




WOM Basic Principles & Research

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 CMNU914: WOM, Buzz, and Viral Marketing Communication

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Nyilasy's Four Areas of WOM Literature (2006)

Unit of analysis	Main focus of study	
	Antecedents to word of mouth (causes)	Consequences of word of mouth (effects)
Receiver of communication (input word of mouth)	QI: "Why do people listen?" <i>Related variables:</i> external information search, product category (perceived risk), type of relationship with source (tie strength)	QII: "The power of word of mouth": <i>Related variables:</i> key communication effectiveness variables (awareness, attitude change, behavioural intention, purchase behaviour)
Communicator (output word of mouth)	QIII: "What makes people talk?" <i>Related variables:</i> opinion leadership, satisfaction/dissatisfaction, promotional activities/direct influence of advertiser	QIV: "What happens to the communicator after the word of mouth event?" <i>Related variables:</i> cognitive dissonance, ego-enhancement

Figure 11.1 Four areas of word of mouth literature

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WOM Terminology Framework

WOM Episode	Who	How	What	Where	Result
Objects >	Participant	Action	WOMUnit	Venue	Outcome
Qualities >	Propensity	Velocity	Topicality	Population	Consumptions
	Demographics		Timeliness		Inquiries
	Psychographics	Distribution Spread	Polarity	Audience	Conversions
	Credibility	Source Diversity	Clarity	Rules	Relays
	Reach		Depth		Recreations

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WOM Terminology Framework					
Precursor	Who	How	What	Where	Result
Antecedents	Participants	Actions	WOMUnits	Venues	Outcomes

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WOM Terminology Framework					
Precursor	Who	How	What	Where	Result
Antecedents	Participants	Actions	WOMUnits	Venues	Outcomes
Risk Satisfaction Advertising Loyalty Controversy Exclusivity Etc.	Propensity Influencers	Dispersion	Volume Polarity/ Valence	Online/ Offline	Conversions Relay

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(Some) Antecedents

- Perceived Risk
 - More likely to seek out and listen to WOM when purchase is higher risk (Arndt, 1967; Hugstad et al., 1987), esp. In use of services (Murray, 1991)
- (Dis)Satisfaction
 - U-shaped curve: extreme levels of (dis)satisfaction → higher incidence of WOM (Anderson, 1998)
- Advertising
 - Repetitive and unusual advertising can stimulate WOM (Bayus, 1985; King & Tinkham, 1990)
- Loyalty...

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Loyalty and WOM

- Defined behaviorally as repeat purchase behavior.
- Defined attitudinally as preference for a brand.
- More loyal customers tend to engage in higher levels of WOM, though not always positive (Bowman & Narayandas, 2001)
- Conclusion: create remarkable experiences that lead to higher loyalty and more PWOM
 - But see caveat about less loyal customers later on...

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Word of Mouth Terminology Framework

Precursor	Who	How	What	Where	Result
Antecedents	Participants	Actions	WOMUnits	Venues	Outcomes
Risk Satisfaction Advertising Loyalty Controversy Exclusivity Etc.	Propensity				

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Propensity & WOM Density

- Tested four known antecedents for propensity to rate movie online (Dellarocas & Narayan, 2006):
 - Extreme (dis)satisfaction
 - Controversy
 - Advertising & marketing messages
 - Product exclusivity
- Results suggest antecedents for offline WOM also relate to online WOM.

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Precursor	Who	How	What	Where	Result
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Risk Satisfaction Advertising Loyalty Controversy Exclusivity Etc.	Propensity Influencers				

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Influencer Research

- Dates back to the 1940s and 1950s with the opinion leader and two-step flow model of communication (Katz & Lazarsfeld, 1955).
- Enduring involvement in a category seems to be one of best predictors (Richins & Root-Shaffer, 1988).

