



Category Norms for Word-of-Mouth Influence

Marketers, account planners, and brand strategists look increasingly to word-of-mouth (WOM) as a factor that drives sales. WOM has always been there. What has changed, among other things, are the means of measuring it. Mechanically dredging the Internet for brand references is easy enough. Conventions are being developed in the emerging field of "Word of Mouth Marketing" for quantifying the effect of WOM for a given product via surveys.

A marketer today who did not plan on—or promise to deliver—favorable WOM would run the risk of apparent dereliction of duty. However, the potential power of WOM within a category rests with the consumer. If consumers do not wish to talk about a product, the marketer cannot do much to make them.

Prior to launching a new or restaged product with aspirations of spectacular WOM, the marketer really needs to know something about the category. How much do consumers actually talk about it? To what degree do they actually rely on WOM in making purchase decisions?

We have some answers.

Our recently-completed survey of 814 American consumers shows how a cross-section of product categories differs in terms of the dynamics of word of mouth. The sample included only adults 18 and older. The teen market is a special case and merits separate study.

WOM simply happens more readily in some categories than others. Can there be exceptions or breakthroughs? Of course, but you still need to know where your category falls in this spectrum.

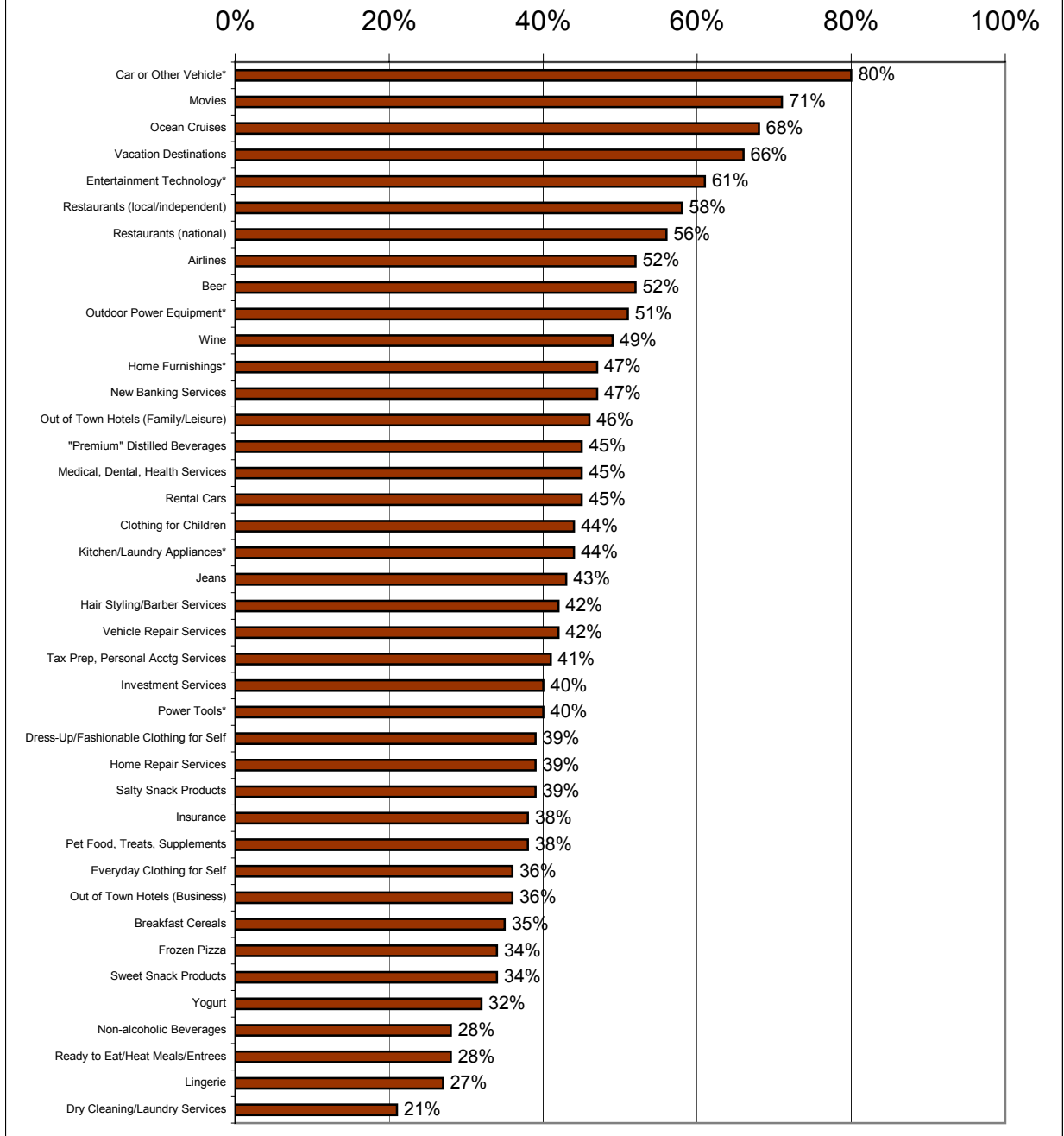
The survey measured:

