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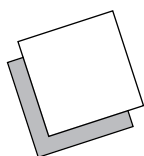
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Word-of-mouth communication in the service marketplace

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Abstract *Word-of-mouth communication (WOM) is a dominant force in the marketplace for services. However, the current body of research provides little insight into the nature of WOM in the service marketplace. Reports the results of a content-analytic study that provides insight into WOM's content and the catalysts by which it is stimulated. The goal was to capture a series of "grounded events" from which broader patterns could be discerned. These grounded events were actual incidents of WOM as described by the recipients of a communication. Three content categories and ten catalyst categories are identified. Implications for managers are addressed.*

Research indicates that word-of-mouth communication (WOM) has a significant effect on consumer purchasing behavior. One study conducted by the US Office of Consumer Affairs indicated that, on average, one dissatisfied customer can be expected to tell nine other people about the experiences that resulted in the dissatisfaction. Satisfied customers, on the other hand, relate their story to an average of five other people (Knauer, 1992). Such communication exerts a strong influence on consumer purchasing behavior, influencing both short-term and long-term judgments (Bone, 1995; Burzynski and Bayer, 1977; Herr *et al.*, 1991). This influence appears to be particularly significant when the communication is consistent with the individual's feelings toward the product under consideration (Wilson and Peterson, 1989).

WOM seems particularly important to the marketing of services. Consumers have been found to rely on WOM to reduce the level of perceived risk and the uncertainty that are often associated with service purchase decisions (Murray, 1991). Compared to purchasers of goods, Murray (1991) found that service purchasers have greater confidence in personal sources of information as well as a greater prepurchase preference for personal information sources. He also found that personal sources have a greater influence on purchasers of services than on purchasers of products.

The purpose of this research is to provide insight into the nature of WOM as it relates to the service marketplace. What situational circumstances and motivations stimulate WOM? For example, is WOM frequently stimulated by high levels of satisfaction or dissatisfaction with previous service encounters? Can generalizations be drawn about the content of WOM? For example, is the price of the service frequently discussed among WOM participants?

Consumers' reliance on WOM

Substantial research

Conceptual background

A substantial body of research indicates that interpersonal communication has a significant impact on consumer purchasing behavior. Early studies attributed this impact to normative social influence (Asch, 1953; Stafford, 1966; Venkatesan, 1966). However, subsequent research suggests that the informational aspects of social influence may also have a substantial impact on purchasing behavior (Burnkrant and Cousineau, 1975; Cohen and Golden, 1972; Pincus and Waters, 1977). The accessibility-diagnostics model, discussed next, provides further rationale for the significant influence that WOM is believed to have on purchasing behavior.

Accessibility-diagnostics model

According to the accessibility-diagnostics model, the influence of a particular piece of information will depend on the accessibility (from memory) of that piece of information, the accessibility of alternative pieces of information, the diagnostics of the piece of information, and the diagnostics of the alternative pieces of information (Feldman and Lynch, 1988; Lynch *et al.*, 1988). Diagnostics refers to the degree to which information helps consumers to categorize products (i.e. high quality vs. low quality).

Vividness of WOM

Research conducted by Herr *et al.* (1991) supports the idea that WOM is accessible. They found that WOM had a greater impact on product judgments than printed information. Favorable brand attitudes were formed on the basis of a single, favorable WOM communication, even when extensive, diagnostic attribute information was also available. The authors suggest that the impact of WOM on product judgments is attributable to its vividness, as opposed to pallidness, as a form of communication. Vividness refers to the degree to which information is “(a) emotionally interesting, (b) concrete and imagery-provoking, and (c) proximate in a sensory, temporal, or spatial way” (Nisbett and Ross, 1980, p. 45). Vivid communication media are believed to attract attention to the information, hold attention, and increase the information’s accessibility from memory and its impact on consumer judgment (Herr *et al.*, 1991; Nisbett and Ross, 1980).

WOM can be considered to be diagnostic in nature “to the degree that consumers believe that the decision implied by that input alone would accomplish their decision goals (e.g. maximize utility, choose a justifiable alternative, and so on)” (Lynch *et al.*, 1988). This suggests that WOM may be more diagnostic in nature than nonpersonal sources of information such as media advertising. The effects of WOM appear to be reduced, however, when more diagnostic pieces of information, such as prior impressions, are available or when extremely negative attribute information is available (Herr *et al.*, 1991). Other factors that underlie WOM are discussed next.

Underlying factors

Evidence indicates that WOM is often related to consumers’ satisfaction or dissatisfaction with previous purchasing experiences (Blodgett *et al.*, 1993; Brown and Beltramini, 1989; Richins, 1983; Wilson and Peterson, 1989). Consumers also appear to engage in WOM to satisfy their personal information needs (Bloch *et al.*, 1986; Burnkrant and Cousineau, 1975; Cohen and Golden, 1972; Howard and Sheth, 1969; Pincus and Waters, 1977). A limited amount of research suggests that WOM lends itself to the communication of subjective information such as quality rather than more

Tendency to engage in negative WOM

objective types of information such as price (Houston, 1979; Murdock, 1981a; 1981b).

