Electronic Word-of-Mouth: Increasing the Velocity and Reach of Traditional Word-of-Mouth

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Abstract

The use of word-of-mouth marketing (WOMM) is emerging as a topic both academic researchers and industry practitioners are writing about with greater frequency recently. With the current economic turmoil around the world, marketers are searching for lower cost alternatives to traditional means of advertising such as television and radio ads, which has led many to WOMM. Word-of-mouth (WOM) has long been known to be an effective means of spreading the message about a great product or service, and with the rise of the Internet, electronic WOM (eWOM) has taken a lead role in increasing the velocity and reach of traditional WOM. This paper provides a holistic perspective of WOMM, WOM, and eWOM by describing each of these constructs in detail. Also discussed is the influence eWOM may have on consumer purchasing decisions, and the reasons why consumers engage in eWOM. Ethical issues and potential future areas of research are also discussed.

Keywords: eWOM, WOM, WOMM, word-of-mouth, electronic word-of-mouth
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The world of marketing has arguably faced a number of significant challenges because of the recent deterioration in global economic conditions, which has forced many organizations to reduce their advertising budgets (Bachman, 2008). With smaller budgets for many businesses, lower cost alternative marketing solutions have begun to increase in popularity. One marketing strategy, word-of-mouth (WOM), has been gaining momentum recently (Hein, 2009; Mcellellan, 2009; PQ Media, 2009). The rise in the use of electronic media via the Internet has enabled electronic WOM (eWOM) to take traditional WOM to the next level by demonstrating its ability to create a robust option in reaching a broad audience of consumers (Hennig-Thurau, Gwinner, Walsh, & Gremler, 2004).

This paper seeks to provide a foundational perspective of WOM by starting with an exploration into defining and understanding the constructs related to this emerging field of marketing. The paper also provides a perspective to the increasing popularity in WOM research, and an understanding of the evolution of WOM to eWOM, and how eWOM may influence consumer purchase decisions. A discussion related to consumer behavior and why individuals engage in eWOM is also provided. Also discussed are the ethical issues that surround the use of eWOM, and what both consumers and organizations need to be cognizant of when participating in the use of eWOM. Practical implications are also reviewed to provide guidance in building a strategy to capitalize on eWOM. A final point of discussion centers on the increasing popularity of eWOM research, industry trends, and areas for future research.

Definitions and Constructs

Several variations of definitions describing WOM and eWOM exist in both the academic and industry literature. In addition to WOM, and eWOM, word-of-mouth marketing (WOMM)
is also a frequently used term found in the literature. While the primary focus of this paper is
eWOM, a clear understanding of the distinction between each of these concepts is essential
before progressing deeper into the research.

WOM

Arndt (1967a) was one of the first academic researchers to define WOM. He defined
WOM as the "oral, person-to-person communication between a receiver and a communicator
whom the receiver perceives as noncommercial, regarding a brand, a product, a service or a
provider" (Arndt, 1967a, p. 5). In essence, Arndt argues WOM is a casual verbal conversation
between individuals having no business-related influence. The Word of Mouth Marketing
Association (WOMMA) (2007) offers a more pragmatic perspective of WOM defining the
concept as, “the act of consumers providing information to other consumers” (p. 2). Reviewing
both definitions, the general theme is that WOM has no business related element. The
communication between individuals is not motivated by profit. The primary outcome of WOM
is transfer of product or service related information.

eWOM

Commercialization of the Internet has led to the development of eWOM, which has taken
the concept of WOM and digitized the communication between individuals. Hennig-Thurau,
Gwinner, Walsh, and Gremler (2004) define eWOM as, “any positive or negative statement
made by potential, actual, or former customers about a product or company, which is made
available to a multitude of people and institutions via the Internet” (p. 39). To some degree
eWOM is similar to WOM only in a digital format, but a number of significant differences exist
between the two constructs.
Cheung and Thadani (2010) describe four unique differences between WOM and eWOM. First, while WOM exists only within the space of the individuals having a conversation, eWOM has the ability to spread amongst a multitude of individuals rapidly via the Internet. A conversation between two people can quickly spread throughout the world in a matter of minutes by going “viral”. Second, eWOM has the ability to be archived and retrieved at any point in the future, unlike traditional WOM that only exists at a moment in time. A third distinction between the two constructs is that eWOM has the ability to be quantified more easily than in a traditional perspective. A final uniqueness to eWOM described by Cheung and Thadani is the inability of a receiver to determine the credibility of the sender. In an oral form of WOM the receiver generally knows the sender and has the ability to judge their credibility. The online world brings together senders and receivers as a group of anonymous individuals who, in the majority of situations, do not know one another.

