Word of mouth's ability to spark sales has marketers talking

by Gregg Cebrzynski

Word of mouth, or "advocacy marketing," generated $3.3 billion in sales for casual-dining restaurants during the past year, according to a new study, upholding the belief by marketing experts that the practice is playing an increasingly important role in generating business.

Among the most significant findings of the online study, conducted by Boston-based research firm Chadwick Martin Bailey, was that 27 percent of the U.S. population had eaten at restaurants based solely on the recommendations of friends, neighbors or relatives. They spent an average of $50 per visit, according to the study.

In addition, 47 percent of the more than 1,000 respondents in the survey said they had recommended full-service, casual-dining restaurants to others during the past year.

The implication for the restaurant industry is that managed word of mouth — in which store managers encourage patrons to spread the information they'd like to see spread — can lead to significant incremental sales, according to Judy Melanson, travel and hospitality practice leader at Chadwick.

"They can create some special presentations to get people talking," she said.

The study measured consumer advocacy in the travel and hospitality category, which in addition to restaurants includes airlines, upscale hotels, casinos, amusement parks, vacation resorts, cruise lines and timeshares.

Advocacy was strongest in the restaurant industry, according to the study. Chadwick defines an advocate as someone "driven by a heartfelt belief that you should buy a product and are ready, willing and able to explain why."

The percentage of consumers who chose a restaurant based on someone's recommendation was so high probably because the decision carried lower risk than picking a cruise or vacation resort based on word of mouth, Melanson said.

Deciding to take someone's recommendation for a restaurant comes down to a matter of trust, she said. In the end, consumers trusted the friend or neighbor who recommended the restaurant's food quality, service and even the design of the building, Melanson said.

The effectiveness of word of mouth, which Melanson said has long-term effects, probably doesn't extend to quick-service restaurants because they're driven more by short-term promotions, she said. Fine-dining restaurants, however, probably benefit from advocacy to the same degree that casual restaurants do.

"As you go up in spending per person, that advocacy would become increasingly important," she said.

Buzz campaigns and viral websites have become staples in generating word of mouth, but Melanson said her firm differentiates advocacy from buzz and viral marketing, which she said have only short-term effects.

"Buzz is short and may be fun while it lasts, but it's trendy," she said. "It burns bright, but it burns out quickly."

Cold Stone Creamery has built its marketing program on word of mouth since the chain was founded in 1988 and recently has been trying to make it a more formal practice than just waiting for it to happen, according to Jon Gabriel, communications manager for the Scottsdale, Ariz.-based chain, which has grown to more than 1,000 units.

"Word of mouth in the past has been almost random or serendipitous," he said.

That changed in 2001, when the chain launched what Gabriel said was a more planned effort to spread the word about the brand. A "Summer Survival" promotion, based on the "Survivor" TV show, offered free ice cream to anyone who could finish a blend of chocolate-covered crickets and ice cream.
This took place when Cold Stone, then a regional brand of 130 units, wanted to go national and grow to 1,000 units within four years. Wire services picked up the story, which ran nationally.

"It was a funny story, and it really made people, whether they're in Montana or New York City, get to know the brand," Gabriel said. "That helped the conversion from a regional concept to a national brand. The story explained what Cold Stone Creamery is."

Chief brand officer Joe Kendra said word of mouth is so important to Cold Stone Creamery because its strategy is based on the belief that what people say about the brand is more important than what chain executives say about it. Cold Stone participates in community and charitable events to generate word of mouth about its products. It sponsors a most-valuable-player award for kids' baseball and soccer teams and hosts fund-raising nights.

"We tie into what customers are interested in," Kendra said. "It's been a primary driver to build the brand."

Cold Stone shuns mass-market-media advertising, he said, because "we live in a very educated society. People understand that TV [advertising] is entertainment and it doesn't really say what's truly coming out from the brand."

The increasing importance of planning and managing word-of-mouth-marketing and measuring results led to the formation of WOMMA, the Word of Mouth Marketing Association, in May 2004.

Cold Stone Creamery is a member of the association. "What impressed me with WOMMA was the establishing of [measurement] metrics," Gabriel said.

Word-of-mouth marketing "has always been an important part" of the marketing mix, but with the advent of blogs, e-mail and text messaging "you can measure it," said Andy Sernovitz, chief executive of WOMMA.

Marketers can measure response to a blog campaign, count the inquiries they receive after launching a viral e-mail campaign, and count text messages. After that, Sernovitz said, "it's fairly straightforward to estimate how much talk is happening offline."

WOMMA offers seminars and conferences on how to measure results from word-of-mouth efforts. It also exists to teach marketers the ethics of word-of-mouth campaigns, Sernovitz said.

Hiring employees of "buzz agencies" to pose as consumers and sending them to talk about a product and service, without revealing that they're paid pitchmen, is unethical, he said. It's not pervasive, he added, but it's been done.

True word of mouth involves "real people talking to each other," Sernovitz said.

The evolution of word of mouth is evident to Steve Hall, founder of a website that monitors advertising. "Word of mouth has been around ever since the first caveman grunted to another caveman," said Hall, editor and publisher of adrants.com, which provides news and opinion on marketing and advertising. "Marketers are now harnessing it and facilitating it and lighting a spark under it."

That's why viral websites and buzz-marketing campaigns have become more common during the past several years, Hall said, as marketers try to reach customers that traditional advertising cannot.

"What has happened is that typical, regular media has either stopped working or become too expensive," Hall said. "Media has become so fragmented that you can't reach that many people with the same amount of money as you once did. Word-of-mouth and viral [marketing] does make sense."

Another reason that word of mouth is growing more popular is that some marketers are "grasping at straws a little bit," he said, trying to find something to improve the effectiveness of their marketing campaigns.

Although Hall believes in the power of word of mouth, he said its potential effectiveness could be overstated by the buzz agencies that have sprung up recently.

"A lot of it is chest beating," he said. "The people behind this have a financial stake in this. They're going to verbalize in a way that makes them sound better. Half of what they say is true, and half is selling."

Organized word-of-mouth programs are relatively new, and case studies and documented sales results will determine their future, he added.

"It's got a long way to go," he said. "I'm optimistic that it will turn into an everyday practice. I think a lot of the kinks need to be worked out."

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