral targets). These low value and high 'cost-to-serve' segments are related to customers who use their inbound call centres excessively, and are also more likely to complain. These CRM processes are characterised ('hard implementation') as opposed to customer experience management ('soft' implementation) (Hennenberg 2005).

Anxiety held by management over the effects of negative WOM has meant preparation for negative WOM is high on management's agenda. In the event of customer dissatisfaction and negative WOM, these organisations have developed clearly defined complaints processes. These relate to complaints received and resolved; they are managed through reporting procedures from complaint collection and, through these tools, the tracking of complaints by senior management is a significant activity to which management KPIs are applied (see Figure 7.8). When instances occur, sophisticated customer complaints behaviour management (CCB) processes track complaints and ensure their speedy resolution, under the close involvement of senior management (Table 7.15).

Negative WOM management tools	Case B	Case C	Case A (NP)
CRM continuing customer transactional analysis	Customer defection analysis	Customer value 'Cost -to-serve' analysis	N/F
Customer facing employee training	Customer service focused	Customer service focused	Welfare customer focused
CRM 'touch points' system	CRM tools	Additional tools and crisis management infrastructure	N/F
Complaints handling	First receiver handles complaint to solution	First receiver handles complaint, if possible	N/F
Complaints processes	Set identification/ solution procedures Task forces appointed	Set identification/ solution procedures	N/F
Complaints escalation management	'Pseudo' managers appointed /category managers drafted	Skilled managers drafted	N/F
Media liaison	Relationships built with journalists	Skilled journalists hired to relate to government stakeholders and to media	Through Advisory Board with channel management
Managing Director involvement in crisis	MD and PR (and legal department)	MD and PR dept	Commissioner not necessarily involved

N/F =Not found

Table 7.15: Negative WOM management processes (adapted from Davies et al. 2003)

Customer complaints are logged, and complaints management processes are tailored to manage individual customer's grievances appropriately. The person who answers the call takes responsibility for managing the complaint, identifying its source and cause, to ensure a relevant and speedy resolution and subsequent customer satisfaction. Speedy complaints resolution is considered essential to negative WOM control. In fact, Case B and Case C link service recovery to consumer satisfaction, as explicated by Bearden and Teel (1983), Gilly (1987), Tax et al. (1998), Goodwin and Ross (1992), Anderson and Sullivan (1993) and McCullough and Berry (1996).

If the complaint remains unresolved, complaint escalation procedures allow senior management intervention. A nominated manager is made responsible for resolving the complaint directly with the customer. Face-to-face communication is designed to

invigorate the damaged relationship, keep the customer’s patronage and enhance their loyalty, a process sometimes, as in Case C, assisted by an offer of financial benefits, supporting the service failure and recovery research of Fornell and Wernerfelt (1988), which strongly suggests that it is generally cost-effective for management to invest twice the profit margin associated with a sale to win back the customer.

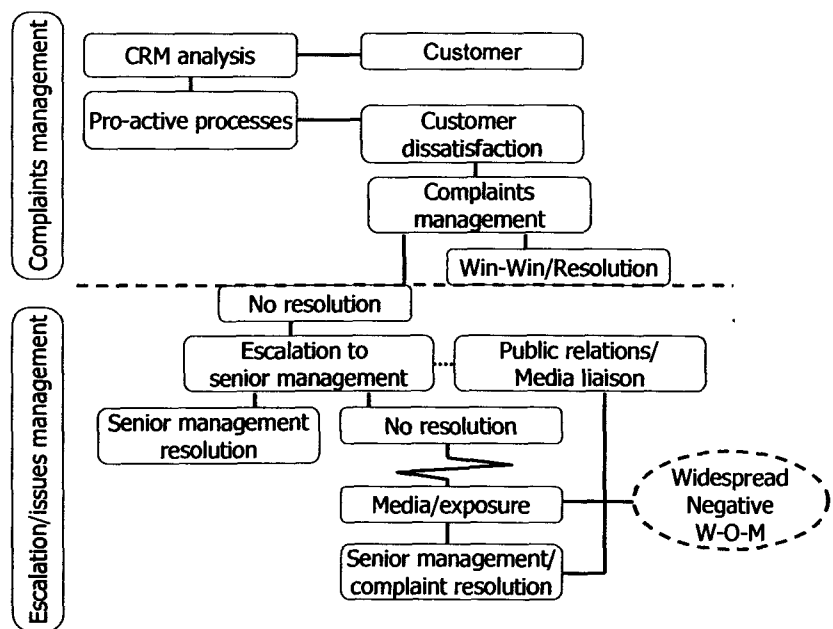


Figure 7.8: Complaint resolution procedures related to preventing customer dissatisfaction and negative WOM

While cases B and C seek customer satisfaction outcomes, they describe this variously as ‘100% satisfaction’ and ‘positive WOM outcomes’. Successful complaint resolution is also explained as resulting in ‘win-win’ outcomes, which Bennington and Cummane (1998) state is a resolution which leaves the customer feeling happy and satisfied, while the company is able to continue to enjoy the profits generated by their continued loyalty towards the organisation. Though these organisations believe in these advantages and ‘win-win’ outcomes, no evidence was found to enumerate or measure the consequences of positive WOM outcomes in terms of continued patronage.

“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.” (AA6 249-251)

Stronger management also reduces customer dissatisfaction and negative WOM by taking a firmer approach to the quality of service delivery. Such has been the pressure from customers to receive better attention, managers in Case B have appointed ‘pseudo’ managers from amongst their best call centre employees, who take charge of the problem and follow it through to a satisfactory resolution with the customer. This suggests customers believe that the normal service is inadequate and therefore demand more authoritative resolution. Amongst the field force, category managers have also been drafted to resolve issues, and special task forces have been formed to address international head office management’s demand to reduce customer complaints. Case C has used greater management expertise to enhance control over outsourced work to third parties. Case C has also improved its customer call centre response times by employing more efficient infrastructure including more advanced equipment and response processes.

7.5.2 Role of the PR department in negative WOM containment

Early warning systems include monitoring media news services and the Internet through their external PR agencies. Adverse media comment triggers crisis management processes in the organisation; these processes involve senior management and the CEO. Protocols of employee silence are observed in an effort to counteract or extinguish adverse publicity and spread of negative WOM. Set processes are rehearsed department-by-department with PR; however, they have often proven inadequate.

The PR department is charged with media liaison and it leads the organisation’s response through the relevant media channels. PR in crisis also communicates internally to employees. PR departments employ experienced journalists who can identify sections of the media that are predisposed to the company, and they can also maintain relationships with their media counterparts. Damage prevention includes full crisis preparation such as workshopping potential disaster scenarios, defining response strategies and supplying media training for those employees in the media spotlight, and ultimately supervising them when the media scrutiny occurs. Table 7.16 summarises

successful strategies undertaken by the PR departments of the three organisations studied.

Phases in a crisis	Case B	Case C	Case A (NP)
Early warning system	External PR agency	External PR agency	Employee 'intuition'
	Field-force data collection		
Crisis preparation	'Worst-case' scenarios workshopped	'Bridging' strategies workshopped	N/F
	Journalist identification	Journalist identification	N/F
	C-RM involvement	C-RM involvement	N/A
Crisis containment	PR department lead employee script strategy formulation, may also involve legal department	PR department lead 'bridging strategies' formulation and employee media training and PR supervision	PR department lead
	Internal protocols	Internal protocols	Internal protocols
	External liaison with media	External liaison with media	No media liaison/ one-way communication
Learning from the experience	Internal and external actions assessed	Internal and external actions assessed	N/F
	Customer exit research	N/F	N/F

N/F =Not found
N/A= Not applicable

Table 7.16: Phases in a crisis (adapted from Mitroff 1988)

Significant departures from the service organisations occur in crisis management in Case A, the NP. Like the service cases, the NP is critically conscious of the adverse effects of negative media comment, publicity and negative WOM. While it has neither processes to deal with complaints nor a sophisticated CRM system, it employs crisis management procedures through its PR department, which issues press releases directly. This way, the PR Department enacts counteractive negative WOM processes based on estimation of effect – a strategy that has been demonstrated to be grossly inadequate. In fact, they do not observe strong media relationships, nor does the Commissioner play as integral a part in response to media as do the CEO and Managing

Director of the two services cases. Further, no 'lessons learnt' processes are conducted in the NP following a crisis, as advocated by Mitroff (1988) (see Table 7.16).

Other negative WOM communications processes are designed to build a bank of goodwill and add to organisational reputation amongst their stakeholders. Thus the PR departments also conduct reputation building and damage reduction strategies. Cause-related marketing (C-RM) techniques and those sponsorships involving social sponsorships predominate, such as employees' involvement in social welfare sponsored in Case B, and the rescue helicopter sponsored in Case C.

7.5.3 Internal communications prevent rumour and innuendo

In each case, in varying degrees, formal communications to employees have been maintained. For example, in Case A, a PR department of eight people is employed to communicate internally to produce information tools such as magazines and videos, (compared with two in external PR communications) while the service cases employ internal magazines and new product information circulars and updates. In crisis, Case B publishes physical and Intranet updates to counter rumour and negative WOM contagion occurring along informal networks, with varying degrees of consistency. Thus internal marketing has implications for corporate identity amongst employees.

Where internal formal communication concerns positive WOM output and negative WOM control it has impact on effective corporate communication as well as 'crisis' management procedures and the morale of the employee. In Case C, employees have been disillusioned by negative WOM. Informal employee negative WOM has had a depressing effect on morale and employee motivation. Thus the threat of adverse publicity exposure and negative WOM is onerous for employees. In Case B, counter measures to negative WOM being passed via informal means have not been effective, and in Case A, volunteer donors have, in response to negative media criticism, expressed negative WOM within their own ranks. In fact, employees who have not been kept informed of external negative WOM occurrences, particularly those associated with media comment, have resorted to rumour and innuendo. These strategies have had mixed effect internally as employees often hear more through media comment than they do through their own internal communication systems.

7.5.4 Negative WOM from competitors and ex-customers

Respondents from all three organisations contend that their mission and values statements preclude criticism of competitors; however, such ‘badmouthing’ strategies are practised by their competitors, and all three organisations have experienced negative WOM in this way. For instance, in Case B, in an effort to reduce the effect of damage to new business activity from the negative WOM of competitors’ sales forces, the research departments maintain a world-wide negative WOM market intelligence system. Response strategies are distributed to sales departments globally. From this international database, Case B is attempting to develop anti-negative WOM tools. Case A has encountered such competitor strategies in times of crisis and media criticism, yet nothing has been done to address these issues or regulate them by approaching other not-for-profit associations directly.

Case B has put resources into understanding customer exits, which can reduce lingering negative WOM. This has also affected the organisation’s identity. It has allowed executives of both parties to retain their mutual respect, and reduce negative sentiment and lasting negative WOM amongst the ex-customers, employees and their own staff.

7.6 Processes and structures for managing word-of-mouth

WOM has a significant role in customer service and sales force departments. It is significant in external communications where image and influencer cultivation are affected, particularly advertising and PR, and in the WOM networking referral processes of the sales force. WOM is integral to internal communication and HR management. However, within these three cases no one section or department or person has ultimate responsibility for WOM as a whole. WOM in its wider sense is fragmented within these organisations (see Table 7.17). In fact, though WOM has had impact on a number of important areas of management concern embracing both positive WOM and negative WOM, no evidence of management’s collective awareness and understanding of WOM has been uncovered.

Departments where WOM resides	Case B	Case C	Case A (NP)
Senior line management	Customer satisfaction	Customer satisfaction	Donor reactivation Advisory boards
	'Complaints Management'	'Complaints Management'	N/F
	'Crisis management'	'Crisis/issues management'	'Crisis management'
	Supplier Alliances Co-Brand card	Alliances 'Hi-tech' suppliers	Alliance/supplier partnerships
	New business networking	New business networking	Donor-volunteer recruitment networking
Public relations (in Cases A and C - PR and Advertising departments are combined)	Media liaison	Media liaison	N/F
	PR crisis management	PR crisis management	PR crisis management
	Internal communication	Internal communications	Internal communications
Advertising	Celebrity testimonial endorsement	Sports sponsorship with celebrity endorsement	Welfare recipients' testimonials
Marketing/Direct marketing:			
(i) New customer (and donor) acquisition	eWOM	MGM processes Energy Institute Home Suite	Direct mail celebrity endorsement Annual volunteer donor recruitment
(ii) Customer retention (Customer cultivation) Donor reactivation	Customer service training	Customer service training	Referral/Annual Appeal reactivation
	Sponsored events attendance	Sponsored events attendance	Corporate donations
Market research	Servqual measures Competitor negative WOM statistics	Servqual measures	N/F
Sales force/Volunteer sales force (NP)	Lead generation WOM networking referral process	Lead generation WOM networking referral process	Volunteer-donor WOM networking Personal testimonial
	Events/ conference sponsorship	Events/customer retention Incentives	Event/appeal management
	Customer Testimonials/ presentations	Customer testimonial, i.e. McDonalds	
Customer service call centre and sales departments	Customer service/ training (100% satisfaction)	Customer service/ training	Employee service/ induction training

N/F =Not found

Table 7.17: WOM stimuli by department

These cases have established that satisfied customers' WOM has stimulated new customer and new donor acquisition, although not in quantities significant to management. Case B, however, has experienced eWOM occurring amongst a growing percentage of new business prospects who have become customers and has noted that referral of customers as a consequence of alliance partnerships is also increasing at a high rate. Case C has implemented MGM WOM tactics through marketing to selected existing customers who, through being offered an incentive, have referred with success. Therefore WOM advocacy from satisfied customers is a customer service management, customer acquisition and, thus, marketing concern.

Customer service aims to increase WOM by customers. For example, in Case B and Case C, managers link employee training to higher levels of service delivery and consequent customer service WOM outcomes. WOM statistics, collected by market research, are used by marketing and the customer service department to measure customer satisfaction and to estimate customer loyalty, and are of great concern to senior management; however, these statistics are not cross-referenced with CRM analyses. Thus WOM is of concern to front line customer service, as well as operations management and as a tool for customer service improvement by senior management.

WOM referral is critical to sales force management and business performance. WOM is a sales force employee issue, with consequences for senior management, the sales force and HR management. WOM is a significant contributor to new donor and customer acquisition through WOM networking by these organisations' sales forces. Evidence of sales people being hired on account of their networking capabilities (and in Case A in advocacy identification), demonstrates WOM also embraces employment of customer-focused personnel.

Organisation-stimulated WOM communications through corporate PR departments have affected these organisations' external image and have helped form their reputations. Through sponsorships and the contribution of social causes and celebrity endorsements to image building, customers (or donors) have been attracted to the organisation and new customer acquisition has occurred.