**WOMM**

Typically, both WOM and eWOM have no interference by marketers, but can be influenced by marketers through the use of WOMM. Kozinets, de Valk, Wojnicki, and Wilner (2010) define WOMM as, “the intentional influencing of consumer-to-consumer communications by professional marketing techniques” (p. 71). WOMMA (2007) argues WOMM is a mechanism marketers can utilize to influence individuals to talk about an organization’s products and/or services. The association suggests WOMM is “the art and science of building active, mutually beneficial consumer-to-consumer and consumer-to-marketer communications” (p. 2). WOMM has five key element, according to WOMMA, that include:

1. Educating individuals about an organization’s services and products.
2. Determining who is most likely to share their perspectives.
3. Providing a mechanism to foster sharing of information.

4. Researching the process used by individuals to share their perspectives.

5. Having the ability to understand and react to individuals who not only support, but also who do not support an organization’s product or service.

Kozinets et al. (2010) describe WOMM as also being known as viral, buzz, guerilla, and social media marketing. WOMMA (2007) goes further to argue WOMM can be classified into different types that, in addition to the aforementioned, include community, grassroots, evangelist, and cause marketing. The various types of WOMM represent potential marketing strategies and techniques that can be used to stimulate both WOM and eWOM.

**Influence on Purchase Intentions**

**WOM**

Arndt (1967a, 1967b) is widely considered the first academic researcher to study WOM in depth. In his seminal work, Arndt conducted an experiment using a food product placed in the lobby of an apartment building occupied by married college students. The wives living in the building were sent letters describing the product on display and given a coupon to use if they decided to purchase the product. Arndt discovered that those who were exposed to positive WOM had an increased probability to purchase the product, whereas those exposed to negative WOM had a lower probability to purchase.

**eWOM**

**Purchase intentions.** The influence on purchase intention eWOM has shown in the academic research bears many similarities to the conclusions found in the WOM research. Park, Lee and Han (2007) argue that online consumers cannot come into physical contact with products, and because of this retailers have to rely more heavily on evaluations found online.
The researchers studied the effects of quantity and quality of online reviews, theorizing that both influence a consumer’s intention to purchase a product. Park et al. also theorized the quality of a review has a stronger effect on buyers they classify as “high-involvement” (p. 131), and quantity has a stronger effect on buyers they describe as “low-involvement” (p. 131). High-involvement buyers tend to be more sophisticated and spend more time educating themselves about a product, unlike low-involvement buyers who spend less time researching before making a decision to purchase.

Park et al. (2007) tested their hypotheses using college students who were directed to an online shopping site setup by the researchers. Reviews for a portable media player were created to simulate both high and low quality reviews. The students were then asked to rank their purchase intentions. The researchers uncovered three key findings that suggest:

1. The quality of the review positively influences purchase intentions.
2. As the number of reviews increase so do purchase intentions.
3. Low-involvement buyers are influenced more by quantity, versus high-involvement buyers who are influenced by both quantity and quality.

A similar conclusion was uncovered by research conducted by Park and Kim (2008) in which similar methods were used that concluded the type of review has an influence on experienced versus new users, and the number of reviews plays a stronger role with new users than experienced. Park and Lee (2008), in research they conducted to study consumer behavior related to the volume of information found online, discovered buyers had a more favorable attitude about a product as the number of reviews increased. Summarizing the research on quantity and quality, the findings suggest experienced buyers are more concerned with the content of the reviews before making purchase intentions. These consumers appear to take a
more structured approach to making purchase intentions. Inexperienced buyers look to volume of reviews to find what is popular with others before making their purchase intentions. This would suggest they are basing buying decisions on how many others are using the product.

**Characteristics of eWOM messages.** Doh and Hwang (2009) studied the positive and negative characteristics of eWOM messages. The researchers discovered that all of their participants placed a high degree of credibility on eWOM messages, and the vast majority used the messages in the process of making a decision to purchase. A surprising discovery made by the researchers is that some negative messages may have a positive impact on the credibility of a site. When consumers read only positive messages, the researchers argue, they may have a more difficult time trusting the organization. In similar research studying the effect of positive and negative eWOM, Park and Lee (2009) found that negative eWOM has a greater effect on reputation than positive eWOM, and is greater for well-established sites than relatively new sites. Summarizing the research on message characteristics, as Doh and Hwang suggest, some negative eWOM may actually be a good thing. Consumers appear to be less trusting of sites that have only positive comments, although negative messages appear to have greater influence than positive.

