

Holistic Communication Metrics: Integrating Word Of Mouth As a Measured Medium

Bill Harvey, CEO
Next Century Media

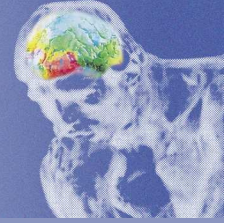


Joel Tucciarone, CEO
Relational Marketing Inc.



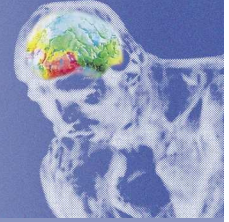
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Agenda



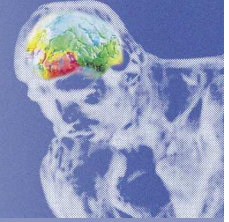
- Background
- Word Of Mouth Renaissance
- History of WOM Measurement
- WOM Measurement Challenges
- Composition of the new field of Viral Marketing
- Informative and WOM Measurement “Arrowheads”
- WOM ROI Measurement Design Template

Background



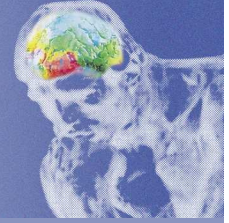
- Word of Mouth has entered a watershed stage.
 - In the past year, two Word of Mouth industry associations have been launched with membership involving large numbers of major companies.
 - Yahoo executives have indicated that it is now receiving weekly requests for WOM marketing opportunities.
 - One of the industry's leaders in WOM-related applications, Informative.com, already has multiple brand program participation from P&G, as well as programs underway with BOSE, Lego, Intuit, Pfizer, and other leading advertisers.

Background



- This paper reports on this company's pioneering attempts to wield WOM as a controllable medium, and measures some of the results of this activity
 - Concluding with some early indication of best practices for future research on the value of WOM as part of the marketing mix.

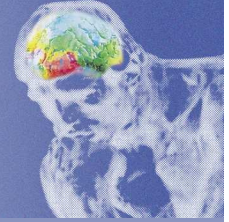
WOM — Definition



- Word of mouth is person-to-person communication between a receiver and a communicator whom the receiver perceives as being non-commercial, concerning a brand, a product or a service¹

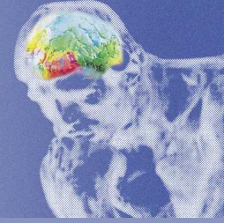
¹ Adapted from Arndt

Background



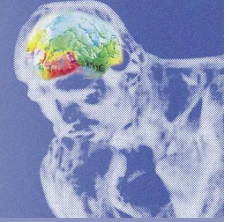
- Why the sudden new interest in WOM?
 - The Internet
 - Peter Hirshberg
 - The audience has risen up to add its voice to media
 - 7.5 million “blogs” on the Internet
 - Subscribers receive by email the new postings over time a blog they subscribe to adds some new text
 - Audience of at least 50 million
 - Its own measurement service, Technorati
 - Advertisers interested in what bloggers are saying, positively and negatively, about their brands

WOM Renaissance



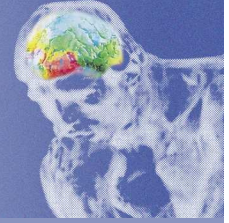
- In 1999 The Blair Witch Project demonstrated that the Internet had made WOM a medium that could be exploited by marketers
 - \$60,000 production budget
 - Over \$29 million in its opening weekend
 - Gross over \$140 million
 - Internet teaser campaign designed to generate WOM
 - What WOM could do, how little it could cost and how it could be stimulated by marketers

Viral Marketing — Definition



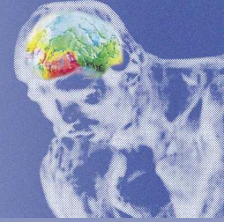
- The new term for this arose: “Viral Marketing”
 - “Viral marketing” is a form of person-to-person communication whereby the contagion process has been leveraged by quickly tapping into interpersonal networks
 - Usually by providing the user with some easy means of sharing the message/benefit — usually employing the capabilities of digital media (Internet, email, IM, text messaging, et al.)

WOM Renaissance



- Vast interest from marketers reflects appreciation for the ability of VM to produce large sales results from small marketing investments

WOM Renaissance



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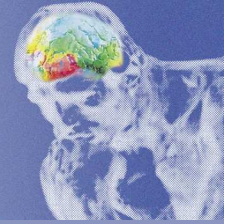
By Jon Fine

PHOENIX (AdAge.com) – Praise the Lord and pass the pyromarketing was essentially the message delivered by one of the nation's most successful religious book publishers to attendees at the Magazine Publishers of American Retail Conference here yesterday.

"Pyromarketing" is the term coined by

re:think!
2005!

WOM Renaissance



Advertising Age

MAY 24, 2004

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TV doesn't sell package goods

Study shows medium fails to deliver ROI for mature brands

By JACK NEFF

TV ADVERTISING doesn't work for most mature package-goods brands, and the industry's increase in ad spending over the past three years has accelerated waste, concludes a sure-to-be-controversial Deutsche Bank report.

The study, released on the eve of the TV buying upfront, examined 23 household, personal-care, food and beverage brands using customized marketing-mix analysis from Information Resources Inc. It found only 18% generated a positive return on investment in the short-term (a year or less) from TV advertising. Less

than half—45%—saw their TV investment pay off long term.

Though the research jibes in many ways with previous research by academics and research firms, it appears to be the first such extensive Wall Street examination of whether TV advertising works in the industry and could increase pressure on marketers to make their ad dollars work harder.

The lackluster returns come as the industry has stepped up ad

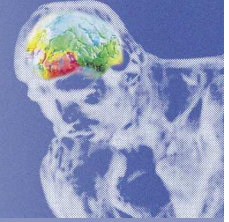
See **PACKAGE GOODS** on Page 30

POOR RETURNS

Return on investment per dollar spent on TV ads.

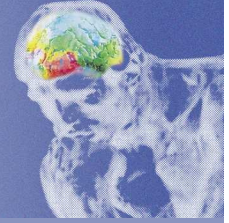
BRAND	RETURN ON INVESTMENT
Coors	\$0.01
Heinz ketchup	\$0.19
Lay's	\$0.23
Bounty towels	\$0.24
Colgate Total	\$0.32