Negative WOM is a business performance issue. Just as customer satisfaction is a customer service issue, negative WOM is a complaints issue. Thus negative WOM is important to customer service representatives, sales forces and senior line management who wish to promote customer retention and prevent switching, which can significantly negatively impact business performance. Media-initiated comment has also sparked negative WOM, to which these organisations have responded with crisis management and anti-damage strategies to defend their image and reputation. While this has affected customers' actions and company performance, it has also impacted internally on employees, including senior PR management, the managing director and, in some instances, the legal department. It has also influenced customers' and key influencers' behaviour, which in turn has affected performance.

WOM has encompassed employees through formal internal PR communications and senior management pronouncements to employees. However, rumour and innuendo and negative WOM contagion occur along informal networks. Uncertainty and doubt have occurred amongst employees anticipating information on management's response. As a result, internal marketing has implications for internal identity amongst employees where it concerns positive WOM output and negative WOM control, making internal WOM an important employee and stakeholder management issue with consequence for the culture of the organisation.

7.6.1 Internal employee training and mission statements

A stated intention of cases B and C is the achievement of high levels of customer satisfaction. Thus customer service training is an important part of service delivery improvement processes. Training is designed to maintain and enhance customer service delivery standards by accentuating positive WOM and reducing negative WOM. Through training procedures and processes, employees are versed in handling and resolution of customer complaints, and customer satisfaction and output WOM outcomes are sought. These sessions seek WOM outcomes, such as 'off the Richter Scale customer satisfaction'.

Case A's WOM networking framework involves monthly meetings in which Salvos' values are reinforced and volunteer donor satisfaction can result. These meetings are

goal-oriented, allowing committee members to share their experiences which are extolled by the group, giving volunteer committee members 'something to brag about socially'.

Services management point to their 'Vision and Values' statements, in which customer satisfaction processes are clearly delineated by specifying employee conduct towards customers when handling complaints and negative WOM. References to mission statements are also linked to challenges from negative media comment – thus having implications for negative WOM control – or when being proactive towards customer service delivery and customer satisfaction, with implications for positive WOM output. In the NP they refer to 'our mission', rather than vision and values.

Daniel (1992) and Ireland and Hitt (1992) claim mission statements provide the direction through which corporate and individual actions are guided. Wilson (1992, p. 21) concurs, describing mission statements as 'the stars that establish direction and destination'. While Bart and Baetz (1998) have questioned the quality of mission statements, they found significant correlation with incorporating values (the internal thoughts that individuals and organisations hold) and employee behaviour with higher levels of performance. Payne et al. (2005) believe the organisation's vision and values provides a framework to enable employees to work together in a co-ordinated manner towards achievement of its objectives towards its stakeholders. Therefore it seems reasonable that mission statements can influence WOM through customer service enhancement affecting corporate identity and image and thus contributing to the firm's reputation (Bolton and Drew 1991; Fornell and Wernerfelt 1992; Davies et al. 2003).

7.6.2 Measurement of WOM activity and effects

It is clear that none of the three organisations establishes the precise source of new customers. Consequently, the contribution of WOM to customer acquisition has not been measured and is therefore not recognised, thus allocation of resources to WOM is rendered impossible.

Data collection about sources of customer acquisition has been less than meticulous; consequently, management lack confidence in the data's validity. Even though recorded

lead source data show a significant influence of WOM on customer acquisition, the data have been severely criticised. The veracity of information recorded by the CSRs is doubted, and management – though continuing to collect data – remain sceptical of it. Sales and marketing management have questioned the lack of detail in customer source data collected by their sales forces. Finally, no efforts have been made to monitor the effects of ‘click to refer-a-friend’ processes on the Internet.

Though Case B has identified that prospects have used input WOM in their decision making, this process is passively noted rather than being recognised as a fundamental factor in the customer’s adoption process. For example, increasingly, Case B has identified customer acquisition as coming through the website. Recognition of the evolving role of eWOM referral, and the input WOM processes being used by prospects, is essential to understanding the new customer acquisition process as a whole. Therefore, lead source attribution is an area of key importance to which these organisations need to give close attention.

7.6.3 Complaints, customer satisfaction and reputation measures

These organisations analyse complaints figures established from weekly statistics supplied through customer service, which are compared with monthly customer complaints statistics. If the complaints levels are lower than for previous periods, customer service departments believe that customer dissatisfaction is lower, therefore customer satisfaction levels will be higher, and thus it is supposed negative WOM will have decreased. Clearly there is no sophisticated measure.

In the services companies, WOM measurement has also been strongly linked to their market research measures of customer satisfaction and image and, separately, reputation research. Case A uses industry research to provide guidance on its image, and Case C benchmarks its customer performance using reputation measurement, comparing its reputation to others within the industry. However, though managers recognise that reputation and WOM have links, the association between WOM and reputation has not been considered specifically within these measurements (Table 7.18).

Research methods	Case B	Case C	Case A
Reputation measurement	N/F	Reputex	Industry only
Customer satisfaction market research	SERVQUAL/based Sample spread across business customer database	SERVQUAL/based Only Home Suite customers	N/F (No donor satisfaction research)
PR measurement	Media analysis - Column centimetre measurement	Media content analysis - Column centimetre measurement Negative/positive ratings	Media analysis - Column centimetre measurement
Complaints management system	Data collection analysis	Data collection analysis	N/F (no complaints system)

N/F = Not Found

Table 7.18: WOM-associated research and measurement methods

Customer satisfaction monitors, carried out annually by the service organisations, are treated as key performance indicators (KPIs). In Case C, the utility, customers who have bought products and services in addition to delivery of gas or electricity are the only respondents surveyed. Customer satisfaction scores are considered high for a utility, in fact as high as any surveyed by ACNielsen. One of three important KPIs within the customer satisfaction research and its customer satisfaction indices is ‘Likelihood to recommend’, used in SERVQUAL-based research as in Case B and Case C – a proxy for customer loyalty. However, managers discount this WOM measure as a ‘soft measure’. They believe the more concrete measures concerning ‘overall quality’ are more operable to use in adjusting customer service delivery levels. In fact, managers regard ‘willingness to recommend’ the consequence of a superior customer experience; fix the former and WOM will increase. Thus as a measure within customer satisfaction research and as a significant contribution to new customer acquisition, WOM has been discounted by services management.

While market research departments provide senior management with comparisons of past and current customer satisfaction results and the annual industry measures as a whole, they cannot give specific customer satisfaction measurements. Some managers believe this does not reflect a true reading as not all customers are included in the survey. In fact, due to power outages across the customer-base, customer satisfaction is

considered by some managers to be low. Case B believes questions that would give more adequate answers to customer satisfaction in the business division, due to respondent sensitivity, have been excised from their market research questionnaire. In Case C, communications management also believe that customer satisfaction research is inadequate as it does not include energy customers other than those who have recently purchased Home Suite products, nor does it include image measures from across the database which they believe have impact on customer satisfaction. In fact, Case C's communications department strongly believe that marketing management does not share customer satisfaction research data and customer satisfaction outcomes to which they believe they have made significant contribution.

7.6.4 Other WOM measures

As shown in Table 7.18, publicity exposure is measured by column centimetres. However, WOM output from PR communications is not measured. Case C measures the tenor of the messaging within an article, which from their perspective is either positively or negatively charged, which they use to build a case for or against future press placement. No attempt is made to measure the effect of media comment on the organisation. Case B prefers to estimate these effects through annual reputation and image measurements.

7.7 What processes and technologies, if any, are deployed to support the management of WOM?

7.7.1 CRM technologies and WOM

While both service cases have implemented CRM systems, these are not employed specifically to manage WOM. No evidence of the effect of WOM referral from satisfied customers in terms of its contribution to new customer acquisition or the image effect has been analysed by any of the organisations. However, in Case C the customer base has been segmented to recognise customers who are more likely to call and complain and thus increase the organisation's cost to serve these customers, a Case C KPI. Segmentation has also been employed to facilitate WOM marketing tactics.

Transactional and demographic variations of customers have been identified as being more likely determinants of advocacy toward the organisation. These target prospects have been addressed through MGM incentives with some success. The same system is also recording customer mobility to identify a strategy for future LPG customer retention programs through establishing reasons for customer defection.

There is evidence to link the phenomenon of ‘less customer dissatisfaction’ with the implementation of CRM systems. Customer touch-points have been connected and customers are seeing their dissatisfaction is being more adequately addressed. Thus less negative WOM has occurred in both service cases. Case B has implemented a Siebel CRM system to assist identification of customers who, through their transactional behaviour, are more likely to have dissatisfactions with the organisation. Pro-active outbound ‘trigger’ programs include direct mail response, telemarketing investigation and alternative offer negotiation. Through such programs both customer defection and negative WOM have been reduced.

These cases’ contact management systems are central to collecting information on new customer prospects, particularly as it applies to field force processes. These systems have allowed managers to identify better WOM networking prospects. For example, for Case B, some key influencers within the travel industry have delivered a higher share of new customer acquisition than others. This analysis has resulted in managers, keen to reduce their reliance on very effective individuals, mounting research into how best to create relevant referral incentive programs to reduce dependence on the few and cultivate WOM networking referral and lead generation across a wider referral base.

7.7.2 WOM networking frameworks

These cases use WOM networking to facilitate new customer acquisition, develop customer advocates and gain commitment from key influencers (Table 7.19). In fact, Case A champions advocates under its ‘Honoured Friend’ and Advisory Boards’ nomenclatures. Case B’s sales force has nominated ‘mentors’. Within both service cases WOM networking management frameworks are not clearly visible; rather, these cases have achieved this objective by using the existing frameworks of other organisations. Case B has used the network framework of professional industry

organisations’ conferences which they have sponsored and leisure events to promote WOM networking. Case C has used significant sponsorship of the Australian Rugby Union and the Wallabies on their World Cup run-up and the fixture events to achieve these same ends. Unlike the service cases, Case A has its own definitive written framework and WOM networking processes, but it also uses other organisations’ frameworks. These include solicitors as a professional body. Solicitor advocates are promoted to ‘Honoured Friend’ status and to gain new donor bequest acquisition reciprocal referral Will writing events, are part of that advocacy program.

A specific WOM networking framework ‘one-gets-five’ process has been adhered to in the NP. This WOM networking process is applied nationally through its volunteer donor sales force. Case A also identifies influencers within the community by ‘the right asker’ principle. This describes the method of using a person to do the introduction whose connections within community have been recognised by the target prospect with a view to inviting donors and high profile prospects to their annual appeal launch .

Defined WOM Process	Case B	Case C	Case A (NP)
<u>Customer Donor/ Advocacy</u>	Sponsorship/event attendance	Sponsorship/event attendance	Appeal Launch luncheon
<u>Advocacy recognition</u>	Mentor program	N/F	'Honoured Friend" program
Networking through Sponsored WOM strategy frameworks	WOM networking sponsorship/ professional industry bodies' frameworks i.e. sponsorship of CPAs	WOM networking sponsorship/ sport framework i.e. Rugby Union and Wallabies World Cup Team	Sponsored Solicitors' Will writing days Formal WOM networking 'One gets five' framework 'Right-asker' process

Table 7.19: Case comparison of advocacy and WOM networking frameworks

7.8 Chapter summary

This chapter has provided a detailed comparison of the way the three cases harness positive WOM and counteract the effects of negative WOM. The three cases have different corporate understanding of WOM, and approach management of both positive and negative WOM in different ways. The chapter has discussed the WOM effects of

customer service, demonstrating that WOM from customer service is weak in the service cases and the NP. WOM receives scant attention in services; WOM source statistics are disbelieved and WOM's contribution, though it is highly valued by customer service as a measurement of customer satisfaction, it is discounted by senior management. Many WOM processes of the organisation are not recognised in terms of their WOM contribution. Thus WOM's role in enhancement of these organisations' awareness, image and reputation is diminished. However, these tactics may be valued more for their potential to attract new customers, i.e. the customer acquisition effects of new product innovations or those new customers referred through supplier alliances are less valued for WOM or their contribution to image.

The study has shown how negative WOM is well understood and held in considerable apprehension by management. Negative WOM through CRM practices are part of a continuous customer focussed improvement process. In times of crisis, sophisticated crisis escalation and issues management processes are assiduously adhered to. In comparison, the processes of positive WOM are dispersed through these organisations, particularly customer service, the sales forces and communications departments, which remain uncoordinated. While WOM methods are also widespread in communications, particularly in advertising, publicity and sponsorships, where awareness, image and reputation have been enhanced, there is little evidence that these have resulted in significant new customer acquisition. However, in the NP where donor transactions are more easily tracked, similar processes have been effective in enhancing awareness and image as well as donor activation and acquisition of new donors, thus enhancing its business performance.

A key finding of this study is that, contrary to claims in the literature, WOM advocacy is actively influenced by the organisation through a myriad of WOM networking referral practices, at least in the three organisations studied. These organisation-influenced referral and advocacy processes lie in their business-to-business markets where employees and customers interface with significant effect on new customer acquisition. However, many of these referral processes are not well categorised and, consequently, they are neither well recognised nor well managed. For example, Case C management lauds the success of their sports sponsorship program because the endorsements of team celebrities in its advertising and publicity campaigns have

provided the organisation with the benefits of high awareness and enhanced image. It has provided the sales force with a method of WOM networking amongst difficult to access prospects, whilst providing the organisation with customer and key influencer cultivation. At the same time, at these sponsored high profile sports events (to which some customers and target prospects are given free access), these customer advocates can exercise their influence on new prospects. Through the sports sponsorship, Case C has also added motivation events for employees, affecting the organisation's identity, making it an example of a highly integrated communications strategy. However, though the various departments appreciate the strategy, each assesses it differently. Management view the strategy as primarily benefiting image, with the other gains simply a serendipitous confluence of events; they do not view it as a cohesive marketing program with the objectives of creating advocacy and referral to benefit the organisation's business performance. This general lack of understanding of the contribution of advocacy and its sources is mirrored in all cases.

Answers to the seven research questions presented in Chapter 1 are summarised in the following chapter.

