



ifwom

Institute for Marketing and Word-of-Mouth Research. www.ifwom.com

The effectiveness of Word-of-Mouth

ifwom has tracked **more than 60 WOM campaigns** across **8 different European countries**.

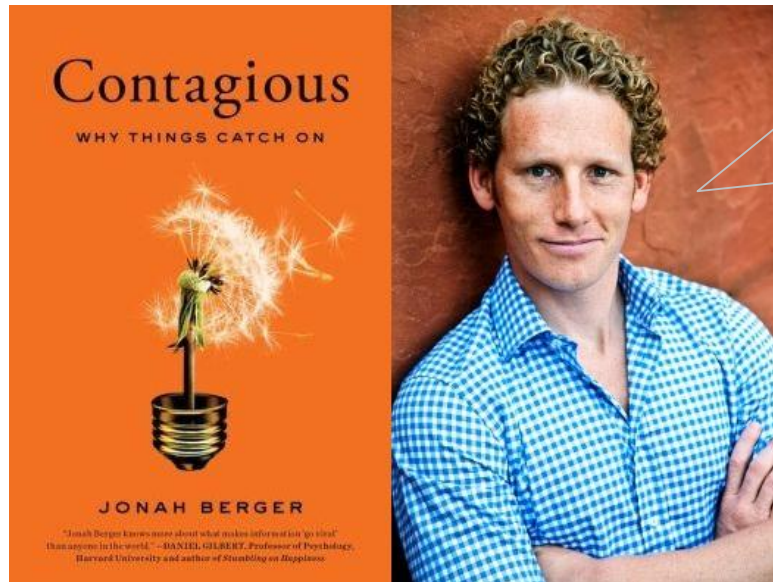
Reference clients:



The effectiveness of WOM

Introduction

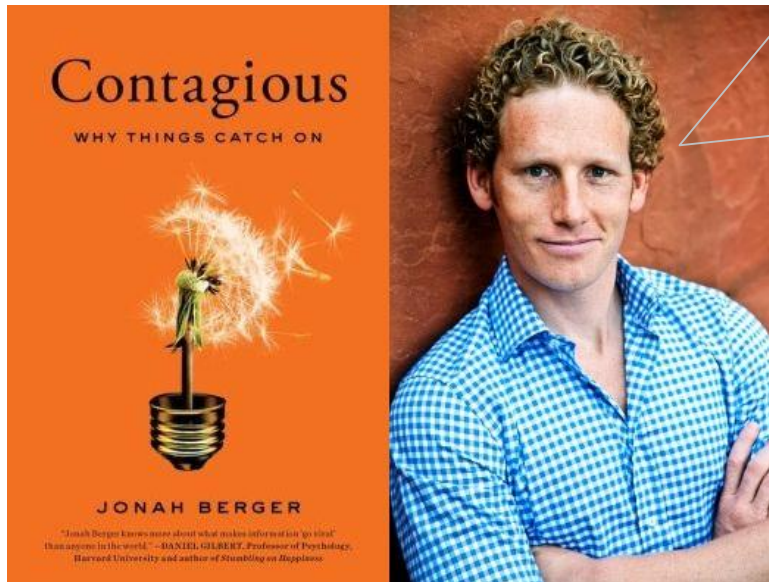




"Word of mouth is 10 times more effective than traditional advertising."

Jonah Berger, 2014, "The Fascinating Psychology behind Word-of-Mouth Marketing", SXSW, Article by Nicole Carter, <http://www.inc.com/nicole-carter/jonah-berger-marketing-word-of-mouth.html>





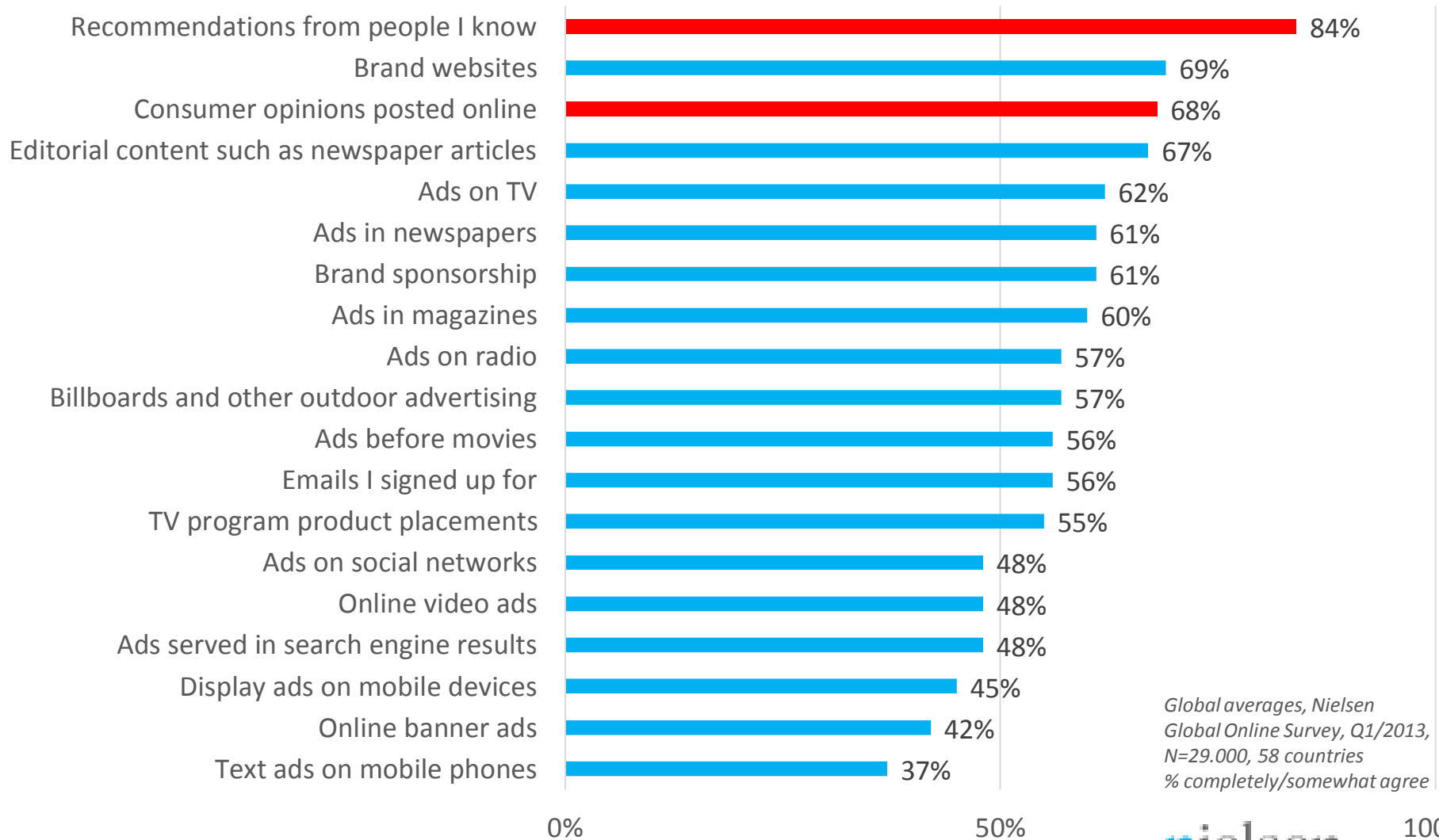
“We are more likely to trust our friends. And when we share, we select people who we think would find that given piece of information most relevant.”