WOM Renaissance



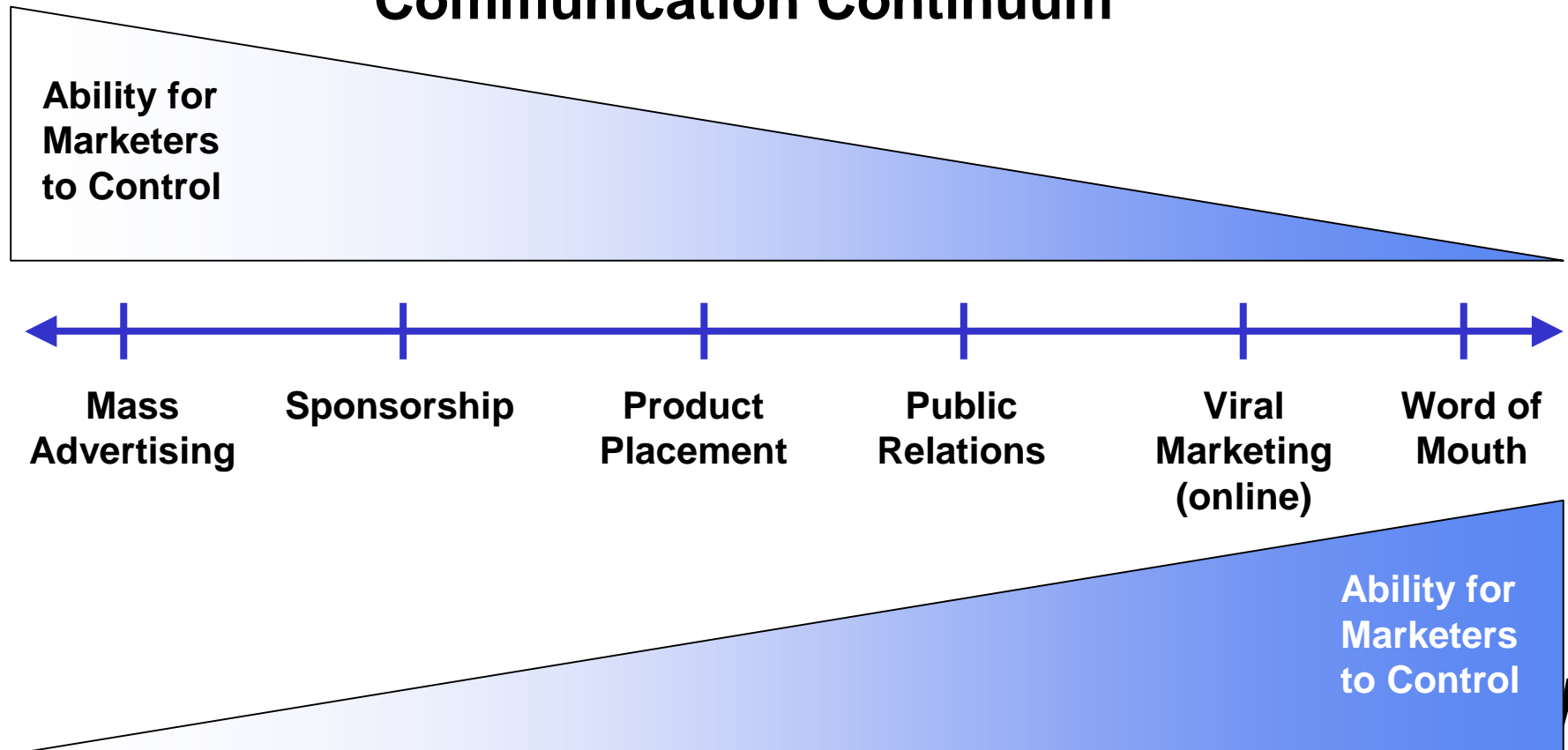
- Marketers have a growing malaise regarding the accountability and efficacy of television advertising, today and especially in the ever-increasingly TiVoized future.
- Increasingly, marketers desire to *build* direct relationships with consumers, engaging them on a positive, personal — for some, emotional — level instead of communicating to them with the traditional one-way, massified “voice.”

The Marketer's Dilemma

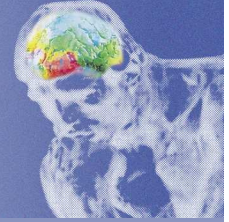


- One CEO of a major consumer products company identified what he called the “Marketer’s Dilemma”

Communication Continuum



History of WOM Measurement

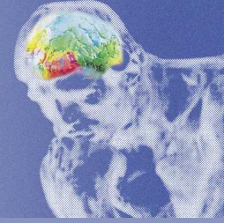


- Empirical research on WOM since the 60s indicates that WOM is far more effective than standard media advertising in changing attitudes about a brand¹
- For example, a watershed study found WOM to be 9x more powerful than advertising in causing more favorable brand attitudes²
 - Case: during introduction of a new convenience food product

¹ Engel, Kollat, and Blackwell, 1968, table 19.3 provides a summary of such studies prior to 1968

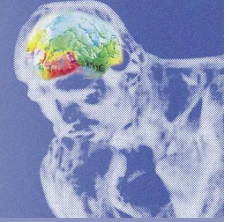
² George S. Day, in ed J. Sheth, 1974 (based on data collected as part of the Columbia University Research Project on Buyer Behavior)

History of WOM Measurement



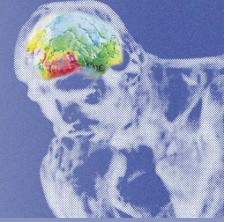
- Researchers conducting these studies generally conclude that:
 1. The reason for WOM strength in changing attitudes is that consumers tend to put more trust in what they hear from disinterested parties
 2. Advertising's strength is in increasing brand awareness so that WOM can do its job of converting awareness to favorability
 3. The WOM encounter provides opportunity for feedback and dialog

WOM Measurement Challenges



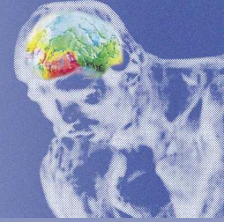
“What Gets Measured, Gets Done...”
(Cor Boonstra, CEO Philips)

WOM Measurement Challenges



- **WOM is a complex medium**
 - Individuals can be communicators, recipients or both
 - Individuals differ in their WOM “passalong value”
 - The latter segmentation cross-hatches with brand targeting variables — including heaviness of usage, degree of brand commitment/availability
 - WOM may be positive or negative

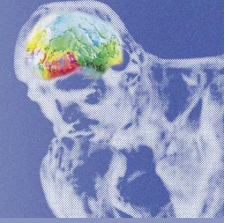
WOM Measurement Challenges



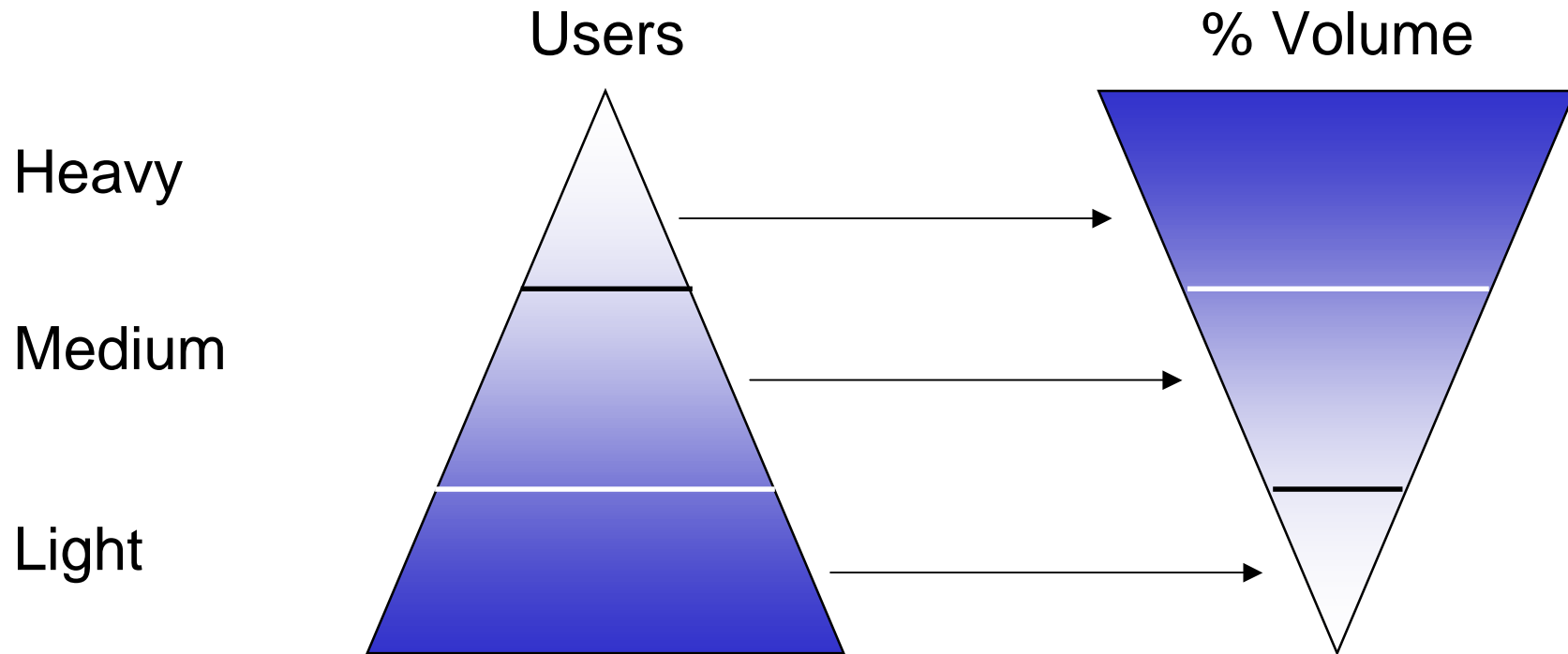
- **WOM is a complex medium**
 - Any “pull” (consumer-initiated) medium tends toward high impact but low reach¹
 - Low reach means the need for large sample size
 - Large sample size almost always means high cost

