

# CONVERSATIONAL CAPITAL

HOW TO CREATE STUFF  
PEOPLE LOVE TO TALK ABOUT

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# *intro- duction*

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It is a notion so entrenched, that by now it has almost become a truism. Word-of-mouth has become the communication lever for product manufacturers and marketers, creators of what we call “consumer experiences.” Peer-to-peer communication can kill innovative design, turn accepted pricing wisdom on its head, and neuter multi-million dollar advertising campaigns. Its growing influence is being felt throughout the economic sphere, and beyond.

While most of us understand the vehicles through which word-of-mouth spreads, its power and origins remain mysterious and impossible to control. But are they really?

In order to understand why certain products and experiences enjoy positive word-of-mouth we focused our attention on what consumers talk about. As we interviewed consumers on the street, attended focus groups and experienced firsthand conversations with anyone that crossed our path, we came to realize that consumers often tell the tales of their consumption experiences to affirm their social identity. For example, in order to signal their social stature, more and more newly affluent tell detailed descriptions of their latest vacations. We realized that for many consumers, in addition to the immediate and obvious benefit derived from consumption experiences (e.g. “I went to Tuscany to relax”), they

were reaping a second, and perhaps more important form of residual identity-shaping value: Conversational Capital (i.e. “I went to Tuscany, therefore I will be perceived as a sophisticated global traveler”). Following this logic, consumers collect and use consumption experiences, good and bad, not merely as the components of conversation, but as assets that shape their identities.

In other words, they have a vested interest in talking about consumer experiences with their peers.

Recognizing the importance of the residual value of consumer experiences, we worked to deconstruct the components of conversations related to consumer experiences.

What we discovered was that, almost invariably, what was being discussed fell into eight categories or, as we term them, engines: Rituals, Exclusive Product Offering (EPO), Myths, Relevant Sensory Oddity (RSO), Icons, Tribalism, Endorsement and Continuity. In experiences where consumers recognized these so-called engines, the saliency (significance) and resonance of their consumption experiences increased, thus rendering those very experiences worthy of talk. The outgrowth of this realization is unsurprising; for consumption experiences to be used as identity markers, they have to be meaningful for consumers.

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*Consumers are looking for*

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**EXPERIENCES**

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The title of a recent study conducted by researchers at the London School of Economics puts it succinctly: “Advocacy Drives Growth.” The findings of the study, conducted in the UK, have universal implications. They reveal that consumer advocacy—namely positive word-of-mouth—predicted sales growth for retail banks, car manufacturers, mobile phone networks and supermarkets. The study also indicated that companies with greater degrees of advocacy grew faster than their competitors—and generated greater sales.<sup>1</sup>

This begs a fundamental question for creators of consumer experiences: if advocacy drives growth, what drives advocacy? The short answer is that advocacy is a product of meaningful interaction. Consumers tend to become advocates when their consumption experiences are high in saliency and meaning. For marketers this indicates the necessity not only of communicating an experience’s intended meaning, but also of actualizing that meaning at as many touch points as possible. Then and only then will the intended market enjoy the experience and share that enthusiasm with peers.

This insight is crucial, particularly in an era marked by increasing consumer sophistication. As consumers grow more sophisticated—two important phenomena are emerging:

- 1. Satisfaction has become a mere “green fee.” Consumers expect to be satisfied. For advocacy to occur, consumer experiences must transcend satisfaction and enter the realm of emotions and personal significance.***
- 2. Consumers have begun to crave more than transactionality—they are seeking experiences that leave them changed and enriched with the stuff of stories.***

This heralds a fundamental and intimidating shift in marketing orientations, as everyone around us senses that we’ve entered a new marketing era, but no one knows what it looks like and what it will lead to. Conversational Capital is thus a vision for what this next stage heralds.

<sup>1</sup> Marsden, P., Samson, A. and Upton, N. “Advocacy Drives Growth.” Brand Strategy. Nov./Dec. 2005.