Much of the research pertaining to WOM in the marketplace has focussed on negative, rather than positive, communication. This research indicates that the tendency to engage in negative WOM is influenced by several factors. Richins (1983) found that the tendency to engage in negative WOM was positively related to the level of dissatisfaction and negatively related to the consumer's perception of the retailer's responsiveness to complaints. She also found that consumers who blame the dissatisfaction on the marketing institutions, rather than themselves or their own behavior, were more likely to engage in negative WOM.

These findings are consistent with Blodgett *et al.* (1993) who indicated that consumers' tendency to engage in negative WOM was largely dependent on their perception of justice as it related to the complaint. That is, consumers were less likely to engage in negative WOM if they felt that the procedures for complaining and the provider's response (i.e. outcome) were fair and if they had positive feelings about the manner in which they were treated. Other factors that appear to be correlated with consumers' tendency to engage in negative WOM include the level of inconvenience that resulted from the problem, the extent to which the customer perceived that the problem was under management's control, and management's perceived responsiveness to the customer's problem (Brown and Beltramini, 1989). The exploratory research described next provides additional insight into WOM's content and the human motivations and situational circumstances that stimulate WOM.

Methodology

The goal of this research was to capture a series of "grounded events" from which broader patterns could be discerned (Deshpande, 1983; Glaser and Strauss, 1967). For our purposes, these grounded events were actual incidents of WOM as described by the recipients of the communication. The individual events were then analyzed to provide insight into the content of WOM and the stimulants of WOM in the service marketplace.

Data collection

The data collection procedure employed in the research was similar to that used by Keaveney (1995) in her study of customer switching behavior. Questionnaires were distributed to 112 junior and senior-level undergraduate students enrolled in a college of business at a university located in the Southeastern portion of the USA. Each student was asked to complete one questionnaire based on their own WOM experiences. They were also asked to distribute questionnaires to two acquaintances who were over the age of 25 and request that they complete them. Additional questionnaires were distributed to a group of ten graduate students, all of whom were working full-time and enrolled in an off-campus night class at the same university. Each graduate student was asked to complete one questionnaire and distribute four other questionnaires to acquaintances who were over the age of 25. Thus, though students were used to collect the sample, only 29 percent of the resulting pool of respondents were students.

Respondents were first asked to indicate which of 77 services they had purchased during the previous six-month period. The 77 services listed were drawn from the *Standard Industrial Classification Manual* (Office of Management and Budget, 1987). The purpose of this question was to

Questionnaires to undergraduates

Positive and negative WOM incidents

stimulate subjects' thinking and help subjects to focus on a limited array of services.

The six-month time frame was selected to provide adequate time for respondents to have made multiple service purchases. Yet, respondents were able to remember the details of the communication surrounding the purchase. The six-month time frame is consistent with Bitner *et al.* (1994) who asked respondents to report events from the recent past and defined that time period as six to 12 months.

Respondents were then asked to think about the last time someone told them something positive about a service that they may have had an interest in purchasing. Then, they were asked to think about the last time someone told them something negative about a service that they may have had an interest in purchasing. Thus, each respondent reported on two WOM communication incidents, one positive and the other negative. In regard to each event, respondents were asked: (i) what service they were thinking about, (ii) how long ago the communication had occurred, (iii) what was said, (iv) respondents' relationship with the person to whom they were speaking, (v) how the particular WOM came about, (vi) whether the WOM was part of a broader conversation; and, if so, (vii) how that broader conversation came about. Open-ended response formats were used for each question. Asking for the most recent observation in each communication category (positive and negative) prevented respondents from describing only the most emotion-laden events. Respondents were also more likely to have an accurate recollection of the most recent event.

The integrity of the data was insured through the use of follow-up telephone interviews. One respondent was chosen arbitrarily from each set of three (five for the MBA students) and contacted by telephone to verify that they had personally answered the questionnaire. A detailed examination of the questionnaires was undertaken when telephone contact could not be established after several tries. These questionnaires had to meet three criteria to remain in the sample:

- (1) the handwriting had to be different for each questionnaire, indicating that the student had not fabricated the other responses;
- (2) the communication had to convey full and precise details, another indicator of authenticity; and
- (3) the communication had to have face validity (i.e. seem reasonable).

The stimulants of WOM were examined through the use of critical incident technique. Critical incident technique is a content analytic research method that enables researchers to classify open-ended research responses into meaningful categories, thereby reducing broad-based answers into more relevant, manageable bits of information (Weber, 1985, p. 5). For the purposes of our research, critical incidents were defined as any event or events that led the subject to communicate via the spoken word, either positively or negatively, regarding a given service.