¹ Haines (1966) found that 58% of buyers of new CPG items reported recent exposure to TV advertising vs. 18% reporting WOM exposure relative to those items

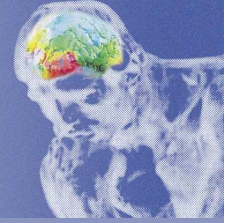
User/Volume Relationships



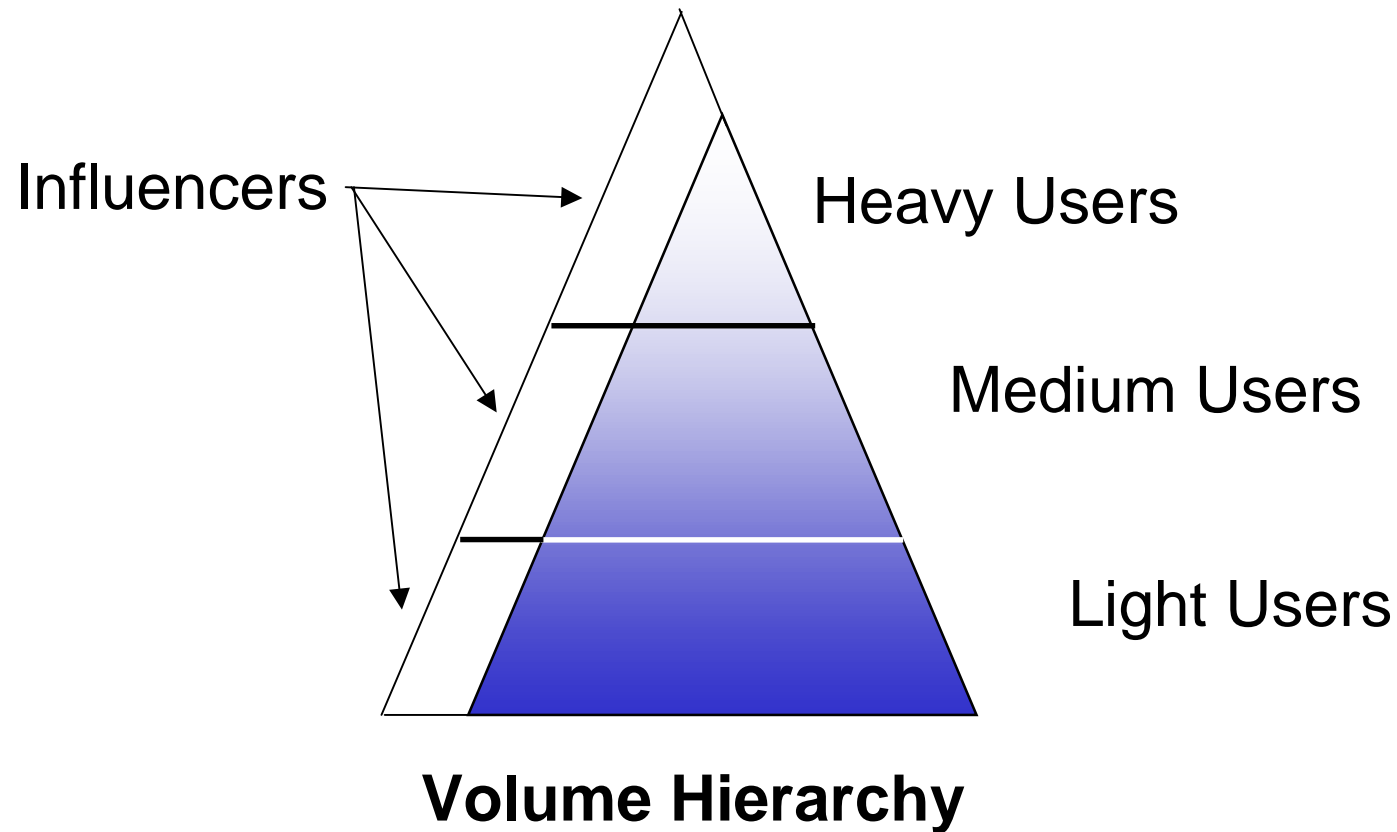
Implications on WOM of 80/20 Rule Re: Product Volume



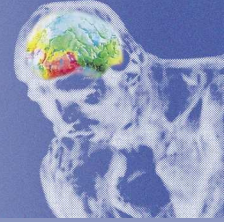
Influencers and Volume Strata



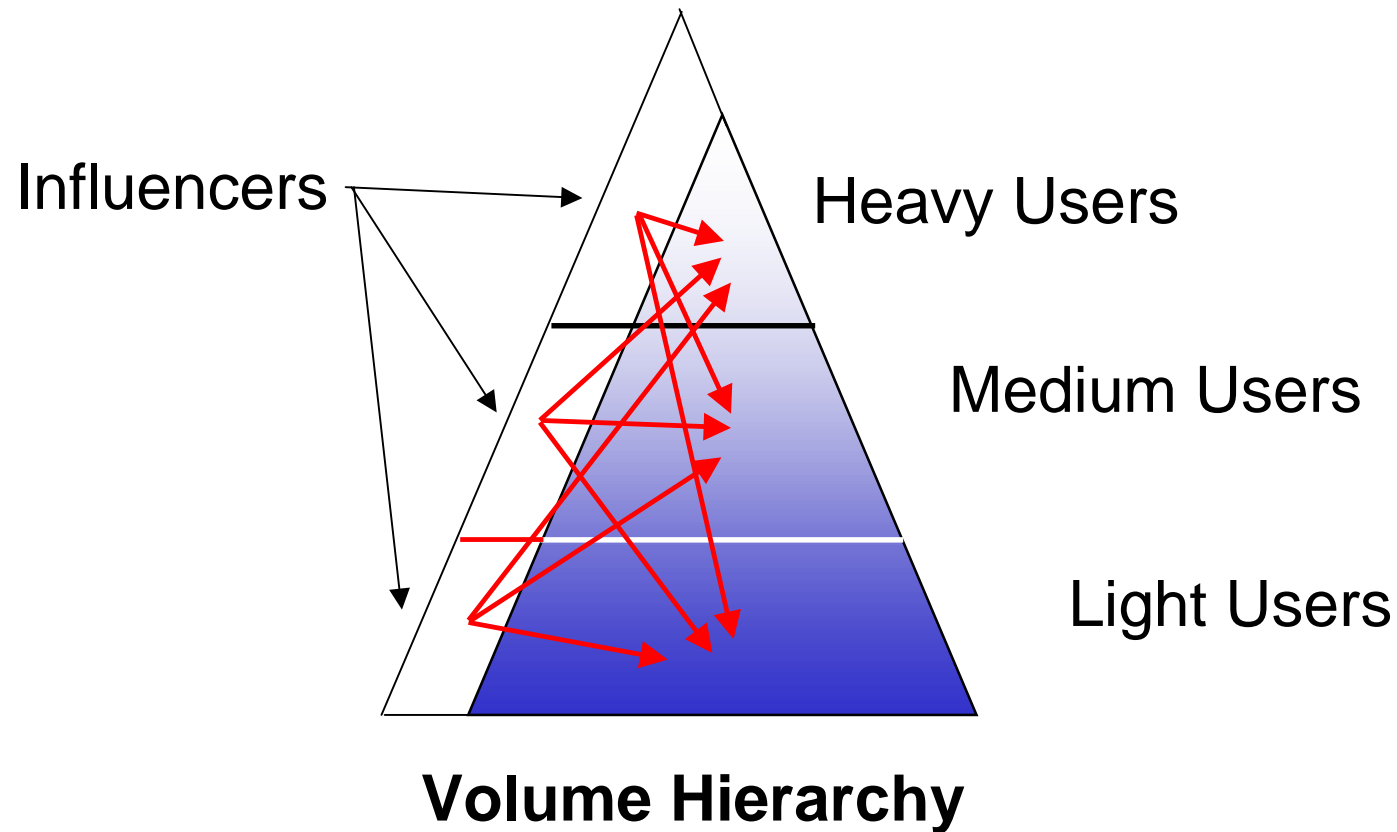
- Are Influencers disproportionately represented at different Volume Tiers for the category?



