

# MANAGING WORD OF MOUTH COMMUNICATIONS

K. Michael Haywood

*The verbal exchange of positive and negative information about a business's products and services has a considerable impact on its success. Suggestions for learning what is being said and how to gain systematic control over this word of mouth process are presented, as is a comprehensive model of the word of mouth process, including interpersonal communications among a wide variety of stakeholder groups. Focus is on the hospitality industry, but the suggestions are appropriate to all service businesses.*

Word of mouth communications is of particular importance to service organizations. First, the typical characteristics of services—intangibility, the inseparability of production and consumption, and nonstandardization—force customers to place greater reliance on the opinions of others for evaluation prior to purchase or use. Second, services are information driven. Typically, they involve considerable interaction between the provider and the customer. Service providers have fewer opportunities to make a good impression and to be persuasive in order to

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consummate a successful transaction. Unlike a product, a service cannot be easily reworked or replaced. Consequently, the service provider needs to be tied into the word of mouth process to help identify and deliver a service that best suits the needs and expectations of various types of customers. Third, given the importance of consistently ensuring service quality, particularly as related to the interpersonal behaviors of the service provider—courtesy, credibility, and confidentiality—an increasing number of service companies are realizing the strategic importance of communicating shared value. If this is to occur, management must be consistently aware of the word of mouth internal to the organization. Finally, word of mouth communication must be carefully evaluated for its information value in order to generate improved or new services or business concepts

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### **Services are information driven.**

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The traditional view of word of mouth—getting opinion leaders to spread “good words” about the company in the marketplace—needs to be extended. Internal as well as external flows of information must be managed; the information flows among all organizational stakeholders should be considered; and strategies regarding the management of negative as well as positive information must be enacted. This article takes a comprehensive approach in examining the scope and significance of word of mouth communication in service organizations. The examples are specific to the hospitality industry, but they are applicable to most types of service organizations.

### **What Do We Know About Word of Mouth?**

The mass media are generally effective in generating awareness of consumer products, but consumers tend to rely more heavily on word of mouth when making purchasing decisions for services.<sup>4</sup> There are a number of reasons for this. It has been suggested that the perceived risk with regard to the purchase of some services is considerably higher than with the purchase of goods.<sup>1</sup> Customers also seem to have a more difficult time evaluating services, partly because of

their experiential nature. Services cannot always be seen, touched, tasted, displayed, or demonstrated prior to purchase. While they may have a tangible component, the true essence of services is their intangibility. Consequently we tend to ask people who have experienced them.<sup>19</sup> This is also the case when purchase decision complexity increases, and when objective standards by which to evaluate the service decrease or may not be evident. Research indicates that the credibility of personal sources encourages their use when there is high perceived risk or when buyers lack sufficient information or are faced with ambiguous situations.<sup>1</sup>

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### **Service companies are realizing the strategic importance of communicating shared.**

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As to who is sought out for advice, it is frequently people who are physically and socially close and who are perceived as being credible or knowledgeable on a specific topic.<sup>10</sup> Research suggests a wide variety of individual as well as product-related characteristics. Opinion leaders, as they are called, tend to be similar in many ways to those they influence; they are more gregarious and innovative, are more interested in the topic of the product in question, and they typically receive and transmit more information about the topic.

Opinion leaders are not necessarily sought out. Since talk about a particular product or service provides a high degree of self-involvement, it could be that it is the opinion leader who is in search of an attentive audience. By talking to others, a person can gain attention, reveal connoisseurship, feel like a pioneer, show a knowledge of inside information, convey status, spread the gospel, seek confirmation of his or her own judgment, and assert superiority.<sup>5</sup> An opinion leader may be expressing a need to help others make a more informed decision, or may simply wish to share a message, such as a particularly funny or controversial advertisement. Wendy's North American “Where's the beef?” campaign was exemplary. In fact the commercial became a widespread, though short-lived, synonym for disenchantment or dissatisfaction with a com-

petitor's product.

Clearly, advertising can be designed to trigger word of mouth in the more conventional sense. For example, when Domino's Pizza first aired its "half an hour delivery or it's free" campaign, a lot of people were intrigued; they tested the claim and then spread the word. Advertisements can also be designed to stimulate the need for additional information about a service. For example, a few years ago Canadian Pacific Hotels realized that some meeting planners new to the job were desperate for information on how to run meetings and book convention space. The company advertised a free "convention problem solving kit," thereby setting itself up as an opinion leader. The meeting planners received valuable information, Canadian Pacific's professionalism in handling conventions was conveyed, and the hotels were able to add to their client list. Indeed, this type of approach has the potential of achieving positive word of mouth that ultimately can lead to spending less on advertising than do competitors.