**eWOM and Consumer Behavior**

The research clearly suggests eWOM has an effect on purchase decisions, but what are the reasons for this conclusion, and why do consumers choose to engage in eWOM? Bickart and Schindler (2001) argue the Internet allows consumers to post information about products and services that is more credible than information directly from the organization making the promotion. The researchers also argue information coming from other consumers is more relevant because both groups are more similar than either is with the selling organization. A
final argument made by Bickart and Schindler is that users have the ability to create greater empathy between one another. What other consumers write about their experience is more likely to resonate with potential consumers than stories generated by the business selling the product or service. To test their argument Bickart and Schindler conducted an experiment with undergraduate marketing students who were divided into two groups. One group was told to look at websites of specific corporations and the other group was directed toward online discussion sites. During the course of a semester students were given assignments to complete and surveyed after the assignment to determine their level of interest and purchase intentions. The results suggested students who were exposed to online discussions found greater interest in a product than those directed at the corporate sites. Bickart and Schindler had inconclusive results related to the students’ intention to buy a product, which they suggest may be due to the short time span students were exposed to a product. The researchers suggest more time (the students were only exposed to a product for 12 weeks) may be needed to influence purchasing decisions.

Why consumers choose to engage in eWOM was the impetus for research conducted by Hennig-Thurau et al. (2004). The researchers reviewed historical WOM research (Dichter, 1966; Engel, Blackwell, & Miniard, 1993; Sundaram, Mitra, & Webster, 1998) in pursuit of developing a framework for eWOM. The historical WOM research suggests consumers participate in the process for a multitude of reasons that may include self-interest, self-enhancement, involvement with products, and guidance on how to resolve problems. Theorizing traditional WOM may have similarities with eWOM, Hennig-Thurau et al. utilized the previous research to develop a new construct that led to the development of 11 potential motives. The motives were grouped into four utilities:

1. Focus-related: the benefit a consumer receives from their contribution to a community.
2. Consumption: the value individuals receive by consuming the contributions of others in the community.

3. Approval: the benefit the consumer receives when others approve and utilize their contribution.

4. Moderator-related: realized when an unbiased group member moderates the complaint process.

Participants were solicited from a variety of online sites through the use of incentives (books, gift cards, etc.) to take an online survey related to motives for contributing to eWOM. Over 2,000 individuals contributed to the research, which divided the participants into one of four groups. Hennig-Thurau et al. (2004) describe the largest segment of users as “self-interested helpers” (p. 49). These participants, conclude the researchers, are primarily motivated by financial incentives. The second largest segment is described as “true altruists” (p. 49). The individuals falling into this category truly want to help others and the companies they are conversing about. The third largest group is described as “consumer advocates” (p. 49). These consumers are genuinely concerned about other consumers. The smallest segment is described as “multiple-motive consumers” (p. 49). Hennig-Thurau et al. categorize these individuals as being motivated by a myriad of reasons.

Summarizing the research into why consumers engage in eWOM, a number of reasons appear to contribute to the desire to share and utilize the opinions about an organization, product, and/or service. Individuals naturally want to help others, and when they can gain personally from the advice they give it increases their potential for contributing. What the research also suggests is that organizations have less of an influence on consumers than other consumers, whom arguably they find a greater personal connection with.
Ethical Considerations for eWOM

As more consumers receive their information from the Internet, and as the research suggests, are highly influenced in relation to their purchasing decisions, ethical issues could become a concern for organizations implementing an eWOM strategy. WOMMA (2007) offers some examples of unethical WOMM tactics that include:

- Spam: the sending of unsolicited email.
- Comment Spam: the use of software that automatically posts comments to blogs and social media websites promoting a product or service.
- Stealth Marketing: using deceitful tactics to snare unsuspecting consumers.
- Shilling: a technique in which payment is given to individuals to falsely promote a product or service without properly identifying themselves as working for the company.

WOMMA (2010) recently revised their code of ethics to encompass six key areas including respect, openness, honesty, clear disclosure, working with minors, and respecting the privacy of consumers. The anonymity of individuals on the Internet creates a significant opportunity for marketing tactics that WOMMA describes as unethical. Organizations can appear to be consumers giving advice, they can also share private data on users for targeted campaigns, both of which WOMMA describes as unethical behavior. The challenge facing organizations in the future will likely come from balancing between influencing eWOM in an ethical manner and actually taking part in eWOM. Ethical strategies will be successful if they stimulate positive eWOM without actually playing a direct role in the process—a challenging proposition for marketing professionals.
Practical Implications for eWOM

Numerous implications have evolved from the research in eWOM. Organizations seeking to expand their market reach have the potential to capitalize on the use of eWOM to spread their message. Bickart and Schindler (2001) suggest businesses develop online communities for consumers to share their experiences with one another. The researchers also argue for the development of third party sites such as epinions.com where consumers can share stories without influence or control by organizations. Hennig-Thurau et al. (2004) offer similar guidance, suggesting companies create discussion forums where users can share perspectives, and also give users the ability to create personal profiles to allow for identity creation. Another strategy suggested by the researchers relates to the four unique segments their research uncovered. Treating all consumers the same, Hennig-Thurau et al. argue, will not yield the best results. Each segment the researchers identified has unique requirements that organizations need to focus on. For example, leveraging the true altruist segment could be done by emphasizing the significance an individual’s support could mean in helping other potential consumers become educated in the use of a product or service. Another example is finding a way to engage the self-help segment in the form of communicating the personal benefit they will receive by demonstrating eWOM behaviors.