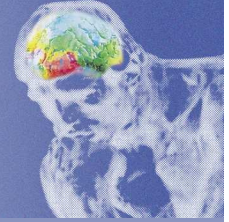
Influencers and Volume Strata



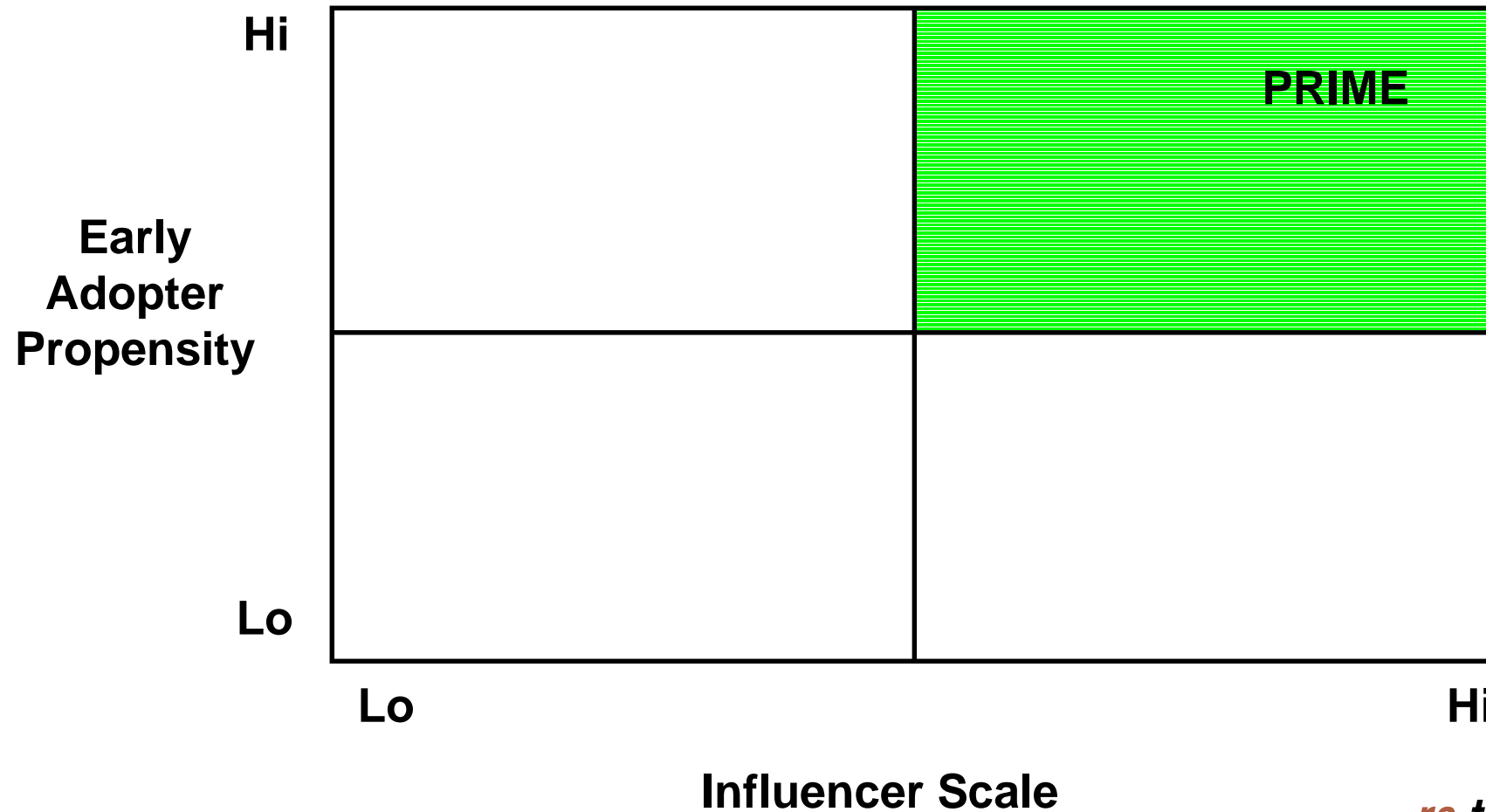
What's the Direction of Influence Across Differing Volume Strata?



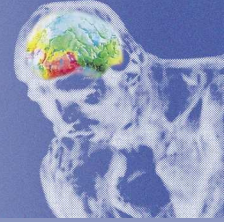
Early Adopters and Influencers



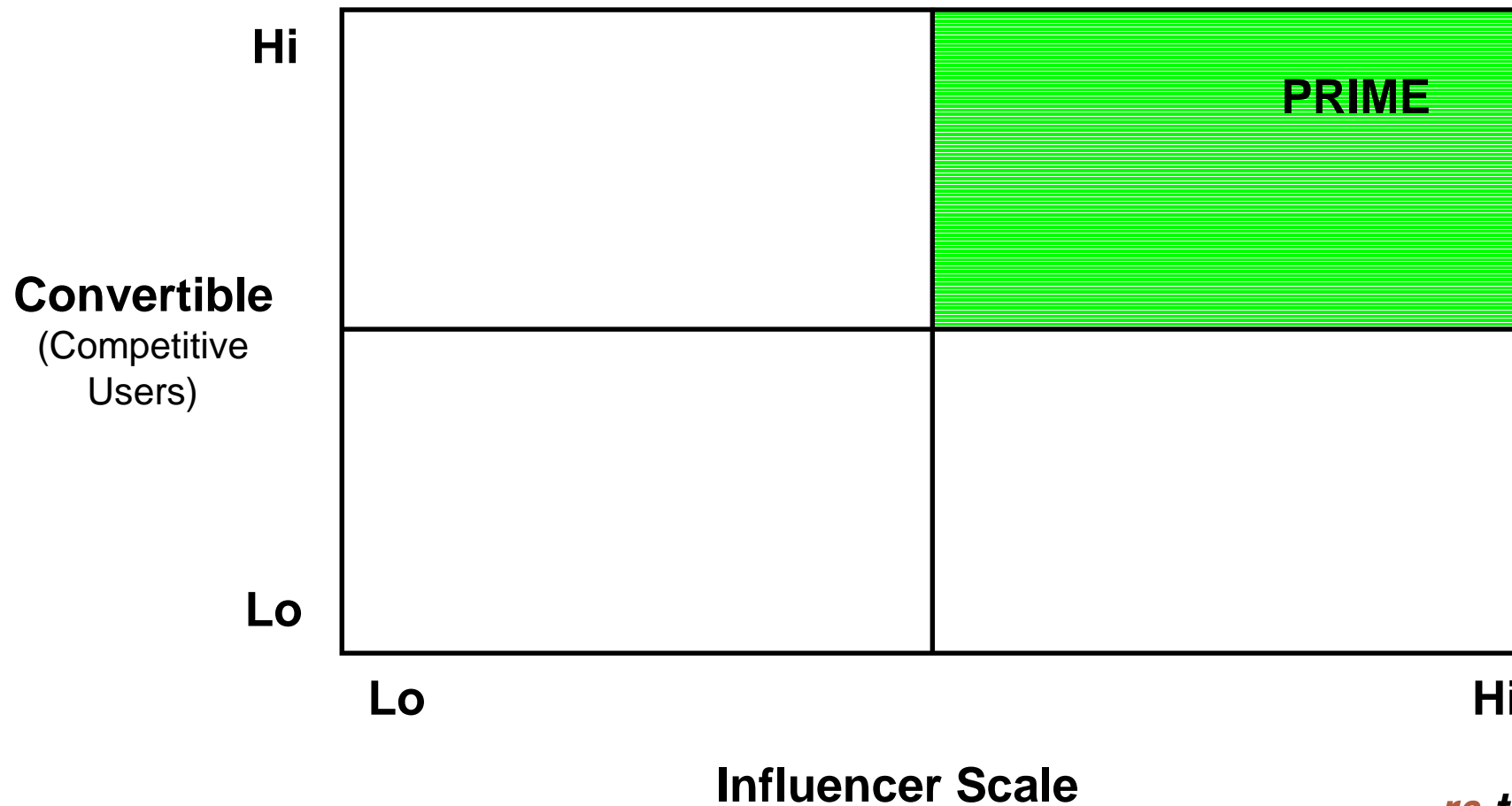
Capture Early Adopters: Get Message Multipliers Who Legitimize