So, word of mouth tends to reach people who are actually interested in the thing being discussed.”

Jonah Berger, 07.07.2013, “Jonah Berger Talks about the Science of Word of Mouth”, MSI Marketing Science Institute, www.msi.org



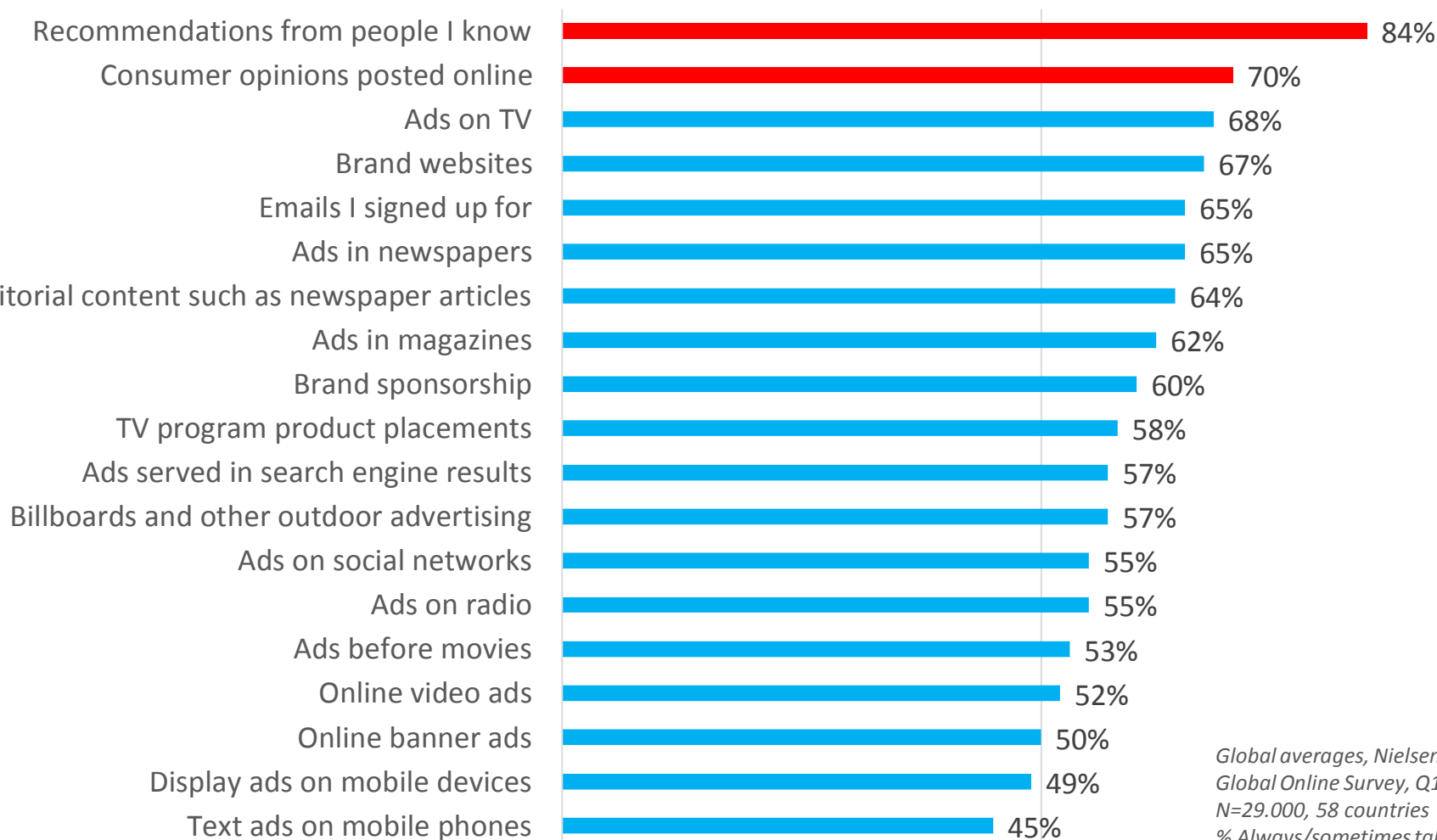
To what extent do you trust in the following?



Global averages, Nielsen
Global Online Survey, Q1/2013,
N=29,000, 58 countries
% completely/somewhat agree