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*Why saliency drives*

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# CONVERSATIONAL CAPITAL

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The creators of consumer experiences have forgotten that what they are designing, manufacturing and promoting are just that: experiences. Born of decades of mass production and mass-marketing, this enduring failure to recognize the importance of experiences in consumption has created a void that has rendered too many aspects of the consumer relationship with products and services essentially meaningless. In a Harvard Business Review piece entitled “Understanding Customer Experience,” Christopher Meyer and André Schwager express this very clearly: “[There] is too often a split between what marketing promises, and the brand. ‘Customer experience’ encompasses every aspect of a company’s offering—the quality of customer care, of course, but also advertising, packaging, product and service features, ease of use, and reliability.”<sup>2</sup>

Conversational Capital seeks to repair this disconnect by maximizing the potential for saliency within consumer experiences. The result is a three-step process whose effect on the bottom line should be clear to any marketer:

- 1. Salient consumer experiences are more likely to have an identity-shaping residual value we call Conversational Capital.***
- 2. Conversational Capital fuels positive word-of-mouth.***
- 3. Positive word-of-mouth allows marketers to reduce marketing and promotional costs while driving growth.***

<sup>2</sup> Meyer, C. and Schwager, A. “Understanding Customer Experience.” Harvard Business Review. Cambridge, MA. February 1, 2007.

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*The Eight Engines of*

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# CONVERSATIONAL CAPITAL

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BY STUDYING WORD-OF-MOUTH SUCCESS STORIES  
WE HAVE IDENTIFIED EIGHT POWERFUL ENGINES  
OF CONVERSATIONAL CAPITAL, WHICH CAN BE  
UNDERSTOOD AS WORD-OF-MOUTH TRIGGERS.

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## 1. *Rituals*

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Rituals are an essential part of how human beings create and formalize meaning. The presence of ritual marks out an experience as deeper in meaning—a phenomenon that is true for consumer experiences as well. Consider an interaction with greeters at Wal-Mart, or the act of placing a lime wedge into a bottle of Corona beer. These small rituals make the experiences of discount shopping or drinking beer feel slightly more exalted.

There is a special subset of ritual that occurs so often that we would like to draw special attention to it. We term it Initiation.

Before every Cirque du Soleil show, clowns interact with the crowd as they take their seats, turning innocent audience members into potential comic victims. Espresso connoisseurs finesse the intricacies of their machines to extract the perfect demitasse, crowned by the glory of rich cream foam. All of these are initiations; rites of passage that serve as transitions from the banal and everyday into the meaningful. When consumer experiences include rites of initiation, they become more memorable because they are existentially richer.

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## 2. *Exclusive Product Offering (EPO)*

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In an era of growing customization, opportunities to own something exclusive are increasing every day. adidas offers shoppers the opportunity to fashion their own pair of shoes in the “mi Originals” section of its heritage stores. At Build-A-Bear Workshop, customers can create a lovable friend on-the-spot from a virtually limitless array of combinations. Human beings love to feel unique, and to assert their individuality. The presence of EPO in an experience means that, in a world of six billion people, they can.

Over Delivery is another facet of EPO. The act of Over Delivery signifies that an experience transcends simple customer satisfaction, making that experience all the more unique. Consider Volvo’s overarching emphasis on safety, or adidas’ Over Delivery on originality by offering 2,400 shoe varieties in its heritage line.



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### 3. *Myths*

Myths are the narratives that become part of the very fabric of a consumption experience because they provide important clues as to the fundamental meaning of that experience. Michael Dell working out of his college dorm, the stunts and schemes carried out by Richard Branson, Keith Kellogg trying to improve hospital patients' diets—these are now part of the folklore that tells consumers what Dell, Virgin and Kellogg's stand for, and why that should matter.

### 4. *Relevant Sensory Oddity (RSO)*

method cleaning product packages look more like sculpted works of art than packaging. Flower vases in certain hotels designed by Philippe Starck are so large they seem to defy visual perspective. Flight Attendants in Air France's L'Espace Première don't all wear the same perfume—but what if they did? When our senses are presented with something extraordinary, we recognize an experience as special, and are subsequently more inclined to talk about it.