Content analysis was also used to examine the substance of the WOM itself. In this case, the analysis focused on the substance of the communication rather than the critical incidents that led to the communication.

Category development, assessment of sample size, and assessment of content validity and reliability

The data collection process resulted in a total of 402 critical incidents. Some of these responses were unusable and were, therefore, eliminated from the

Identification of ten categories

study. Several of the responses were eliminated because the respondents had inadvertently based their answers on communication that related to a product rather than a service. Some were eliminated because the individual with whom the communication occurred was a salesperson or other employee who was working for the provider of the service. Other responses were discarded because the answers were judged to be too vague while still others were discarded as a result of the sample validation procedure described previously. After the elimination of the unusable responses, 313 responses remained for the examination of WOM's contents. Because 19 of the usable responses did not contain stimulus-related information, 294 responses remained for the examination of WOM's stimulants.

The critical incidents were subdivided into a classification sample and a holdout sample consisting of 100 responses. The classification sample consisted of 194 cases for the testing of WOM's stimulants and 213 cases for the testing of its contents. The identification and classification of stimulants was based primarily on the open-ended question in which respondents were asked to "...please indicate, as specifically as possible, how this particular word-of-mouth communication came about (i.e. what stimulated the conversation)." The identification and classification of contents were based primarily on the question, "Please indicate, as precisely as possible, what you were told."

The analysis of WOM's stimulants resulted in the identification of ten mutually exclusive and exhaustive categories from the classification sample. (While the categories were mutually exclusive and exhaustive, some responses contained elements of two or more categories. In these cases, the researcher's task was to determine the primary stimulus.) The incidents in the holdout sample were then added to the analysis. No additional categories emerged as a result of the addition of these 100 incidents.

The analysis of WOM's contents resulted in the identification of three mutually exclusive and exhaustive categories from the classification sample (Table II). Again, no additional categories emerged when the 100 cases in the holdout sample were added to the data set.

These results indicate that the sample size was adequate for the testing of both WOM's stimulants and its contents. According to Flanagan (1954, p. 343), "For most purposes, it can be considered that adequate coverage has been achieved when the addition of 100 critical incidents to the sample adds only two or three critical behaviors." The emergence of no additional categories after the addition of 100 new cases also provides strong evidence of satisfactory content validity (Flanagan, 1954; Keaveney, 1995; Ronan and Latham, 1974).

A second judge was asked to sort the incidents into the categories and subcategories provided by the first judge and to create new categories, if appropriate. The level of initial interjudge agreement under this procedure was 85 percent for WOM's stimulants and 94 percent for its content. While there is no accepted standard for evaluating the reliability of such nominally coded data (Perreault and Leigh, 1989), similar levels of agreement have generally been considered an indication of satisfactory reproducibility (Bitner *et al.*, 1990; Keaveney, 1995). The two judges then re-examined the responses on which they disagreed. This re-examination procedure eventually resulted in an interjudge agreement level of 100 percent for both WOM's stimulants and its content. These classifications then became the benchmarks against which the third judge's classifications were compared.

Details of survey respondents

The third judge's categorization, compared to the benchmark, resulted in an interjudge agreement of 72.8 percent for WOM's stimulants and 90.8 percent for its content. Following the procedure used for the second categorization, the three judges re-examined the responses on which they disagreed. Again, the re-examination procedure eventually resulted in an interjudge agreement level of 100 percent for both WOM's stimulants and its content.

Results

The survey respondents came from a relatively broad cross-section of the population. Of the respondents, 39 percent were 25 years of age or less, 29 percent were between 26 and 40 years of age, and 32 percent were 41 years of age or over. Fifty-eight percent of the respondents were female and 42 percent were male. Caucasians were heavily represented with 93 percent of the respondents falling in that ethnic category. Over 35 percent of the respondents had a college degree or higher while another 50 percent had at least some college education although they were not college graduates. In terms of marital status, 48 percent of the respondents were married, 47 percent were single, and the rest were divorced, separated, or widowed. Twenty-nine percent of the respondents were students and 18 percent were professional or technical workers. Other occupations represented by the survey respondents were: business owner (4.0 percent); farm manager (2.8 percent); other executive or manager (5.7 percent); sales clerk or clerical worker (8.5 percent); sales representative (0.6 percent); craftworker, foreman, or machine operator (2.3 percent); laborer, service worker, or farm worker (4.5 percent); homemaker (4.5 percent); retired (2.8 percent); unemployed (1.7 percent); and other (15.3 percent).

The survey responses focussed on a broad range of services with a total of 72 different service industries represented. These service industries included such traditional services as banks, hospitals, telecommunications services, barbers and hairdressers, home repair services, and automobile repair shops. A few of the responses also focussed on less traditional services such as tanning salons and body piercing.