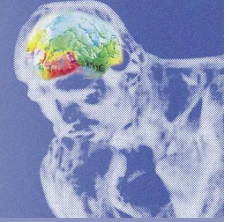
Convertible Users and Influencers



Win Or Lose an Influencer: Get A “Double” Win — or Loss

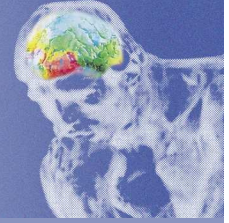


WOM Measurement Challenges



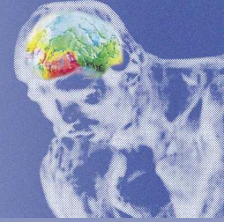
- **WOM cannot be measured in a vacuum** but needs to be measured in the synergy of a brand's marketing mix
 - Most brands consider TV their base medium
 - TV has become extremely difficult to measure, with over 22,000 programs per week, and 120+ channels in the average U.S. home
- **ROI/Sales measurement poses its own challenges**
 - Diversity of sales channels, not all scanned
 - The largest retail outlet, Wal*Mart, no longer sharing its data
 - Cannot use long cycle recall for short purchase cycle products — as Coca Cola and others have amply determined

Evolution of a Medium



- **Controllability**
- **Measurability**
- **Standardization**
- **Maturity**

Composition of New Viral Marketing Field

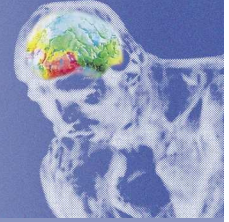


	Paid Endorsers	Natural Stimulation
Research Driven	Imaginatik Artafact Betasphere CRM Metrix Communispace Vividence	Orasi Informative Tremor Buzzmetrics Bzzagent
Not Research Driven	Brainjuicer Satmetrix Liveworld ACOP Intelliseek	Nimblefish

Plus new associations like the Word of Mouth Marketing Association (WOMMA)

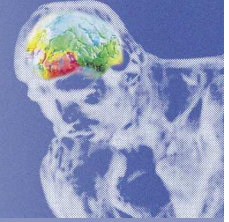
re:think!
2005!

Informative



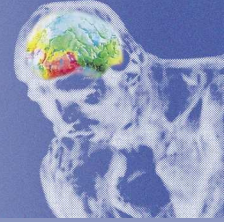
- Informative, a company that facilitates communication between brands and consumers via a natural language Web interface.
 - This interface allows consumers to key in messages in their own words.
- “Adaptive Conversation Technology” enables the ***spontaneity of real time interaction*** with consumers to be combined with a well-orchestrated ***process of quantification***.

Informative



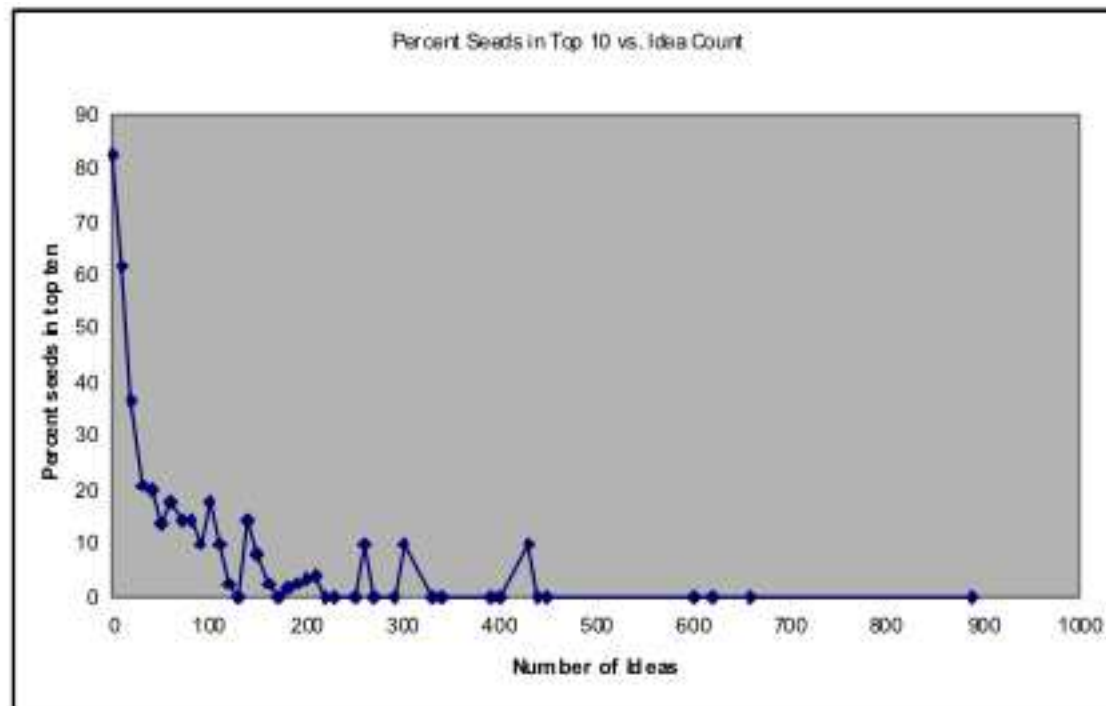
- The Informative system lets the consumer's own input or ideas drive the quantification of insights.
- How well “seed ideas” (or statements for ranking) actually stand up compared to participant-generated ideas or statements.
- Informative's patented adaptive sampling algorithm.
 - Each consumer generated statement is re-exposed to successive consumers who then rate each, so that those statements which get ranked higher more frequently, in turn, get exposed more often.

Informative

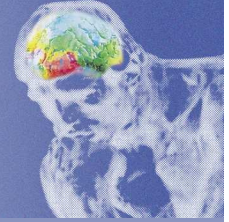


- In dozens of studies, the ideas/statements generated spontaneously by consumers almost always become the Top 10 rather than the marketer's original seeds or starters which drop down lower in the rankings.

Brand's community provides top ranking ideas, rapidly exceeding the expert "seeds"

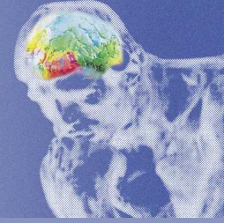


Informative: WOM Innovation



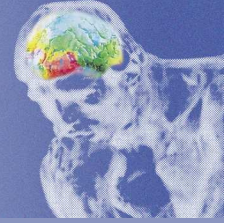
- Informative's intent is to demonstrate that a brand which "listens better" to its customers, can create an impetus to positive WOM about the brand.
 - Early user marketers, such as Bose, Intuit and Lego, say they have learned valuable things from the Informative process
 - Which they do not learn from traditional marketing research methods, including closed-end questions and focus groups.