8 Discussion

8.1 Introduction

The previous chapters have presented the three case studies and the cross-case analysis. This chapter discusses the findings and their implications to theory and practice. First, the research objectives are reviewed by returning to the seven research questions, presented in Chapter 1, which outline the key findings of the study (Section 8.2). These findings are then discussed in relation to the existing literature, with a comparison of observed approaches and practices of WOM (Section 8.3). Section 8.4 summarises the study's implications to theory, outlining evidence supporting or challenging the relevance of current theories to practice, and highlighting several areas of WOM theory that can be improved on the basis of practices observed during the investigation. Sections 8.5–8.8 discuss the implications of this study to management practice. Section 8.5 takes an overall view of WOM and management practices, providing general recommendations to managers and presenting a model for WOM management based on the conclusions drawn from the three case studies. Sections 8.6, 8.7 and 8.8 provide case-specific recommendations for cases B, C and A, respectively, enabling managers in each of the three organisations to address the contextual WOM factors of their particular WOM practices and allowing them to take full advantage of the WOM phenomenon in enhancing their business success. Note that all findings emanate from the primary research data, unless otherwise indicated.

8.2 Review of research objectives and key findings

This section provides a review of the research objectives and key findings by addressing, in turn, the seven research questions introduced in Chapter 1.

8.2.1 Research question 1

How aware, if at all, are companies of the role and importance of WOM?

The WOM effect is not well understood in these three service organisations. Management associate WOM with personal recollections of customer service and the benefits many organisations are seen to derive from customer satisfaction. In this regard WOM is closely linked to new customer acquisition. However, in these organisations new customer acquisition from customer WOM is considered low (which in customer-focussed organisations dominated by CRM systems and processes could be considered anomalous), and thus customers' WOM has little consequence for business performance.

Understanding the role of positive WOM differs among departments. It is divided between contribution to new customer acquisition, and its role in communications, such as building organisational awareness, image and reputation. Like WOM from customers, positive WOM stimulated through communications is only moderately valued as a contributor to awareness and image. For example, WOM is not an objective of communications management. In fact, there is no general understanding of the contribution WOM can make to the organisation, either to the organisation's image or to new customer acquisition.

In contrast, negative WOM is universally recognised as being damaging to organisational image and identity. While negative WOM is strongly associated with customer complaints from poorly delivered customer service, negative WOM from media comment is held in more anxiety because it goes beyond management control. Thus WOM is characterised by its lack of controllability, and it is therefore considered with scepticism as a potential management tool. Further, positive WOM's role is tainted by lack of believable statistics which can prove the value of WOM to the organisation; and because senior service organisation management is accountable, marketers' requests for WOM budgets, outside of MGM schemes and those coming under sales force control, have been thought not worth pursuing by marketing.

Senior management do not immediately associate WOM networking referral with WOM in the sense of its association with a customer's spontaneous WOM. In fact,

WOM networking by senior management and sales force requires personal relationship-building to produce a referral, and thus it is interpreted differently from customers' WOM stimulated from higher levels of customer service. However, advocacy and WOM networking processes are significant activities strongly linked to new customer acquisition, and to sales management and their perception of the organisation's survival. In the provision of additional prospects, this activity is supplemented with forging alliance partnerships with high profile brands, which enhances the company image by association and provide potential leverage of the alliance partner's customers.

The NP, Case A, believes WOM is more strongly associated with story telling and thus important to the organisation's image-building. Positive WOM relates closely to donor reactivation, whereas new donor acquisition from donors' WOM is deemed low. However, organisation-influenced WOM networking amongst its volunteer-donor (sales) force is a substantial contributor to meeting Case A's annual appeal fundraising objectives from existing donors and to acquiring new donor volunteers. The NP's donor recruitment and fundraising effort can be significantly affected by negative WOM from media comment, which the NP also holds in considerable anxiety.

In contrast to WOM spontaneously triggered by customers, organisational-stimulated WOM is a significant contributor to customer acquisition in the services context. In fact, compared with customer service WOM, in these service cases it might be the greater contributor. Service companies view positive WOM as number of different, unconnected components – WOM from customer service, WOM from organisational communications and WOM networking – and they are not recognised as being interlinked. Thus without a holistic view of WOM in organisations, WOM as a management tool will continue to be marginalised and undervalued.

8.2.2 Research question 2

What, if anything, do companies (hope to) gain from WOM management?

Managers believe that if positive WOM from customers can be stimulated, then the total effect on customer acquisition will be beneficial. In fact, management believe by

utilising customer service WOM, instead of traditional methods, which are becoming more expensive and, some believe, through media clutter becoming less effective, they can achieve their new customer acquisition (NCA) objectives. This will have the additional benefit of saving money from their already stretched communications budgets. However, managers also believe customer acquisition from customer service WOM will occur only when customer service is raised to higher levels. So, despite significant emphasis being placed on employment of customer-focussed staff, '100% satisfaction' mantras, training programs and CRM activity, in these cases current levels of service are too low to affect WOM amongst existing customers. Thus the goal of reaching high levels of customer service remains out of reach.

However, when senior management or the sales force focus on customer referral, managers believe improvements in organisational referral programs and WOM networking will result in advocacy, which will have a beneficial effect on new customer acquisition. Thus these organisations have put resources behind sponsored business forums and sponsored events – activities where customers, prospects and key influencers can experience the organisation. Therefore new customer (or donor) acquisition can result from prospects being exposed to their sales forces through networking and building relationships.

These organisations believe that they are generally viewed negatively by the public, and therefore WOM output is healthy for the organisation. Thus communications departments believe astute positive WOM management will result in greater organisational awareness, image and reputation.

Management resources, which include CRM systems and employee resources, are focussed on making the customer happy; however, they are more heavily concentrated on reducing negative WOM through complaints management and crisis management techniques. In fact, in contrast to the paucity of positive WOM methodologies, WOM in service business is weighted towards moderating the effects of negative WOM, evidenced by their carefully honed complaints management procedures and, in some instances, financial guarantees and CRM infrastructure and activity whose objective is negative WOM's diminution or extinction.

However, management have most concern about issues emanating from media comment which can hit the organisation from out of the blue. Thus the force of negative WOM emanating from media comment can be overwhelming and a source of deep anxiety. They believe negative WOM management, in the form of 'issues management' is essential in preventing damage to the organisation's image and reputation. While the consequences of negative WOM can damage the organisation's image and be upsetting for employees, greater pressure can be exerted by head office management or stakeholders on management when negative WOM, stimulated by media comment, is circulating. To limit or extinguish negative WOM and its consequences, these organisations prepare for crisis and rehearse damage management strategies throughout their departments. However, there is a feeling that negative WOM will get out of control whatever defences are employed. Therefore, WOM as whole is seen more within the context of a threat to the organisation than it is as a positive contributor.

So while the ongoing battle to raise customer satisfaction levels remains high on management's agenda, these cases show that management's main emphasis is on processes designed to reduce customer dissatisfaction and negative WOM. Thus effective negative WOM management is considered of greater consequence to the organisation than the efforts to stimulate positive WOM.

8.2.3 Research question 3

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

In summary, WOM in services is generated through:

- customer service delivery and customer satisfaction
- organisation- influenced communications including advertising, where positive WOM is strongly linked to image-building, and public relations activity, including sponsorships and social marketing activity
- organisational communications to employees

- the influence of interest groups, which includes government (and as stakeholders) and the media, pressure groups and corporate multi-headed decision making units.
- organisational referral processes commonly associated with relationship marketing and WOM networking
- supplier/alliance partnerships, some of which concern association with innovations.

These six arenas are surrounded by external causes of WOM, stemming from the existing image held by customers and prospects and the public at large (Figure 8.1), which might be positive or negative. They are also bounded by employee WOM which contributes to the identity of the organisation, the image of the organisation held by its stakeholders. Positive WOM is generated by the product or service itself and through innovations, features and product guarantees which provide reassurance (and reduce risk) and add to organisational reputation. Price advantages also contribute to positive WOM. Positive WOM is generated through enhanced levels of customer service and employees exceeding customer expectations. Processes attached to service include service guarantees for which financial compensation can be made, customer service training designed to promote WOM outcomes, and enhanced infrastructure and processes linked to improved customer service which can trigger WOM.

WOM is generated through communications from corporate public relations departments and those variously concerned with advertising, sponsorships, events associated with sponsorships, and cause-related marketing activity. Advertising content – particularly celebrity testimonials – and launches of innovative products and services also create WOM. When innovations have been promoted, WOM from these activities has affected these organisations' image and identity, and helped form these organisations' reputations. PR exposure and the subsequent WOM have relied on building strong relationships with journalists and the media. They also require relevant channel choice and careful positioning of stories. Other manipulation of media has gained awareness and contributed to the image of the NP. Exposure to disasters has created awareness and WOM and resulted in acquiring new donors and

reactivating donors. Thus image-building processes have led to WOM and acquisition of new customers (or donors).

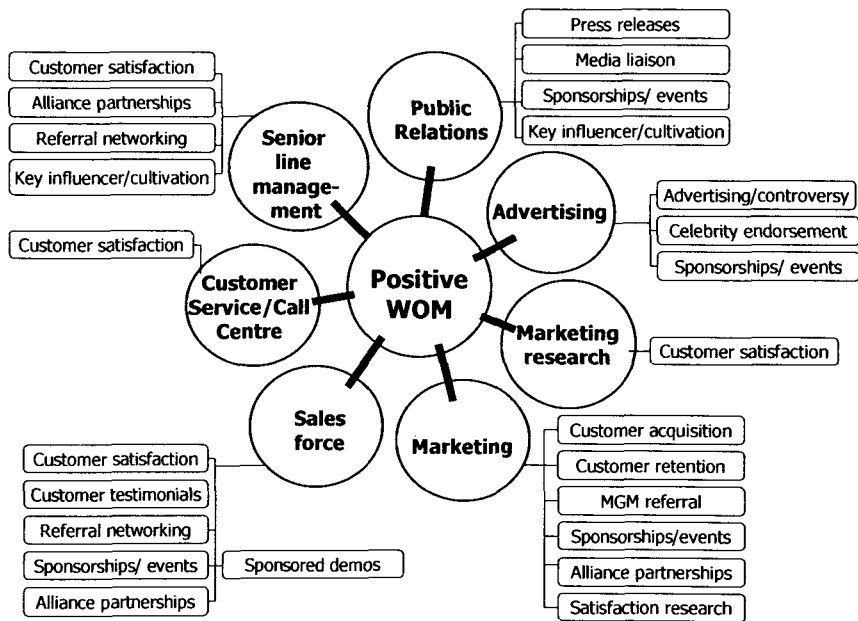


Figure 8.1: Positive WOM sources by department

Key influencers’ advocacy aligns with the influence markets described by Peck et al. (1999). Influence markets require a different referral process from networking, which is more akin to lobbying and the application of pressure on groups. However, endorsement or rejection by any one of these groups can have significant negative or positive impact. In these cases, key influencer advocacy concerns both federal and state government, who are stakeholders in Case A and Case C and have regulatory impact on all three. In these instances management is through senior and board levels. Case C’s Energy Institute has received federal government endorsement, which has led to WOM and sales. Case A’s WOM opportunities are threatened by disenfranchisement of their services by state government. The media has significant influence on all cases and includes celebrity and media identity cooperation and endorsement which is managed through corporate public relations. Media influence also embraces the Internet and search engine ranking and web site ratings and

endorsements, which is variously managed through PR or advertising departments. Other influence groups include environmental groups' endorsements, important for WOM to Case C, while corporate organisation and industry group's endorsements and WOM are essential to Case A.

Though in the service cases the CEO has a role to play in advocacy, WOM networking referral processes are mainly conducted through these organisations' sales forces which contribute significantly to new customer (and donor) acquisition. This is effected through relationship building amongst existing customers, closely aligned businesses, and prospects, in which senior management participates. WOM is triggered within sponsored industry business events through demonstrations, free offers, and testimonials from satisfied customers – formally through personal participation in conferences and informally through sponsored social events. Other types of referral include those described under the six markets model's (Table 7.12) referral markets, to include general referrals, staff referral, reciprocal referral, incentive-based referral.

Senior management also facilitate WOM networking through supplier/alliance partnerships, including alliance partnerships with high profile brands. Some of this senior management activity concerns innovation, and association with the innovation of alliance partners' brands has stimulated WOM amongst customers, suppliers, employees and advocates of both parties.

8.2.4 Research question 4

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

In these service organisations, negative WOM is associated with customer complaint management, which is handled by customer service and customer facing departments and their call centres and sales forces (Figure 8.2). These processes under media comment escalate to crisis and issues management. However, while it is difficult to predict media comment, predictive customer data modelling CRM tools are employed to detect potential customer dissatisfaction, commonly manifest as complaints which threaten customer defection. In fact, customer guarantees and compensation schemes have been instituted to encourage dissatisfied customers to identify themselves.

Complaints management processes and escalation procedures, with reporting extending to senior management, have been designed to reach a satisfactory conclusion for both customer and organisation. Management and employees with superior customer management skills have been employed at every level in customer-facing positions to ensure effective customer complaint resolution and positive WOM outcomes from (re)-satisfied customers. While customer-facing processes are under constant management surveillance and improvement, a regimen of continuous customer service training encourages outcomes that stimulate positive WOM.

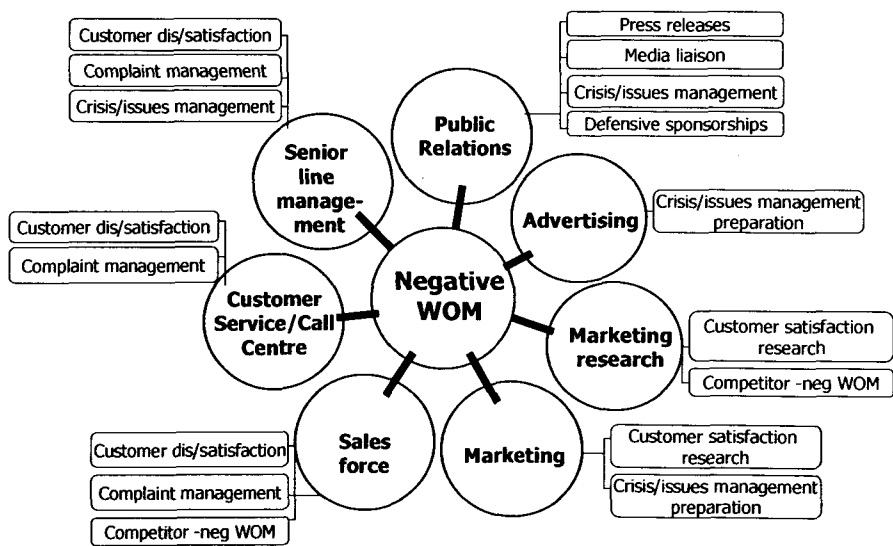


Figure 8.2: Negative WOM sources by department

In the event of media comment and negative WOM, rehearsed protocols and procedures are directed through senior management and include strict employee codes of observance. Clearly delineated responsibilities are also evident in public relations communications departments, who rely on dexterity and the strength of their relationships with the media to ameliorate or extinguish negative WOM through media sources. Specific responsibilities are held by senior management, including the managing director, who, in tandem with PR, lead response to the media. Other tools, such as social sponsorships and cause-related marketing (C-RM) initiatives, are

employed as an insurance policy, 'to build a bank of goodwill'. They are also attributed to building the organisation's reputation. However, though negative WOM from complaints is dealt with to produce 'customer (re-)satisfaction' and WOM outcomes, no such mechanisms exist under conditions of negative WOM from media comment. When the issue ceases to be debated in the media the effects of negative WOM amongst employees, customers or key advocates remain largely unknown.