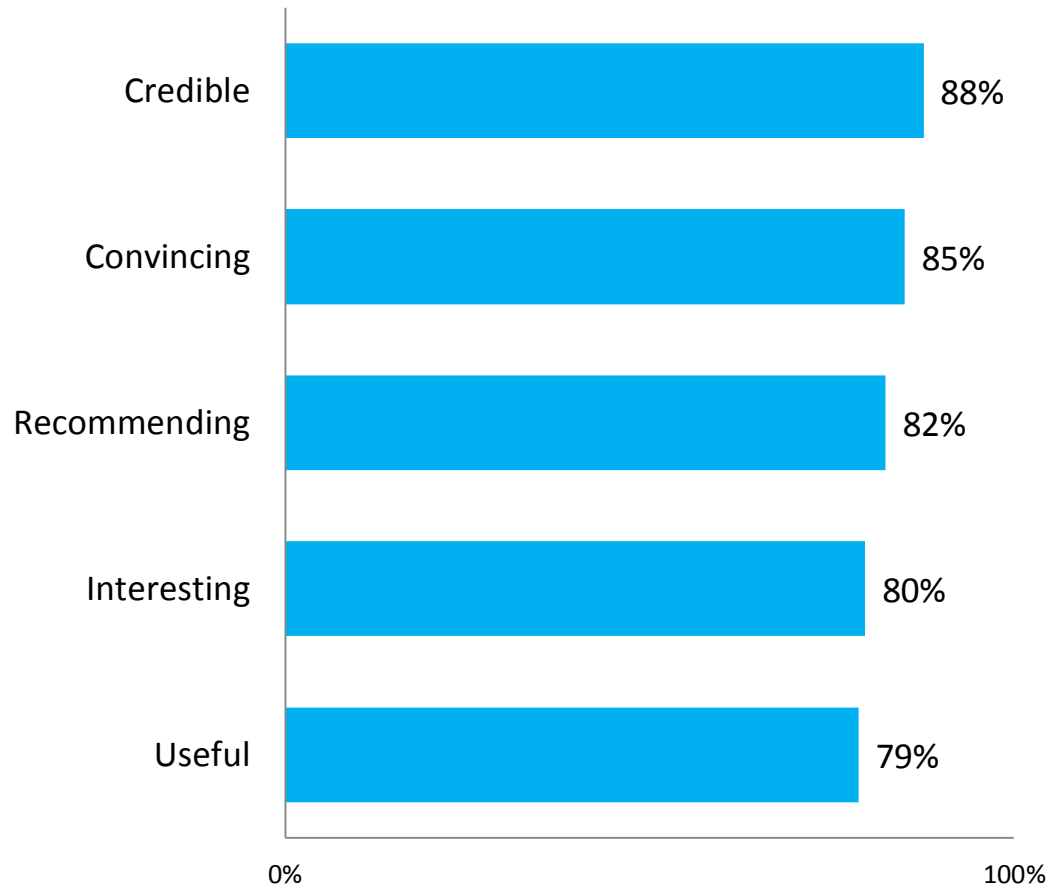
How often do you take action based on the following?



Global averages, Nielsen
Global Online Survey, Q1/2013,
N=29,000, 58 countries
% Always/sometimes take
action



WOM Power as perceived by WOM recipients

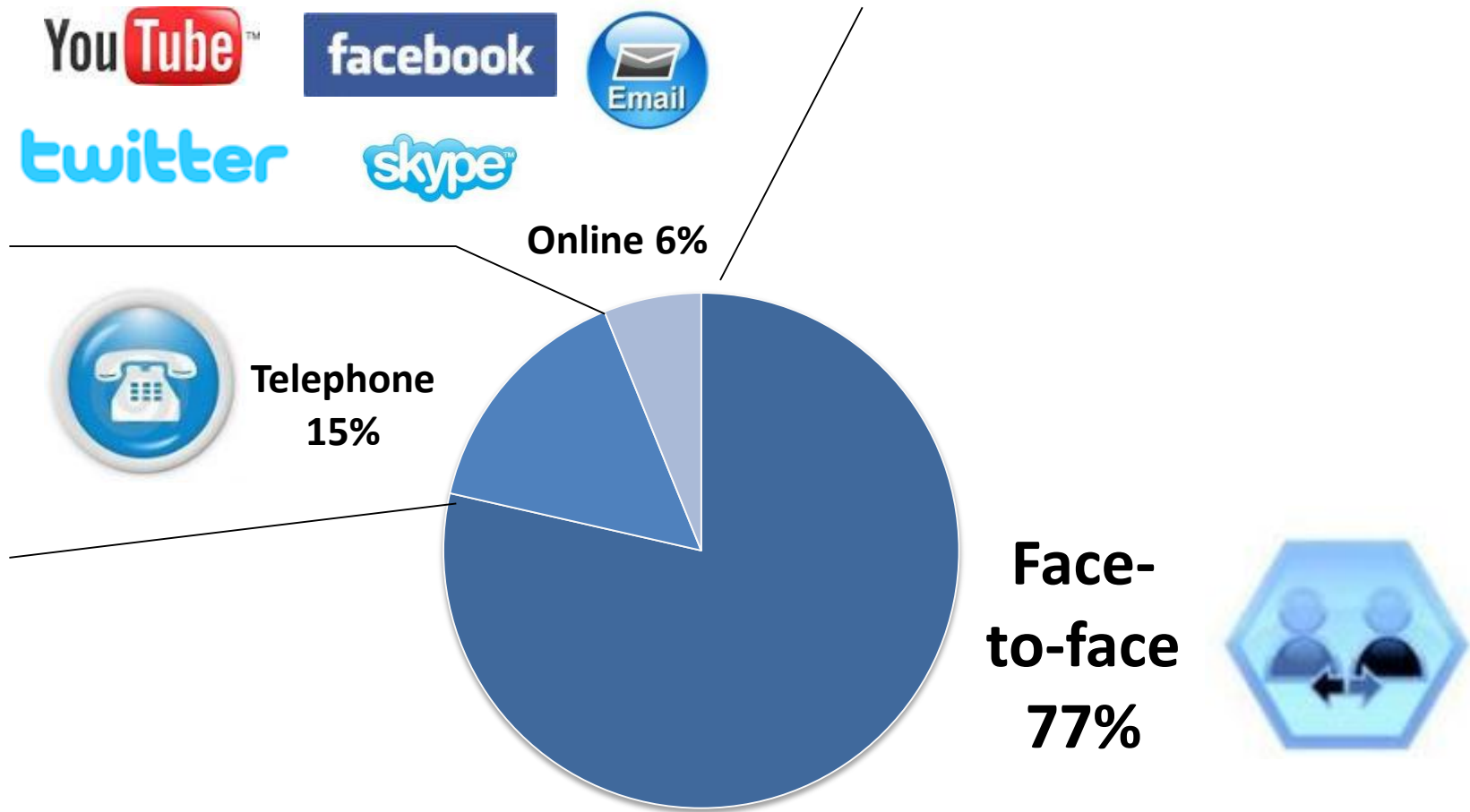


- The WOM sender is vital in spreading the message to his/her conversational partners.
- WOM's particular strength is that it's perceived to be a trustworthy and impactful form of communication, which spreads to people interested in the topic.

Averages from 30 Ifwom studies in 2012-2014, N=24.593, 5 countries, % completely/somewhat agree



About 90% of Word-of-Mouth happens offline



Base: Brand conversations across all categories (n=186,239)
Source: TalkTrack®, October 2008 – September 2009



The effectiveness of WOM

1. How to measure WOM effects?

- 2.1 Marketing Mix Modeling (MMM)
- 2.2 Cross Media Study



What is Marketing Mix Modeling?

Marketing mix modeling (MMM) is a term of art for the **use of statistical analysis** such as multivariate regressions on sales and marketing time series data **to estimate the impact of various marketing tactics** (marketing mix) **on sales** and then forecast the impact of future sets of tactics.