- ❖ Category participation (purchase/use in past six months)
- ❖ Recollection of talking about specific products or brands in the past month [or prior to the purchase of certain durables]
- ❖ Self-reported influence of WOM on recent purchases

"Talking about" was explicitly defined as including "person-to-person conversations" as well as "opinions or information you may have shared in e-mail, a blog, a chat room or other places."

Among category users, the incidence of reporting any such "talking about" ranged from a low of 21% for dry cleaning/laundry services to a high of 80% for a car or other vehicle.

Talked About Brands in Past Month (*Or Prior to Purchase for Durable Goods)



Consumers talk about what is fun: vacations, movies, and dining out. They talk about their toys: cars, iPods, and chainsaws.

Consumers are much less likely to talk about grocery products or routine home and personal maintenance.

The dollar value of the product is associated with the extent of WOM activity to some degree. But a \$10 movie is much more chat-worthy than a \$40 drill, and a \$20 bottle of wine is good for more conversation than an \$80 overcoat.

Jeans is often cited as a category where WOM is everything. At least among adults, however, there is no more conversation about jeans than there is about children's clothing. Nor do adult women make a point of discussing lingerie all that often.

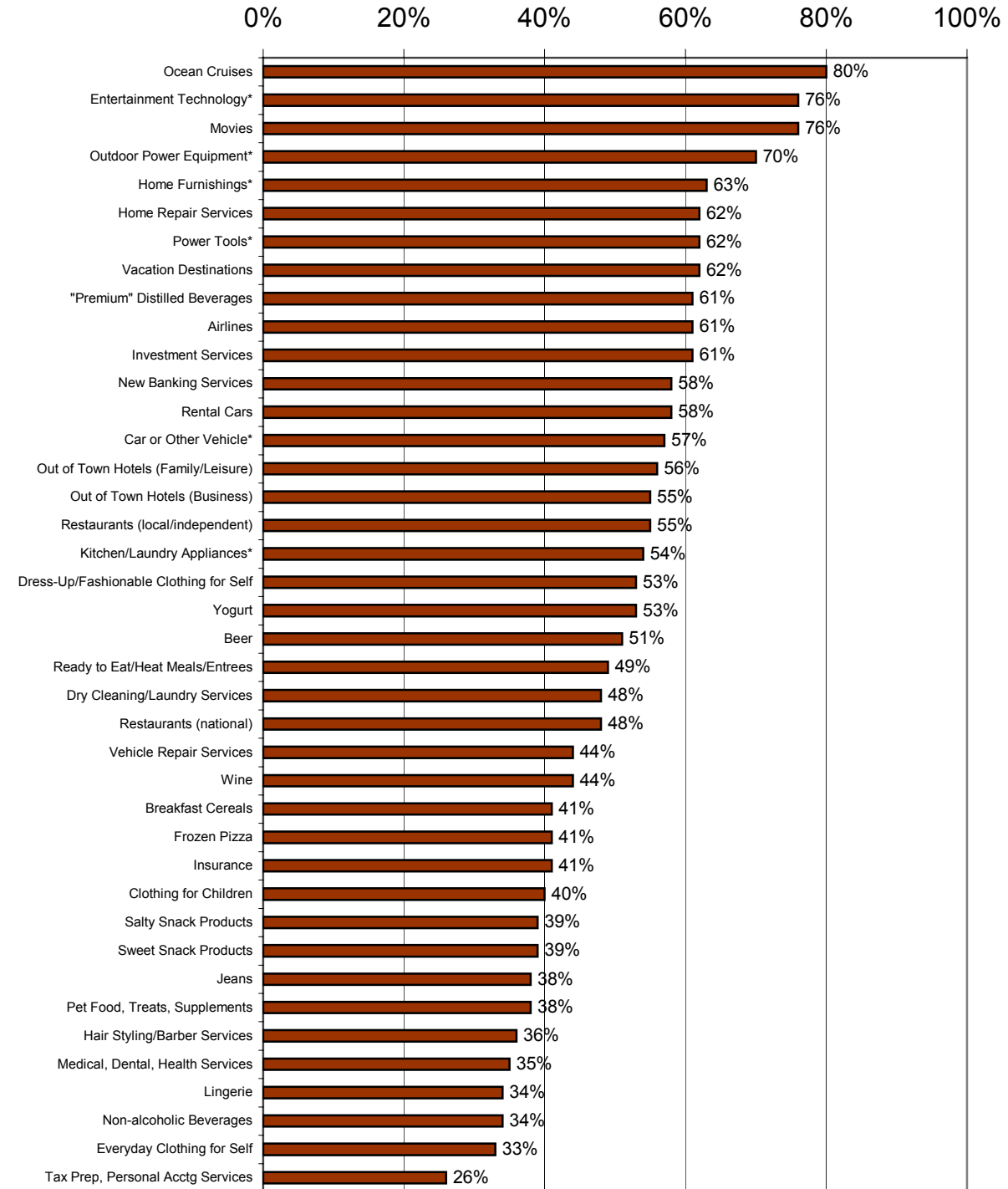
Before expecting to benefit from WOM around your new product, it is also essential know the degree to which consumers actually use WOM as a basis for their purchase decisions. Truth be told, they may not really know (or admit) that degree of influence. But once again differences across categories are striking.