8.2.5 Research question 5

Is WOM management a defined organisational responsibility?

WOM touches almost every department in the organisation (Figure 8.1). WOM management is a component within new customer acquisition and a contributor to the organisation's image and identity. It embraces customer service management in terms of customer satisfaction, and complaints management dealing with negative WOM. As a customer satisfaction measurement, WOM is a vital KPI and therefore is of concern to senior management and market research management.

Despite the wide organisational reach of WOM in these three cases, WOM is diffused within each of their departments. Because it is combined within other more prominent activity – for instance, negative WOM with customer dissatisfaction, and positive WOM with customer satisfaction and in communications with 'spin' and PR – it does not form a distinct unified responsibility within these organisations. Unlike negative WOM, positive WOM has formed an even less salient part of any one department's activity, and is not considered a major component within service management activities. While WOM is acknowledged, WOM is not considered prominent in communications management. In fact, new customer acquisition WOM source statistics are discounted and, in terms of customer service, positive WOM is abrogated in favour of focussing on adjusting levels of customer service delivery.

Though WOM is not a stated objective within communications strategies, WOM is stimulated by communications such as advertising and public relations, sponsorship and event management and thus embraces both communications and marketing. While PR also plays a role in gaining endorsements and lobbying within influence

markets, it is the centrality of PR in both WOM output and negative WOM control that puts PR potentially at the heart of WOM management in the organisation. In a crisis PR also exert internal and external control of WOM in tandem with senior management. That internal communications attempt to influence informal WOM amongst employees and other stakeholders has implications for the culture of the organisation, making WOM an important employee management issue.

Marketing is involved in innovation through new product launches and has initiated MGM incentive tactics which have stimulated WOM referral amongst existing customers, in Case B also meeting loyalty objectives. However, WOM is not considered an important management matter for marketers. In fact, marketing, which is held responsible for new customer acquisition, is far distant from the consequences of WOM of satisfied customers on new customer acquisition, which is the remit of customer service or those referral activities of the sales force. This fact may provide another reason for the lack of WOM's importance within marketing and communications activity in services.

However, WOM referral and WOM networking through these organisations' sales forces is critical to sales force management. Sales people are hired in part on account of their personal networking skills (and in Case A for their ability to identify advocacy opportunities), yet despite the consequences of successful WOM networking for sales forces, senior management and HR management, WOM's contribution within these activities is not well recognised.

Thus in these service cases there is no universal understanding or agreement of WOM or the WOM effect. Therefore, no one person or group is in charge of any component of WOM. This finding is also true for the NP. Though WOM networking is driven in the NP by the Commissioner, this responsibility does not apply to WOM across the organisation. Though organisational manipulation of WOM is critical to increasing awareness, in addition to WOM networking – which receives more attention than in the service cases – WOM has not been sufficiently understood to attract specific management resources and attention. Furthermore, because it is diffuse amongst the departments of the organisation, it is not deemed significant enough to merit being singled out for separate management attention. Therefore WOM management is not a defined organisational responsibility.

8.2.6 Research question 6

What metrics, if any, are employed to measure WOM activity and effects?

WOM statistics collected and reported regularly by call centres and the sales force are widely disbelieved. Though Hallowell and Ruberto (2002) have recommended that the WOM effect be individually calculated on the basis of incremental profit from a customer recommending a service to others, thus computing the lifetime value of an incremental customer, this does not occur. Despite these organisations' employment of CRM systems rendering them the facility to track individual customer behaviour, there is no evidence that the consequence of customer WOM referral is a specific calculation of customer value. Customer referral of others to the organisation is not considered an important metric.

8.2.7 Research question 7

What processes and technologies, if any, are deployed to support the management of WOM?

The closest the service cases come to processes or technologies to help with WOM management are those of CRM, currently not used directly in WOM measurement. Furthermore, the NP has plans to implement CRM, the benefit of which they relate directly to building relationships and forming stronger ties with both corporate company personnel and their volunteer donors. Like the service cases use the frameworks of other organisations, the NP also uses the frameworks of others to enhance its WOM networking activity but also has its own well-defined WOM networking framework upon which it relies for new donations and new donor acquisition. This is central to business performance and instituted on an annual basis, is similar to a pyramid selling process.

Thus the service organisations need to consider systems and processes which can facilitate WOM and WOM networking more efficiently than those they currently employ. New methodologies which can help bring some order and process and accountability into WOM need to be investigated. They need to explore systems and processes that would help to define WOM and WOM networking referral, and how

WOM links to customer advocacy or key influencer referral, and how it relates to new customer acquisition and the image of their organisations.

8.3 Alignment of practices with the literature

WOM can be positive or negative. Positive WOM is proactive. Negative WOM is largely reactive. It impacts a wider network than positive WOM. In fact, managers have found it more appropriate to address negative WOM and its causes, than to stimulate positive WOM. As a consequence of management's current focus on CRM, the effect of WOM on new customer acquisition may be less important. Thus while customer retention remains a significant management issue, it may continue to cloud the importance of positive WOM. This research indicates that despite investments in customer service and CRM systems to promote customer satisfaction and customer loyalty, the processes of reducing customer dissatisfaction and negative WOM are more prominent activities than those involved in positive WOM stimulation. While this is due to the damaging effects of negative WOM on image and identity, and consequently on management tenure, it is possibly also a consequence of management emphasis on customer retention.

Thus while the effects of positive WOM are not high on management's radar, aspects of negative WOM are influential in providing high levels of service quality to customers and enhancing their consequent satisfaction with the service, reflecting the dangers of negative WOM from customer complaints spelt out by a great number of authors and researchers (Arndt 1967; TARP 1979; Blodgett et al. 1993; Mangold et al. 1999; Theng Lau and Ng 2001; Mooradian and Olver 1997; Crie 2003), especially after they leave (Keaveney 1995; Etzel and Silverman 1981; Fornell and Wernerfelt 1987; Blogett et al. 1993; Spreng et al. 1995). In fact, Case B's frustrated complainants reflect what Jones and Sasser (1995) described as "terrorist" customer behaviour, with significant negative effects. Therefore managements' overall concerns are about negative WOM and complaint resolution should customer dissatisfaction occur, reflecting the weight of emphasis on complaint resolution in the literature (Fornell and Wernerfelt 1987) and service recovery (Bearden and Teel 1983; Gilly 1987; Tax et al.

1998; Goodwin and Ross 1992; Anderson and Sullivan 1993; Taylor and Baker 1994; McCollough and Berry 1996).

In fact, in these cases managements' aim is maintenance of customer loyalty and thus they employ sophisticated CRM systems and complaints management processes (Buttle 2004). These strategies include quick solutions that can facilitate service recovery (Tax and Brown 1998; Buttle and Burton 2002; Shapiro et al. 2002; Stokes and Lomas 2002). In fact, Case C reinforces re-patronage intentions with (financial) incentives (Theng Lau and Ng 2001). However, to meet the even greater threat in service organisations, management exercise crisis management protocols in the hope of controlling negative WOM from media comment. These include damage preparation procedures, combined with proactive media liaison (Davies et al. 2003). Thus within service delivery, complaint management, customer service training and crisis and issues management, the effects of negative WOM have a greater importance in organisational management. Therefore WOM has a bias towards negative WOM in service organisations.

8.3.1 WOM's contribution to the organisation is not understood

In contrast to the comprehensive understanding of processes that stimulate negative WOM and those the organisation uses to control it, the processes of positive WOM stimulation are neither understood nor effectively influenced. In fact, there is no universal understanding of WOM or responsibility for its stimulation in acquiring new customers or contributing to the organisation's image. Misner (1994) considered WOM as the world's most effective, yet least understood, marketing strategy. Cases from the current study reflect these sentiments. WOM and referral processes fall into most departments and yet there is no clear understanding of how WOM fits into the customer service, marketing and communications programs, or of the value of WOM to the organisation as a whole. In fact, there is little universal understanding of WOM, adding to the WOM confusion between various WOM descriptions (Arndt 1967; Rosen 2000; Stokes and Lomax 2002; Thomas 2004; Goldenberg et al. 2001). Each department interprets WOM differently. For example, the call centre has a different view of positive WOM to sales management who support WOM networks, as do Reingen and

Kernan (1986), who have a different idea of the effect of WOM to that of the marketing department and that of the advertising and public relations departments.

Though the organisation engages in influencing WOM activity, as a consequence of the lack of understanding of WOM many WOM effects have gone relatively unrecognised. For instance, the importance of WOM's links to customer satisfaction levels is generally not grasped by management, which conflicts with the assertions of Parasuraman et al. (1988) under SERVQUAL and Reichheld (1996) under referral contribution to organisational performance. The lack of valid WOM statistics collection procedures from customer service or the sales force means no credible measurement takes place that can validate WOM. Therefore management do not value WOM.

The processes of positive WOM output are a communications concern which includes advertising and marketing. However, they are recognised mainly in public relations, (Moffit 1994; Cornelissen 2000; Balmer and Greyser 2002). In the case of corporate PR, they tend to fall most noticeably around negative WOM control, and thus reputation effects come under the CEO's umbrella (Balmer and Stotvig 1997; Argenti and Druckenmiller 2004; Davies et al. 2003), whereas advertising is more likely to be an instrument of marketing. However, positive WOM processes can be significant, particularly amongst the customer service departments and within the sales force's WOM networking activities, again outside marketing's control.

The lack of understanding of WOM's contribution is illustrated in Case C. The confluence of widely communicated sponsorship of the Australian national rugby team through publicity channels and the use of the team members' celebrity status in advertising has created awareness and had profound WOM effects in establishing the organisation's new brand. The strategy has met sales force WOM networking and advocacy objectives, allowing face-to-face meetings with difficult-to-reach identified prospects, and customers and other advocates of the organisation to 'rub shoulders' in the social atmosphere of the fixture events. This strategy has also had impact on organisational identity. Customer service training and employee motivation sessions have engaged rugby celebrities, which has created beneficial internal employee WOM. Thus this sports sponsorship could be described as an integrated WOM strategy.

However, each of these attributes is complex and while it would be difficult to separate one from the other, the company has little idea of how each separate component has

delivered value. The commercial sales force have applauded the WOM networking component in terms of customer prospecting, while the advertising, public relations and marketing departments extol the virtues of the awareness and image components. Therefore, this has not been recognised by Case C as a strategy with specific WOM benefits; rather, the strategy has been described as ‘fortunate’.

8.3.2 WOM and networks in services

The recognition that WOM flows through referral networks (Reingen and Kernan 1986; Brown and Reingen 1987; Heskett et al. 1997; Tullier 1998) is evident and supported. Amongst employees WOM flows as consequence of internal connectedness and through internal meetings and email. These cases also recognise the importance of influencers, i.e. those who are highly connected with many others (Freeman 1979), thus supporting the assertions of Heskett et al. (1990) – who contend networks are endemic to many services businesses – and Gummesson (2002a), who argues that WOM thrives on people’s network of relationships. Thus there is general agreement that external networks are important to the flow of WOM.

For example, when preparing for their annual Doorknock and Business appeals, Case A relies on a network of influence of business leaders, a fully documented process. The theory is supported through the online new business acquisition processes evident in Case B. As with Case A, Case B’s WOM networks are highly developed, particularly in the familiar travel industry, which is recognised as being vitally important in finance circles for new business success. Similarly, Case C places high importance on the ‘old boys’ network of business decision-makers, essential to new customer acquisition success.

8.3.3 Non-consumption WOM contributes to new customer acquisition

A large body of literature maintains that positive WOM from satisfied customers is a significant contributor to new customer acquisition. Two main types of outcome from customer satisfaction are highly regarded (Durvasula et al., 2004): behavioural loyalty, related to repurchase of the service, and attitudinal loyalty (Reinartz and Kumar, 2002),

which is reflected in a customer's likelihood to recommend a service provider within their social networks (Dick and Basu, 1994). While the majority of customers remain loyal, this research suggests attitudinal loyalty in these cases is weak and that WOM from customer satisfaction is not occurring amongst business-to-consumer customers or donors in the NP. A plausible explanation is suggested by Gremler and Brown (1996a); they maintain that when customer satisfaction falls below certain industry norms stimulation of WOM is less likely, and new customer acquisition is unaffected. Dye (2000) also states that some industries are more WOM-susceptible than others; the energy industry (Case C), for example, with little business-to-customer contact, enjoys limited opportunities for WOM.

Such WOM is effective when it includes appreciation of the salesperson's expertise (Crosby et al. 1990; File et al. 1994), or when it results from repeated interaction between employees and customers (Gummesson 1987; Bitner 1990; Beatty et al. 1996; Cross and Smith, 1995; Bendapudi and Berry, 1997) or high levels of service satisfaction (Watkins and Liu 1996; Barnes 1997; Colgate and Danaher 1999). Thus in organisations with low customer satisfaction or with little direct customer interaction, WOM from satisfied customers has little influence on customer acquisition.

However, in circumstances where there is low customer satisfaction, WOM has to be stimulated by organisation-influenced methods. For instance, Case B uses MGM customer incentive schemes and Case A demonstrates the use of media manipulation to attract WOM and donations from new, existing and long-lapsed donors. Testimonial-based advertising communications in all cases have created both awareness and WOM. Similarly, personal testimonials have affected new customer acquisition in all cases, supporting the findings of Prince and File (1994), Singh et al. (2000), Dean and Biswas (2001) and Reuber and Fischer (2005).

8.3.4 WOM advocacy in services

A significant amount of literature concerns customer advocacy. Christopher et al. (1991) consider that a goal of relationship marketing is the creation of vocal advocates. This type of customer loyalty behaviour is more usually interpreted as a sign of commitment to a brand (Cross and Smith 1995). Advocates – committed customers,

because of their emotional attachment (Baloglu 2002) – promote WOM conversations with others, serve as a marketing resource for the organisation (Dick and Basu 1994) and are 54 per cent more likely to be active in WOM (Reinartz and Kumar 2002).