MMM is the de facto measurement approach for Marketing performance

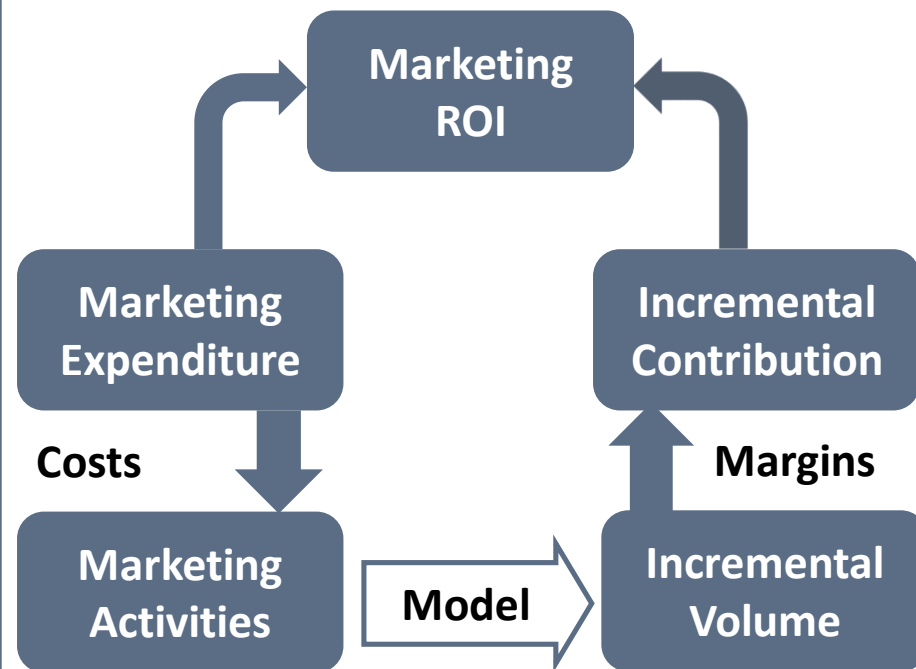
What does MMM do?

Marketing Mix Modelling applies statistical processes to determine:

- The factors that drive sales
- The relevant importance of each of these factors
- Return on investment (ROI) for various activities
- The optimal mix of spending in each of the activities

➔ Marketing Mix Modeling (MMM) has arguably become the de facto measurement approach for marketing performance.

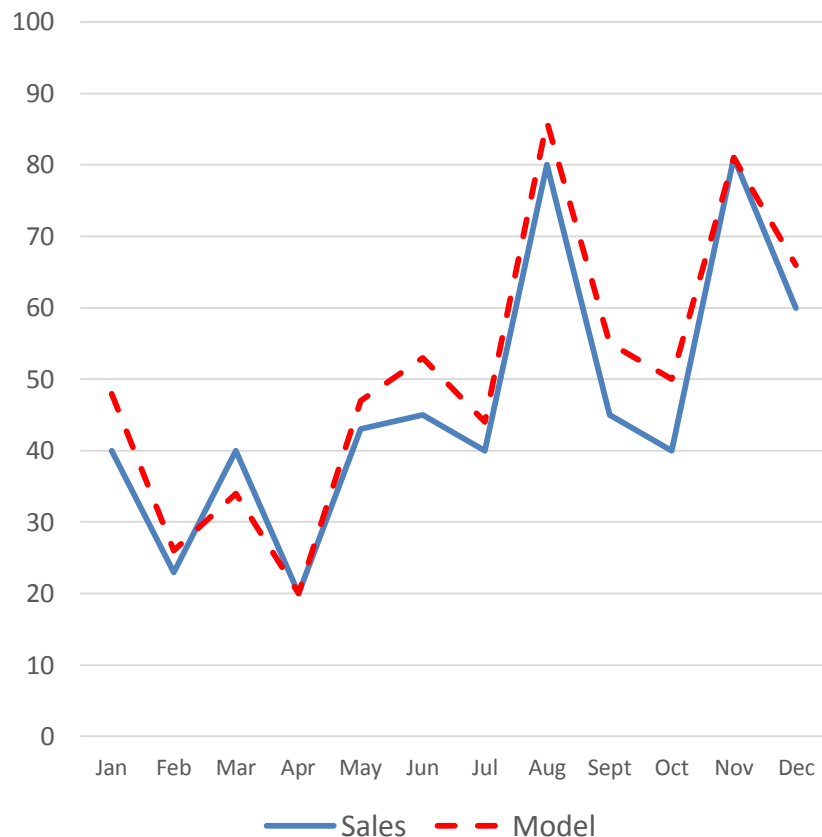
Determine ROI



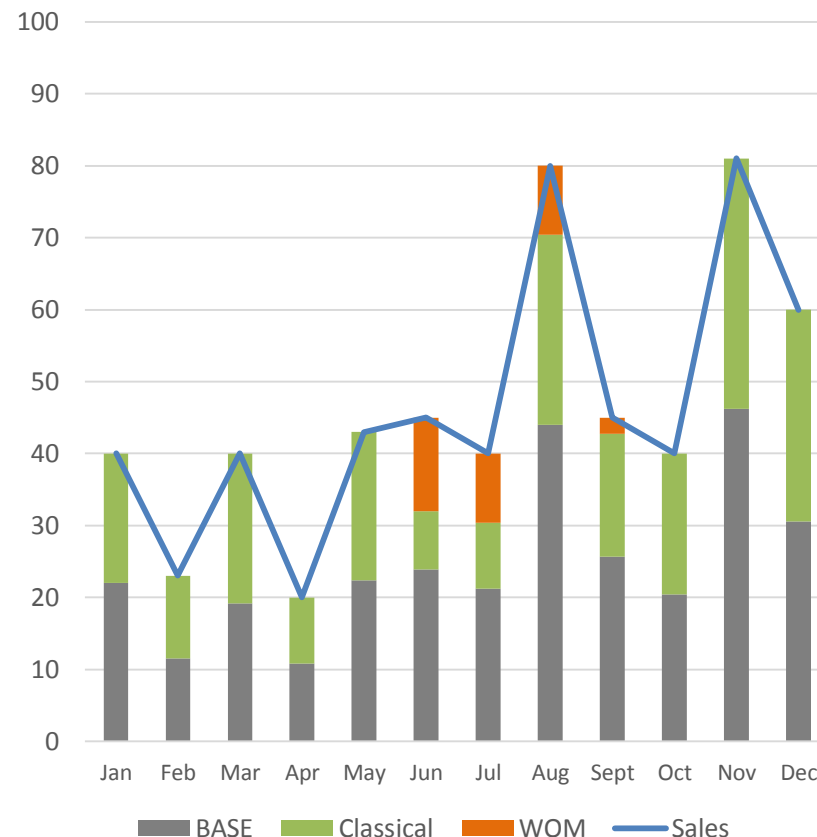
How MMM works ...

