

The State of Word of Mouth Marketing

A Survey of Marketers

January 2014





Background



Word of mouth (WOM) & social media marketing are hot topics in the marketing community, with more companies making them a priority every day. However, the growing popularity of these marketing techniques has presented a number of challenges for marketing professionals, particularly the difficulty of measuring the impact and return on investment (ROI).

In an effort to bring more clarity to this issue, the Word of Mouth Marketing Association (WOMMA) and the American Marketing Association (AMA) collaborated on the design of a survey of corporate marketing professionals in order to authoritatively measure the state of the word of mouth marketing industry. Survey programming and hosting were provided by Decipher, a research technology company.

A total of 328 marketers completed this online survey. To qualify, they had to be employed by a “corporation or brand marketer” and have knowledge of the company’s marketing strategy. Marketers were recruited primarily

from the AMA and WOMMA member email lists, and secondarily through each organization’s social media following. The primary objectives of this study were to:

- Quantify the use and range of, and satisfaction with, word of mouth marketing (WOMM) strategies and tactics
- Forecast areas of growth and opportunity
- Identify challenges for the industry
- Establish a benchmark for future measurement

The study finds that WOM marketing is more effective than traditional marketing, but difficulty measuring it and proving ROI are significant obstacles to growth. This paper explores those findings, as well as other important insights that were gained as a result of the study.

A note about terminology: Frequently in this report, a distinction is made between “online social media” and “offline word of mouth” marketing, and the results are often different for these two forms of word of mouth marketing, a term which covers types not modified by the words “online” or “offline.”





Word of Mouth Marketing Is Not Yet a Major Budget Item for Most Companies

Survey respondents were asked to identify which portions of their companies' marketing budgets constituted a "major spending area." Customer service and "traditional" digital marketing ranked well above online social media and offline WOM marketing in terms of "major" budget items.

Online social media marketing is a major spending area according to 26% of marketers and "offline WOM marketing" is a major spending area for 21%, well behind customer service (54%), email marketing (40%), customer relationship management (CRM) (39%) and digital advertising (36%).

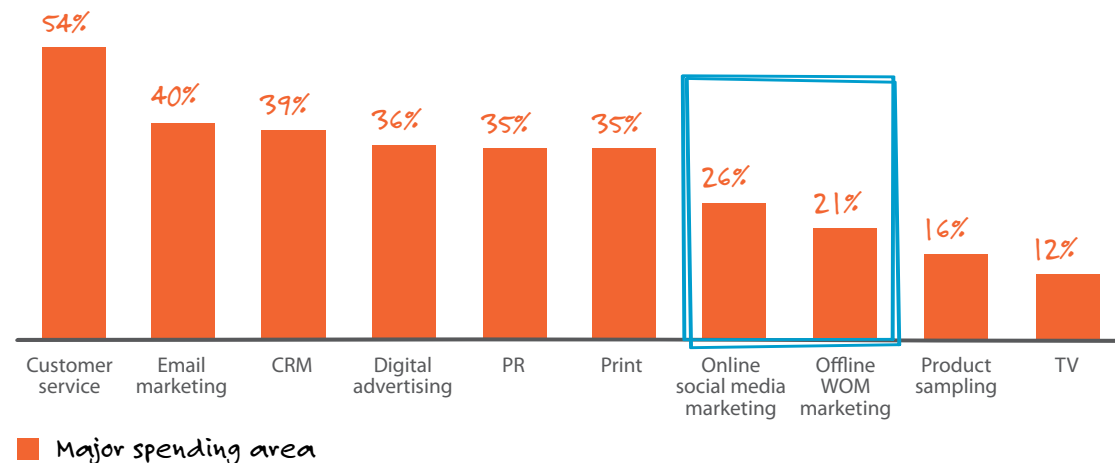
Even though marketers spend a large number of dollars on television advertising, the TV category ranked last with only 12% saying it is a major spending area. This

is due to the fact TV spending is concentrated among the very largest companies. When the study results are investigated based on the larger companies in the study, with 1,000 or more employees, the percentage with "major" spending on TV climbs to 24% vs. 6% for smaller ones. Large companies also lead smaller ones when it comes to digital advertising (45%, vs. 31% for smaller companies), print advertising (42% vs. 31%), and CRM (46% vs. 36%).