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### **Many consumers decision makers are not passive; they actively seek information.**

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On the other hand, negative word of mouth can have a disastrous impact on a company. For example, the outbreak of Legionnaire's disease at the Bellevue Stratford Hotel in Philadelphia ultimately forced the hotel into receivership. The fear spurred on by rumor forced cancellations and a boycott of the hotel. However, effective handling of a problem or consumer complaint can have significant effect on word of mouth and purchasing behavior. If a complaint is resolved in a timely and thoughtful manner, the majority of customers will return.<sup>17</sup>

What is being said about a business has strategic as well as marketing implications. For example, the reputation of a business in the marketplace can determine whether a company can obtain the required resources such as qualified employees. Even the availability and cost of capital, terms of trade, and stock prices can be affected. For example, investors searching for hotels or restaurants to buy usually make inquiries in order to determine the state of

health of the business before entering into negotiations. Donald Trump in his book, *Trump—The Art of the Deal*, outlined his strategy for building positive word of mouth in order to gain financing and structure favorable deals for the Grand Hyatt in New York and his casino hotels in Atlantic City.<sup>18</sup>

What is felt and said about a company by its employees also has far-reaching implications. Disgruntled employees can sabotage a business. Slow service, sullenness, discourtesy, and lack of product/service knowledge turn off customers who, in turn, turn off potential customers. Idle talk among employees, either among themselves or with others, can have damaging effects.<sup>9</sup> However, the underlying cause of employee sabotage can often be traced back to poor management-employee relations.

People love to trade rumors. The persistence of the rumor a few years ago about worms added to hamburger meat to strengthen the protein content (an untrue story) can be attributed in part to the growing uncertainty and anxiety in our society about additives, cholesterol, and other health risks contained in our food. Rumors resulting from a combination of uncertainty and anxiety will persist until wants and expectations that give rise to the underlying uncertainty are fulfilled or until anxiety abates.<sup>14</sup> This suggests that rumors can indeed be managed by making the unknown known.

Despite the power that word of mouth has on the success of a company, few firms systematically consider personal influence or word of mouth activity as part of their corporate programs. Two leading marketing researchers have suggested:

If a marketing organization understands how mass media and personal influences interact it may be possible to develop an integrated marketing program including these influences even though they are not controlled by the marketing organization.<sup>7</sup>

The ability to manage word of mouth activity can have a powerful competitive advantage, not only in lowering marketing costs but in recovering hidden costs of negative word of mouth. A point worth considering: it costs five times more to go out and get a new customer than it does to maintain a customer you already have.<sup>16</sup>

## A Contemporary Word of Mouth Model

Word of mouth has traditionally been depicted as a two-step flow of communication (see Figure 1). Information provided by an organization (usually through a mass media campaign) influences certain individuals to take action (buy a product or service) who then, on the basis of their experience with the product, subsequently inform others. In the process these informers become what is known as opinion leaders.<sup>11</sup>

This depiction of word of mouth is inadequate. Many consumers or decision makers are not passive; they actively seek information.<sup>2</sup> There may be chains of personal influence,<sup>8</sup> or multistages in the flow of communication.<sup>15</sup> Word of mouth can be a result of referrals arising from a personal network of businesspersons or clients.<sup>13</sup> It has even been suggested that the role playing between opinion leaders and followers is not always prevalent; that is, discussion or word of mouth activity may take place in the context of conversations.<sup>3</sup> In fact, experiences with popular services such as travel and food seem to generate significantly more interpersonal communication than do experiences with more mundane products.

To account for these more encompassing views, a more contemporary model of word of mouth is required. As Figure 2 illustrates, word of mouth is a process that is often generated by a

company's formal communications and the behavior of its representatives. The extent of word of mouth activity, therefore, is a function of the following: the people with whom the company and its employees come into contact (customers, suppliers, agents, competitors, the general public, and other stakeholders); its communications; and the inherent interest in the company as a result of its actions.

