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# The Eight Pillars of WOM management: Lessons from a multiple case study

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ABSTRACT

Although word-of-mouth (WOM) has long been seen as an important influence on customer attitude, intention and behavior, very little is known about how, if at all, organisations manage this phenomenon. This paper reports how a sample of service organisations manages WOM. Using a case study approach, we find that there is a widespread appreciation that WOM influences organisational performance indirectly through its impact on customer acquisition, customer loyalty, and organisational reputation. However, our sampled organisations devote considerably more attention, energy and resources to the mitigation of the effects of negative WOM than to the promotion of positive WOM. Two particular processes dominate in this regard – complaints management and crisis management. We find that positive WOM emanates from many organisational influences including, *inter alia*, the product or service itself, innovation, service-beyond-expectation, networking, external suppliers and communication practices, including advertising and public relations. We present a new model, dubbed *The Eight Pillars of WOM*, that can be used to identify, interrogate and manage organisational processes that influence both negative and positive WOM.

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## 1. Introduction

There is growing contemporary interest, both in the business community and in academia, in the influence of word-of-mouth (WOM) on organisational performance. However, little is known about how, if at all, organisations manage WOM. We therefore undertook research in a sample of service organisations to shed light on this question. Previous research, which we explore in more detail below, indicates that WOM can influence customer-related and broader business outcomes, suggesting that in principle, there may be merit in taking a more systematic view of the management of WOM. We also show that research evidence of contemporary WOM management practices is scarce. For example, while it is generally agreed that WOM is a leading source of new customers for many organisations (Kelly, 2007; Rosen, 2000; Stokes and Lomax, 2002; Wilson, 1994) little is known about whether or how service companies have incorporated WOM into their customer management activities (Buttle, 1998). Using a multiple case study of three Australasian organisations, our research sets out to find out how, if at all, organisations manage WOM.

## 2. Literature review

WOM has been widely researched across many decades (Bauer and Gleicher, 1953; Dichter, 1966; Trusov et al., 2009; Whyte, 1958) becoming more prominent since the 1970's. More recent publications signal increasing interest in WOM (Dye, 2000; Gladwell, 2000; Godes and Mayzlin, 2009; Godin, 2001; Rosen, 2000; Silverman, 2001), with the Internet sparking further attention (Brown et al., 2007; Dellarocas, 2003; Godes and Mayzlin, 2004; Litvin et al., 2008; Thomas, 2004; Vilpponen et al., 2006). Yet despite the strong interest, important knowledge gaps remain, particularly in the management of WOM.

Defined as informal person-to-person communication between a perceived non-commercial communicator and a receiver about a brand, a product, a service or an organisation (Anderson, 1998; Buttle, 1996; Sen and Lerman, 2007), WOM gains persuasiveness through a higher perceived credibility and trustworthiness (Buttle, 1998; Chatterjee, 2001; Godes and Mayzlin, 2004).

The dominant focus of earlier authors is on the positive WOM produced by a satisfied customer communicating with a prospect (Blodgett et al., 1993; Bowman and Narayandas, 2001; East et al., 2008; File et al., 1994; Richens, 1983; Sonderlund, 1998; Swan and Oliver, 1989; Westbrook, 1987). Thus, PWOM is usually seen as a potential source of new customers (Kelly, 2007; Rosen, 2000; Stokes and Lomax, 2002; Wilson, 1994), particularly in services (East et al., 2005; Engel et al., 1969; Keaveney, 1995; New-

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man and Staelin, 1972; Silk, 1966; Swan and Oliver, 1989), and to a lesser extent as a stimulator of donations in the non-profit sector (Prince and File, 1994).

Particular attention has been concentrated on the antecedents of PWOM, especially the effects of product perceptions (Westbrook, 1987) and quality judgments (Bitner, 1997; File and Prince, 1992; Harrison-Walker, 2001; Hartline and Jones, 1996; Godes and Mayzlin, 2004; Gustaffon and Johnson, 2002; Zeithaml et al., 1996). Other authors have sought to assess PWOM's effect on sales (Biyalogorsky et al., 2001; Godes and Mayzlin, 2009; Kirby and Marsden 2006; Kumar et al., 2007). Another group of researchers has investigated the links between WOM and customer loyalty or organisational profit (Gremler and Brown, 1999; Reichheld, 2003; Zeithaml et al., 1996).

However, on the other side of the ledger, WOM can also be a signal of consumer dissatisfaction (Anderson, 1998; Richens, 1983) or intention to leave (Hart and Heskett, 1990), sometimes resulting in customer churn (Hennig-Thurau et al., 2002). Complaining behavior (Brown and Beltramini, 1989; Buttle and Burton, 2002; Fornell and Wernerfelt, 1987) and negative WOM (NWOM) are important for their potentially adverse impact on business performance (Cheng et al., 2006; Lau and Ng, 2001; Reichheld and Sasser, 1990) and have, as a consequence, been well researched recently (East et al. 2007; Goldenberg et al., 2007; v.Wagenheim, 2005; Winchester and Romaniuk, 2008).