Analysis of the open-ended questions revealed ten categories of stimuli that led to WOM (Table I). The receiver's (of the communication) felt need was the most frequently identified WOM stimulus with 50.3 percent of the stimuli falling into this category. For example, one receiver asked specifically if the communicator knew of a good travel agency that would help him plan his honeymoon. Another conversation occurred just before April 15 and focussed on an individual's need to find a tax preparation service.

Coincidental WOM was the second most frequently identified category with 18.4 percent of the stimuli. For example, one discussion that was classified as coincidental in nature began with a conversation among co-workers and relatives about pregnancies and babies. This discussion led to the transfer of negative information about a particular medical doctor. Another coincidental communication began with a general discussion of plans for the weekend. This conversation led to favorable comments about the quality of a particular restaurant and to a recommendation that the respondent eat there.

WOM that was stimulated by the communicator's satisfaction or dissatisfaction with the service was the third most frequently identified category with 8.8 percent of the responses. For example, one positive WOM

Stimulus	Positive communication		Negative communication		Total	
	#	%	#	%	#	%
Receiver's felt need	80	53.7	68	46.9	148	50.3
Coincidental communication	24	16.1	30	20.7	54	18.4
Communicator's (not receiver's) satisfaction or dissatisfaction	7	4.7	19	13.1	26	8.8
Someone's observance of the purchase or its outcome	13	8.7	6	4.1	19	6.5
Two or more people were collectively trying to select a service	9	6.0	9	6.2	18	6.1
The marketing organization's promotional efforts	3	2.0	7	4.8	10	3.4
Receiver's (not communicator's) satisfaction or dissatisfaction	4	2.7	4	2.8	8	2.7
Someone's (other than the recipient of the information) observance of the need for a service	6	4.0	1	0.7	7	2.4
Media exposure – not related to the marketing organization's promotional efforts	1	0.7	1	0.7	2	0.7
Unsolicited comment	2	1.3	–	–	2	0.7
Total	149	100.0	145	100.0	294	100.0

Table 1. Catalysts that stimulate word-of-mouth communication

occurred when a communicator shared her pleasure with the quality of pictures received from a particular photography studio. A negative communication occurred after a communicator failed to have his automobile transmission satisfactorily repaired even though he returned it to the repair shop on two different occasions.

Someone's observance of the purchase or its outcome served as a stimulant to WOM communication in 6.5 percent of the cases. For example, a positive communication about a tanning salon began with a compliment about the communicator's suntan. Similarly, a negative communication began when the receiver commented on the communicator's new hair style.

Interestingly, 6.1 percent of the communications were stimulated when two or more people were collectively trying to select a service. Of the 18 communications that fell into this category, 13 pertained to the selection of restaurants (i.e. people were trying to decide where to eat). One positive communication occurred when room-mates were trying to decide which long-distance service they wanted to use in their house. A negative communication came about when next-door neighbors were collaborating on the purchase of roofing services.

The remaining five categories of stimuli that were identified collectively accounted for less than 10 percent of the total responses. These categories were:

- (1) communication stimulated by the marketing organization's promotional efforts;
- (2) communication stimulated by the receiver's (not communicator's) satisfaction or dissatisfaction;
- (3) communication stimulated by someone's (other than the recipient of the information) observance of the need for a service;

Observance of the purchase

Content of the WOM

- (4) communication stimulated by media exposure (not related to the marketing organization's promotional efforts); and
- (5) unsolicited comment.

The open-ended responses were analyzed further to determine the content of the WOM. This examination revealed three categories – quality-only, price-only, and value. Our definition of value was consistent with Zeithaml (1988, p. 4) who suggested that “perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given.” Therefore, communications that contained elements of both quality and price were placed in the value category. As indicated in Table II, quality-only communication accounted for 62 percent of the communications described. Value was the focus of 32.3 percent of the communication, and price-only accounted for 5.8 percent of the communication.

In summary, the results of our research suggest that factors that are likely to stimulate WOM include a strongly felt need on the part of the receiver, coincidental communication relating to a broader subject, or a high level of satisfaction or dissatisfaction on the part of the communicator. The other categories of stimuli that were identified accounted for smaller percentages of the total responses. Interestingly, none of the WOM analyzed pertained only to the presence or absence of an attribute (e.g. “The dry cleaner opens at 7:00 am). In all cases, such attribute-oriented communication also contained a quality-dimension (e.g. “the firm was honest, dependable, and up-to-date on the tax laws”) or value-dimension (e.g. “the individual who performed the repair did a good job at a reasonable price”). Figure 1 encapsulates the WOM communication process.

Implications for managers

The importance of positive WOM is generally recognized in the service marketplace. The recent emphasis on the creation, measurement, and management of service quality is closely tied to the need to generate favorable WOM, customer satisfaction, and repeat purchases. This research has provided additional insight into WOM's content and the factors that are likely to stimulate WOM. In so doing, it has moved us a step closer to answering a question that is central to the marketing of services – how can service marketers more effectively influence the WOM process? Our research results pertaining to the factors that stimulate WOM and to its content give rise to the following strategic guidelines.