In these cases advocates have been identified amongst business customers. For example, Case B's business service division has actively sought advocates from its customers in Australia and overseas. These individuals have been coopted to lend their personal testimonial in published material, face-to-face presentations and other sponsored business forums. Case C has also sought advocates from within its customer base, and their testimonial has been used in sponsored sports events when mixing informally with prospects and socially with non-customer key influencers. In effect they have acted as 'hand picked' brand champions (Dick and Basu 1994; Peck et al.1999). The advocacy situation is similar in the NP. Case A's approach supports File and Prince's (1992, 1994) exploration of WOM and referral networks and Rosso's (1991) findings that charities use specially recruited influential volunteers who recruit donors from their own social networks. However, these cases' customer service divisions do not appear to use transactional database analysis or other methods to target or actively solicit customers' advocacy (Buttle 2004). This also holds true for the NP's donors, who confine their searches to business donor volunteers' own personal networks.

Thus this study has found that organisation-influenced WOM is most pronounced in the business-to-customer divisions where senior management and the sales force can use direct contact with customers and key influencers to enhance their referral networking and WOM processes. Referral programs, designed to achieve business growth and integrated with business-to-business operations, significantly stimulate WOM and new customer acquisition. This is particularly the case with heavily advertised and publicised sponsorships and events, which also facilitate sales force networking amongst key prospect target audiences. For example, industry-related conferences and sports sponsorships promote WOM networking and cultivation of advocacy amongst customers and non-customers.

8.3.5 Supplier alliances and third parties create WOM

All cases support the sentiments of authors who illustrate how cooperative relationships can deliver competitive advantages (Gruen 1975; Weitz et al. 2000). Misner and Davis (1998) and Payne et al. (1995) demonstrated that networks of suppliers and vendors actively advocate service providers, which is again supported in all cases. Case B and Case C have encouraged WOM through third party and closely associated businesses, with whom referral and reciprocal arrangements have been struck for mutual advantage between complementary professionals. These associations support the findings of Wheeler (1987) and Beltramini (1989), while the consequence of advocacy from forging alliance partnerships amongst suppliers is supported by Peck et al. (1999). This has stimulated WOM and facilitated reciprocal referrals, while alliance partnerships with innovative marketers' 'hi-tech' products have contributed to image and also stimulated WOM.

8.3.6 WOM and new customer acquisition

The three cases have provided substantial insights into the influence of WOM on new customer acquisition, in which the six markets model is used to help structure the findings. The diverse range of referral techniques found is described within the six markets model of relationship marketing of Peck et al. (1999) and the adaptations made to it (Table 7.12). The model highlights the network of relationships in which firms engage that influence referral and new customer acquisition. The market domains significant to cultivating both customer and non-customer advocates are customer markets, supplier/alliance markets, influence markets and referral markets, both customer and non-customer. Data from the three cases illustrate all categories within these four domains, with two exceptions: referral markets–substitute/complementary referrals and influence markets–financial investor categories.

The model also helps identify the crucial role of non-customer key influencers and the interrelationships between markets and organisation-influenced methodologies. For instance, the act of sponsorship involves several markets within the model. Sponsorship affects new customer acquisition through the interwoven relationships between these

markets. As an example, under Influence markets media/celebrity endorsements in advertising, using sports personalities can result in interrelationships that involve sporting fixtures and personal appearances, which may also be employed to motivate employees (Internal Markets). It can be categorised under Customer-based development (existing customer advocacy development), as well as those categories concerning Fees. Thus, not all findings from this study fit easily into the organisation of the Six Markets Model. This research indicates, therefore, that customer markets, referral markets (see Table 7.12), supplier/alliance markets and influence markets should be modified.

Customer markets: All cases cite WOM from customer or donor satisfaction. However, the case data identify the importance of customer-generated WOM following satisfactory complaint resolution. Thus the service cases claim WOM is stimulated from resolved complaints – a service objective. Therefore, modification to the model is put forward.

Referral markets: Though no ‘Substitute referrals’ (a sub-category of General referrals) were found, every other referral category described in the model was identified within these cases. However, the model can more adequately recognise the importance of incentive-based referrals. For example, the significant fees paid out through sponsorship endorsements differ considerably from the nominal amounts that might be spent on a lunch, bottle of wine or invitation to a sporting event. Therefore, the addition of a ‘fees-based’ category to the model is proposed.

Referral Markets: Staff referrals include those generated by sales staff networks, attendance at conferences or company sponsorships. Case findings suggest there is merit in introducing the category *incentive-based referral* to include sales drives initiated by management, which have the objective of gaining additional referrals. Referrals attributed to various echelons of senior management are also identified in the case data.

Referral Markets: Advocacy referrals. Viral WOM, albeit organisation-influenced, is transmitted by customers, and thus merits inclusion in this category, along with service recovery WOM.

Influence Markets: Media. (1) The influence of journalists has been established in the model. However, media influencers also include media identities and celebrities who, on account of their profile within the community and the exposure of their testimonial in advertising or sponsorship, also stimulate WOM. (2) The current model could acknowledge websites as a referral source. Search engine eWOM rankings also affect consumer acquisition. Therefore, the revised model includes media celebrity, search engine and website categories.

Influence Markets: Family Groups. Family Group WOM was observed in Case B. In its ethnic markets, the brand was reviled by some family key influencers and merchant adoption was prevented. In Case A, donations were withheld by paternalistic veto. Thus the category has been expanded.

The data also suggest a modification to Supplier/Alliance Markets. The case data identify referrals generated by the alliance partner's employees and their third party suppliers, key influencer/opinion leaders and customers.

Such examples support the findings of File et al. (1994), Buttle (1998), Reinartz and Kumar (2002) and Stokes and Lomax (2002), who have demonstrated that WOM can be influenced by the organisation. The six markets model framework suggests that, despite low customer satisfaction and customer or donor WOM, many organisation-influenced referral programs produce positive WOM and have stimulated advocacy and new customer acquisition. Such findings run contrary, however, to those of Mangold et al. (1999) and Gremler et al. (2001).

8.3.7 Integrated product trial and information strategies create WOM

In Case A, the corporate PR exposure to disasters has contributed to awareness, image and reputation, supporting the findings of Balmer (2001) and Moffitt (1994) that corporate public relations influences WOM communications, which in turn affects organisational reputation (Balmer and Greyser 2002; Davies et al. 2003). In Case C, the Energy Institute's objective has been to gain consumer awareness. Through the quality of knowledge of appliances and their application, management have recognised that employees' thorough knowledge of the appliances and their application has contributed

to the Institute's image, while the federal government's endorsement has increased the Institute's reputation. Management also recognise the resulting WOM, even though they do not view the Energy Institute as a specific WOM strategy. However, as a consequence of the seeming 'independence' of the Energy Institute, consumer enquiries have also led to the referral of customers, though this could be described as 'cross-selling'. Because it makes recommendations to existing customers, the Energex Energy Institute could be described as being a profound WOM strategy despite this referral source's lack of independence from the organisation (Carl 2006).

8.3.8 Key influence is directed mainly through the media

This research generally supports the premise that relationships with the media are a high priority for these cases, as found by Gummeson (2002a). In these cases a large amount of information is imparted to others by opinion leaders (Fieck and Price 1987; Slama and Williams 1990) and, in Case B, to them by eWOM within the customer base, thus supporting Wiedmann et al. (2001). However, positive communications in services are more often directed to what Katz and Lazarsfeld (1955) differentiated as public affairs opinion leaders, i.e. the media, rather than customer opinion leaders or 'market mavens' (Fieck and Price 1987), thus communications are directed through influence markets by public relations to media hubs (Rosen 2000).

8.3.9 Positive WOM and negative communications are more credible

These cases are putting increasing emphasis on public relations communications. In support of Arndt (1967), Day (1971) and Bone (1992), the communications departments of these cases believe that communications that are independent of the company are more credible and more influential, and more persuasive therefore than organisation-influenced communications such as advertising. In the NP, positive WOM has beneficial effects on image and business performance. The independence of WOM also applies to negative WOM, which managers believe travels to more people, with more speed and with greater impact than positive WOM, thereby supporting the belief that WOM can be influenced but not controlled (Wilson 1991; Lovelock 1996;

Williams and Moffit 1997). Furthermore, negative WOM's effects can be damaging to the image and reputation of the organisation (Davies et al. 2003), as discovered by the NP, who through donors' transactions have computed the result.

8.3.10 Online communications create WOM

Online organisation-influenced WOM is not well developed. Studies have examined the effect of WOM on new customer acquisition for online companies (Christiansen and Tax 2000; Levine 2000; Vilpponen et al. 2006) who have built their customer numbers and, increasingly, their profitability. With the exception of Case C's prospects, sharing company information through eWOM processes is not generally evident in these cases (Weiber and Kollmann 1998). Though WOM processes are being more closely integrated into the service of many Internet companies with beneficial effect (Reichheld and Schefter 2000), the power of the Internet in terms of persuading prospects (Montgomery 2001) has largely passed these cases by.

To gain awareness and to acquire new customers, some Internet marketers have adopted viral marketing techniques (Vilpponen et al. 2006). Yet only Case B has attempted a viral strategy and generally managers are doubtful of its efficacy. These organisations have little concept of how to manage negative online criticism or how to counteract negative WOM or warnings about products (Widdows and Widdows 1998) or the effects of 'bad buzz' (Hughes 2005). Contrary to the findings of Strauss and Frost (2003), there is no evidence that chat groups or discussion groups play any part in customer or prospect cultivation. In fact, in these cases websites are not controlled by those interested in new customer acquisition, or with responsibilities for relationship management. Despite increasing numbers of customers coming to Case B through the Internet, the website is not controlled by marketing, who are responsible for communications budgets and management of customer acquisition.

8.3.11 Customer LTV is an unemployed measurement in services

The widely held notion that WOM is a significant contributor to business performance (Reichheld 1996; Payne and Holt 2001; Rust et al. 2004) is not well supported. None of

these cases measures WOM. Within customer values measurement to date, WOM referral has not been included in any of these cases' customer loyalty calculations, either as a whole or by individuals. This contradicts Hogan et al. (2004), who pointed strongly to WOM as a vital component of the LTV calculation, or as a guide to resource allocation, such as advertising (Brady 2000). In fact, these findings support the work of Payne et al. (2001), who investigated very senior managers representing the top 500 UK organisations and found that 75 per cent had considered measuring CLTV (or LTV), but only 21 per cent actually did.

8.4 Implications of this study to theory

An objective of this study was to identify whether WOM theory can be improved on the basis of observed practices. Drawing from earlier discussion on the relevance of current theories to practice and the implications of this study, it is argued that several areas of WOM theory can be improved on the basis of the observed practices.

8.4.1 WOM is stimulated by influences other than customer satisfaction

Published reports of WOM generally concern a satisfied customer communicating with a prospect (Heskett et al. 1990; Tax and Chanrashekaran 1992; Mangold et al. 1999; Oliver 1999; Harrison-Walker 2001), with the purchase experience subsequently triggering the spread of WOM (Anderson 1998). Many practitioners and researchers focus on the power of WOM in new customer acquisition, where WOM from satisfied customers is a source of new customers (Heskett et al. 1990; McKenna 1991; Murray 1991; Wilson 1991; Tax and Chandrashekaran 1992; Cafferkey 1996; Mittal and Lassar 1998; Mangold et al. 1999; Harrison-Walker 2001). However, in these cases managers were not confident that customers were sufficiently motivated, either by the nature of the industry or through the manner in which service is delivered, to recommend their friends and acquaintances. For example, Case B cites the financial environment and employees who are less prone to WOM. Management in the utility, Case C, believe WOM is less likely where little or no customer contact occurs, which accords with Dye's (2000) assertions. Amongst the database of donors in Case A, WOM is also low.

Thus the WOM of satisfied customers in building their business-to-consumer bases, advocated by Joachimsthaler and Aaker (1997) and Kotler (2003b), and numerous publications is not being realised.

If this is so, how then does WOM advocacy occur when customer satisfaction is low or when no consumption is apparent? For example, within Case A, the NP, no consumption in the normal sense is experienced, yet WOM occurs. While this happens through the networking of donor-volunteers and is crucial to new donor acquisition and thus to the performance of the organisation, it also occurs from favourable media comment concerning disasters. WOM connected with the past (e.g. WWII associations), which is strongly linked to organisational reputation, is also evident (Weigelt and Camerer 1988), reputation being developed over time (Balmer and Stotvig 1997). Case B is aware of the value of dual branding, where the reputations of two well-known brands are linked in delivery of enhanced value to the customer. In this situation WOM has been uttered by non-customer advocates, i.e. those who may, or may not, have experienced either of these organisations' services.

While several researchers claim that corporate image is a function of the cumulative effect on customer satisfaction or dissatisfaction (Bolton and Drew 1991; Fornell and Wernerfelt 1992; Davies et al. 2003), Grönroos (1988) believes customer satisfaction is derived from more than experience. This author's Perceived Service Quality Model explicates that perceived quality of a service is a function of experienced quality (generated from technical quality and functional quality) and expected quality (generated from organisation influenced communication, including image, WOM and customer needs). In fact, a favourable image and a customer's overall impression are both created by managing the corporate identity; and it is the corporate identity that provides the bridge linking strategy with company image and reputation (Keaveney and Hunt 1992; Balmer and Stotvig 1997). In other words, customer satisfaction is influenced by more than experienced quality and includes image associations and positive WOM communication (Cornelissen 2000; Balmer 2001).

Andreassen and Linsdestad (1998) also argue that corporate image has a halo effect on customers' judgement of satisfaction. Therefore corporate associations, such as corporate image and reputation, which are partly formed by WOM (Balmer and Greyser 2002), are important in the overall evaluation of a company and its services

(Grönroos 1984; Bitner 1990; Gummesson and Grönroos 1998) and organisational success, such as patronage (Granbois 1981). Bloemer et al. (1998) found that a bank's corporate image determines the nature of the consumer expectations, which, in turn, are a decisive influence on the formation of quality perceptions, and that image, quality and satisfaction all influence customer patronage, as well as organisational reputation (Davies et al 2003).

Therefore these authors and the results of this study challenge the disconfirmation paradigm (e.g. Oliver 1997) and the role of service-driven customer satisfaction in stimulating purchase, suggesting WOM is uttered for reasons other than consumption. This research has established that WOM is a valuable contributor to image and reputation. That image and reputation can affect WOM, and vice versa, goes some way to explaining how non-customers advocate the organisation, particularly in Case A, and how those who have little or no experience of the organisation can utter WOM towards it. Clearly practitioners and theorists need to give more emphasis to the stimulation of WOM through communications and consider the balance between WOM stimulated by customer service and by communications, particularly through public relations, sponsorships and events with notice given to their effects on awareness, image and organisational reputation, as well as their benefits to new customer acquisition and business performance.