### 5. *Icons*

Icons are signs and symbols that clearly demarcate a consumption experience from any other. These triggers can range from design features like the three trademark stripes on adidas sneakers to familiar logos and product symbols like Mr. Clean or the Pillsbury Dough Boy. They can include familiar and distinguishing packaging features like the Coke bottle, and even structures like Cirque du Soleil's familiar blue and yellow big top. Meaningful associations transform signs and symbols from mere product identifiers into components of identity-shaping experiences.

### 6. *Tribalism*

Mac users have always thought of themselves as a band apart. Wisely, Apple has facilitated their desire to gather together as members of their own tribe. This has helped to create one of the most loyal and vocally supportive user groups on the planet. And it works because the desire to gather into tribes is fundamental to human nature. We like to associate with like-minded people, or simply to be close to people we find interesting. Being part of a group that we feel is worth belonging to helps us to make more sense of our lives because affiliation confirms our sense of identity.

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## 7. *Endorsement*

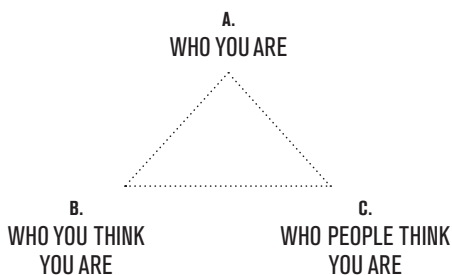
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Endorsement is not merely about a celebrity lending his or her name to your product or experience (though under the right circumstances, it can be). Rather, endorsement happens when someone credible speaks up for you. If a trusted authority praises you in a spontaneous and genuine manner, it can have enormous impact because it confirms the relevance of your consumption experience.

## 8. *Continuity*

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One's reputation is the result of the relative proximity of three factors to one another.



The closer these three factors are to one another—the more continuous and integrated—the more likely a brand is to enjoy cascading word-of-mouth. The farther apart they are, the more likely one's reputation is to suffer.

Conversational Capital hinges on the integrity and continuity of image and experience. Word-of-mouth success is the result of effective communications, the inherent value of an experience, and consumer advocacy.

This last point is tremendously important. We began this manifesto by claiming that Conversational Capital could very well change the way consumer experiences are marketed. This is because we believe that much of today's marketing practice is still hindered by a mass-marketing paradigm that doesn't take into account the bedrock importance of Continuity.

Our mantra is deeply rooted. We cannot overemphasize that for discontinuous experiences (experiences that fail to deliver on what they promise), satisfaction is an unlikely goal, much less advocacy. Despite this understanding, marketers continue to concentrate their efforts on above-the-line efforts that are disconnected from the rest of consumer experience. More recently, the new breed of "experience marketers" has repeated the same mistake. The results are often hollow stunt or, at best, buzz.

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*Implementing*

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# CONVERSATIONAL CAPITAL

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WE BELIEVE THAT DESIGNERS OF CONSUMER PRODUCTS AND SERVICES CAN INFLUENCE WORD-OF-MOUTH BY ENGINEERING THE PRESENCE OF THE EIGHT ENGINES IN THEIR EXPERIENCES. CRAFTING HIGHLY SALIENT CONSUMER EXPERIENCES REQUIRES A DELICATE BALANCE OF STRATEGIC ANALYSIS, INSIGHT AND CREATIVITY. HERE'S AN OVERVIEW OF THE APPROACH WE USE TO MAXIMIZE THE CONVERSATIONAL CAPITAL OF BRAND & THEIR OFFERINGS.

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## GETTING READY

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1.

### ***Assemble the Right Team***

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Implementation must be a group effort, embracing a diversity of talent and perspective, accompanied by extensive analytical ability and real debate. Implementing Conversational Capital requires workshopping and prototyping—ideally the province of groups and teams.

2.

### ***Carry out a Conversational Capital Audit***

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The Conversational Capital Audit allows organizations to determine where they stand in terms of client satisfaction and word-of-mouth. Audits are about mining internal and external information to build an understanding of where the company succeeds or fails.

We begin by asking very basic questions about consumer satisfaction, both within organizations and among consumers:

- *Are customers satisfied with this product or experience?*
- *Are they compelled to talk about it?*
- *Would they talk about it if asked?*
- *Would they talk about it if unsolicited?*

Audits are essentially a way of testing experiences for their residual value. Essentially, Conversational Capital increases this value by providing consumers stories to enjoy and employ long after the immediate experience of a product or service is over.