Marketing Mix Modeling (MMM) is a form of statistical analysis (most often based on a Log-Log Regression) which tries to estimate the individual influence of (several) marketing activities on sales based on historical data.

1. Fit a model to minimize errors



2. Calculate contributions of activities



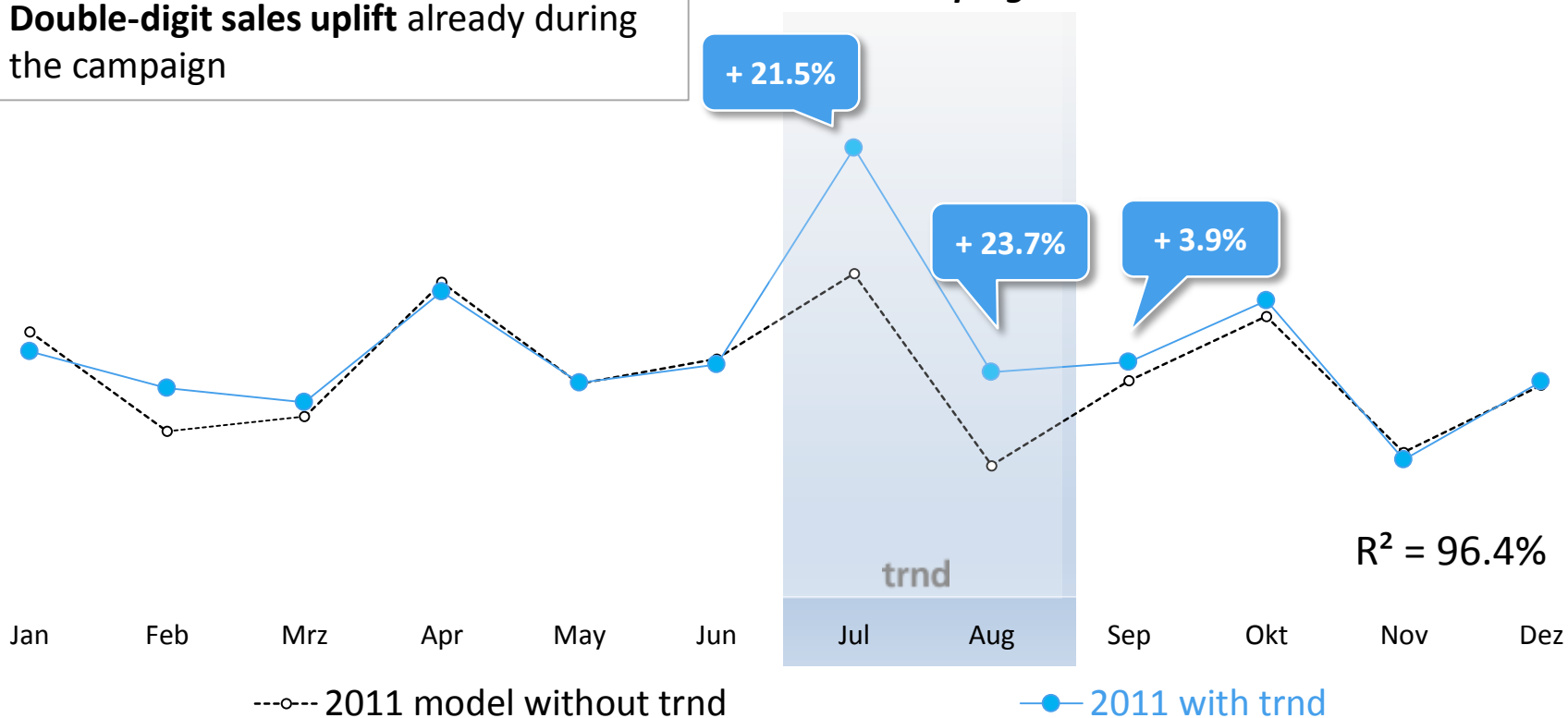
Example result: Huge sales uplift for a cola brand



Key Results:

- **1.000** Brand Advocates
- **1.182.110** real life **conversations**
- **Double-digit sales uplift** already during the campaign

trnd campaign



based on Nielsen Data

nielsen



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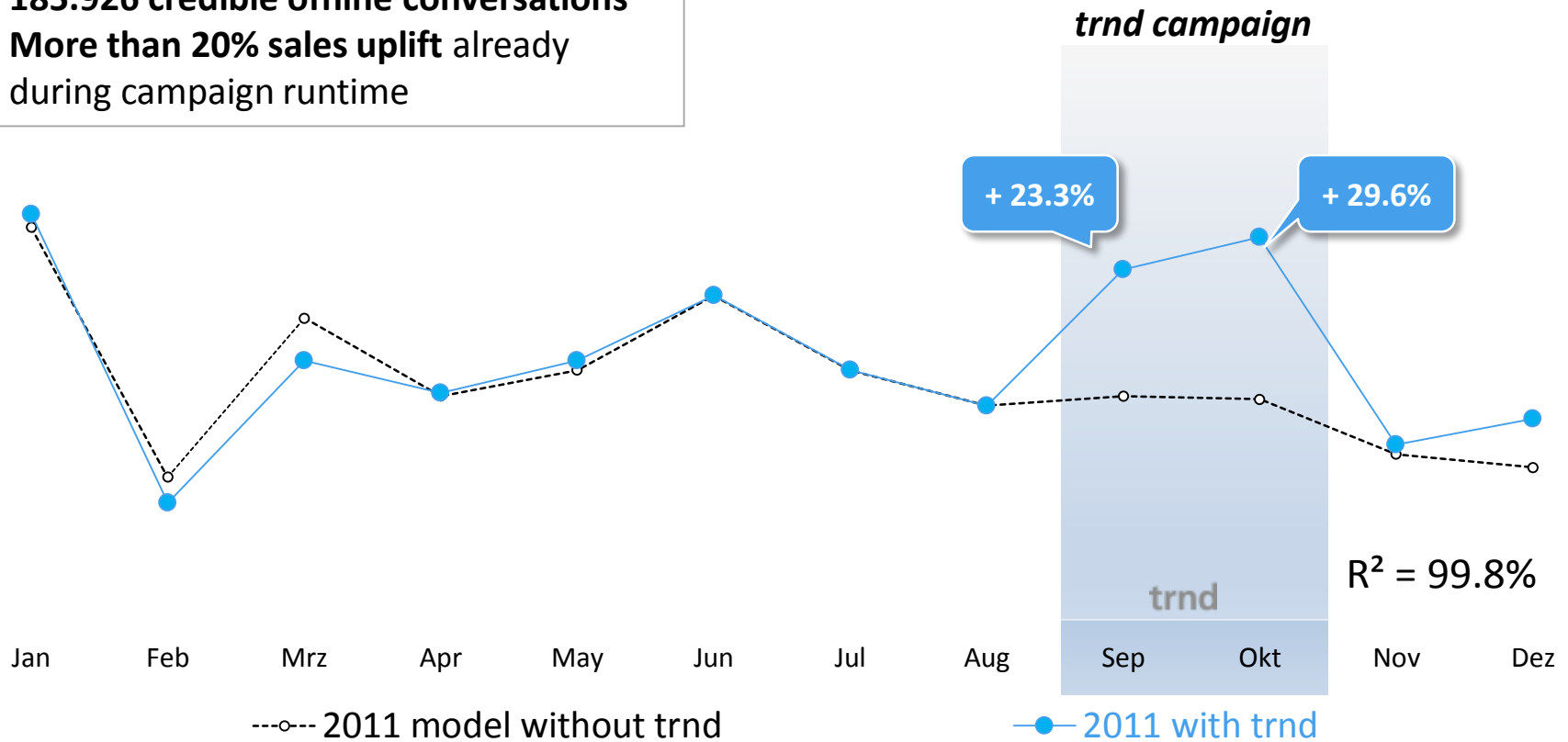
2.1 | The effectiveness of Word-of-Mouth - MMM