8.4.2 Customer satisfaction measures must be shared with communications managers

Adding weight to the foregoing discussion, some communications managers believe that current customer satisfaction market research findings are not shared, despite communications managers believing they are equally important to stimulating customer satisfaction. An area of potential inter-departmental conflict was uncovered by Davies et al. (2003), who found that most PR departments are involved in media or employee research, rather than customer market research, which they see as the role of the marketing department and therefore beyond their theoretical jurisdiction (see Davies et al. 2003, Part 1 p. 32). Customer satisfaction and WOM impacts image, which has a direct effect on the output of the Advertising and PR function. Yet in Case C, in

particular, their 'Reputation Management' data are not currently shared with the Advertising and Public relations department, whose role is directly concerned with the company image. Therefore greater participation in customer satisfaction measurement is required by communications, particularly advertising and PR departments. This will help to direct communication activity more productively towards meeting the organisation's customer satisfaction goals and encouraging the loyalty behaviour of customers, which includes WOM output and its subsequent effects.

8.4.3 Customer measurement and satisfaction measures: a reassessment

Within these cases WOM is not a major organisational priority. Though the importance of WOM has greater weight within customer service situations and where customer satisfaction (and even customer delight) are anticipated outcomes, WOM is not considered an important instrument of management. This is despite WOM being used as a tool to reflect enhanced customer service levels and to gauge customer loyalty. However, management is not confident that the customer satisfaction market research measurement process is robust. In customer-oriented organisations a vital KPI within customer satisfaction measures is the WOM component which, not considered operable, is therefore discounted. Thus the WOM effect on customer loyalty, in addition to its effect on customer acquisition, may be grossly undervalued. In fact in Case B, research managers, following management's lead, currently attach less importance to their customer satisfaction 'willingness to refer' question than they do to overall quality, for example. Case B may be wrong. Tax and Brown (1998) cite data from Xerox and American Express, which has demonstrated that customers scoring at the highest levels of customer satisfaction measures tend to be loyal purchasers and 'apostles', i.e. customers who encourage others to buy from the company. In fact, Garland (2002) postulated that if a marketing-cum-management system could be implemented that includes data on customer value, such as referral sales, alongside standard customer profitability data, then the potential for future revenue growth would be greater and management decisions stronger.

Furthermore, this study's findings – at least within the three cases studied – also conflict with Reichheld's (2003) assertions that WOM is a highly important

management measure. Albeit passively, these organisations have not acted on this advice, discounting Reichheld’s reassurances that WOM can measure the health of the company. In other words, Reichheld considers a company’s growth rate strongly correlates with the percentage of its customers who are enthusiast-promoters (those who say they are extremely likely to recommend the company to a friend or colleague), versus its net detractors (those putting about negative WOM). However, as there is also strong evidence indicating management is ambivalent to existing customer satisfaction measures which in these cases use SERVQUAL variables to measure customer satisfaction, then Reichheld’s call for more simplistic customer satisfaction measures that relate directly to WOM deserves more consideration. The discovery of what drives advocacy from ‘delighted’ customers (and non-customers) and what causes negative WOM from ‘unhappy detractors’ may be crucially important to estimating the intentions of loyal customers.

<u>Head/right brain</u>	<u>Heart/left brain/emotions</u>
Best features	They know me
Best service	They value me
Best price	They listen to me
	They share my values

Table 8.1: The head and heart dimensions of a customer’s ‘WOM recommendations’
(source Bain and Co, WOMMA Conference 2004)

The question ‘Would you recommend us to a friend?’ probes the head and heart dimensions of loyalty (Table 8.1). Jeff Immelt, the CEO of GE, declares it ‘the most effective customer relationship measure [he’s] aware of’. Ken Chenault, CEO of American Express, also endorses this thinking. He states ‘All companies should be asking their customers the ultimate question’ (Bain and Co, WOMMA 2004; Darlin 2005).

By this reasoning WOM therefore deserves to be placed centre stage. This means that the main focus of the organisation would be on one measurable customer outcome – high WOM output. In these service organisations this is a stated aim of customer

service, the call centre and the sales force. WOM objectives could play a significant role within communications and could be established as the zenith of their endeavour, whether that is through public relations channels or through advertising media or its content. Outflows of positive or negative WOM from customers are critical to the image and reputation of the organisation (Cornellissen 2000; Balmer 2001; Davies et al. 2003) and to the performance of the company (Reichheld 1996; Rust et al. 2000). Woratschek and Horbel (2005), investigating variety -seeking behaviour, stated “recommendations help to build the reputation of a company, which will also increase profits in the long run” (p.47). Therefore, adoption of net-promoter compared with net-detractor scores, as advocated by Reichheld (2003), may be significantly more relevant than previously thought. Understanding WOM in its dual role in stimulating customer acquisition, as well as the image effect, is vital to gaining more profound communications outcomes. Thus, in addition, these measures may also be used in measurement of the organisation’s image and reputation. However, in the light of Keiningham et al.’s (2007) findings, paralleled measurements may have to be employed.

WOM could also play a significant role in customer loyalty objectives and in new customer acquisition. Customer loyalty is a retention management issue. These managers’ task is to maintain or enhance customers’ satisfaction with the organisation, thus encouraging loyalty behaviours, including WOM outcomes. These outcomes should, in theory, directly link to WOM referral and bring customers to the organisation. Customer acquisition management should anticipate a flow of WOM referrals from satisfied customers stimulated to advocacy through retention management practices. Therefore customer retention managers should be held responsible for a significant percentage of NCA outcomes.

8.5 Implications of this study to management practice: general recommendations to managers

Gummeson (2000) proposed that academic research lifts data from the practitioner’s field and deposits in the theoretical field, whereas consultancy takes data from the theoretical field and deposits it in practitioner’s field. The outcome of this research

evidences parts of both. Throughout the research study it was evident that participant companies do not have any tools, outside of the Case A WOM networking framework, to help them in managing or assessing WOM. This study outlines a methodology that can be used to improve managers' understanding of WOM in the organisation, and thus it contributes to the practitioner's field with a tool that advances WOM business management practices.

However, respondents recognise the potential value of WOM, primarily as networking relationships in new customer acquisition and improved business performance. Nevertheless, when asked how WOM impacted on the organisation, respondents found difficulty in providing a holistic description of the positive effect of WOM. Likewise, with the exception of negative WOM, they found it difficult to explain why they or their counterparts enacted particular positive WOM actions and the consequences that such positive WOM actions have on their organisation's performance. Ultimately informants declared their interests in building capabilities to improve the management of WOM.

While there is collective understanding of negative WOM in services, it could be argued that managers could reap benefits from emphasising positive WOM. A more balanced and coordinated approach to positive WOM could contribute to organisational performance, both increased awareness and enhanced image and reputation on one hand, and more productive new customer acquisition on the other. While the study does not consider generalised recommendations are appropriate across the board, there are exceptions. These are discussed first in this section, then specific case-by-case recommendations follow. However, the success of WOM and advocacy practices depends to an extent on their appropriateness to the organisation's individual contexts.

8.5.1 How to enhance customer advocacy: a common understanding

As has been discussed, in organisations where there is a balance away from direct customer contact, WOM output can be less. For instance, Pugh (2001) showed that as much as 30 per cent of the variance in WOM intentions can result from customers' reaction to emotions displayed by employees. So this means when positive emotions and WOM stimulated by employees (Yu and Dean 2001) are missing, higher

satisfaction levels and higher WOM (Mattila 2001) may be less achievable. Reputation effects (Davies et al. 2003) may also occur. This has implications for management. It may mean that where there is customer contact, the WOM effect may need to be reinforced. Alternatively, other methods of stimulating WOM may have to be considered, or ways may have to be found where an organisation and customer experience may take place outside of any transactional encounter.

How, then, can organisations unlock the potential of WOM by turning clients, customers, suppliers and key influencers into WOM advocates? The study's findings suggest that organisations may be overlooking a powerful asset – existing clients, customers, key influencer advocates, suppliers and closely associated businesses – who they can transform from satisfied customers or suppliers into vocal advocates for the organisation.

Therefore one of the outcomes of this study is a new WOM model (Figure 8.3) that is better suited to assisting organisational understanding and management, under which the cases facing these problems have been diagnosed and under which recommendations have been categorised.

Positive WOM is characterised as being closely linked to six distinct arenas (Figure 8.3). These six arenas are surrounded by external factors of WOM, stemming from the existing image held by customers and prospects and the public at large. They are also surrounded by employee WOM, which contributes to the identity of the organisation, the image of the organisation held by its stakeholders. The six arenas are:

- the product or service itself, and whether it receives approval or disapproval
- customer service delivery and customer satisfaction or dissatisfaction
- communications, including (i) external media comment and publicity coming from outside the organisation, over which the organisation has no control; (ii) organisation-influenced advertising, public relations and sponsorship communications activity, over which the organisation has control of initial output and where WOM is strongly linked to public relations activity and image-building; (iii) formal communications to employees; and (iv) informal employee and other stakeholder WOM, which is linked to organisational identity

- influence markets, groups which can apply pressure on the service organisation or equally provide referral opportunities through endorsement of the organisation
- organisational referral processes commonly associated with relationship marketing and the WOM networking of sales forces, which are closely aligned to new customer acquisition, particularly in the business-to-business divisions of these cases
- supplier/alliance partnerships, some of which concern innovations; these associations are struck mainly to gain access to new prospects and provide WOM networking opportunities.

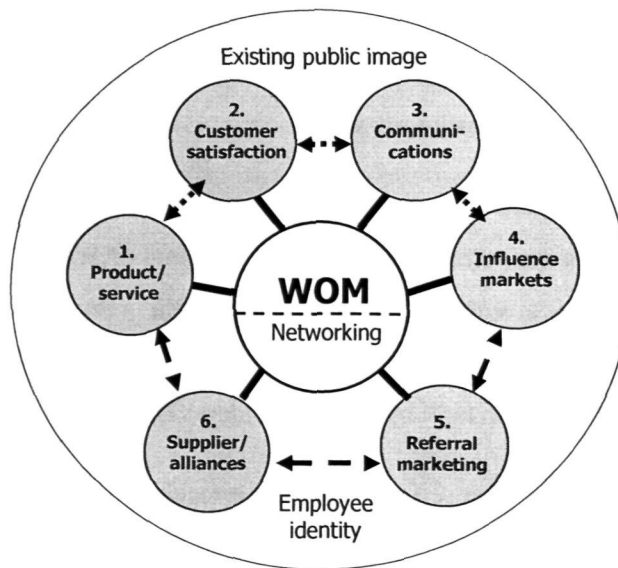


Figure 8.3: The six pillars of WOM

The boundaries of these six pillars –1. Product or service WOM; 2. Customer service WOM; 3. Communication WOM; 4. Influence Market WOM, concerning centres of influence and finally those concerned with WOM networking: 5. Referral Marketing

WOM; and 6. Supplier/Alliance WOM – are never exactly defined; rather, each of these WOM pillars interrelates with the others.

Using the model, the overall and most salient WOM occurrences of the three cases (Figure 8.4) have been identified, and general recommendations for stimulating of WOM or its control are proposed. Later sections (8.6–8.8) provide a similar analysis of the particular WOM conditions and discuss recommendations for each individual case.

The key to establishing successful WOM practices within these services organisations lies in each department identifying WOM and determining its significance. A common understanding of WOM is essential within units and within the organisation as a whole. Thus the drawing together of multidisciplinary teams is essential. Organisations should implement a program to understand the nature of each channel and assess the value of WOM output, including WOM's value to customer acquisition and to image. This will include the determination of advocacy or otherwise of key influencers within each channel. To achieve this, departments must be brought together to establish each department's contribution to WOM and how, if at all, each controls and manages WOM. Following diagnosis of the WOM phenomenon and its comprehensive measurement, these teams should seek to marshal the organisations' resources to achieve market-based objectives, such as maximising the WOM effect across each of the six WOM Pillars (as well as further minimising the negative WOM effects).

This cross-functional strategy fits the description of Davies et al. (2003) in enhancing management of organisational reputation. In these instances internal networking is essential to internal communication and improved service delivery across the organisation. These activities include effective recruitment, personnel development and customer service training, recognition and rewards for service excellence, performance measures and incentives for referral, and formal and informal internal communications. Each of these activities is present in the researched cases. Furthermore, it could be argued that such research addressing WOM would contribute to strategies designed to enhance the WOM effect and thus benefit business performance.

Positive WOM is generated by the product or service itself (WOM Pillar 1), and through innovations, features and product guarantees that provide reassurance and add to organisational reputation (Figure 8.4 overleaf). Price advantages, including cash

rebates, also contribute to WOM. Company image and reputation are boosted – and positive WOM is generated – through enhanced levels of customer service (WOM Pillar 2) or when employees exceed customer expectations. Processes attached to service include service guarantees for which financial compensation can be made, customer service training designed to promote WOM outcomes, and enhanced infrastructure and processes linked to improved customer service which can trigger WOM.

Negative WOM control also lies within Customer Service WOM Pillar 2 and within communications, under WOM Pillar 3. A significant portion of organisations’ resources and manpower are heavily weighted towards preventing negative WOM. Within customer service and customer facing departments these include CRM processes and customer complaint management strategies and employee customer service training, designed to enhance the customer experience and trigger WOM outcomes. Under communications the processes found within PR departments are designed to build relationships with the media and the crisis management processes rehearsed throughout the organisation are designed to ameliorate or extinguish negative WOM, fit under WOM Pillar 3.