Informative Measurement “Arrowheads”

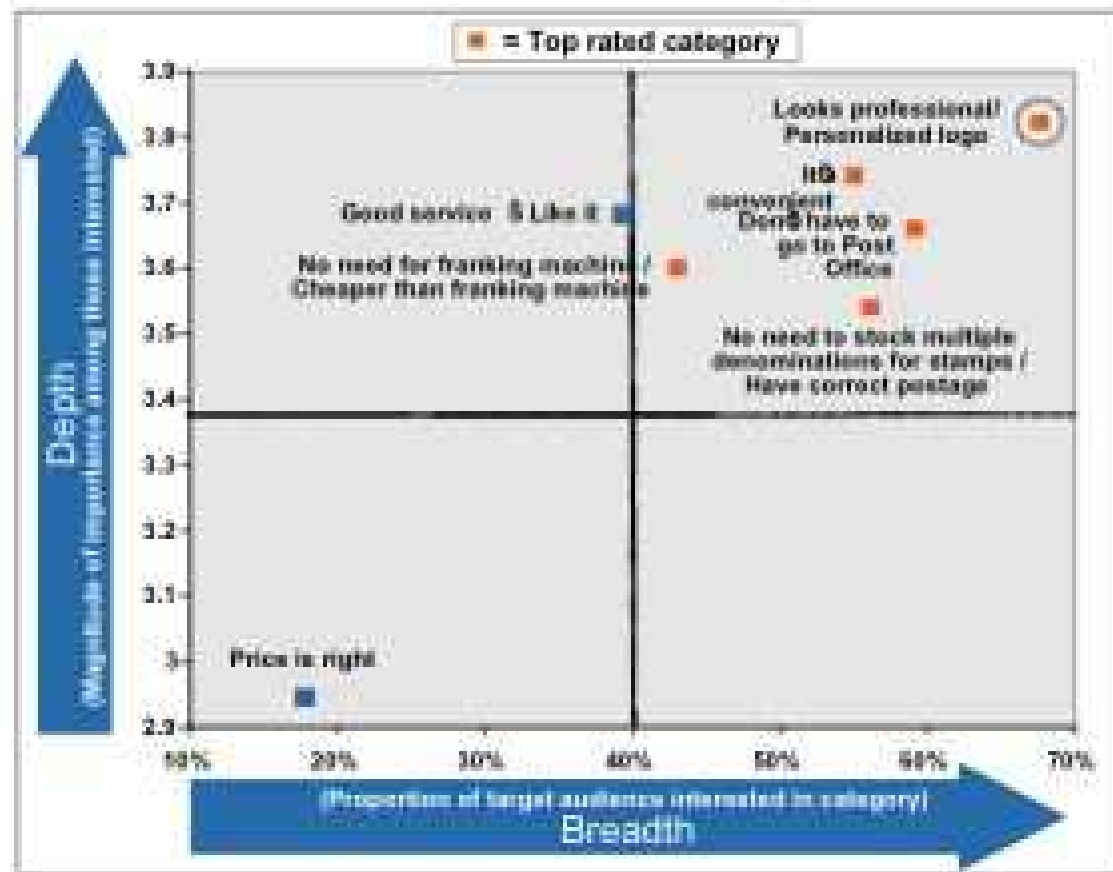


- The Royal Mail — “Smart Stamp” (UK)
 - Electronic postage designed for small businesses
 - Traditional research used to inform positioning
 - Management felt unsure they had the right approach
 - Utilized Informative: Conversation technology
 - 35% of initial user base participated in “unfiltered” dialog with RM and with other subscribers (10X expected level)
 - Yielded New, Key Insight: Choice for Smart Stamp electronic postage over live postage: ***to appear professional***

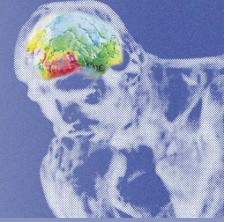
Informative Measurement “Arrowheads”



- Louise Anderson, The Royal Mail Stamp Channel Manager, said, ***“It’s a good thing we learned this in time to change our messaging; otherwise we’d have spent a lot of money missing the mark.”***

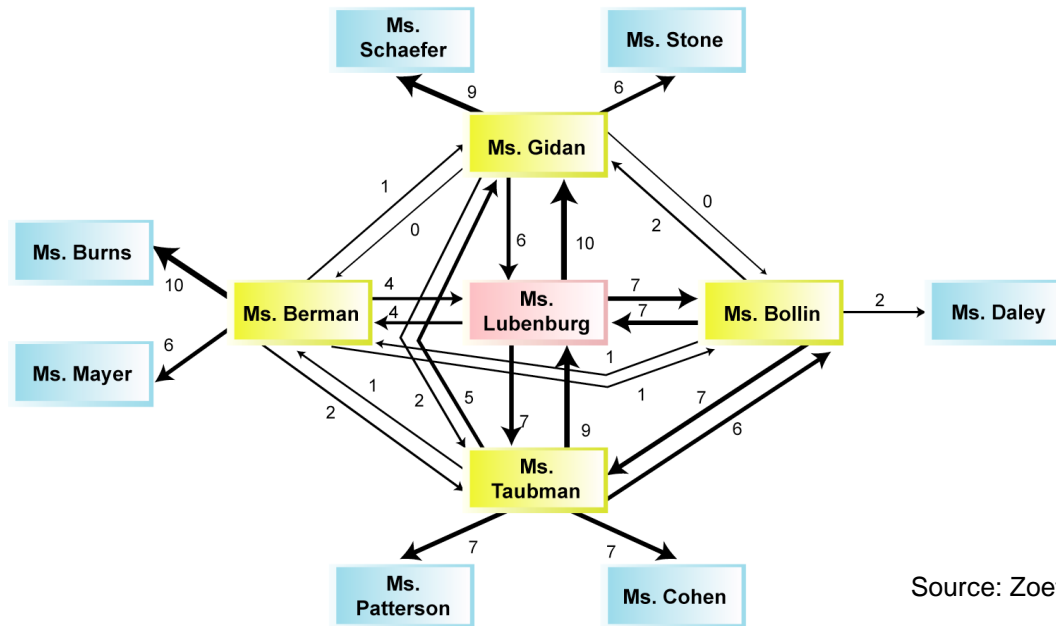


Influencers and WOM



- Thread running through efforts to make WOM more controllable is: **influencing the Influencers**
 - Such influencers — people with significant interpersonal networks — follow a “power law” distribution in society (Barabasi)