For randomly selected products that they now use, participants in the survey were asked to think about a recent purchase. Which of these, they were asked, were influential in terms of what they bought or seriously considered?

- ❖ Things they heard from other people including conversations, but also what they read in e-mail, blogs, etc.
- ❖ Seeing other people using, considering, or interacting with the product
- ❖ Things they read in magazines, newspapers, or websites that were not advertisements.
- ❖ (None of these)

A rough measure of the ultimate sway of WOM is simply the percentage who selected any of the first three options.

WOM Was An Influence In Recent Purchase



There are similarities to the rankings in terms of the incidence of WOM, but differences as well.

Consumers do not routinely talk about home repair services—until they need them. Then the opinion of others is an important driver.

The driving factor is not simply cost; WOM is of more than average influence in the purchase of vehicles, but other categories rate higher. It is not life-and-death risk, as medical services rate lower than yogurt.

It is not just a matter of product complexity. WOM seems more influential in the purchase of beer than of wine, than in selecting banking services than accounting or tax preparation help.

In conclusion, the rank order has some intuitive qualities, yet would be hard to predict from prevailing theories about WOM. This is all the more reason for looking before leaping into a plan that assumes WOM will carry your new product to glory.

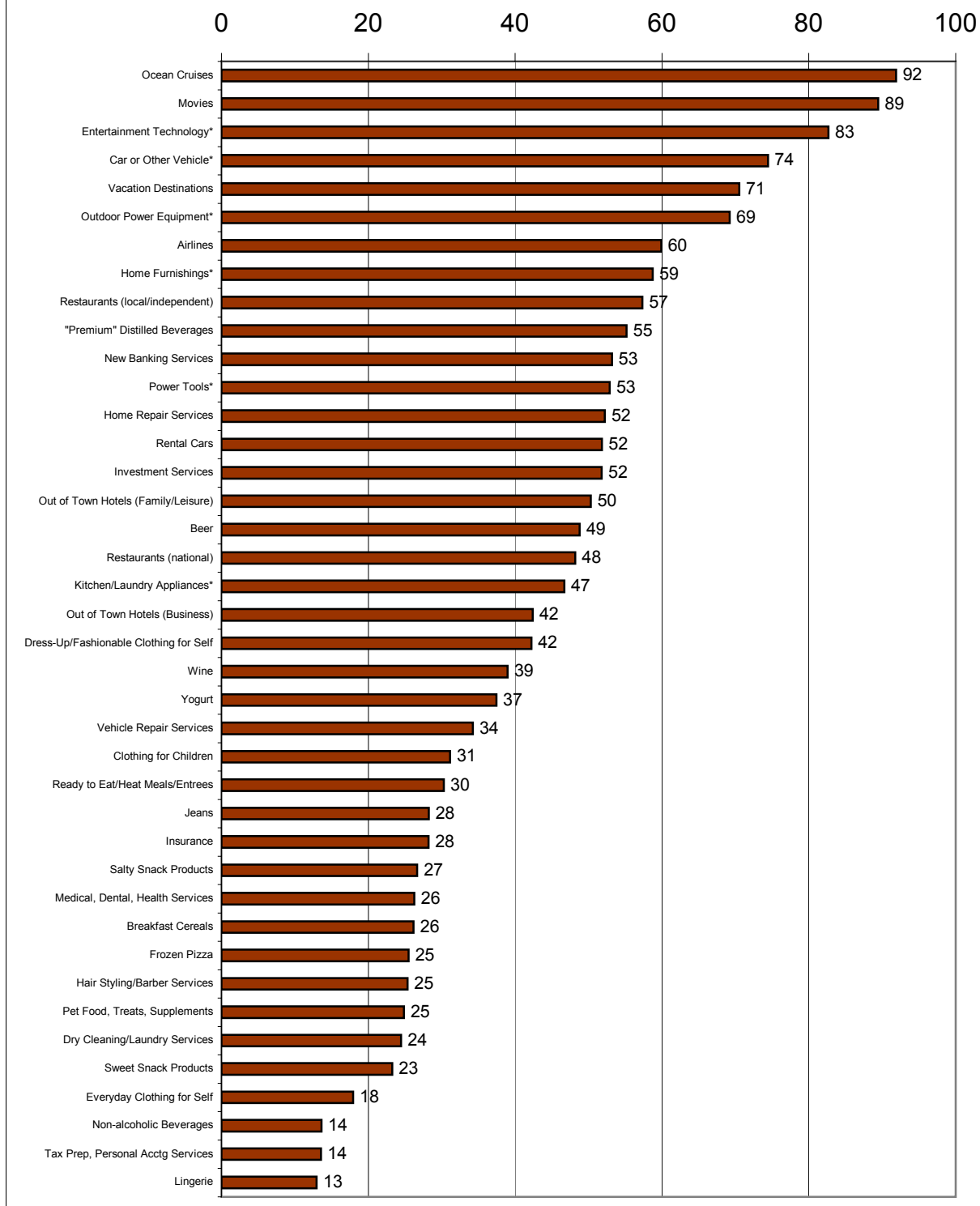
A master index . . .

Finally, we present an index of the potency of WOM across the categories. It gives a weight of 40% to the incidence of "talking about" the category, and a weight of 60% to the incidence that WOM was influential in purchases.¹

The maximum possible value of the index is 100, but this would only occur if the same category had both the highest incidence of WOM ("talking about") and the highest level of WOM influence.

¹ Min_T = lowest observed incidence of talking about
Max_T = highest observed incidence of talking about
Min_I = lowest observed incidence of influencing
Max_I = highest observed incidence of influencing