An alternative perspective comes from Doh and Hwang (2009) who argue negative comments actually lead to increased credibility. While it may be counterproductive for an organization to encourage negative remarks, they may want to promote constructive criticism by offering consumers a way of identifying potential opportunities to address weaknesses in a product. These may lead to future improvements that increase overall customer satisfaction. Finally, WOMMA (2007) outlines a number of strategies for supporting customer satisfaction
that include encouraging communication among users, providing consumers with something to talk about by posting questions to discussion forums, identifying and working with influential communities, and establishing metrics to measure eWOM for future strategic initiatives.

**The Future of eWOM**

**Industry Spending Trends**

The spending data suggests the popularity of eWOM has increased significantly over the past decade. PQ Media (2009) reported spending on WOMM increased over 10 percent in 2009 to $1.7 billion. The research group suggests social networking is the new frontier for marketing efforts using eWOM. In 2009 spending for eWOM on social media sites like Facebook and Twitter increased nearly 30 percent to $119 million.

**Increasing Popularity of Research**

The increase in eWOM spending has trended in the same direction as the academic research in the subject. Breazeale (2009) argues the increase in popularity of eWOM indicates the research is considered important in both academic and practitioner circles. In his review of the academic literature since 1997, the number of articles in top tier marketing journals has increased from one in 1997 to 17 in 2008. Breazeale uses the analogy of a funnel (adapted from Nairn, Berthon, & Money, 2007) to divide the eWOM research into four distinct categories. The top of the funnel (widest end) represents research with practical implications, whereas the bottom of the funnel (narrow end) represents the purely theoretical perspective. Breazeale argues, as more research moves from the theoretical end of the funnel to the pragmatic end an argument can be made the concept or theory being researched has some significance. Over half of the articles, reports Breazeale, can be placed into the top end of the funnel, suggesting research based on
empirical observations is making an argument for the popularity of eWOM and its importance to the field of marketing.

Cheung and Thadani (2010) took a similar approach to Breazeale (2009) uncovering 83 eWOM articles published from 2001 to 2010. The researchers grouped the articles into categories based on the topic of the article. Half the articles were related to what the researchers describe as human factors such as impact (process of individual influence) and spreading (sharing via eWOM). The impact and spreading articles overwhelmingly focused on an individual level analysis.

**Future Research**

The state of research related to eWOM is arguably in its infancy, creating numerous areas for potential future research. Breazeale (2009) suggests a number of areas future research should focus that include studying opinion leaders, consumer opinion web sites, and investigating how much consumers discount what they read online. Breazeale argues that a greater understanding of those who play a key role in influencing others may prove beneficial for marketers trying to understand how to influence these individuals who have significant power in persuading potential consumers. He also argues that consumer opinion sites are quickly gaining popularity, and as they develop, consumers are likely to develop attitudes toward the sites that may impact how they feel about an organization. A final area Breazeale suggests future research should focus is in gaining a greater understanding to what extent consumers disregard what they read online. Similar to traditional WOM, consumers are likely to ignore some aspects of eWOM, and understanding why consumers ignore certain elements of eWOM may be beneficial to marketers.

Understanding the motives of why consumers read eWOM is a suggested future research area Hennig-Thurau et al. (2004) argue in favor of. Marketers need to understand what
motivates individuals to spend time reading eWOM so they can build strategies around pulling readers into their sites. Park et al. (2007) suggest future research should focus on the effect negative eWOM has on purchase intentions. The researchers argue that most research has focused on positive eWOM, but little is known in relation to negative comments and how they may influence purchase decisions of consumers. Another area Park et al. suggest for future research is the effect prior knowledge has on consumers as they experience eWOM. Little is known about how information a consumer may already have, in combination with eWOM, and their combined influence on purchase intentions.

Although eWOM represents a small portion of overall spending on WOMM (PQ Media, 2009), an argument can be made that the Internet is transforming the way consumers receive and share information that can be highly influential in purchasing decisions. To capitalize on the potential eWOM represents, marketing professionals will need to develop strategies that tap into the behaviors of online consumers. By understanding what motivates individuals to engage in eWOM, how eWOM is interpreted, and how both positive and negative comments influence purchasing decisions, marketing professionals are more likely to be successful in using consumer’s comments to drive increased profitability in their organizations.
References