Receiver's need for information

First, as indicated in Table I, our research suggests that WOM is most often stimulated by the receiver's need for information. Indeed, this is clearly the

	Positive communication		Negative communication		Total	
	#	%	#	%	#	%
Quality only	85	54.8	109	69.0	194	62.0
Value	63	40.6	38	24.1	101	32.3
Price only	7	4.5	11	7.0	18	5.8
Total	155	100	158	100	313	100

Table II. Categories of word-of-mouth communication

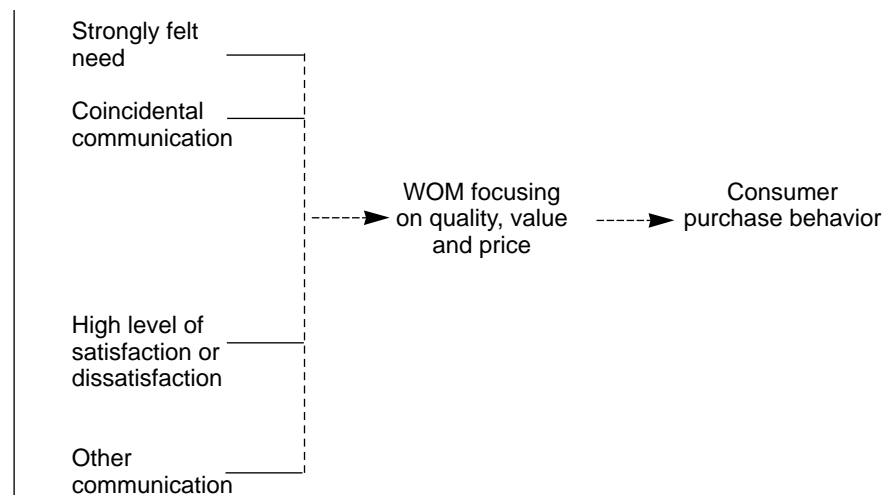


Figure 1. Word-of-mouth communication process

Use of satisfaction surveys

dominant stimulus, provoking fully half of the incidents included in the study. Other than coincidental conversation, the most difficult type of stimulus to influence, no single stimulus accounted for more than 9 percent of the incidents we studied.

This suggests that service marketers' efforts to stimulate WOM may often center on the receivers' felt need for information. To benefit from WOM triggered by this felt need, service marketers should make every effort to identify the process by which consumers gather independent information about services and place their offerings in the path of consumers seeking information. Satisfaction surveys of current customers and initial surveys of potential new customers can provide insight into customers' information gathering behaviors. It is especially important that service firms routinely gather information from new clients about the sources of information they used when selecting the firm. This information, in turn, allows the organization to target the specific WOM behavior of potential clients.

In addition to these efforts, it is vital for the service organization to position itself in the obvious path of potential customers who are seeking information. This effort might involve sponsoring or participating in seminars, workshops, and/or community events related to the marketer's offering of knowledge-based services. Physicians groups that offer preventive care or wellness programs might sponsor or support community athletic events or health awareness days. Travel or financial service providers should seek out opportunities to visit travel or investment clubs, teach continuing education courses on these topics, or participate in community events focussing on these topics. Home and/or auto repair services might establish recognition and credibility among consumers by offering basic do-it-yourself seminars on common repair tasks.

Internet and WWW

The Internet and World Wide Web offer unique opportunities to reach selected customers on the prowl for service-related information. Discussion lists or Usenet groups commonly focus on topics of special interest to subscribers. Participation in these groups with an e-mail signature file which clearly identifies the service provider and supplies contact information can be a fruitful source of leads. Similarly, Web pages which support the "free" expectations of WWW users while providing opportunities for greater

Virtual Vineyards and Amazon.com

interaction with more interested users can be an effective way to establish connections with customers who are seeking information. For example, a travel agency might provide links to destination information sites and/or online reservation systems to attract potential customers to their services. Similarly, a financial services firm might offer access to stock quotes or company information to potential investors, or a bank might offer online information about loan and deposit rates to potential account holders.

Both Amazon.com (HYPERLINK <http://www.amazon.com>) and Virtual Vineyards (HYPERLINK <http://www.virtualvin.com>) illustrate successful implementations of information-based Web marketing strategies. Though both firms sell products, books in the former instance, wine and gourmet food in the latter, their competitive advantages are service and information related. In the case of Amazon.com, users employ powerful search engines to: find titles, receive lists of similar titles, have access to reviews, authors', publishers' and readers' comments, subscribe to topic-specific notification services and, if all else fails, interact with a prompt, helpful customer service staff by e-mail.

Virtual Vineyards provides recommendations, information, and reviews of its wines. Its offerings include products of smaller producers or limited vintage that can be difficult to find in all but the most extensive wine shops. They offer food products as well, in addition to collectors' and gift sets of food and wine. Supplementing the value of their products are collections of menus and recipes, complete with wine recommendations.