INFLUENCER NETWORKING: CRM MULTIPLIER EFFECT

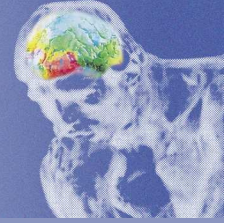


Source: Zoetis

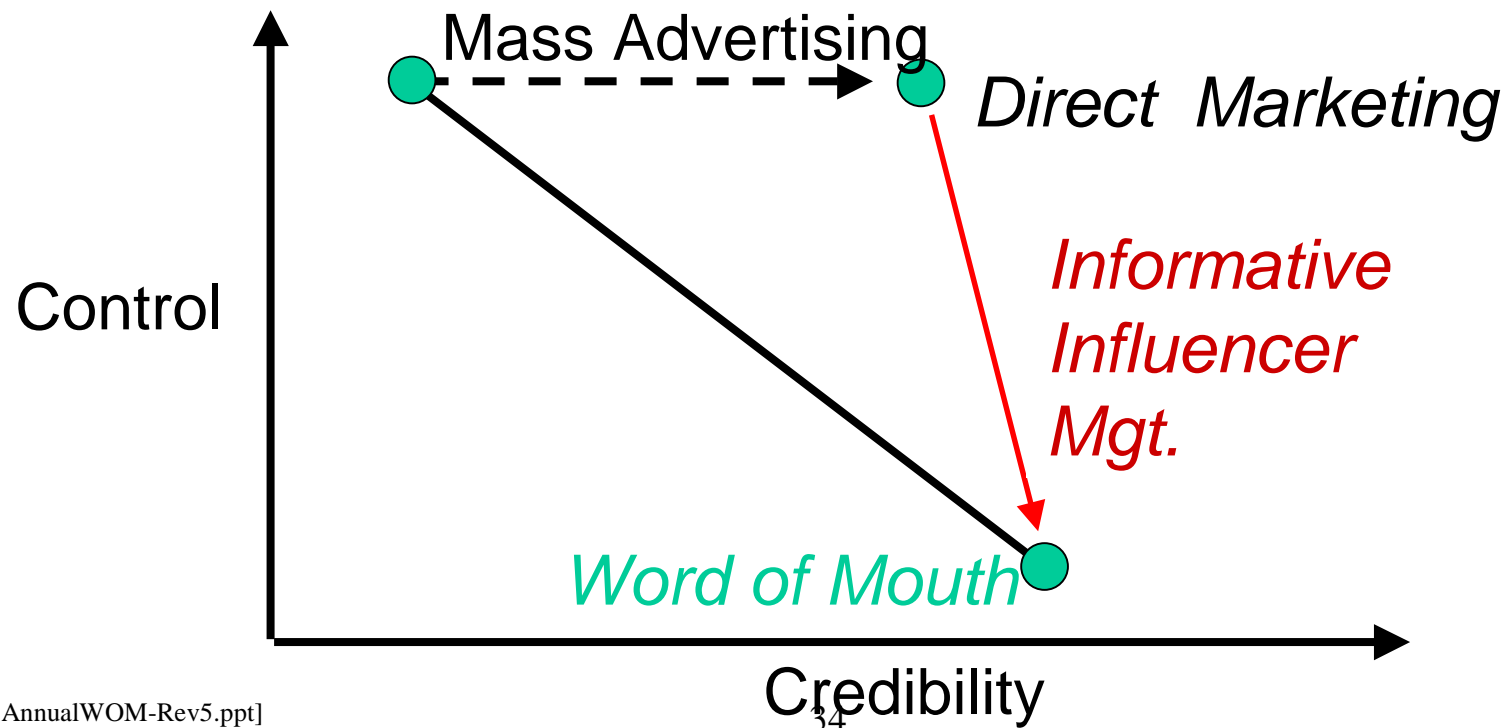
Note: 1. Numbers represent total reported interactions by telephone, e-mail or in-person over specific time period (e.g., one week)

2. Represents "network hub"
- Represents specified group
- Represents subsidiary friendship mentions

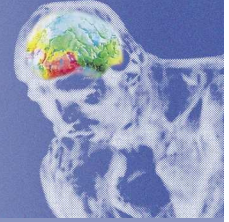
Informative's Proposition



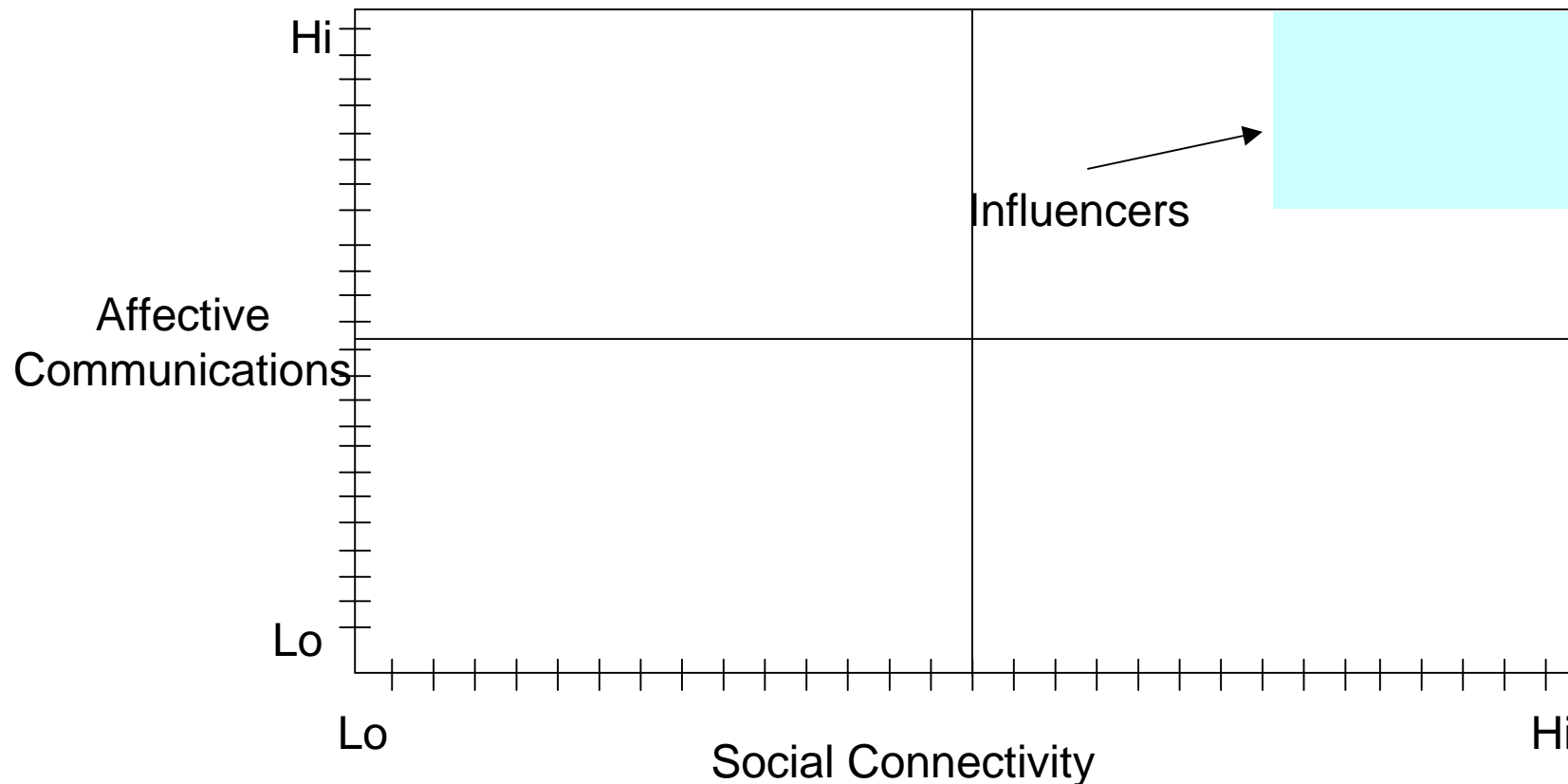
- **Influencer Identification System** developed by Informative
 - Utilizes Internet to facilitate efficient direct interactive, addressable communications to be focused on the Influencers in the brand's market



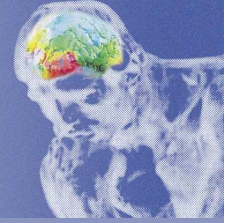
Informative: Influencer Measurement



- Influencers within a product category profiled on two scales — yielding 10-15% typically of the user base

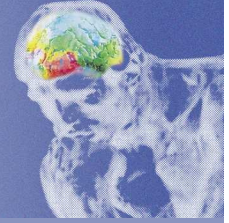


Informative Influencer Measurement



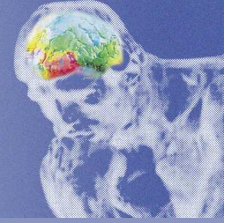
- **Affective Communication Skills:** Measuring emotional expressiveness and charisma (based on a 13-item self-report test developed by Prof. Howard Friedman, University of California).
- **Social Connectivity:** Measuring size and distribution of people in a person's social network.