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Two-Step Flow & Opinion Leaders

- “The People’s Choice” (1940)
- Focus: Process of decision making during election campaign
- Findings:
 - Impact of personal influence
 - Flow of personal influence
 - Mass media and opinion leaders

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Hybrid Corn in Iowa

- Ryan and Gross (1943)
- Focus: The role social factors play in economic decisions
- Findings:
 - Salesmen introduce, neighbors persuade/convince
 - Innovators (early adopters)
 - Larger sized farms
 - Higher incomes
 - More years of formal education
 - More cosmopolite (measured by trips to Des Moines)
 - Salesmen “more important”

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Diffusion Research

- Diffusion: “the process in which an innovation is communicated through certain channels over time among the members of a social system.”
 - (Rogers, 2003, p. 5)
- Opinion Leadership: the degree to which an individual is able to influence others’ attitudes or behaviors in a desired way with relative frequency
 - (Rogers, 2003, p. 27)

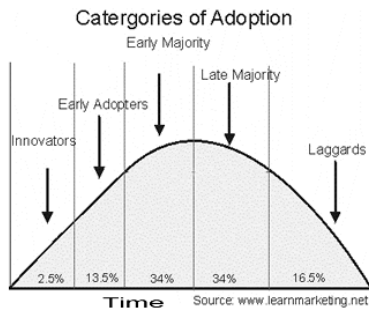
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Diffusion & Opinion Leadership

- Columbia University Drug Diffusion Study (1954)
- Focus: Determine the way doctors decided on adopting new drugs
- Findings:
 - Colleagues more important than media as sources of information and influence.
 - Timing of adoption correlated with integration in a network.

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Categories of Adoption



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Characteristics of Network Hubs

- “Network Hubs” are Rosen’s version of opinion leaders.
- Characteristics:
 - Ahead in adoption
 - Conected
 - Travelers
 - Information-hungry
 - Vocal
 - Exposed to media



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WOM Terminology Framework

Precursor	Who	How	What	Where	Result
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Social Networks

- Key Terms:
 - Homophily
 - Cliques
 - Strong and weak ties
 - Structural holes
 - Liaisons

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Dispersion

- Information moves quickly within communities, more slowly across communities (derived from Granovetter, 1973)
- Daily volume of online discussions highly correlated with new TV show ratings... but dispersion among different social groups was more useful as explanatory variable (Godes & Mayzlin, 2004a)
- Low-loyals are more likely to boost incremental WOM by dispersing WOM to new networks (Godes & Mayzlin, 2004b)

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Positive WOM v. Negative WOM

- Easier it is to complain to firm, lower chance of NWOM (Blodgett et al., 1993)
- Satisfaction with service recovery and outcomes can lead to PWOM (Maxham, 1999)
- Frequency and impact (some debate):
 - Online reviews tend to be very positive at Amazon.com and BN.com (Chevalier & Mayzlin, forthcoming)
 - 1-star reviews on Amazon.com were more influential than 5-star reviews (Chevalier & Mayzlin, forthcoming)
- PWOM may follow market share (East, 2005)

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WOM Tracking & Forecasting

- Valence of online movie ratings reported to be a predictor of future movie revenues (Dellarocas, Awad & Zhang, 2006)
 - Greater explanatory power could be achieved when complemented with traditional methods, like the average of expert critic reviews.

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On & Off: Points of Inquiry

- How does online and offline compare and/or influence each other along each dimension?
 - Frequency
 - Reach
 - Propensity to Engage in WOM
 - Representativeness
 - Credibility
 - Impact
 - Community & Social Network Formation

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WOM Outcomes: Conversions

- Impact of WOM relative to other media forms
 - 7x more effective in brand-switching than newspaper and magazine ads (Katz & Lazarfeld, 1955)
 - 9x more effective than ads in converting negative or neutral attitudes to positive attitudes (Day, 1971)

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WOM Outcomes: Relays

- Relay of WOM
 - (Dis)satisfaction with complaint handling process affects # of people told (Heskett et al., 1997; TARP, 1982)
 - Value of advertising promotional campaigns are underestimated unless they account for how post-purchase WOM drives sales (Hogan, Lemon, & Libai, 2004)
 - Recommendation chains tend to terminate after a few number of steps (Leskovec, Adamic, & Huberman, forthcoming)

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WOM Outcomes: Caveats

- Pre-dispositions towards brands moderate effects of WOM (Wilson & Peterson, 1991)
- WOM as both a driver of future sales and an outcome of past sales (Godes & Mayzlin, 2004)

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