Example result: sales uplift for a toothpaste



Key Results:

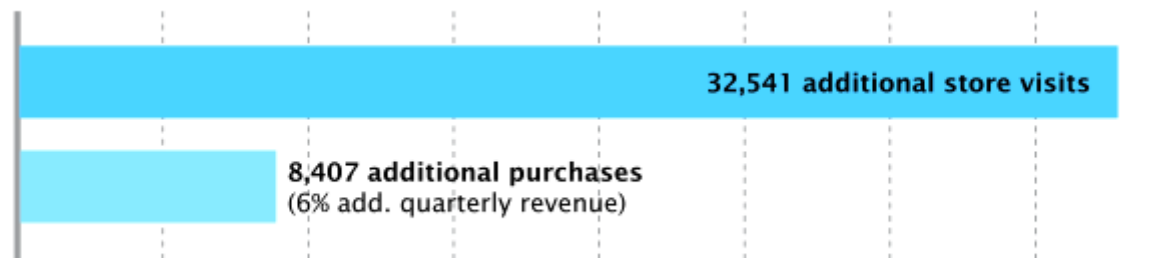
- **1.000** Brand Advocates
- **185.926** credible offline conversations
- **More than 20% sales uplift** already during campaign runtime



based on Nielsen Data **nielsen**

Key Results:

- **32,541** additional store visits.
- **8,407** additional sales transactions.
- **6% additional revenue** for the whole quarter (modeled only during the campaign - does not include longer-term loyalty effects from returning consumers).



Example Result: Average ROI of 3,93 € for 11 campaigns

Results:

- 9 out of 11 trnd campaigns immediately led to a positive ROI.*
- 5 out of 11 trnd campaigns had a positive ROI > 1.
- 4 out of 11 trnd campaigns had a large ROI > 5.
- 3 out of 11 trnd campaigns had a superb ROI > 10.
- **Average ROI over all campaigns was 3.96 €.**



The marketing mix model:

Based on 3 years of national Nielsen data for 8 product lines and trnd WOM activity data for 11 trnd campaigns, a Nielsen's Scan Pro type marketing mix model estimated the immediate impact of a trnd campaign on sales and ROI.

* The other two distributed so many samples that the market was literally flooded with the product, so the effect can only be seen over time.



So, does it mean we can always measure sales impact???

What can be measured - and in what detail - is limited by a number of factors. No model can measure everything!



It's not easy to always measure a sales effect via MMM

Strength

Weaknesses

MMM is an established technique

MMM provide a direct indication of the ROI

It provides actionable insights

Is suitable to do "what ... if .." scenarios

MMM only accounts for short term effects

MMM favors immediacy effects (works better with in-store elements)

MMMs are biased in favor of time-specific media

Activities need to be big enough

Depends on data availability, quality & granularity

Does not work for product innovations (no historical data to train model!)

Products need to have a certain repurchase rate & distribution must be well organized.

Depend largely on external factors (other media, competition, seasonality)



The effectiveness of WOM

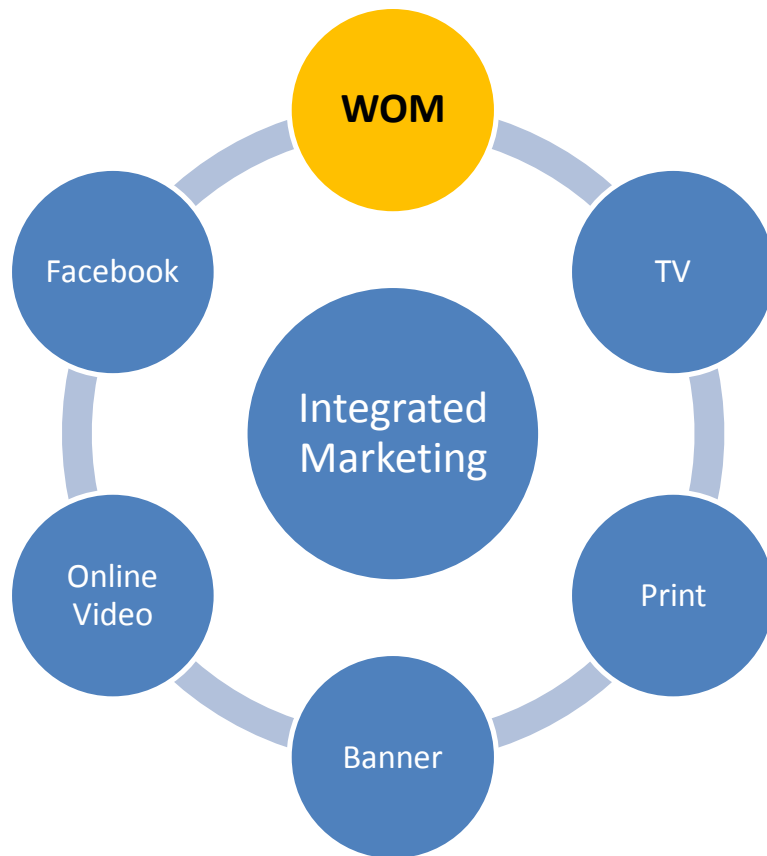
2. How to measure WOM effects?