While a company pursues an endless variety of transactions, each of these attempted or actual transactions gives rise to relationships—hence the current interest in relationship marketing.<sup>6</sup> In turn, these relationships are fostered through formal and informal communications which are designed to achieve specific objectives—sales, profits, deliveries, payments, satisfaction. Word of mouth is instrumental in influencing the degree to which a company achieves its objectives.

In other words, it is necessary to recognize that word of mouth communications is integral to the overall performance of the company. The manner in which a firm manages its various functional areas can affect the level of word of mouth. For example, word of mouth can influence patronage as a result of a celebrity endorsement, a concerned sales office that solves customer complaints, or a novel employee-recruiting campaign that captures the interest and imagination of the community. However, word of mouth is also generated by factors beyond formal corporate activities such as advertising.

**Figure 1**  
**The Traditional Depiction of Word of Mouth: The Two-Step Flow Hypothesis**

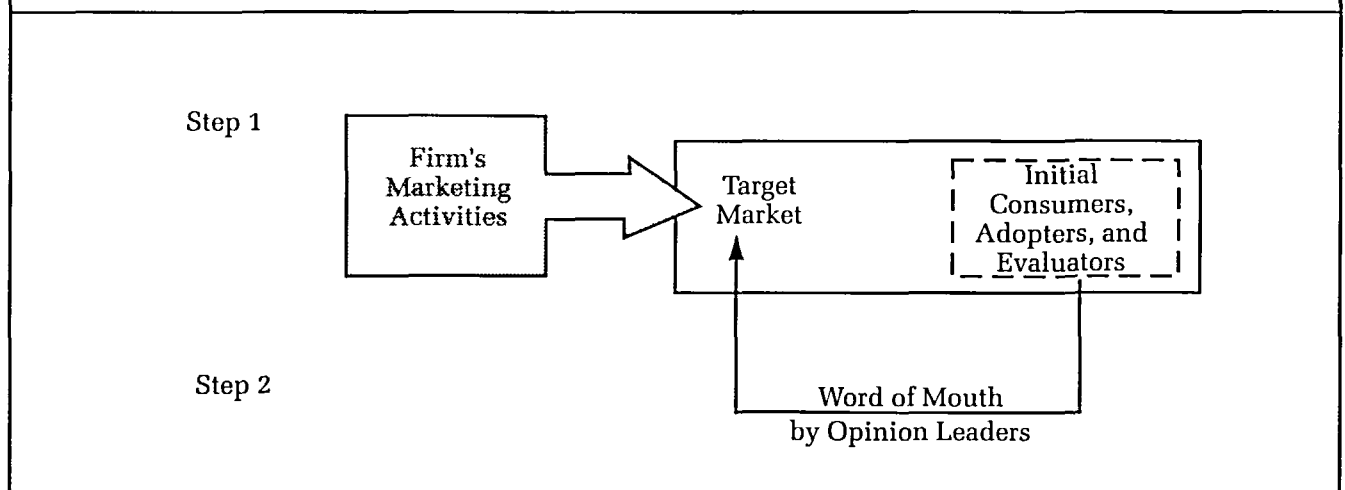
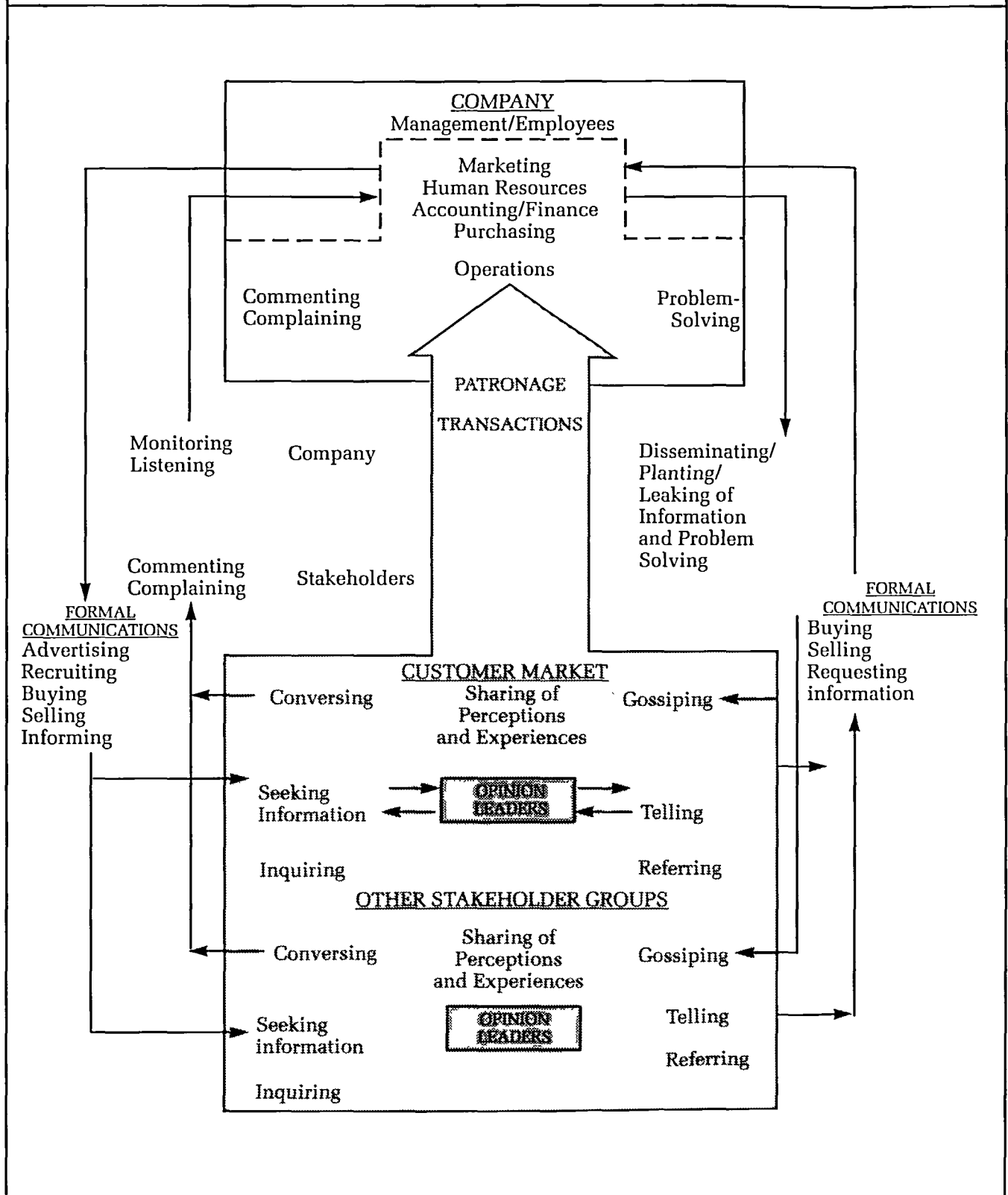