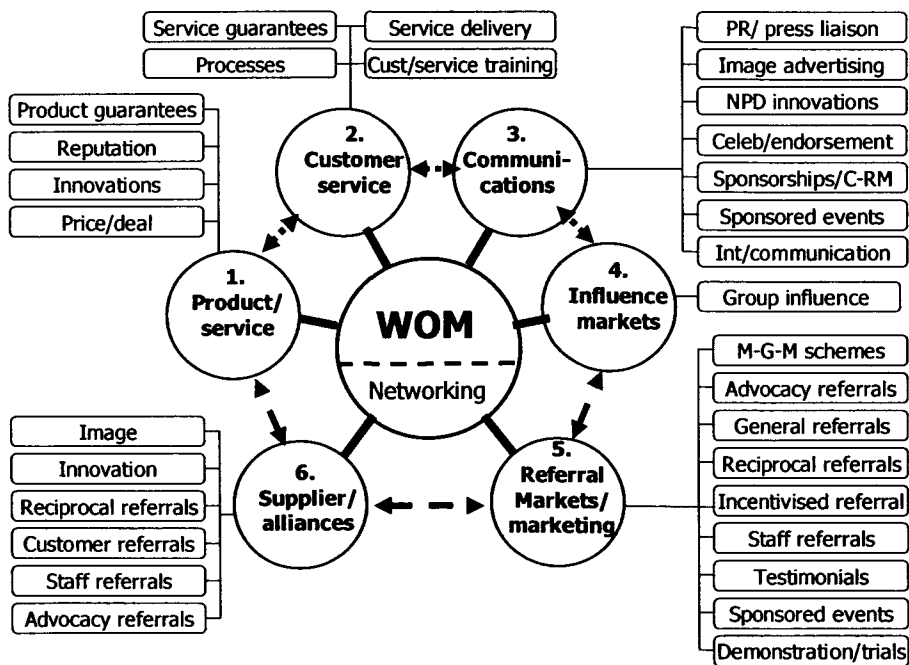


Figure 8.4: Six Pillars of WOM and their associated WOM stimuli

8.5.2 Product/service WOM Pillar 1

While those WOM instances under this pillar can include cost (Case B cash rebates), purchase guarantees (Case C) and product or service reputation, across all three cases the most salient WOM stimuli under this heading are attributed to innovation.

Innovation stimulates WOM

Ultimately customers and consumers will recommend a product or service when it is worth recommending. Even consistent advertising or publicity is unlikely to generate sustainable WOM. However, continuous innovation where products and service exceeds expectations will encourage positive WOM (Kim and Mauborgne 1997). Talk occurs either when expectations are exceeded or when reality falls short of expectations. Porter (1996) suggests putting innovation at the centre of the marketing strategy and the idea, made irresistible to a few key influencers, will help spread WOM (Kotler 2003b; Mohr et al. 2005). Gurhan-Canli and Batra (2004) suggests corporate image association with innovation has a great impact on consumer evaluations. This means identifying customer expectations rather than needs or satisfaction, and then creating experiences that exceed expectations so that WOM will then occur. Therefore constant service innovation can deliver on that WOM goal.

In this study product innovations also provide the organisation with significant WOM. Godin (2002) believes exceptional new products and brands get talked about. If they get talked about, they have a better chance of being bought. However, there is evidence that some innovations and innovative features may be under-promoted. This suggests that product features may be selected for promotion through different channels – including online, user and advocacy groups and media channels – by their propensity to generate WOM.

8.5.3 Customer service WOM Pillar 2

WOM needs validation

These service cases have not valued WOM because no satisfactory measurement instruments are able to establish WOM's contribution. However, WOM practices can be encouraged under the WOM Pillar management framework. Though WOM clearly provides value, the processes of WOM data collection are being abused by employees. The falsification of WOM reports needs to be investigated and the processes assessed with a view to providing more efficient and accurate methods of data collection. The WOM effect on new customer acquisition can be gauged by more sophisticated market research measurement of customers to establish those who have come to the organisation via referral from another customer. It can be measured by collecting accurate data from WOM networking and sales force referral processes. These processes are essential to establishing the value of WOM to the organisation.

This will require rigour in data collection techniques, so that sources of new customer acquisition, particularly through sales force and call centre employees, can be established. More sophisticated collection of customer service data to identify referral sources from customers, customer by customer, is strongly recommended. Payne (1995) devised two methodologies for maximising the organisation's influence and advocacy amongst referral markets and influence markets. These methodologies have been modified for the purposes of this study to cover both markets:

1. Identify relevant referral sources or group influencers.
2. Undertake an audit of referral categories within markets computing their contribution.
3. Break down into appropriate sub-groups.
4. Identify individuals or groups and their potential for upside advocacy or downside risk.
5. Rank into primary and secondary advantage or risk.
6. Create a 'spidergram' that identifies current, versus desired, emphasis on key influence individuals or groups.
7. Devise a marketing plan or influence group plan with specific market objectives for each group.

8. Maintain regular feedback, measurement and monitoring system.
9. Amongst referral markets, applaud referral success with high visibility.

Thus precise advocacy success and therefore attribution of lead source data (lead source DNA) will allow assessment of channels rendering WOM a more effective tool for new customer acquisition processes, customer service and communication efforts. The corollary is that impact of dissatisfaction and negative WOM from customer attrition should be understood in dollar value terms, as should the potential damage of negative WOM to the company's image and reputation.

Customers' WOM messaging requires evaluation

Aspinall et al. (2001) believe it is vital that organisations evaluate their retention criteria and link performance with actions in the market. They suggest customer satisfaction research questions should include 'the likelihood of spreading negative WOM communication'. Pruden and Vavra (2004) have turned two basic aspects of WOM – volume and content – into a WOM barometer that accurately assesses the positive or negative WOM surrounding a product or a company. While this concerns customers, advocates benefit differently from WOM. Therefore segmented surveys by key influencers, 'influentials' and customer opinion leaders are required to determine precisely what they are saying. From these data, company direction and messaging can be adjusted by segment to meet the organisation's objectives.

8.5.4 Communications WOM Pillar 3

WOM is generated through communications from corporate public relations departments and those variously concerned with advertising, sponsorships, events associated with sponsorships, and cause-related marketing activity (WOM Pillar 3). Advertising content – particularly celebrity testimonials – and launches of innovative products and services also create WOM. When innovations have been promoted, WOM from these activities has affected these organisations' image and identity, and helped form these organisations' reputations. Image-building processes have led to WOM and acquisition of new customers (or donors).

Extinguish lingering negative WOM from crisis aftermath

Generally negative WOM management has been comprehensive. However, there are areas for concern within WOM communications for managers. Overall, management have only short term responsibility for negative WOM, despite their belief that negative WOM can continue long after the event. When the issue is in contention and widely discussed within the media, management's task is to find immediate resolution with the customer, and also with the media and their audiences. When it ceases to be a broadcast issue, management return to day-to-day tasks and the issue, even if pursued internally, dies. Thus the wider effects of media-initiated comment and negative WOM have gone unresolved and, as in each of these cases, negative WOM can linger.

No processes are evident that attempt to address the perceptions of the wider customer base to negative WOM incidents via means other than public relations exposure. Thus the responses to negative WOM from media comment are inappropriate. For example, all cases counter negative WOM emanating from the media by issuing press releases. Often the media have chosen not to broadcast responses amongst their target audiences. In fact, the more likely response from the media is no further action. While resolution may or may not be occurring amongst customers, the effects of negative WOM contagion amongst important key influencers have not been addressed. Therefore to defend the organisation's image, methods must be found that directly address the longer-term emotional effects of crises amongst influential stakeholders, opinion leaders and other customers. For example, CRM systems are capable of identifying customer loyalty characteristics that suggest WOM behaviour. Further investigation of WOM propensity amongst this group and other non-customer advocates, identified through the referral audit suggested by Payne (1995), can determine resource allocation. Advocacy cultivation methods can then be devised to improve relationships with these groups.

Prepare for online negative WOM contagion

To date, these organisations have paid scant regard to online criticism. An online monitor for negative WOM is a necessity, and it should include consistent review of blogs, forums and consumer referral sites, with consideration given to participation in

relevant chat rooms. The PR process of journalistic monitor could be extended to search for positive WOM comments (Sterne 2003). Thus these tracking efforts can be used as a diagnostic tool for product enhancement and innovation, and as a planning tool for future marketing campaigns (Reichheld 2003). Such processes would also cover blogging and the monitoring of chat rooms and other groups and such sites as those employed in denigrating some organisations (Bailey 2004). It is considered that bloggers have their own audiences, so while they may be termed as advocates or citizen marketers, in this model they would fit under WOM Pillar 3.

WOM objectives in communications strategies

In these cases WOM is not an objective of organisation-influenced communications. therefore pass-on of WOM is not deemed to be an essential to organisational communication outcomes. Despite WOM not being an objective, in Case B and Case C advertising has been a strong contributor to WOM through two main avenues: testimonials from celebrities in advertising commercials and from high profile media identities, and highly conversational content that connects emotionally. However, communications that are more likely to contribute to the organisation's awareness, image and reputation should not be left to chance. Thus WOM objectives should be built into advertising and public relations communications strategies, including the online strategies, of all three cases and linked to appropriate outcome measures.

WOM testimonials to go online

The Internet is a useful tool of new donor acquisition and needs to be resourced (Steyer et al. 2006). 'Click to send to a friend' website facilities remain unmonitored by marketers concerned with customer acquisition. Case B has experienced eWOM occurring amongst a significant and growing number of new business prospects. Yet, unlike testimonials that are essential to (offline) new business processes, no action has been taken to facilitate online testimonials in any case. Company endorsements and testimonials from unpaid advocates linked to websites may be an effective way of establishing connections with prospects who are seeking information, to which personal

testimonials or endorsements can be linked. A model for donor acquisition via the Internet has been recommended in Case A (Direct Marketing Advisory presentation 2004). This has the benefits of gaining high awareness and donor acquisition amongst a younger more affluent audience. Compared with broadcast media, the Internet strategy has a better chance of impacting this more youthful affluent target group and creating positive WOM.

Promote positive WOM amongst employees and stop rumour and innuendo

Internal WOM communications do not pursue WOM objectives. This suggests WOM is not a key consideration in shaping the identity of the organisation. However the importance of internal identity is demonstrated by the emphasis placed on customer service delivery and to internal magazines and Intranets devoted to internal issues. In Case B these communications also disseminate information on new products and innovations, and on competitor negative WOM. In the NP these communications emphasise mission and its church. In Case C, internal communication is generally not as concentrated.

However, in these cases the importance of internal communication is underwritten in crisis, which if ineffective, leads to rumour and innuendo. In fact, in cases A and C the internal communication processes in the face of media comment have been found to be inadequate. The organisations need to review all internal communications processes to decide whether they need revising. Internal communications needs to play a significant role within crisis management and in stemming negative WOM.

Stimulate WOM through sponsorship programs

Amongst customers and prospects, tactics for promoting advocacy and referral might include sponsoring industry seminars and forums, sports sponsorship activities and popular community events. When these events can be combined with actual customer attendance and experience, they provide additional opportunity for WOM networking and advocacy cultivation (Christiansen and Tax 2000). In this way, customers,

advocates and prospects can experience the organisation and share their experience first hand. However, a significant component of the success of such organisation-influenced WOM is the encroachment on employees' and customers' social environments and personal time. This suggests WOM networking events should be selected for their strong affinity with the target audiences of both prospects and customer-facing employees (Williams 1997).

Stimulate WOM through C-RM schemes

The adoption of a good cause has created WOM and assisted the service organisations by adding to their reputations. Customer advocacy has been unlocked through support of the South East Asian tsunami victims, the local rescue helicopter by Case C, and the social causes of case B. This also holds true for sponsorships of sports and industry events. While C-RM programs may provide additional reasons to choose, the latter give customers an additional reason to talk about the organisation, confirming the evidence of Bhattacharya and Sen (2003).

8.5.5 Influence markets WOM Pillar 4

Key influencers' advocacy (WOM Pillar 4) aligns with the influence markets described by Peck et al. (1999). Influence markets require a different referral process from networking, which is more akin to lobbying and the application of pressure on groups. However, endorsement or rejection by any one of these groups can have significant negative or positive impact.

Use the persuasive WOM powers of media key influencers

The NP has co-opted key influencer groups, including solicitors, giving them 'Honoured Friend' status. Case C has co-opted mentors from within the industry who can affect the fortunes of the organisation by recommending it to their clients. They may be able to benefit further by association, or through reciprocal or incentivised

referral arrangements. Opinion leaders within the media may also fall under this program which identifies key media identities predisposed to the organisation, whose opinion their audiences trust, and who can be coopted to use their persuasive powers on the organisation's behalf (Kirby and Marsden 2005).

8.5.6 Referral markets WOM Pillar 5

WOM networking referral processes conducted through these organisations' sales forces contribute significantly to new customer (and donor) acquisition (WOM Pillar 5). This is effected through relationship-building amongst existing customers, closely aligned businesses and prospects, in which senior management participates. WOM is triggered within sponsored industry business events through demonstrations, free offers, and testimonials from satisfied customers – formally through personal participation in conferences and informally through sponsored social events. Other types of referral include those described under referral markets, and include general referrals, staff referrals, reciprocal referrals and incentive-based referrals.

Track WOM advocates, and keep them in touch

These cases demonstrate that advocacy tracking is currently limited to mining customer service data to identify potential customer satisfaction or dissatisfaction. While the emphasis on WOM is different within sales teams, field force management remain happy as long as the leads keep coming in. However, organisations should distinguish between leads coming through contacts and existing customers, and those leads it obtains from its 'cold calling' processes. Taking Case B as an example, lead generation could be split into 'cold calling' lead generation and the substantially different customer 'referral' lead cultivation. Cold calling is where a lead is generated from some other resource, including lists, rather than emanating from WOM networking, WOM alliance partners, advocates or satisfied, loyal customers. Little distinction has been made by these cases between these very different WOM methods of new customer acquisition.

As referral types are many, their identification and appropriateness to meeting the objectives of the organisation, through reciprocal or incentive arrangements, have to be clearly defined. Therefore customer acquisition from WOM across the organisation needs to be identified and its processes documented and measured. Customer referral should be applauded and where customers have recommended others, those employees responsible for servicing the original account should be recognised and rewarded.

WOM Customer and non-customer advocacy outreach

Customer advocates should be updated with regular contact and targeted information programs. For instance, a key concern of Case B is that customer advocates' stories are not following the 'true' company line. Rather, advocates are doing the opposite and are threatening to promote negative WOM. Thus managers are sceptical that advocacy is beneficial to their organisation. Advocacy must be nurtured, not stamped out. Case B should instigate a program of identifying and educating advocates recommended by executives. At the heart of this is the need for advocate training, as well as rethinking the ground rules of 'third-party' engagement. Field force management should intervene in the selling process of WOM advocates 'at the right time', thereby interceding in the process before the referrer goes too far into the acquisition process.

Mount product and service trials and demonstrations

Trial methods (Reuber and Fischer 2005), highly influential in forming favourable attitudes (Singh et al. 2000), can offer free knowledge-based services which assist risk reduction. For example, Case C's Energy Institute promotes referral of alliance partners' products and services through demonstrations or free advice. Subsequent referral sales then benefit Case C, either through energy savings or profits from additional consumption. In Case B and Case C, demonstrations are organised through the presentation of case studies together with the subsequent free offer of documented evidence. Case B's innovative solution for Big Four accountancy firm has demonstrated its abilities. Service organisations need to find trial methods which contribute to high WOM about the organisation, and benefit them through subsequent

sales conversion. For example, Case C's energy-saving examples under the aegis of Energy Institute could be migrated beyond consumer into business markets. Each organisation needs to find ways to demonstrate examples of the appropriateness of their products and services to their markets, be that in fundraising, finance or energy supply. This should include co-opting closely aligned business partners to maximise referral opportunities.