It is understood that not all WOM is driven by customer satisfaction and dissatisfaction (Anderson, 1998). Mangold et al. (1999) identified 10 catalysts that set off WOM. Researchers (Feick and Price, 1987; Goody and East, 2008) have explored product diffusion and the role of influentials (Weimann, 1994), including early adopters (Rogers, 1962), opinion leaders or 'mavens' (East et al., 2007; Feick and Price, 1987; Wiedmann et al., 2001) and their WOM characteristics (Engel et al., 1969; Richens and Root-Shafer, 1988) in the diffusion of innovations (Mahajan et al., 1990). Others have researched retail and employees (Brown et al., 2005; Gremler et al., 2001), referral networks and network effects (File et al., 1994; Granovetter, 1973; Gremler and Brown, 1999; Brown and Reingen, 1987). Rosen, 2000) explored media hubs, and Carl (2006a), Bayus (1985) and Dichter (1966) have considered advertising or sales calls effects. File et al. (1994) discovered that customers' experiences of complaints handling processes influence WOM.

As this review shows, very little research has been conducted into whether or how organisations consciously attempt to manage WOM. There are, however, a few notable contributions. McConnell and Huba (2003), Balter and Buttman (2005) and (Carl, 2006b) have described how marketing practices can be used to promote PWOM, and Mazlin (2006) shows how online marketers attempt to disguise their promotion as consumer recommendation.

## 3. Research question

As the literature review makes clear, there has been considerable interest in WOM across many decades. However, there has been a significant lack of insight into how, if at all, organisations manage WOM. We therefore opted to undertake exploratory research, guided by the following core research question: how, if at all, do service organisations manage word-of-mouth? Subsumed in this question are others: how aware, if at all, are companies of the role and importance of WOM? How, if at all, do companies attempt to generate PWOM? How, if at all, do companies try to control or prevent NWOM? Is WOM a defined organisational responsibility? These were the issues explored during data collection.

## 4. Methodology

Our research approach employed multiple qualitative case studies with a replication design as described by Yin (1994). Primary data sources and collection methods comprised interviews, texts, observation and transcripts – the four classifications outlined by Scapens (1990). Interviews were the principal source of data. Interview transcripts were triangulated with internal documentation and other materials such as company annual reports, newspaper stories, marketing plans and internal memos, and creative communication including television commercials. Discrepancies were identified and clarifications sought in additional interviews.

The research comprised three case studies of companies with operations and offices in Australia, two of these being international head offices. The companies are a regional energy company, expanding its commercial divisions beyond its traditional boundaries, and two multi-national organisations - one from the financial services sector and the other from the non-profit (NP) welfare sector. The NP organisation is reviewed from its donor services perspective. The identities of all organisations are not disclosed, at their request. We gathered data from 54 in-depth and semi-structured face-to-face interviews. WOM was explored from the point of view of different actors in a range of departmental roles, including members of the marketing department, the salesforce (and volunteers) and line management. We performed participant observation (Denzin, 1978) in contexts selected through purposive sampling (Teddlie and Yu, 2007). Adopting the approach of Ferreira and Merchant (1992) the study also ensured there was an attempt to explicitly link the observations to a pre-existing body of knowledge.

An on-going process of data analysis was conducted throughout the research. Two forms of analysis were performed: within-case and cross-case analysis (Daymon and Holloway, 2002). The cross-case analysis, guided by Creswell (1997), brought together the findings and the literature. During this process, we followed Miles and Huberman's (1994) model of qualitative data analysis, using analytical techniques including pattern matching, i.e. word tables (Yin, 2003).

N-Vivo software was used as a repository and analytical tool to manage coding of the data.

## 5. Results

None of the sample organisations has a coherent policy or integrated practices to promote PWOM. Instead, we found that individual departments or managers act independently in ways that they believe promote PWOM, though in almost every case, this is not a measured objective. An important finding is that all three organisations devote more time, resources and talent to combating NWOM, than they do to promoting PWOM. Both NWOM and PWOM are concerns of almost all departments, but with different emphases. We organise and present our findings using a new model we have dubbed the *Eight Pillars of WOM*.

### 5.1. The Eight Pillars of WOM

The *Eight Pillars of WOM* (Fig. 1) model captures the full range of organisational attributes or practices that influence WOM, whether positive or negative. There are eight such attributes or practices. The *Eight Pillars of WOM* model fully accounts for all of the data collected about WOM during the fieldwork.

The eight pillars are organisational attributes or practices that have a significant impact on the generation of WOM. Each pillar is focused on a particular stakeholder group, which may vary in

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