Some of the services offered by Amazon.com and Virtual Vineyards are electronic substitutes for the services offered by traditional retailers while other services are not readily available in traditional outlets. Other service marketers can emulate these Internet marketing strategies by using additional, supplemental, and free information to enhance the value of their offerings.

Coincidental conversation

Coincidental conversation was the second most frequent stimulus of WOM communication in the study, accounting for 18 percent of incidents. This may also be the most difficult stimulus to influence, in that service-related communication arises from general conversation rather than specific discussion of the service. Marketing strategies directed at strengthening ties among customers and potential customers may enable service marketers to take advantage of this aspect of WOM (Reingen and Kernan, 1986). For example, several companies headquartered in Louisville, Kentucky invite customers and potential customers from around the world to the Kentucky Derby. Then, they make special efforts to ensure that potential customers have opportunities to interact with satisfied customers during the various Derby festivities. Following this example, service providers might sponsor social, civic or cultural functions to which both current and potential customers are invited. The objective is to create the opportunity for informal interaction in an environment associated with the provider, even though the environment may not be directly related to the service.

The importance of coincidental conversation as a stimulus also offers a rationale for the general community service promotions in which service providers often engage. Because almost 20 percent of service-related communication occurs within the context of more general conversation, it makes sense for service marketers to establish a presence where those conversations occur. Thus sponsorship of cultural events, advertising in local

High quality service and customer complaint system

Dominant role of receivers

scholastic athletic programs or venues, and participation in community fairs and/or festivals are all examples of activities which place an organization in a noticeable position in forums where substantial interpersonal communication occurs.

The strategic development of novel and interesting consumption experiences may also stimulate coincidental WOM (Bone, 1992; 1995). For example, Macaroni Grill restaurants feature a festive atmosphere, extroverted servers who use crayons to write their names on paper tablecloths, and large jugs of wine at each table. Such uniqueness may stimulate customers to tell others about their consumption experience.

Communicator's satisfaction or dissatisfaction

About 9 percent of the WOM incidents in the study were stimulated by the communicator's satisfaction or dissatisfaction. Significantly, these incidents were more than twice as likely to include negative, rather than positive, content. Thus, communicator-initiated WOM appears more likely to be generated by dissatisfaction than by satisfaction. These results are consistent with Richins (1983) and Blodgett *et al.* (1993) who have documented that inadequate redress of grievances often leads customers to engage in negative WOM communication. On the other hand, creating high levels of service quality should lead to customer satisfaction and stimulate positive WOM (Bone, 1992).

Therefore, service marketers are presented with the double challenge of stimulating satisfied customers' communication while limiting the impact of dissatisfied customers. Clearly, the first step in this process is to offer service that is of high quality. Then, service marketers should insure that a vigorous, responsive system for addressing customer complaints is in place before engaging in efforts to stimulate WOM.

Having minimized the incidence and motivation for negative WOM, service marketers may stimulate positive WOM by putting prospective customers in contact with satisfied customers. Banks have successfully stimulated interaction between current and prospective clients by providing social activities for affluent senior citizens, rising professionals, or people starting new businesses. Similarly, securities firms have sponsored investment clubs for members with similar financial objectives and health care organizations have formed support groups for patients facing common health problems or undergoing similar treatment procedures. Firms may also stimulate positive WOM from satisfied customers by creating positive incentives for referrals. Discounted services and/or referral fees are common tools for achieving this end. File *et al.* (1994) also suggest that marketers may use seminar selling with both current clients and potential clients in attendance.

Finally, it is important to note the dominant role of receivers in initiating WOM communication incidents. In this study, WOM was far more likely to be initiated by receivers' need for information than by communicators' satisfaction level. This implies that, in the effort to exploit service-related WOM communication, providers should focus much of their attention on intercepting prospects' information seeking behavior rather than relying primarily on testimonials from satisfied customers. For example, Jewish Hospital of Louisville, Kentucky provides customers with a broad array of information and services through health information centers that are strategically located in regional shopping malls. For example, consumers with high blood pressure may be given information about a "heart healthy" diet (Wagner *et al.*, 1994).

Aiming at groups of people

Someone's observance of the purchase or its outcome

Some of the WOM in our study was stimulated by someone's observance of the purchase or its outcome (6.5 percent) while other WOM was stimulated by an observance of the need for a service (2.4 percent). Still other WOM was stimulated by the receiver's satisfaction or dissatisfaction (2.7 percent). All three of these observations suggest that service marketers may develop strategies for rewarding people for referrals. The techniques for motivating referrals discussed earlier are relevant for these situations as well. In addition, these incidents illustrate the need to identify vividly the organization with the completed service. If possible, someone observing the benefits of a service purchase should be made aware of the identity of the service provider. The most obvious examples here are lawn signs for construction or landscaping services or windshield shades for car repair or beautification shops. Other instances might include complimentary caps or T-shirts for those participating in a clinic's wellness seminar, a tanning service's basic package, or a hotel's frequent guest club.