Figure 2  
A Contemporary Model of Word of Mouth



Consider the following: The location of Sardi's in New York's theater district was instrumental in helping create a legendary restaurant for theatergoers. The architecture of John Portman attracted hordes of people into Hyatt hotels to experience the majesty of his well-designed atriums. The names of lodging chains such as Motel 6 or Econolodge communicate a budget price. In other words, the uniqueness of location, architecture, and name can be crafted into stimulating word of mouth.

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As is shown in Figure 2, a unique characteristic of hospitality businesses is that customers first must be attracted into a hotel or restaurant. Once they are attracted, the encounters with employees, other guests, and a physical and sensual environment require that a hotel's or restaurant's operations must be managed effectively. The ability to deliver on a promise or to meet customer expectations is a major factor on which word of mouth is based.

Customer experiences with hospitality products and services are generally considered "hot topics." People are in the habit of telling others about their experiences with travel destinations, new restaurants, and so on.

Interest in travel and eating out has spawned an industry designed to guide the unfamiliar through the labyrinth of choice. Thousands of travel, hotel, and restaurant guidebooks are produced annually. Articles on travel, food, and restaurants appear in newspapers and magazines. There is no shortage of advice to feed the word of mouth process. The information is available for those seeking it, and the reality of someone else's experiences serves to mitigate the "hype" that seems to characterize so many marketing campaigns.

Companies also take part in the word of mouth process through intelligence-gathering. Just like its customers, a company can find out

what others are saying about it. Many firms go to great lengths to evaluate the performance of their products and services. The information resulting from such research can be used to improve the quality of the offering and to ensure that the positive word of mouth far outweighs any negative comments. Top management of a company also disseminates information in verbal and other forms to its many stakeholder groups—even confidential information may be revealed—and outsiders receiving this information use it to generate further word of mouth communication.