Interestingly, though, large companies actually fall behind smaller ones in their financial commitment to WOM marketing.

Only 20% of large companies, vs. 29% for smaller companies, describe social media marketing as a "major" category, while only 17% say so of offline WOM marketing, versus 23% for smaller companies.

Breakdown of Marketing Budget





Big Growth Anticipated in Online Social Media Spending

Online social media marketing is poised for dramatic growth, according to the marketers interviewed for the survey. Fully 70% say their company will increase spending on social media, more than any other marketing channel. Next in line are digital advertising and email marketing, both of which are expected to grow, according to more than half of marketers.

The majority of marketers expect spending on offline WOM to remain stable, but more marketers expect to increase spending on offline WOM than to reduce it. This contrasts with three tried-and-true forms of marketing that face more decline than growth: Print media, product sampling, and TV.

Online social media marketing & digital advertising are even more likely to be growth areas for large companies than small companies (74% vs. 67% and 70% vs. 53%, respectively). Meanwhile, similar to the findings on current spend, large companies also fall behind small companies in terms of their commitment to increase budgets for offline WOM marketing. Only 23% of large companies, vs. 32% for smaller companies, describe offline WOM marketing as a “growing” budget area. Small companies are also more likely than their larger counterparts to anticipate growing budgets for email marketing (56% vs. 48%) and public relations (36% vs. 30%).

	Declining	Stable	Growing
Online social media marketing	4%	26%	70%
Digital advertising	6%	34%	59%
Email marketing	5%	41%	53%
CRM	4%	49%	47%
Customer service	3%	57%	40%
PR	10%	57%	34%
Offline WOM marketing	8%	63%	29%
Print	30%	54%	16%
Product sampling	26%	61%	14%
TV	36%	55%	9%



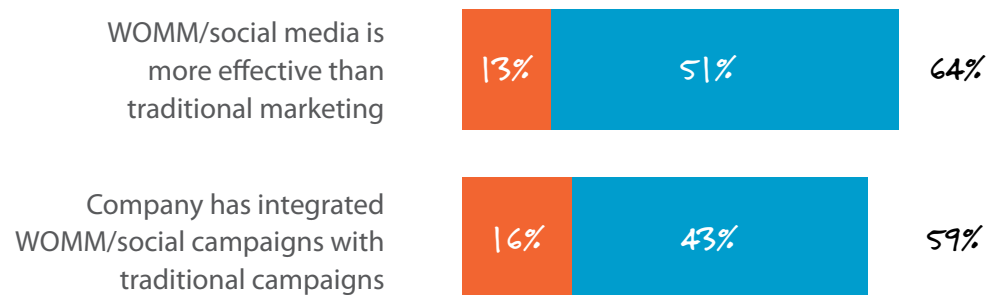
Social Marketing Is More Effective vs. Traditional Marketing



Nearly two-thirds of marketers (64%) believe WOM marketing & social media is “more effective than traditional marketing,” and over half (59%) say their company has integrated social campaigns with traditional campaigns.

These findings suggest that the promise of WOM marketing as a highly effective strategy has taken hold broadly, although most marketers agree “mostly” rather than “completely,” suggesting a need for more definitive evidence.