Two or more people collectively trying to select a service

Our research also suggests that WOM may be stimulated when two or more people are collectively trying to select a service. Marketers may take advantage of this aspect of WOM by aiming their promotion efforts at groups of people as well as individuals. This observation appears to be particularly relevant for restaurants since groups of people often make joint decisions about where to eat. For example, restaurants might offer discounts or complimentary items to groups of four people from the same organization at lunch time. Similarly, discounts may be offered for special occasion parties or to groups of four or more who have attended a local cultural or civic event during the dinner period. Alternatively, business lunch clubs, in which members receive discounts for bringing business acquaintances for lunch, might prove attractive. Restaurants might also stamp frequent guests' business cards with a discount offer that could be used by the guest or passed on to friends and/or colleagues. The goal of all these approaches is to have the sponsoring restaurant included in group discussions and decision processes concerning restaurant selection.

Marketing organization's promotional efforts

Only a small percentage of the WOM in our study was stimulated by the marketing organization's promotional efforts. Moreover, the majority of incidents triggered by this stimulus involved negative communication content. This suggests that service marketers may need to establish the stimulation of WOM as a promotional objective and, then, strategically design their promotions to accomplish this objective. For example, MCI has successfully stimulated WOM as well as referrals through its "Friends and Family" program.

Alternatively, service marketers might reassess their promotional objectives relative to WOM communication. That is, promotional effectiveness may be measured in terms of both the number of WOM incidents generated and the content of the communication. No matter the stimulus which prompts a WOM incident, if the content of the communication is consistent with the content of promotional material, the promotional effort may be deemed successful. Indeed, this might be the more desirable result, as the role of communicator has now passed from the less credible marketer to the more credible personal source of information.

Importance of quality in service-related WOM

Quality-oriented WOM

As indicated in Table II, most of the WOM examined in our study focussed on quality only. WOM containing elements of both quality and price was classified as value-oriented and constituted the second largest category. A relatively small portion of the WOM examined focussed on price only.

Since 62 percent of the incidents in this study were categorized as quality-only communication and 32.3 percent of the incidents focussed on value (containing elements of both quality and price), it is difficult to overestimate the importance of quality in service-related WOM communication. The service organization's first challenge is to understand how its clients perceive quality as well as their service quality expectations. It must then insure that it can meet or exceed these expectations on a regular basis. If at all possible, quality guarantees should then be made in very clear language, with very clear remedies for deficiencies. An example is Holiday Inn's "complete satisfaction or your stay is free" philosophy. Similarly, a restaurant might offer ten-minute service for lunch, with free appetizers or desserts for longer waits. Automobile repair shops might offer loaners or rides to home or work for customers whose cars are not finished in one day. Banks might offer free lunches or tickets to athletic or cultural events to customers whose loan applications are not processed in a specified period.

Clearly, guarantees such as these are not possible in every service profession. Physicians cannot guarantee favorable response to treatment, nor can stockbrokers guarantee profitable investments. However, these providers might well be able to make process guarantees. For example, physicians can guarantee office waits of no more than 30 minutes for patients with appointments while stockbrokers may guarantee that trades will be executed within 30 minutes. Deviations from these promises may be rewarded with complimentary health-related products or discounted commission rates.

The offering of such guarantees has several advantages. First, it requires service providers to consciously understand their capabilities relative to consumer expectations. Second, it provides performance goals for the providers' employees and concrete benchmarks for customers. Third, and most relevant to this study, it provides concrete, memorable content for measuring the value of service provided. This, in turn, would set the context for WOM communication relative to the service organization.

Communication objectives

Price- and value-oriented WOM

A number of other strategies are available to service marketers who wish to stimulate price- and value-oriented WOM, particularly those who are low-price or high-value providers in their markets. Communication objectives for low-price providers may center on the provision of price information through media advertising, point-of-purchase material, and sales promotion. To attract value-oriented consumers, providers might offer price/value ladders, which tie the price paid directly to the level of service desired. For example, Ameritrade (www.ameritrade.com) is a discount brokerage firm which charges different commissions for orders placed online, electronically with a touch tone phone, or through a live phone call with a broker. Clients select their price by determining which level of service they desire.

Limitations and directions for future research

This research is subject to several limitations. First, although the survey respondents represented a relatively broad cross-section of the population, they were either students or the acquaintances of students. While the data

Future research

collection method was consistent with previous content-analytic research (Keaveney, 1995), there is no guarantee that the entire range of WOM was included in the study. The elimination of approximately one-fourth of the survey responses may have exacerbated this limitation. Future research may verify the comprehensiveness of the data and the generalizability of the results.