## **Managing the Word of Mouth Process**

The power of word of mouth has not gone unnoticed. Some concerned companies do take action, but usually on an ad hoc basis. What is often needed is a more systematic approach. Some relevant questions that provide focus are as follows:

What is being said, by whom, to whom, when, where, how, and why? Is the word of mouth activity positive or negative? Does it reflect frustrations or problems a particular person or group is having with a company? Or is it a reflection of how a company is doing in comparison to its competition?

What effect does word of mouth have on sales, patronage, employee performance, service from suppliers, community acceptance, or customer satisfaction?

What changes/corrections in products/services offered or in managerial functions—marketing, training, recruiting, purchasing—does word of mouth suggest?

How can word of mouth be incorporated/integrated into a company's activities and programs? And can a company influence what is said by whom, to whom, when, where, and how?

Answers to these questions are not easily found. Management must be willing to listen and to take action focused on improving relationships with each of its constituencies. Before any systematic action can be taken, however, management must make a total commitment to the process. This is easier said than done. Finding out what others think about your company is often painful. Management's response

can be one of disbelief, shock, or defensiveness. Its response may be merely to educate, in the belief that customers and other constituents are misinformed or don't see the big picture. Sometimes the response is simply to withdraw from adversity; taking corrective action requires fortitude and time.

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Change can be painful, but it provides opportunities for improvements and renewed vigor in a company's relationships with customers and other stakeholders. The following guidelines will provide a sense of direction and a focus for action.

1. *Listen actively and question effectively.* The quickest and most effective way of tapping into the grapevine is to talk face-to-face with people from each constituency. It is virtually impossible to discover how satisfied customers are, or what problems your agents or suppliers are encountering, unless you interact on a personal level.

Two of the most important skills that need to be developed for interactive market research of this kind are active listening and effective questioning. Active listening requires more than just hearing. People sometimes fail to hear what they choose to tune out. Getting real information from what one is hearing requires active participation in the communication process. The easiest way to become an active listener is to ask effective questions. By so doing, one is able to direct and control a conversation and thereby obtain information that otherwise might not be forthcoming. For example, Donald Trump indicates, "I'm a great believer in asking everyone for an opinion before I make a decision. It's a natural reflex. If I'm thinking of buying a piece of property, I'll ask the people who live nearby about the area... I ask and I ask and I ask, until I get a gut feel about something. And that's when I make a decision."<sup>18</sup>

Asking questions skillfully is an art that is best developed by practice. Some guidelines: Ask open-ended questions; they cause people to say more. Be encouraging; look interested in what the other person has to say. Be reflective; by reflecting verbally you don't question a person's motives but rather wonder why something was

said, thus encouraging elaboration. Ask naive questions; in this way you don't make false assumptions and you get more complete information. Use probing questions; these are designed to determine underlying feelings. Summarize in order to communicate whether you received accurate information.

2. *Take appropriate action.* It is insufficient simply to be tied into the communications network; action must be forthcoming. Unfortunately a company's current management information system (M.I.S.) is rarely set up to collect information on its relationship with constituents; therefore, a Consumer/Constituent Information System (C.I.S.) should be set up. (See Appendix.) Each manager should be responsible for contacting a certain amount of customers, suppliers, and so on, on a weekly basis. Such involvement by a senior executive will give the impression that issues are taken seriously and quick action will occur. Executive responsibility, however, does not preclude employee involvement. Customer/constituent listening should be everyone's responsibility. But, again, employees must be trained in listening, be given the opportunity to share this information, and be rewarded for doing so. For example, many major chains regularly "debrief" their sales staff and regional and senior managers regarding competitive strategies, market opportunities, and the like.

Once the grapevines have been tapped into and the issues identified from word of mouth, it is then possible to focus on specific managerial action. If, for example, marketing is considered the functional area of most concern, the next step, as Figure 3 indicates, is to decide on the objective—to stimulate positive word of mouth and/or retard negative word of mouth. If marketing expenditures can be increased, a marketing task for stimulating positive word of mouth would be to encourage customers to visit the business on a familiarization tour. In the hotel business this technique is particularly important since meetings or conventions are high-involvement purchases and a visit provides first-hand impressions. If marketing expenditures have to be decreased, however, positive word of mouth could be stimulated by encouraging the customer to contact an intermediary such as a hotel representative. Of course, the hotel would have to make sure that the intermediary has the

resources and is committed to providing positive impressions.