Level of Agreement with Key Statements About WOM



■ Completely agree
 ■ Mostly agree



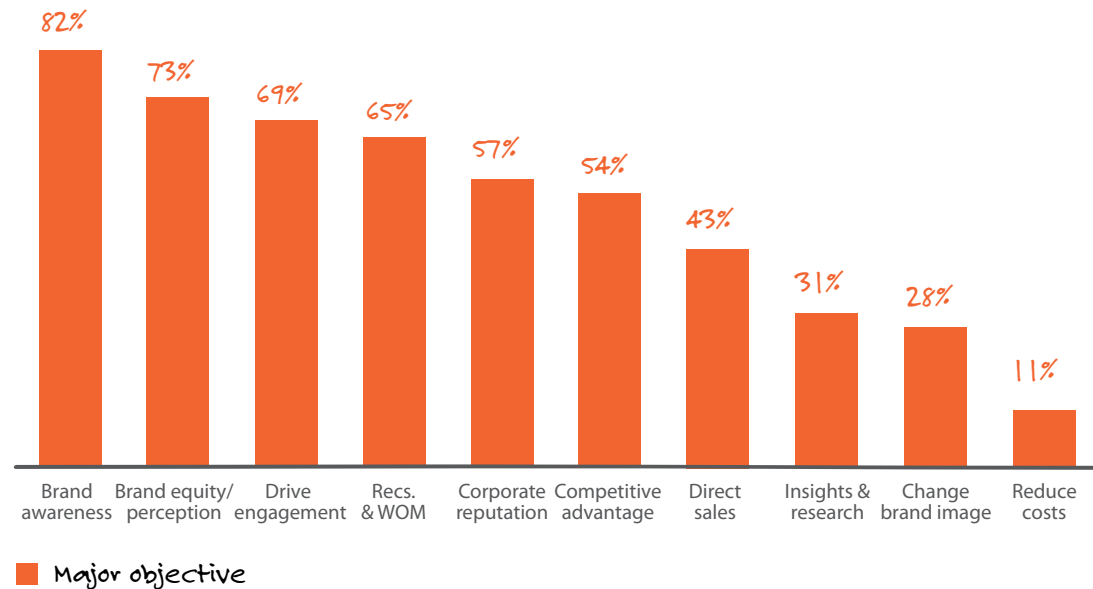
Marketers Identify Many Objectives for WOM Marketing



Word of mouth marketing is used to increase brand awareness, increase brand equity & perception, create consumer engagement, and drive recommendations – all of which were identified as “major” objectives by at least two-thirds of marketers.

A significant number – though less than a majority (43%) – say they use WOM marketing to increase direct sales, while just 31% say they use WOM marketing as a source of research and insights. The fewest percent of marketers use WOM marketing to reduce costs, which can entail encouraging customers to help other customers with service needs and technical questions.

Objectives of WOMM/Social Media





Many Social Media Marketing Tactics Already Adopted by Most Marketers

While WOM & social media marketing may not yet command huge spending dollars, they nevertheless have been widely adopted by marketers, suggesting their affordability.

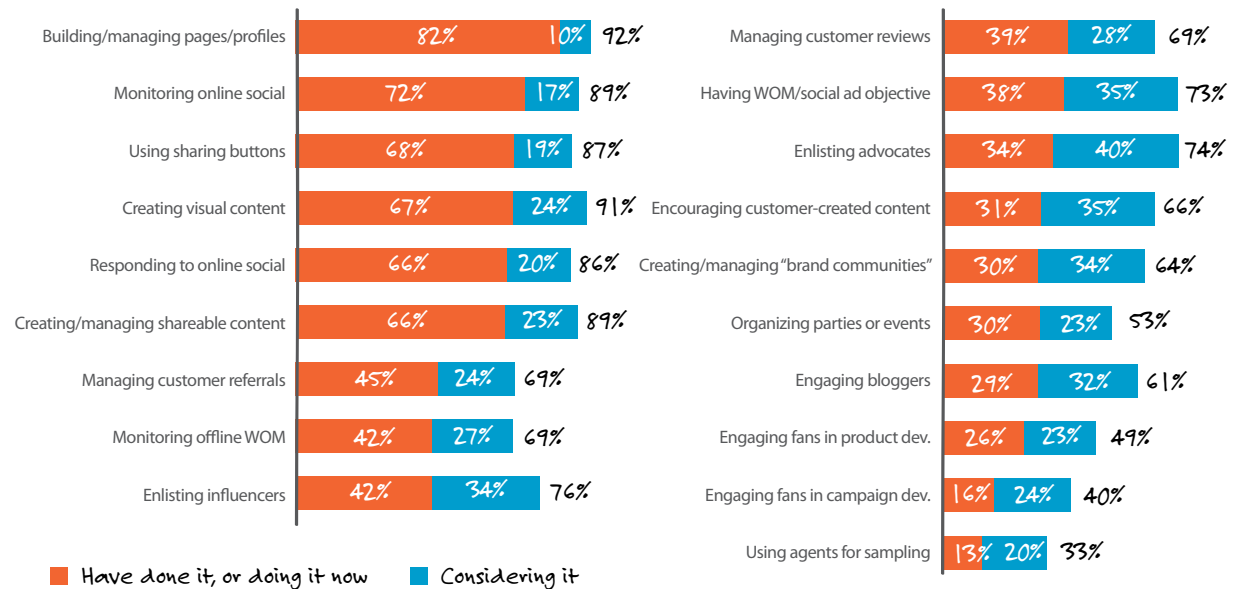
The survey measured usage levels for 19 specific tactics of WOM marketing, finding that two-thirds of companies have already tried six that relate to online social media marketing, including building/managing profiles (82%), monitoring online social media (72%), and using sharing buttons (68%).