The project team can subsequently begin studying the experiential dimensions of their product or service. These consist of the consumer path, the sensory experience, form, function and flow, problem points and the resulting story.

Once the audit is completed, development teams will have to synthesize their learnings into a handful of actionable insights that form the basis for the creation of Conversational Capital.

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## GETTING TO WORK

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Equipped with the learning and insights from the preparatory phase, the project team can begin designing the consumer experience. This is a five-stage process that is continuous rather than iterative.

### 1. *Get the Story Straight*

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Stories form the atomic centre of Conversational Capital. Each of the examples we've cited is informed by a central narrative: what we call the "metastory." The Apple experience tells a story about innovation, individuality and freedom. Cirque du Soleil tells a story about human potential, youth, excitement and optimism. The adidas story is about technical excellence, the triumph of the human spirit and international unity.

In this respect, leading brands are like outstanding individuals: they own their story like no one else. It's what sets them apart and draws people to them. In creating and recreating your story, it is helpful to think of your "metastory" as the overarching notion that makes your experience meaningful and sets it apart.

The degree to which an organization will have to dig to find its story will depend on where it stands in terms of consumer satisfaction and experience saliency. The engines of Conversational Capital are there to help them through the process.

### 2. *Manipulate the Engines*

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Using your story as a guide, carry out a series of creative workshops around the eight engines. For example, a team working on engineering Conversational Capital may be seeking to create RSO in a store. Like Abercrombie & Fitch, they may come up with the idea of having very loud electronic music, a unique scent and dark club-like lighting. A team working on a soft drink may come up with the idea, like Corona, of placing a slice of lime into the bottle as a ritual. The same team may find a way of making their packaging iconic by using a transparent bottle rather than standard green or amber glass. By brainstorming around the eight engines, the team will create a very large set of options that, when strategically selected, form the basis for a rich and meaningful experience.

3.

### ***Package the Ideas***

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Packaging an idea means giving it flesh—putting it into a physical form that will make it easy for everyone to understand. Doing so involves taking an idea out of the abstract, ineffable world of thought and expressing it in such a way that even the least sophisticated will grasp it.

That physical form can be anything. It can range from a script, layout or video to a complete architectural maquette. However complex an idea, it must be simple and comprehensive, graspable by both the left and right brain.

4.

### ***Prototype the Experience***

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The prototyping phase begins with a brief to everyone who will be needed to carry the project forward. The brief will allow writers, industrial designers, architects, marketers, public relations professionals and anyone else possibly involved in the project to share an understanding and speak the same language. It allows for a supreme level of cohesion.

The goal is to arrive at a working prototype of the experience by approximating reality as intimately as possible so that all parties can proceed to the next stage: monitoring.

5.

### ***Monitor and Adjust***

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Readers may have noted that, up until this point, Conversational Capital has not relied on traditional forms of consumer research such as focus groups, surveys or beta-testing. Nevertheless, consumer interaction is essential, and this is where it comes in.

Once a working prototype has been created, consumers must be allowed to use it and provide feedback. This is an important distinction, in that most marketing research compels us to test before the experience exists in the 3-D world. And yet most people aren't that imaginative in the 2-D world of paper, forums or online forms.

Monitoring will allow all involved to see how well they have done in terms of creating saliency and satisfaction. If they have fallen short in any area, this is an opportunity to repair and adjust, using the eight engines as a guide and measuring stick. If an outstanding reaction has been provoked, the monitoring process can be used to spot opportunities for improvement.

Conversational Capital challenges us to consider that the business of creating and marketing products isn't a simple matter of routine, faceless consumption and easy categorization. Rather, it is part of a storytelling continuum in which consumers are asking us to become their partners in self-affirmation. It thus moves us out of the sphere of mere economics and into the formation of culture itself. That's a big responsibility; one which could be infinitely rewarding should we choose to accept it. Because the end result is a world richer in meaning, charged with saliency and driven by the unfettered power of creativity.