In the case of negative word of mouth, the company might implement a customer relations program to handle complaints or mount a strong public relations campaign to quell any rumors that may be hurting the business. In some instances, it may be necessary over a designated period to decrease marketing activities and maintain a low profile until particularly negative information (e.g., outbreak of Legionnaire's disease) has run its course or until corrective action has been implemented. For example, after a fire at the Inn on the Park, Toronto, the Four Seasons Hotel Corporation totally revamped the hotel's safety and security systems and then advertised that the hotel was the safest and the most safety conscious in the country.

To anticipate negative word of mouth, management should have an information system that monitors potential problem areas. An effective quality assurance program could generate this information. Marriott, for example, measures such things as the number of reservations not honored, overtime hours logged by employees, number and type of complaints, and the number of safety infractions, in order to identify potential problem areas.

Action can also be taken with other stakeholder groups. For example, if lending institutions think that a hospitality firm faces a questionable future because of an oversupply of hotels, then

the company might provide information dispelling the notion that the industry is saturated, or it might emphasize its strategy to develop a market niche in which there is limited competition. If the stakeholder group is employees worried that the head office is about to sell off some of its properties, the company can substantiate the rumors, but give reassurance regarding job security.

The task of identifying opinion leaders who are talking about the company is formidable. Research does not always reveal these people, and even if it does, it is not easy to reach them effectively. They may be too far removed or it simply may be too costly to advertise or talk to them. However, where research does result in a general identification, several approaches can be used as described throughout this article.

3. *Focus on a customer/constituent orientation.* An unabashed customer/constituent orientation is based on a deeply rooted commitment to service and quality. While every business has a distinctive formula for creating and delivering its services, it is vital that these formulas be based on benefits valuable to customers and constituents (determined through careful research, and face-to-face interaction) and be constantly communicated and monitored both in the marketplace and to employees. For example, if customer satisfaction is assumed to be based on positive experiences which will be evaluated against a set of prior expectations, then management's attention must be focused on what hap-

**Figure 3**  
**Integration of Marketing Activities and Word of Mouth**

		Stimulate Positive Word of Mouth	Dissipate Negative Word of Mouth
Marketing Effort	Increase	Encourage contact with hotel sales force for more information	Mount a complaint- handling program; quell rumors
	Decrease	Encourage use of travel agent for more information.	Maintain a low profile



pens whenever a person interacts with the firm, its physical environment, and its employees. An effective C.I.S. system should be able to generate this information.

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### **Management should have an information system that monitors potential problem areas.**

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In anticipation of a poor fit between expectations and actual experiences, a company can provide the means by which any problem can be resolved. In many first-class hotels an assistant manager may be stationed at a desk in the lobby so that guests can comment in person about the service. If all employees know how, and are willing to solve problems in a manner acceptable to most guests, the hotel shows its concern for the welfare of its guests, and possible negative word of mouth is defused.

4. *Deliver on promises.* Whenever a company advertises, it makes promises. If advertising and future word of mouth is to be effective, staff must be thoroughly aware and prepared to deliver exactly what customers expect.

In a desperate attempt to attract customers, many hotels print ads or brochures that imply glorious weather and other features that are beyond the control of most businesses. If a guest builds up expectations on the basis of claims that cannot realistically be achieved, then dissatisfaction and negative word of mouth may result. This is why the Bahamas Ministry of Tourism, for example, carefully monitors its "Better in the Bahamas" advertising slogan.

5. *Manage after the service.* An overriding question is how to capitalize on word of mouth activity once a customer has left the establishment. Hospitality businesses can pursue any of the following courses of action:

a. Every guest is a potential opinion leader. Domino Pizza, for example, has a system whereby the managers regularly find out whether or not customers are satisfied. If there are any problems, corrective action is taken and customers are informed as to that action.

b. Regular guests can be asked to participate in a consumer panel. Suggestions for improvement can thus be discussed and deficiencies identi-

fied. One well-known Florida restaurateur uses customers to test any new menu item before it is introduced as a regular item. This form of involvement has become a regular topic of conversation in the community.

c. Hospitality businesses are fortunate in that management has an opportunity to establish a personal rapport with customers, making people feel more important and increasing patronage. These regular guests may also be more likely to bring their friends, who in turn may become regulars. The addresses from the guest register also allow an establishment to contact a client to ensure that a past visit was satisfactory. Doing this is particularly important with group functions. A follow-up shows concern and allows a business to correct any problem that may have occurred, thereby averting negative word of mouth.

d. The guest or customer who leaves with memorabilia or souvenirs (anything bearing the name of the establishment) is likely to share their memories with others. In this way positive word of mouth becomes more lasting. Consider the T-shirts that tell the world "I Love New York." Souvenirs generate conversation that can lead to a positive endorsement of your establishment.