FMCG Viral Marketing Case



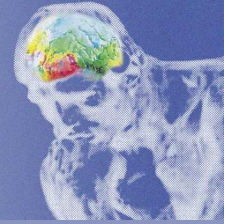
- Brand's website — invites visitor to register
 - Gain access to “Members Only” section with special access info, games, contest, quick polls and Informative “dialog” sessions
- One session is Influencer profiling (potential to win small prize). Measuring on twin attributes of:
 - Affective Communication
 - Size of Social Network
- Out of over fourteen thousand participants, 10.6% self-profiled as Influencers

FMCG Viral Marketing Case



- Control Group (CG) also established from total participants
 - 10.6% from CG marketing closely observed natural incidence of Influencers in the general population sample (10.0%)
- Test Group formed by randomly selecting out of balance of Influencers profiled
- Email invitation sent to each person in Control and Test Groups — inviting participation in a contest promotion
 - Players encouraged to invite as many friends as he/she like to join in

Packaged Goods Brand Influencers

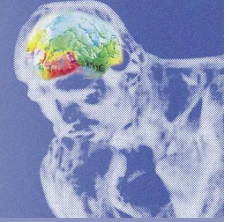


- Analyzing results — taking into account the fact that there were Influencers in the General Population control:

Join Rate		
<u>Non-Influencers</u>	<u>Influencers</u>	<u>Difference</u>
1.2%	2.8%	+133%

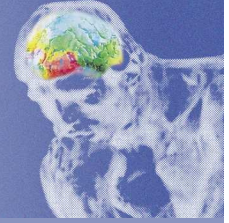
Recruitment Rate		
<u>Non-Influencers</u>	<u>Influencers</u>	<u>Difference</u>
55	196	+256%

An Approach to Measuring WOM



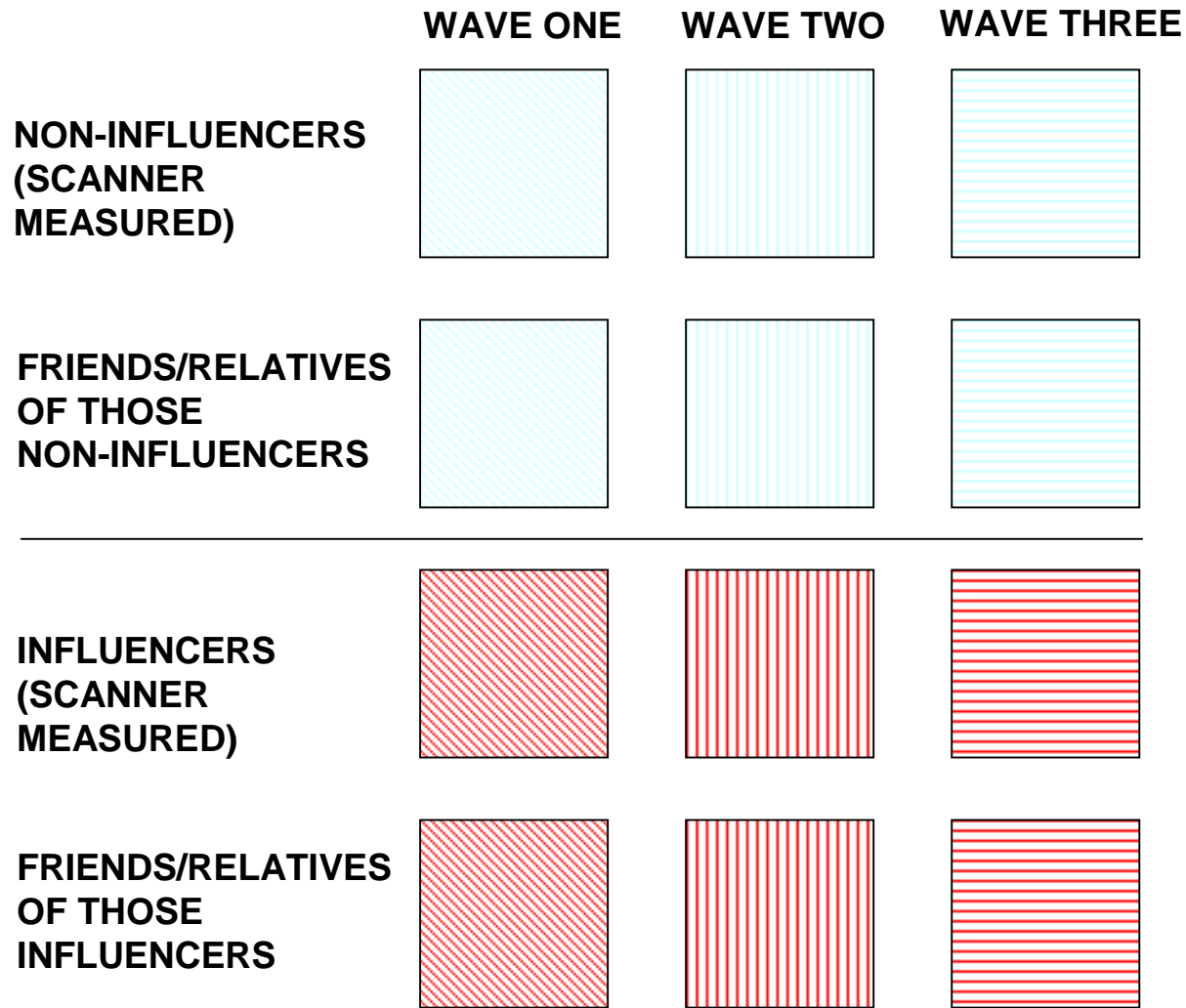
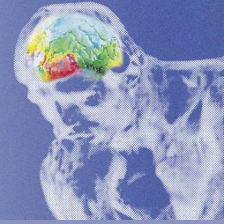
- Measuring sales as well as communications/persuasion
- Able to include all forms of marketing communications so as to see WOM's interaction with these other touchpoint channels
- Able to be validated
- Able to do experiences to verify cause and effect
 - Rather than simply correlation without causation (a weakness in MMA and similar modeling methods.)

An Approach to Measuring WOM



- Individual household level data
- Substantial sample sizes
- Eventually nationwide and extendable globally
- To actually increase ROI across standard real-world yardsticks
 - When Model's decision outputs regarding best use of WOM are applied in Marketing Mix
 - That is, vis a vis advertiser's internal sales data/AC Nielsen/IRI

WOM ROI Measurement Design Template

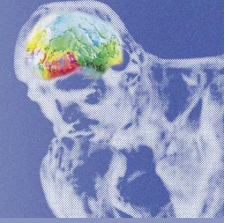


Influencers and Non-Influencers provide Emails of friends/ Relatives some of whom Can be recruited.

Influencers and Non-Influencers are invited To participate in an Informative process Between Wave One and Wave Two.

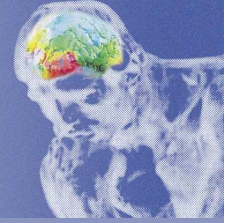
Wave Three is six months Later, to measure decay/ Residual effects.

WOM ROI Measurement Design Template



- Scanner data provide hard measures of sales effects among Influencers and Non-Influencers
- Verbal scale purchase measures suffice among the two friends/relatives groups
- All four cells measured for brand attitudinal measures (within category purchasers only among friends/relatives)
- Media exposure measured by recall/probability method to model cross-media synergies

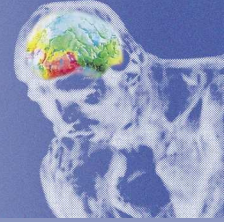
WOM ROI Measurement Design Template



- Key measures: what did the Viral campaign do to sales, incremental CLV, ROI, brand attitude, short term vs. six months later?
- How did this differ between Influencers and Non-Influencers?
- What if anything happened by osmosis to the friends/relatives of Influencers vs. Non-Influencers?

re:think!
2005!!

Summary



- WOM is more controllable now, through Viral Marketing
- WOM and Viral are now being measured on the same metrics used by direct marketers
- Viral Marketing has many documented success cases — distinguishing it as one of the most powerful marketing stimuli available, when used correctly
- The new study design template potentially offers a basis for an ongoing standard for measurement of Viral Marketing