Notably, marketers were most likely to say they've employed or are considering tactics that allow them to maintain control, including actions like "building," "monitoring" and "responding" to online social activity.

Meanwhile, activities that delegate responsibility to consumers ranked the lowest: "Using agents for sampling," "engaging fans" in product or campaign development, and "engaging bloggers."

Marketers also identified a number of tactics that they're considering using. "Enlisting advocates" is the tactic most poised for growth, with 40% of marketers "considering" that tactic. Setting WOM as an advertising objective is also high on the list in terms of consideration (35%).

Current WOMM/Social Media Tactics





Broad Satisfaction with WOM Marketing Tactics, Although Most Are “Somewhat” Rather than “Very” Satisfied

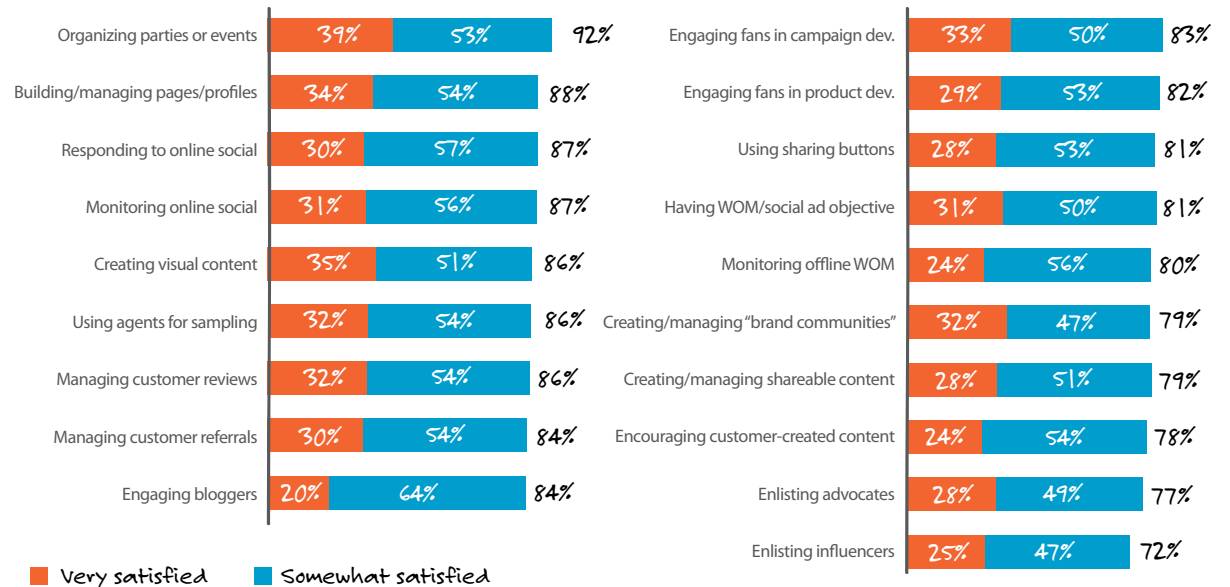
Overall, marketers indicated broad satisfaction for every WOM marketing tactic, with at least 7 in 10 marketers satisfied with their experiences.