Cat_T = incidence of talking about for this category
Cat_I = incidence of influencing for this category
Index = .40 * ((Cat_T-Min_T)/(Max_T-Min_T)) + ((Cat_I-Min_I)/(Max_I-Min_I))

Master Index of WOM Potency by Category



At the very top are ocean cruises. This is a narrow segment (only 5% of the sample had taken one in the past six months), but people talk. Virtually tied are movies. Interest is clearly driven by what people hear from others.

By and large, packaged goods are at the bottom. The clear exception is what we labeled "premium distilled beverages" such as vodka or Scotch. The role that WOM plays in this specialized category is well-known.

Yet the index suggests that wine gets no more traction from WOM than do dry cleaners. And at least among adults, jeans are subject to little more WOM effects than children's clothing.

Conclusions

- ❖ Consumers often talk about the products and services they use, and are influenced in their choices by the opinions of others.
- ❖ Categories differ widely in both the incidence and the influence of WOM.
- ❖ Just because consumers frequently share opinions about a category does not assure that WOM will also be highly influential.
- ❖ There is no simple explanation for which products are strongly driven by WOM and those that are not.
 - Low-priced packaged goods tend not to depend on WOM.
 - Some combination of high price, risk and entertainment value often—but not always—distinguishes categories where WOM is most potent.
- ❖ This study provides norms or benchmarks for the incidence, influence and overall potency of WOM in a variety of consumer categories.
 - Planning for brands in these categories needs to recognize both the potential and limitations that go with those categories.
 - We recommend similar testing to determine where on the continuum other categories fall.
- ❖ The category ranking on WOM is not destiny, but it is still a major parameter that needs to be recognized during planning.

About the Study

These data come from an online survey conducted in September 2005 with 814 members of a national research panel of adults. There were no restrictions on eligibility.

Of the sample, 49% were female and 51% were male. The median age was 44 and the median household income was \$55,100.