- 2.1 Marketing Mix Modeling (MMM)
- **2.2 Cross Media Study**



WOM is usually part of the Media Mix

The majority of Word-of-Mouth campaigns are run in conjunction with other media. We wanted to assess how WOM campaigns can enhance the effectiveness of media advertising campaigns.

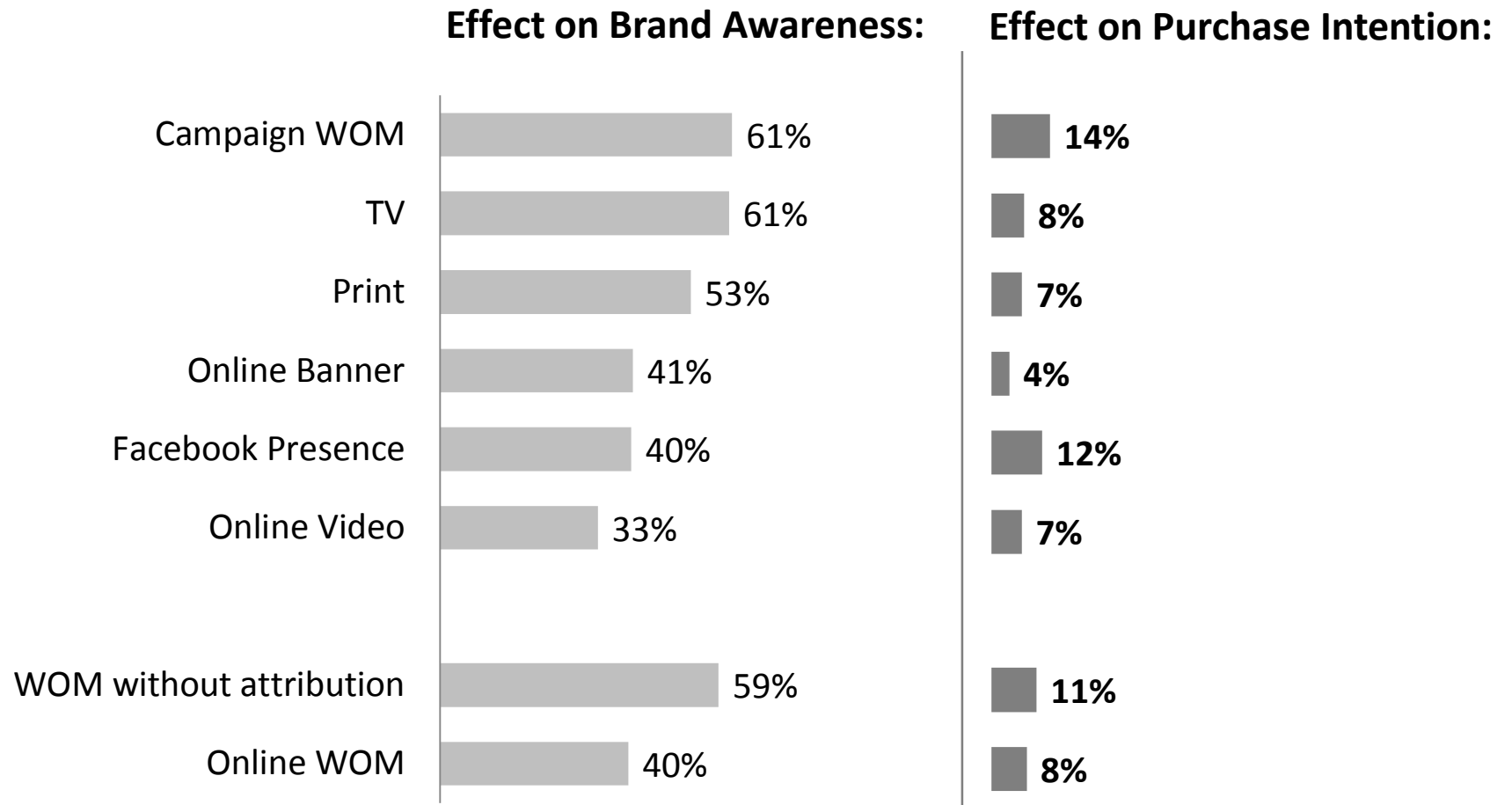


- Series of large-scale surveys in which we polled a total of **27,563 consumers** about their media exposure, product impressions, and about the word of mouth they have received.
- The surveys covered **three brands** for which word-of-mouth campaigns had been run, as well as advertising in various media.
- The respondents were asked to **reveal** which **WOM incidents and advertisements** from the brands **they could recall**, and to peg their attitudes and opinions of the brands in question.



WOM is the most powerful communication channel.

Word of mouth stands out as the most impactful communications channel of all the media. The study reproduces insights that have been collected and repeated over decades in academia and research: Word of mouth is the most powerful communications channel in almost every market.

