

To Tell Or Not To Tell?

Assessing the Practical Effects of Disclosure for Word-of-Mouth Marketing Agents and Their Conversational Partners



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Increasingly, companies have sought to harness the power of word-of-mouth communication by enlisting consumers to talk about brands, products, and services within their peer networks.

Whether those consumers are paid by, or voluntarily affiliate with, a marketing organization, or are part of the company's existing customer database, ethical concerns about their word-of-mouth practices have been raised by various social critics, especially in terms of whether or not the consumers disclose their participation in the organized program/campaign when talking with others. Further, various marketing agencies have different visions of whether or not disclosure represents an ethical imperative or if it even makes good business sense.

To test whether or not disclosing corporate affiliation has any practical business advantages, Northeastern University partnered with BzzAgent, Inc., a leading word-of-mouth marketing organization, to better understand the role of disclosure in everyday and campaign-related word-of-mouth communication episodes. A novel dyadic design was employed to capture multi-party perspectives on the same episodes. Specific questions to which we sought answers included how many people affiliated with the marketing organization actually disclosed their affiliation, how they did so, what information about the marketing organization they shared, and whether or not the disclosure led to differences in the following key outcome measures: the credibility effect of word-of-mouth, as well as inquiry, use, purchase, and pass-along/relay intentions and behaviors.

Key findings include:

- For approximately 75% of the conversational partners (the people with whom the word-of-mouth marketing agents engaged in word-of-mouth communication) it did not matter that they were talking with someone affiliated with a marketing organization. Instead what mattered was that they trusted the agent was providing an honest opinion, felt the agent had their best interests at heart, and were providing relevant and valuable information.
- None of the key outcome metrics (credibility, inquiry, use, purchase, and pass-along/relay) were negatively affected by the agent disclosing their affiliation. In fact, the pass-along/relay rate (the number of people a person told after speaking with a word-of-mouth marketing agent) actually increased when the conversational partner was aware they were talking with a participant in an organized word-of-mouth marketing program.
- In over 75% of the cases where a person learned about a brand or product from another source of information (such as a print, radio, TV, or web advertisement), talking with the marketing agent increased the believability of that other source of information. This finding was also unaffected by agent disclosure.

- Prior to the enforcement of the word-of-mouth marketing organization's disclosure policy (where agents were required to disclose their affiliation in episodes involving an organized word-of-mouth campaign), 37% of the conversational partners reported they did not know of the agent's affiliation.
- Of seven different categories of relationships (strangers, acquaintances, friends, best friends, romantic partners/spouses, relatives, and co-workers), romantic partners/spouses, best friends, relatives, and friends were the most likely to know about the agent's affiliation, with strangers, acquaintances, and coworkers the least likely to know.
- For about 5% of the conversational partners who were not aware of the agent's affiliation with the marketing organization there was a negative "backlash" effect when they found out. These negative feelings could be directed toward the agent, the interaction with that agent, the brand being discussed, and/or the company who made the brand, product, or service. There were virtually no negative feelings, however, when the conversational partner was aware of the agent's affiliation.
- When affiliation with the marketing organization was disclosed, the agent volunteered the information directly to their conversational partner without being prompted 75% of the time.
- Conversational partners were most likely to know that the word-of-mouth marketing agents received free samples and that they shared their opinions with others. While nearly 80% knew that agents reported back to the marketing organization about the WOM episode only 45% knew that the marketing organization compiled those reports for a client company as part of market research.

Key conclusions include:

- Participation in an organized word-of-mouth marketing program does not undermine the effectiveness of word-of-mouth communication.
- Disclosure has practical business benefits. It does not interrupt the "natural" flow of conversation.
- Word-of-mouth marketing organizations should adopt a clear policy that requires disclosure. This policy should be implemented with a combination of both education about the practical business benefits of disclosure as well as enforcement procedures.
- Word-of-mouth marketing organizations should pay special attention to interactions with strangers and acquaintances as these relationship types were the least likely to know about agent affiliation and also more likely to have negative feelings when they did not know about agent affiliation.
- Policies regarding disclosure should go beyond requiring agents to disclose affiliation and should have special considerations to make clear the market research aspect of the business model.