Organizing parties or events earned the highest level of satisfaction overall, with 9 in 10 marketers saying they were “very” or “somewhat” satisfied with this tactic. Similarly, other company-led efforts ranked high in satisfaction as well, including building/managing pages/profiles (88%), responding to online social (87%), monitoring online social (87%), and creating visual content (86%).

Meanwhile, the lowest-rated tactics were more likely to put the control in consumers’ hands: Enlisting influencers (72%), enlisting advocates (77%), and encouraging customer-created content (78%).

While many marketers express satisfaction with WOM marketing tactics of all kinds, the intensity of that satisfaction could be greater. Generally, marketers say they are “somewhat” rather than “very” satisfied. Among the WOM marketing tactics with the lowest percentage of “very” satisfied clients are engaging bloggers (20%), encouraging customer-created content (24%), monitoring offline WOM (24%), and enlisting influencers (25%).

Satisfaction with WOMM/Social Media Tactics





Most Associate “Social” with Online; “WOM” with Offline



In an era when the term “friend” is increasingly associated with Facebook, the word “social” has become closely linked with online networking, according to 86% of marketers. Meanwhile, the term “word of mouth” is mainly associated with offline WOM, according to 62%.

Large companies are more likely than their smaller counterparts to associate “social” with online rather than offline (25% vs. 20% “completely” agree, respectively). Larger companies are also more likely to associate “WOM marketing” with offline rather than online (34% vs. 25% “completely” agree).

These findings suggest that, despite wide adoption or plans to adopt these tactics, there remains some confusion in terms of what constitutes social & WOM marketing.

Level of Agreement with Key Statements About WOM



■ Completely agree
 ■ Mostly agree



Difficulty of Measuring WOM Is an Obstacle for the Majority of Companies

While marketers have confirmed the importance of WOM & social media marketing, as well as plans for future investment, roadblocks remain before bigger investments can be made.

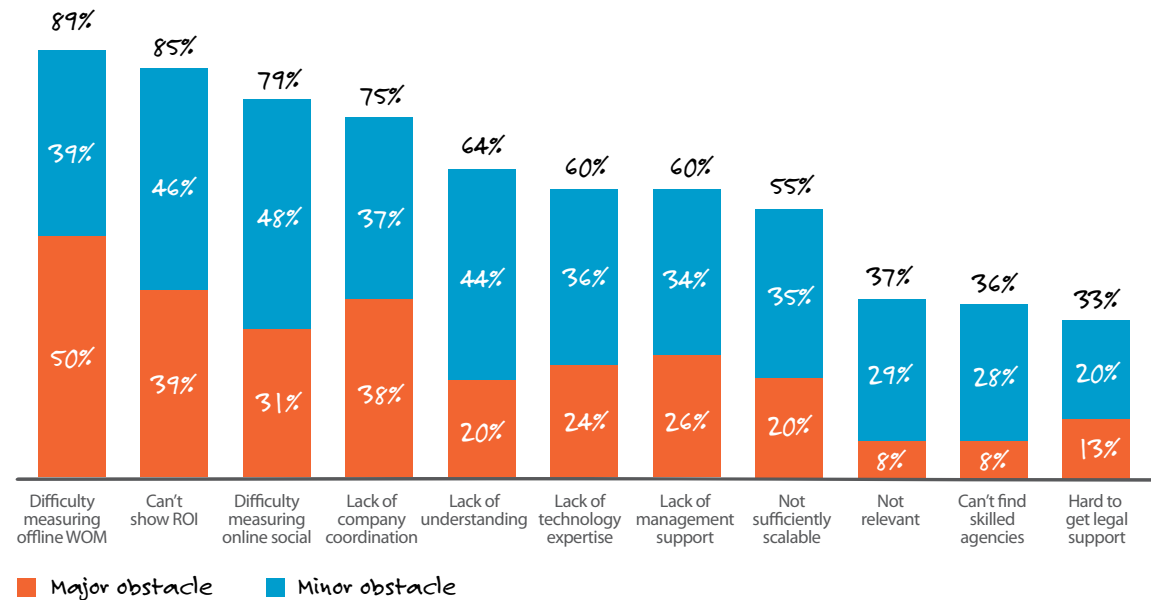
Indeed, large majorities say that measurement problems are obstacles to greater usage of WOM marketing in their companies. **The top three obstacles are difficulty measuring offline WOM (89%), not being able to show ROI (85%), and difficulty measuring online social media (79%).**

Other key obstacles are a lack of company coordination (75%) and lack of understanding about WOM marketing (64%).