Create customer WOM through powered involvement

Individuals chosen from customers who display loyalty behaviour are given the opportunity to become more involved. The NP leads the way with the involvement of highly placed influential individuals. These make up Advisory Boards and lend their expertise and influence to the organisation's advantage in fields of media, finance, direct marketing, and generally in fundraising, in exchange for the kudos gained through the association (Influence markets). Donor-volunteers are at another level. Their active involvement not only promotes the organisation, but also leads to personal commitment and donations. Ways to convert these ideas to the service cases might include certain customers being given the status of privileged insiders. Case B, for example, promotes some advocates to 'mentor' status, who receive exclusive advantages in return for their specific involvement and input into organisational matters and strategies. This process stimulates advocacy (Story 2005).

8.5.7 Supplier/alliance markets WOM Pillar 6

Senior management also facilitate WOM networking through supplier/alliance partnerships (WOM Pillar 6), such as alliance partnerships with high profile brands. Some of this senior management activity concerns innovation, and association with the innovation of alliance partners' brands has stimulated WOM amongst customers, suppliers, employees and advocates of both parties.

Form alliance and supplier partnerships

Management may have failed to recognise the full value of alliance partnerships established by senior management with suppliers. Though in the service cases these partnerships are designed primarily to gain access to more customers, they have a beneficial effect on image and have produced significant WOM. Therefore, service companies are advised to develop relationships with potential alliance partners as a priority. In addition, they should add to their marketing mix with innovative products and services they may be unable to deliver by themselves but with which, together with an alliance partner, they might offer value to their customers.

Innovation has been further enhanced through publicity exposure, and in Case C each-way referral is being achieved through links between alliance partners on the topic of energy saving. Thus, like Case C, resulting positive WOM would benefit awareness, image and reputation, and gain new customers. These organisations need to put product innovation near the top of the WOM agenda and this might be more achievable through alliance partnerships.

8.6 Chapter summary

WOM's contribution to the organisation lies undiscovered mainly due to management distrust of WOM. Management's experience of negative WOM within complaint management and, in crisis, its lack of control, demonstrates to them that WOM is difficult to manage. This is further endorsed by management antipathy towards WOM data collection processes; thus as WOM is not measured, it is not managed. This applies to WOM in customer service, WOM networking in the sales force and WOM in communications, each of which contributes to WOM output but around which there is no general comprehension.

Without a common understanding of WOM throughout the organisation it is impossible to see how any proactive positive WOM program can be effected centrally. Therefore, though WOM strategies may be carried out by individual departments, WOM is unlikely to bring significant benefits to the organisation's image and reputation or to

new customer acquisition. Thus WOM in services will remain a peripheral activity and as a result will continue to be undervalued and undercapitalised.

This chapter has outlined recommendations for WOM management. It has offered a methodology for the implementation and management control of WOM in services. From an aggregate perspective across the three cases it has reviewed WOM management and made recommendations using the six pillars WOM model as a management tool. It has then applied the six pillars WOM model to demonstrate how WOM problems have been identified and recommendations for WOM management can in each case be comprehensively addressed. It has provided specific recommendations for managers of the three cases to address the contextual WOM factors of their particular WOM practices. Finally, managers can take full advantage of the WOM phenomenon in enhancing their business success through using the data in this chapter and specific case examples and recommendations cited in the appendix.

9 Concluding remarks

This chapter marks the culmination of the research journey. It contains the conclusions to the research study and dwells on the contribution the study has made, particularly to management practice. It revisits the research limitations and finishes with suggestions for future research.

9.1 Contributions of this study

To meet the objectives of the DBA program, this research has focused on management practice, policy and strategy. It has been carried out in the context of professional practice and its findings are particularly applicable to business issues. The aims of this study were to investigate the management of WOM, to examine its role from the company's perspective, and specifically to analyse the circumstances of WOM management in the services sector from the point of view of managers. This research has sought explanations consistent with current theories as to how and why service organisations stimulate and control WOM.

The research has involved the development of a substantial body of work associated with a contribution to management practice, with a number of specific recommendations to managers. Practitioners desiring to adapt an approach to enabling WOM management in their organisations will benefit from this case study research. This study also makes a valuable contribution to theory. This study has revealed the significance of WOM in services, its ambiguities and consequent lack of management, and the potential benefits to the organisation from effectively harnessing WOM.

The study has focused on a number of management issues in the field of WOM that to date have remained poorly understood. The results of this work may have impact on management practice within the three particular case contexts, and also more broadly. The key management-related findings of this research are as follows:

1. Organisational efforts can have a significant impact on WOM in services. This is indicated by the predominant focus of management on reducing the impact of negative WOM by adopting procedures and processes to handle customer dissatisfaction, and crisis and issues management. In contrast to management's efforts to stimulate positive WOM, negative WOM procedures and processes are sophisticated and highly organised. This is not widely acknowledged in the management literature.
2. The research evidence contradicts current management thought by showing that, in markets where there is low customer satisfaction but where there is direct contact, organisational stimuli on WOM output can still have a significant impact on new customer acquisition. This research finds that organisation-influenced WOM and WOM networking techniques have a much greater role than anticipated or previously realised. Arguably, in services experiencing low customer satisfaction these processes are predominant.
3. The Six Pillars of WOM model is a specific output of this study that can be used constructively to identify, examine and manage cross-organisational processes that influence both positive and negative WOM. This model highlights a way forward for better WOM research and practice. For instance, the model should enable managers to identify the important contribution of stakeholder groups or individuals to WOM. It may enable managers to identify WOM threats and opportunities both internally and externally, as well as allocate appropriate resources.
4. The three cases have provided substantial insights into the influence of WOM on new customer acquisition. The Six Markets Model of Relationship Marketing (Peck et al. 1999) has been particularly useful in this respect. The model has highlighted the complex network of relationships in which firms engage, and the influence that advocacy and referral have on new customer acquisition. Therefore this study extends this theory beyond that of relationship marketing into theory and practice concerning WOM's role in lead generation and new customer acquisition. One additional output from this research has been to further refine the Six Markets Model, making it more useful to management.

5. Finally, the stimulation of positive WOM is generally not well understood. Though aspects of positive WOM are encountered by most departments in the organisation, the services management literature to date has failed to identify where WOM-related issues are situated in the organisation or how WOM is managed. For example, the three areas identified by this research as having most influence on WOM stimulation – customer service, the sales force and corporate PR communications – each have differing understandings of WOM and its contribution. Consequently though there is unit awareness of WOM, no universal understanding of WOM exists. Furthermore, these departments are generally outside the jurisdiction of marketing and, as a consequence, the development of marketing-led approaches to harnessing WOM across the organisation is significantly limited.

Although the focus here has clearly been on contributions to management practice, the study has also contributed to WOM theory.

1. Though in the literature on WOM stimulation is heavily weighted towards the customer satisfaction effect on WOM, the study has revealed that WOM is stimulated by other influences (see 8.4.1). These include communications which have effect on image, as well as on new customer acquisition.
2. The investigation has provided insights into management's different approaches to generating positive WOM and also the reduction of negative WOM, which until now has not been revealed. Particular discovery has been made in the field of negative WOM in that it has dominated the WOM environment in these service companies, and the processes associated with negative WOM control appear to be better understood and resourced than those of positive WOM. This signals a significant departure from the literature.
3. The study has also revealed the different unit perceptions of WOM and the different levers that have been employed across the business in positive WOM stimulation and negative WOM reduction, both of which are important additions to theory.

Another strength of this research is that it has brought together two streams of literature: the existing WOM literature and the reputation and corporate image literature. This has

helped illuminate certain aspects of WOM that have not been well understood before. As a result of this research, we can hypothesise that positive WOM has an impact on organisational image and reputation. Thus this research may help stimulate further work on the relationship between WOM and organisational image and reputation.

9.2 Research limitations

Like all forms of research, case study research has certain affordances and limitations. As previously discussed, the DBA has an anticipated three year time limit (whole time), thus in terms of scope there is necessarily a trade-off. One limitation is in the number of subjects that can be interviewed within the time parameters of the research program. In this case over 50 respondents contributed. Although this research involved long-term engagement within the subject organisations for data-collection purposes, it was impossible to interview all parties that might have had views on the significance and management of WOM. Yet, in some scholars' estimation important elements may have been omitted. For instance, due to the parameters of limited time and the resources of only one researcher being available, data collection was confined to managers working within the three subject organisations and did not, with one volunteer donor exception, include customers or donors. Therefore the point of view of customers to WOM in services will have to be covered in another research study.

Chapter 3 outlined the prime limitations of case study research, including potential reactive effects as the subjects demonstrate what they perceive to be socially acceptable, as well as any investigator effects where the biases of the investigator might unintentionally influence the data collection and/or analysis. In fact, four threats to validity and reliability have been proposed: observed-caused effects, observer bias, data access limitations, and complexities and limitations of the human mind (McKinnon 1988).

In field research such as this there is interaction between the researcher and the object of research. Whilst this improves the researcher's understanding of the topics and potentially makes data more reliable, the interaction of the interviewer and the interviewee can also affect the nature and interpretation of the information collected. It

is fully acknowledged that the findings of this research are context dependent and socially constructed through my interaction with both informants and data, at both collection and analysis stages. Therefore while it has been argued that the case study method is the most appropriate for the outcomes intended, it is acknowledged that a different research route could produce alternative outcomes.

This study also investigated three widely different industries – financial services, energy supply and fundraising. All three have similar marketing department structure, customer acquisition goals and organisational communications. It is acknowledged that the conclusions are drawn from only three contexts: two are service organisations and are similar, while the NP is complementary but dissimilar. It is impossible to generalise from these particular contexts.

This research output is also limited by the information that participants in the research were willing to disclose. The ethical standards observed and the assurance of confidentiality were intended to stimulate openness, but respondents might have withheld valuable information through doubt about their anonymity being maintained.

Throughout, the research was conducted in a way to ensure validity and reliability. The methodology included extensively reviewing the extant literature, using both interview and observation protocols, tape-recording the interviews and subsequently fully transcribing them, triangulating the information, and seeking feedback from informants. However, this research delivers nothing outside of my interpretation of reality based on the information to which I have been able to gain access. In fact, access varied across the cases. For instance, Case A allowed total access to information held on the customer database, whereas Case B allowed limited access to data beyond the respondent interviews. However, all cases contributed an equal amount of information regarding their communication campaigns.

Reliability is seen to be assured if a later investigator following the same procedures arrives at the same conclusions presented by the previous researcher (McKinnon 1988; Yin 2003). To this end, as much specific detail as possible of the research methodology has been presented. However, though I have proposed a tool for use in WOM management contexts, it does not imply that WOM episodes in different settings can be described using the same constructs and approaches that I have used, even though they

may be theoretically supported. Thus, I propose that the tool provides ‘analytic generalisation’ but in no way ‘the ultimate truth’ (Gummesson 2000).

Caution must be exercised in applying this study’s findings beyond the particular contextual organisational and Australian environment.

9.3 Future WOM research directions

WOM is an important contributor to the awareness of an organisation and to its image and reputation. WOM is also important to new customer acquisition. However, it is a potential component of the marketing mix which is greatly overlooked and consequently under-managed. The question for managers is not whether WOM management is necessary for business performance but whether enhanced WOM practices can improve business performance. Therefore a number of management-related research questions are evident. If WOM signals the health of the organisation, as suggested by Reichheld (2003), should levels of WOM amongst customers and key influencers be considered a key performance indicator, and how should this information be collected and acted upon?

To deepen our understanding of the WOM phenomenon, further intensive research on WOM should be replicated in similar contexts. Further case-based research could investigate WOM’s role in new customer acquisition. Researchers could seek to identify any common WOM-management practices amongst successful companies. This could be extended into further investigation of taxonomy and from these investigations attempt a common understanding of WOM in services.

This research could also be carried out overseas in industries which share significant contextual factors, such as financial service firms in Europe or the USA. Other studies could investigate whether organisations adopting WOM practices and focusing on WOM outcomes can demonstrate more successful business performance than competitors who do not engage in such an approach. For instance, the WOM work of Reichheld (2003), demonstrating levels of an organisation’s net promoters or net detractors and substantiated by Marsden et al. (2005) in a UK service setting, could be

replicated within an Australian setting under parallel conditions to that of existing measures (Keiningham et al. 2007).

Though there is a body of knowledge about WOM measurement, the practical application of WOM's contribution to performance within service industries needs more investigation, particularly the value of organisational-influenced advocacy. Ground-breaking investigation in special customer or key-influencer contexts could determine the links between influence markets and new customer acquisition.

Specific related research questions might include the following:

How does the customer WOM effect generate enquiries? What effect does new customer acquisition caused by WOM have on an organisation's profitability?

How do organisational-influenced advocacy programs affect the organisation's profitability? What conditions, if any, enable or constrain business performance?

This investigation has uncovered data on management's approach to negative WOM, both from an external media perspective and within customer service. Further research questions regarding negative WOM in the organisation might include the following:

What is the relative influence of various media, including customer marketers and online complaint sites on WOM or negative WOM? What is the profile of consumers who engage in such practices? What effects do these have on performance?

How do negative WOM processes employed in the organisation contribute towards positive WOM utterance? What effects do these have on attributes, intentions and actual behaviour?

Specific research opportunities arise from WOM's links to image and reputation. For example, this research suggests that product innovation is an antecedent condition which is closely associated to WOM and to organisational image. Further research should determine WOM's links with the formation of corporate image. For example,

What are the marketing variables that are most directly influential on WOM and the organisation's image? Under what contextual conditions?

How does WOM affect the organisation's reputational capital?

Following on from that, a body of knowledge exists regarding WOM and employees. However, little is known about the relationship between WOM and employee behaviours. Specific questions might include:

How does employee-generated WOM affect the organisation's internal image (identity)? How, if at all, is it controlled? What effect does this have on the organisation's image?

As this research study was confined to managers working within the three subject organisations and did not include customers or donors, additional research extending to the customer context could be of value. Research questions might include:

What stimuli are significant to WOM utterance by customers? What contextual factors affect the predisposition of the customer to utter WOM?

How is WOM for the organisation expressed? In what precise terms do customers utter WOM for and against the organisation?

Finally, holistic, case-study research that integrates knowledge about the customer's likelihood of uttering positive WOM, purchasing intentions, organisational image and reputation, and management practices in the areas of customer service and customer communication could provide a content-rich understanding of WOM management and its influence on business performance.