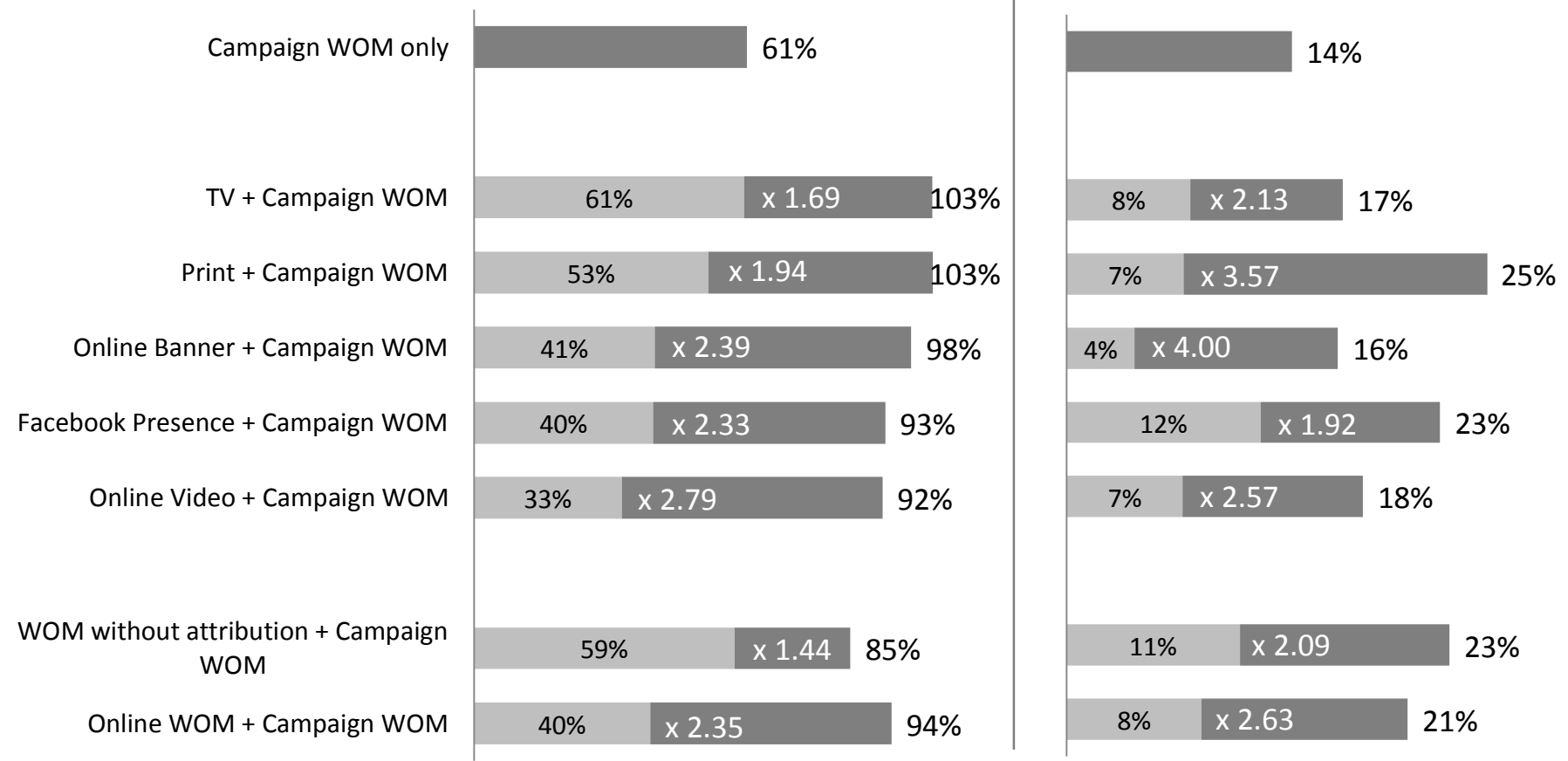


WOM effectively and significantly boosts other media.

It is, however, interesting to note to what extent WOM can boost the effectiveness of other media with the consumers that are reached by it.

Effect on Brand Awareness:

Effect on Purchase Intention:



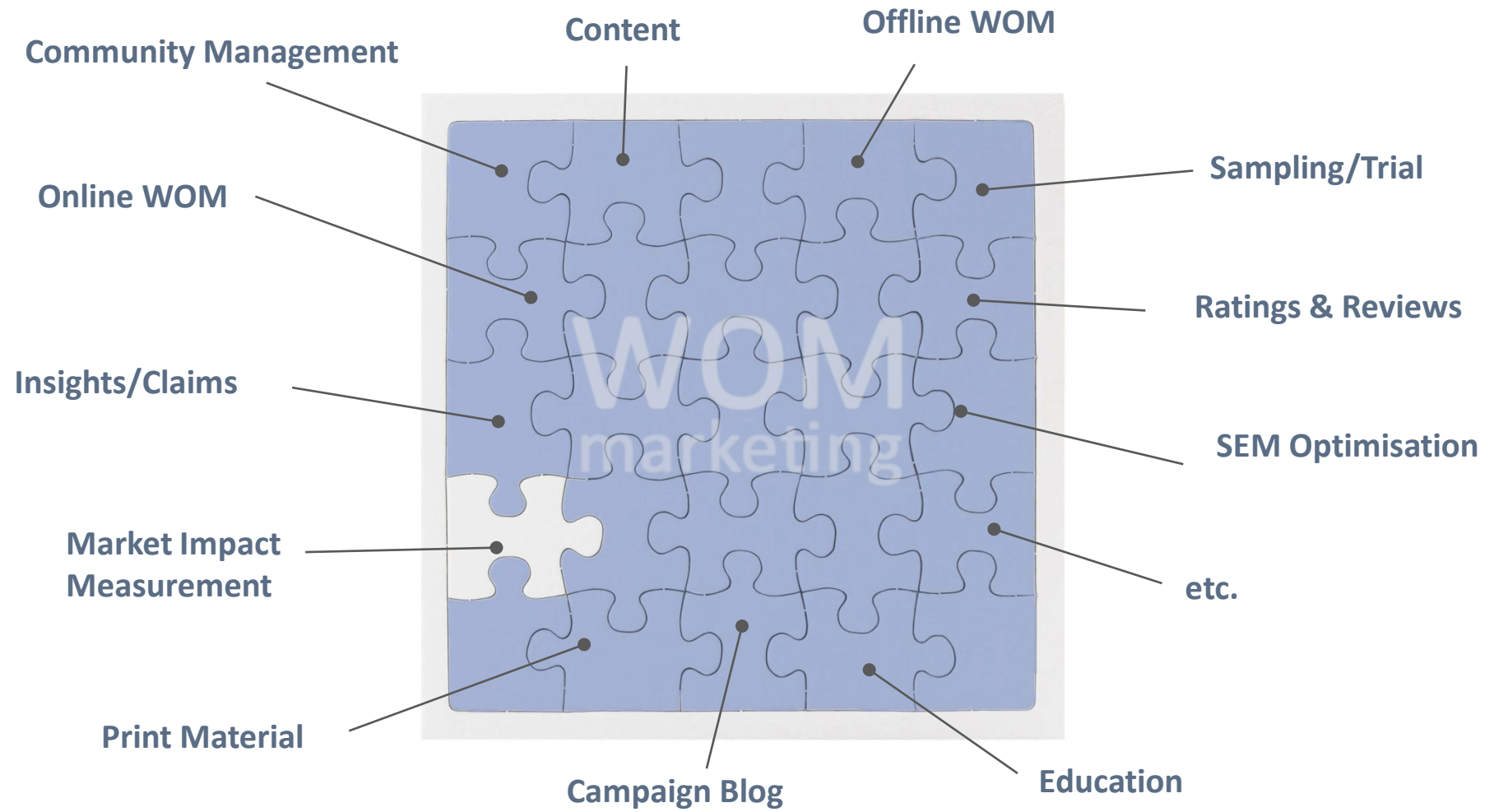
The effectiveness of WOM

3. WOM is more than sales impact!



3 | The effectiveness of Word-of-Mouth – Additional Outputs

WOM has various outcomes hardly ever measured





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