6. *Target opinion leaders.* Let us consider restaurant reviewers, as an example. Customers frequently find them to be a valuable source of word of mouth information. Hospitality businesses, on the other hand, often view these people as being the bane of their existence. The main task is to keep them honest. For example, the media could be encouraged to hire only qualified and knowledgeable people. If it is possible, reviewers should be asked to base a review on a number of visits and to consider the type of clientele being sought. An unflattering review, however, is unlikely to have an adverse effect if most people already think highly of the business or if a reviewer has a poor reputation, so a restaurant might best respond to a bad review by ignoring it. If a rebuttal is in order, it must be written fairly and objectively if it is to have a positive impact on the audience.

Opinion leaders can sometimes be generated. One hotel chain used to encourage its properties to put on an annual event for taxicab drivers; tours of the properties were conducted and hotel

prices and promotions explained.

Interest in a destination or hospitality business can also be generated through the media, which, in turn, stimulate conversation. The media are drawn to interesting stories or events. For example, in light of the popular success of Paul Hogan and his movie *Crocodile Dundee*, the media descended on Australia during the America Cup Yacht races. The press coverage was capitalized on by the Australian Tourist Authorities and a tourism bonanza ensued.

**7. Work with suppliers.** Those businesses that supply products and services to a company are another source of word of mouth. Their salesmen and delivery drivers are in constant contact with client companies. It stands to reason, therefore, that a business can ill afford to mishandle its affairs. Not accepting an order or failing to pay on time results in negative word of mouth.

While most businesses want to maintain an arm's length relationship with suppliers, positive business relationships can still be fostered. Some hospitality businesses offer suppliers discounts or special incentives—tickets to a football game or a free meal at the establishment. These incentives could be tied to a supplier's ability to meet certain quality and service standards.

**8. Cooperate with competitors.** Competing businesses are in a constant battle for the customer. It would appear that there is little likelihood that they would recommend another's business. On the contrary, there is such a thing as friendly competition, and businesses can cooperate. Hotels in downtown Toronto have mounted joint advertising campaigns to attract large conventions and have a commitment to exchange overflow business. Such examples of cooperation engender positive feelings and positive word of mouth.

**9. Help people who are seeking information.** Since the word of mouth process also includes those who seek information, a business must ensure that it's provided at the right time, in the right form, and in the right place. For example, potential customers can be persuaded through advertisements to contact the business directly. Toll-free calls, coupons, mail-backs, and other devices can be used to get a customer to call. The company can then answer specific questions, provide guarantees, or identify benefits

that may otherwise be unknown. Potential customers are always pleased when a business takes an interest in them. Success in this endeavor, however, is contingent on the employees' competency in communicating. Training in handling telephone calls, writing effective business letters, responding to specific requests for information, managing negotiations, and improving interpersonal communications may be necessary.

**10. Generate interest and discussion through advertisements.** Potential customers are often made aware of a hotel or restaurant by advertisements that are witty or capture the imagination. The linkage with word of mouth occurs whenever these ads generate conversation. Burger King's "Have it your way," McDonald's "You deserve a break today," and Wendy's "Where's the beef?" have become incorporated into everyday language because they represent important themes or shared meanings.

Many potential customers need to be reassured that they are making a good choice if they patronize a particular hotel or restaurant. A popular advertising technique is the personal endorsement. While many businesses choose a celebrity, Marriott Corporation, for example, is endorsed by the company's president, Bill Marriott, Jr. The message suggests that the company is infused with his value system of excellence, and his presence in the ads suggests that he is personally interested in any problems Marriott guests may experience.

**11. Get employees and managers to become more effective communicators.** If word of mouth activity is a process of providing and seeking information for customers and other constituents, then it should apply equally to all the members of the organization. For example, managers, as integral components of the information-processing system, should be constantly aware of what is going on both inside and outside the company, actively gathering information from a wide variety of sources and disseminating it to interested corporate or stakeholder groups. CEOs like Ray Kroc of McDonald's and Conrad Hilton of Hilton Hotels generated tremendous enthusiasm for their companies. Their commitment to excellence and their interest in customer welfare have resulted in considerable word of mouth activity. What else accounts for the fact that

many people wanted Lee Iacocca, CEO and self-professed savior of Chrysler, to run for President of the United States?