Interestingly, while getting support from the legal department for social media activities is an oft-cited concern, only one-third said this was a problem – the lowest on the list. This was only slightly more likely to be considered a “major” obstacle by large companies (17%, vs. 10% for small companies). Relevance & difficulty finding skilled agencies also ranked at the bottom of the list.

Large companies see measurement issues as even bigger obstacles (53%, vs. 49% for small companies). Lack of company coordination is also viewed as a greater obstacle for large companies than small ones (45% vs. 33% – probably because larger companies have more departments & functions to coordinate among).

Organizational Obstacles in Pursuing WOMM/Social Media Strategy





Broad Agreement that Measurement Standards Are Needed



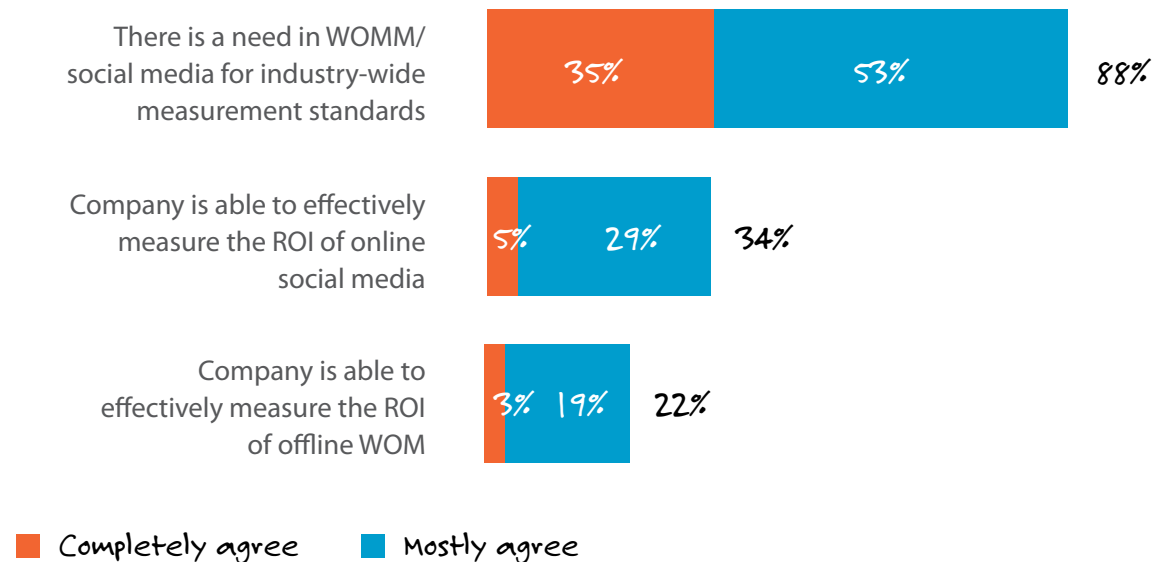
While nearly two-thirds of marketers say social marketing is “more effective than traditional marketing” (64%), relatively few think they can effectively measure the ROI of online social media (34%) or offline WOM (22%).

Conversely, a majority of companies say there is a need in WOM marketing/social media for industry-wide measurement standards (88%).

Large companies express more urgency for WOM measurement standards, with 45% saying they “completely” agree with that statement (vs. 30% for small companies).

So the challenge is clear: **Effective measurement is necessary for the ROI of both online social media as well as offline WOM marketing.** Until better measurement is established, social marketing techniques are likely to remain classified as “nice to have” rather than “necessary to succeed.”

Level of Agreement with Key Statements About WOM





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