Percentage of Conversational Partners Who Knew Agent Affiliation

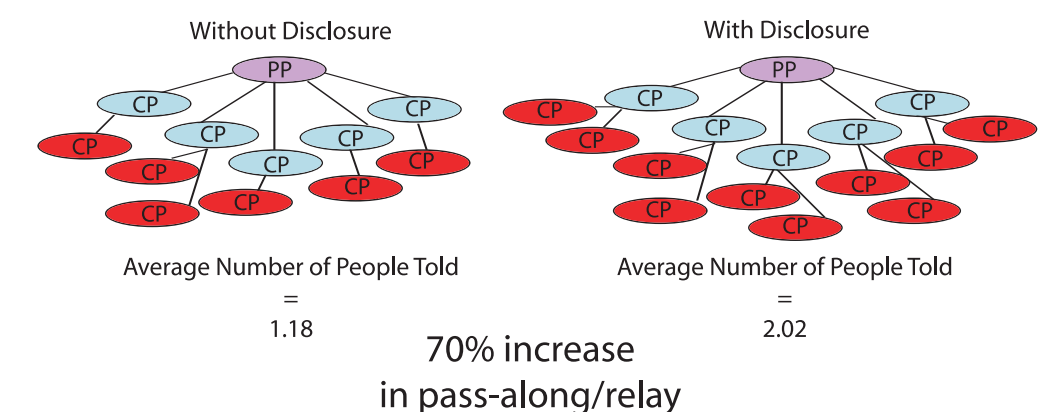
	Type 1 (Campaign)	Type 2 (Everyday)
CP Knew of Agent Affiliation	63%	47%
CP Didn't Know	37%	53%

Conversational Partners' Feelings About Agent Affiliation

	When CP Already Knew of Agent Affiliation		
	No Effect	Positive	Negative
Feelings toward agent*	78.8%	21.2%	0%
...Toward episode	74.6%	22.9%	2.5%
...Toward OBPS*	70.3%	29.7%	0%
...Toward company*	65.3%	33.0%	1.7%
	When CP Did Not Know of Agent Affiliation		
	No Effect	Positive	Negative
Feelings toward agent*	77.4%	15.1%	7.5%
...Toward episode	75.3%	19.4%	5.4%
...Toward OBPS*	73.1%	20.4%	6.5%
...Toward company*	77.4%	18.3%	4.3%

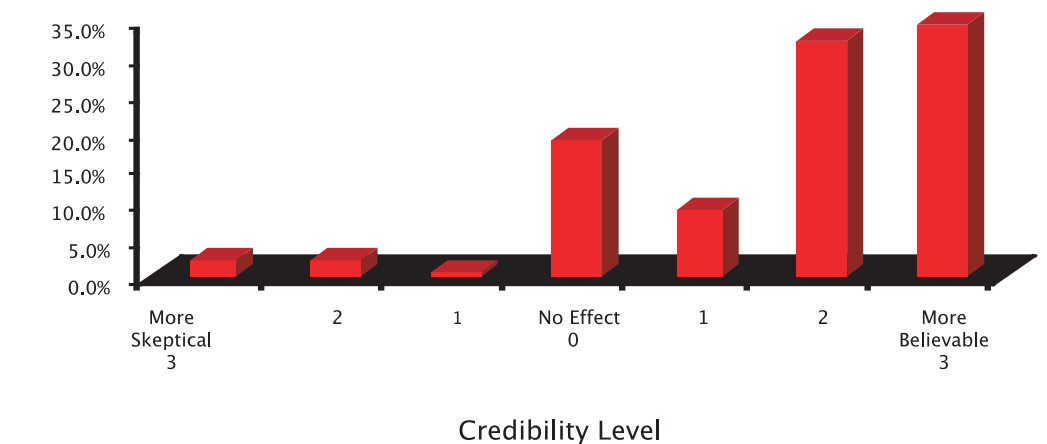
* Differences are significant at $p < .05$

Effects of Disclosure on Pass-Along Rates



Differences are significant at $p < .05$
©Walter J. Carl, Ph.D. from "To Tell Or Not To Tell" PP = Organized WOM Program Participant CP = Conversational Partner

Credibility Effect of WOM



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