Senior management should be in regular contact with customers and other stakeholder groups. The manner in which they conduct their business, the techniques they use to sell their properties and negotiate deals, create images that may generate either positive or negative responses. It is noteworthy that more and more executives are taking courses in personal grooming, public speaking, and how to manage interviews. Senior managers are highly visible and have to know how to handle crises and confrontations in knowledgeable and creative ways.

Similarly, the manner in which other employees serve and respond to customers has an effect on customer satisfaction. Of course, the demands and pressures of a service job are such that the delivery of the service can be impeded. Employee training in interpersonal skills and customer service must have top priority. Such an investment in a company's human resources pays off in terms of highly motivated and dedicated employees.

12. Plug communication leaks. Unfortunately, not all employees are loyal. Some may attempt to sabotage their employer by revealing corporate secrets to suppliers or competitors or by bad-mouthing an employer. A disgruntled employee can undermine a company's strategic thrust as well as its market position. Every company should develop methods to plug leaks of sensitive or confidential information.

13. *Find out what others are saying.* Ironically, companies that jealously guard their knowledge base are themselves involved in some form of competitive intelligence gathering. Whether it be to keep current on trends in the marketplace or to maintain a preemptive position as a market leader, it is vital that a company have access to information that will allow it to make the best strategic, administrative, and operational decisions. This means finding out its competitors' strengths, vulnerabilities, and activities. It is also

necessary to keep abreast of the implications of regulatory changes. Information that can have a possible impact on a business should be gathered on every stakeholder group.

Some hotel and restaurant chains are large enough to support a department whose responsibility it is to gather and disseminate such information to decision makers throughout the company. Other ways of accomplishing this task include the following:

a. Assembling boards of directors or advisers who are able to tap into various information networks.

b. Attending major trade/industry conferences in order to pick up new ideas and to rub shoulders with colleagues in competing or complementary businesses.

c. Creating research and development programs not just to assess current customer satisfaction, but to discover new products and services or to improve service delivery systems. Companies that are on the cutting edge of change enjoy a high degree of recognition, which usually translates into positive word of mouth.

## Summary

Word of mouth is a pervasive and very influential form of communication. It involves a constant exchange of information across a wide spectrum of individuals and stakeholder groups. Because word of mouth activity has an effect on every functional area of a business, service business executives are beginning to appreciate the extent to which their customers, suppliers, and even the company itself rely on the opinions and experiences of others in making decisions. How does this flow of communication work? Who are the opinion leaders? Who looks for advice—what advice? What effect does it have? In addressing these questions, one can find a way to systematically improve the management of word of mouth communications.

## Appendix

### Consumer/Constituent Information System (C.I.S.)

Most management information systems (M.I.S.) focus upon easily quantified budget and

financial data that support the managerial decision process and help monitor and control oper-

ations. This approach suggests that the key stakeholder is corporate management—not the customer, the franchisee, or the supplier. In contrast, a consumer/constituent information system (C.I.S.) is premised on the belief that corporate success hinges on management's responsiveness to the needs and concerns of all stakeholders or constituents. To develop an effective customer/constituent information system, management should:

Identify the attributes and sources of satisfaction/dissatisfaction that each constituency (customer, supplier, franchisee, agent, etc.) views as being important.

Measure, yes *measure*, in a quantifiable and objective manner, how well the company performs with regard to each of these attributes (e.g., cleanliness, waiting time, employee friendliness).

Conduct regular (weekly, monthly) formal and informal surveys. Domino's Pizza conducts weekly surveys.

Assign a large cross-section of executives and employees to the tasks of measuring satisfaction and visiting accounts or other constituent groups. Get everyone involved.

Disseminate the information widely and broadly. Give everyone the chance to see, reflect, and determine the action that should be taken.

Act quickly. Reward accomplishments achieved and determine ways of correcting deficiencies or problems.

Institutionalize the measurement of constituent satisfaction. In other words, "talk it up" continually; work on a "zero defects" policy; tie C.I.S. into existing management information or quality assurance programs; and reward people for their involvement.

## End Notes

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