Second, the research design requested that respondents describe the last communication that occurred. This design resulted in a description of the “last-remembered” communication rather than the last communication that actually occurred. This limitation is problematic if the content of more memorable communications is different from the content of less memorable communications. Therefore, future research may utilize an experimental design or other research procedure to isolate the last communication that occurred rather than the “last remembered” communication.

The relative impact of positive versus negative communication on buyer behavior constitutes still another avenue for future study. Much of the previous research pertaining to WOM in the marketplace has focussed on negative WOM and its influence on buyer behavior while less emphasis has been given to positive WOM. Our study made no attempt to delineate the relative impact of positive or negative WOM on purchase behavior.

Finally, future research may focus on the integration of WOM into a more comprehensive model of service purchasing behavior. Such a model would address the interrelationship between WOM and such variables as satisfaction, output WOM (i.e. what the purchaser tells someone else), intent to repurchase, perceived value, perceived quality, perceived performance, and initial purchase behavior.

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This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present

Executive summary and implications for managers and executives

Spreading the word – a key part of service communications strategy

Buying things is not something we do in isolation from those around us – family, friends, workmates and neighbors. Shopping is a social experience and an important part of our life's activity. So it's no surprise that we share our experiences – good and bad – with others. Products are adopted as much because of word-of-mouth communications as because of active promotions by the company making those products.

Despite this reality and managers' awareness of word-of-mouth, we still feel somewhat baffled by the processes involved and the ways in which word-of-mouth communications affect our business. As a result of this bafflement, we take customers that arrive on personal recommendation but do little to encourage them to carry on the tradition of spreading the word.

First, we need to understand why people are affected by and indulge in word-of-mouth communications. Mangold et al. provide us with some insights into the reasons for the effectiveness of word-of-mouth communications:

- *People need information about products and services. This is often the starting point for "spreading the word". A friend asks advice about a decent restaurant, a good place to stay or for the name of a competent plumber. We are delighted to be asked and give wholeheartedly of our advice and expertise. Mangold et al. report that this information seeking is the dominant stimulus for word-of-mouth communications.*
- *Comments about services or products arise during casual conversation. People very often mention experiences in the course of a normal conversation. Nobody is seeking specific information with a view to purchasing something but the information or opinion arises – unsolicited – during the conversation. Given the importance of shopping, people will relate tales describing a good or bad experience.*

What is clear from these two reasons is that people seldom – if ever – set about passing on information about a product or service without some reason. Nobody wakes up and decides to tell all their friends what a great place Al's Restaurant is! Managers who want to take advantage of word-of-mouth communications need to take a more subtle approach.

Suggestions for stimulating our customers to recommend our service or at least talk about it might include:

- *Exhortation. There's no harm in asking customers who express satisfaction to tell their friends. They might be more inclined to do so if you ask them and it will surely do no harm.*
- *Incentive. Mail order companies and subscription magazines have used the recommend-a-friend incentive as an effective way of bringing in new custom. By offering a gift, discount or other reward to customers who recruit new customers provides a positive benefit to the person "spreading the news". There is a limit to the approach since (as multi-level marketing and pyramid selling have shown) there is a fine line between a fair incentive and exploiting friendships.*
- *Targeting opinion formers. Certain people get listened to more or simply speak to more people than most folk. We can call these "opinion formers" since their influence is greater because of the breadth of their contacts. Priests, publicans, postmen and the Avon lady all speak to*

large numbers of people. Targeting your message here can have an effect that exceeds a similar but untargeted approach.

- Speaking to clubs. *There are plenty of local organizations that need speakers each and every week. Offering yourself as a speaker can result in positive and favorable word-of-mouth. Even better – offer a discount or other incentive to the people you speak with. Not only will they be more likely to use you but it creates a further positive spin and encourages the listeners to “spread the word”.*
- Setting up a club. *Found your own club. Let your customers run it and provide facilities, advice and other support. They’ll feel closer to you – almost a part of the business – and be more inclined to tell their friends. The club needn’t be too formal but should have a purpose and someone to lead it.*
- Running a newsletter. *Nothing too fancy. Just a few pages of thoughts, ideas, product information and customer comment. Get customers to contribute with letters, stories or ideas. These days you can even extend the newsletter by setting up a Web site. Mangold et al. give a few examples of how this can succeed in getting people to talk about your product or service.*
- Giving away freebies. *Reward your regular customers with some free product or service. Don’t make this too formal a process, simply take advantage of one of their visits to thank them by giving a free meal, oil change or whatever you offer. You can be sure that they will tell their friends just how good you are and maybe even encourage their friends to try you out.*

These are just a few examples of how to get people talking about what you do. There are hundreds of other ideas inside your head. Sit down. Fish out a few thoughts and try them out. Most service organizations are part of the community. Act like you are and you will get the benefit of others treating you as a friend rather than as a mere business. And once you’re a friend people want their other friends to meet you.

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