Chapter 2

eWOM Marketing Techniques for Competitive Advantage

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ABSTRACT

In today’s dynamic marketing world, it is critical to understand the strategic importance of electronic word-of-mouth (eWOM). This chapter discusses the genesis of eWOM from word-of-mouth, difference between the two and what marketing literature says about eWOM’s different aspects - both pros and cons. The chapter also tries to explain what motivates consumers to share their consumption experience through eWOM route with the help of literature review. The chapter also discusses present eWOM marketing techniques adopted and also the criticism of eWOM. Lastly, the author points out fields yet to be explored in eWOM research.

INTRODUCTION

Traditionally, word-of-mouth (WOM) has significant impact as a potent marketing tool, especially in the field of consumer behavior. Many research studies have shown that compared to traditional forms of advertising, personal influence, if rightly used, has a more significant impact on customers which will lead to large-scale product diffusion.

With advent of information technology, specifically the Internet and online social groups, electronic word-of-mouth (eWOM), has changed online information transmission and exchange. eWOM facilitates the peer-to-peer information exchange of WOM manifold by enabling a consumer to transmit information to multiple recipients simultaneously. This can be done using various eWOM communications e.g. online discussion forums, blogs, review sites, virtual brand communities and social networking sites. Using this channel, customers share information and experience about product and services, both positive and negative which ultimately impacts consumer’s decision making, adoption of products and consumer loyalty. Consequently, electronic word-of-mouth (eWOM) is considered a cost-effective marketing tool which no marketer can afford to ignore and researchers take keen interest in why customers are influenced by eWOM and by how much. Many brands, both global and Indian have successfully taken eWOM route to gain brand visibility, brand differentiation and to build lasting consumer connect.

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Studies have been conducted in several sub-domains within marketing especially service industry where due to intangibility of the service offering it is difficult to evaluate before consumption. Few examples include:

- Effect of eWOM on movie revenue
- Effect of micro-blogging (tweeter post) to share opinions concerning brands through postings containing branding comments
- Sentiments and opinion concerning travel and tourism industry, low cost airline industry
- Restaurant review
- Book review in Amazon

An AC Nielson survey (2007) has found that most consumers perceive that online opinion expression is as credible as brand websites and in today’s dynamic and highly competitive marketing world many experts propose that instead of focusing only on traditional advertising, firms should focus on forming online communities around their brand/product/service to gain sustainable competitive advantage.

BACKGROUND

Genesis of WOM

In the social psychology domain, interpersonal communication assumes a significant role (Cheun & Thadani, 2010). Over the years, several consumer behavior studies have shown that interpersonal influences, through word-of-mouth (WOM), influence individual purchase decision making. The sole purpose of this type of communication is to pass negative or positive acknowledgement about a product and/or services from an individual (the “sender”) to other individual/s (the “receiver”). A study done in 1950s has documented that WOM communication took place among neighbors to exchange information about new product offerings in neighborhood stores (Whyte, 1954). Later research showed that word-of-mouth was nine times more effective than advertising in influencing consumer attitudes (Day, 1971) and “other people’s recommendations” were thrice more effective across 60 different product types viz-a-viz traditional advertising (Morin, 1983).

Based on the literature review, few noteworthy definitions of WoM are: “oral, person to person communication between a receiver and a communicator whom the receiver perceives as non-commercial, concerning a brand, a product or a service” (Arndt, 1967); “In a postpurchase context, consumer word-of-mouth transmissions consist of informal communications directed at other consumers about the ownership, usage, or characteristics of particular goods and services and/or their sellers.” (Haywood, 1989); “Positive and negative word-of-mouth are examples of exit behaviors exhibited by consumers at the conclusion of a service encounter.” (File, Judd, & Prince, 1992). WOM is also termed as “buzz” in some literature and the term is defined as a “WOM effect, a transfer of information through social networks. It frequently occurs in a spontaneous manner…” (Salzman, Matathia, & O’Reilly, 2004). Thus, the concept of buzz marketing, a marketing strategy, has its root in conventional word-of-mouth (Goyette, 2010).

Research has shown that consumers rely on WOM to reduce their perceived risk derived from the uncertainty inherent in service purchase decisions (Murray, 1991). As this mode of communication has