Word of mouth and viral marketing: measuring the ROI

Viral marketing has become the defining marketing trend of the decade. Brands big and small launch viral videos via YouTube, post new product information on their MySpace pages, court the blogosphere and send forth armies of evangelists to spread the gospel by word-of-mouth (WOM). But without customer identification and access to customer data, are viral marketers just blowing smoke?

The buzz about viral and WOM has transformed marketing, as marketers eschew the hard work of building customer relationships through loyalty and database marketing in favour of distracting them with such shiny baubles as YouTube videos and interactive adver-games.

Although WOM spending is difficult to track, the trend is clearly behind the record-setting increase in internet advertisement spending, with the Interactive Advertising Bureau reporting that companies spent $4.9 billion on the internet channel in the first quarter of 2007, up 26 per cent from the same period in 2006. If you doubt that WOM is leading the virtual land rush, then note a recent magazine study, which found that 82 per cent of the fastest-growing private companies use WOM techniques.

There is no doubt that viral campaigns build awareness. But do they build market share? Can marketers identify or create brand evangelists – those consumers who actively promote their favourite products and services to family, friends and business associates? Can their effect on the bottom line be measured? How can viral campaigns link to existing loyalty marketing efforts? Is a cool viral video really all you need to create customer advocates?

The modern age of viral marketing

Viral marketing is far from a recent phenomenon; before the advent of the printing press, broadcast media and the internet, WOM was the only way to market your goods.

The modern age of viral marketing began a bit more recently. In 2003, for example, the Pabst Brewing Company traced the epicentre of a 9.4 per cent sales increase of Pabst Blue Ribbon beer to Portland, Oregon, where PBR had become the beer of choice for anti-establishment hipsters. Through sheer word-of-mouth advocacy, PBR sales enjoyed similar spikes around the country; in Chicago, sales spiked by 134 per cent. Then in April 2004, quick-service restaurant chain Burger King launched www.subservientchicken.com – a site that allowed users to issue commands to a guy dressed in a chicken suit – which enjoyed 20 million hits. Nobody knew if Burger King tied the chicken to a sales increase, but it did wonders for brand awareness.

The Pabst and Subservient Chicken episodes, among others, found marketers in every industry scrambling to analyze and exploit this seeming explosion of viral marketing. With the proliferation of broadband access and its attendant social networks, video-sharing sites and blogs, word-of-mouth now spreads at the speed of thought. Marketers who fear getting run over by the WOM train are attempting to get on board, if not pilot the locomotive, with such of-the-moment tactics as buzz marketing, influencer marketing and crowd-sourcing.

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The quest to create and measure the ROI of what used to happen quite naturally has led to the development of a growing industry dedicated to managing and influencing word-of-mouth. The Word of Mouth Marketing Association (WOMMA) formed in 2004 to define standards, best practices and metrics for this new discipline, has coined such terms as WOMUnits, Polarity, Source Diversity, Clarity and Depth to define and sell WOM marketing services.

The difference between viral marketing and WOM is one of cause and effect. Viral marketing – which might take the form of influencer marketing programmes, community-building portals, viral videos and street-level guerrilla campaigns – builds awareness and buzz; it's the cause. Positive WOM, which theoretically leads to trial and acquisition, is the effect.

One of the earliest adopters of this discipline, ironically, is corporate giant Procter & Gamble (P&G), which launched its Tremor service in 2001 to help market products to teens through managed WOM techniques. Tremor has since grown to encompass over 225,000 teen agents, and the experience led P&G to launch Vocalpoint in 2005 as a vehicle to spread the P&G gospel to its other core constituency-moms. Vocalpoint now boasts over 600,000 "connector moms" who receive coupons and new product samples in the mail and then share their experiences with upwards of 25-30 other women a day (the average mom speaks to just five). According to a May 2006 *Business Week* article, Vocalpoint promotions have seen unit sales in test locations double.

BzzAgent is essentially a smaller, brand-neutral version of Vocalpoint. The company has built an army of 300,000 agent volunteers who receive coupons and sneak previews of new products and then march forth to evangelize. According to the company's own research, each agent shares the client's marketing message with an average of 12 other people – and that's just the first-generation contacts. Who knows how far the message spreads?

A typical WOM campaign was conducted by BzzAgent for the Dunkin' Donuts chain, which enlisted 3,000 agents to promote the chain's new Latte Lite drink in four test markets. The volunteers each received six coupons for free Lattes and were charged with self-reporting their mentions of the drink back to BzzAgent over the 12-week test period. The goal was to gauge the impact on sales of the viral campaign versus sales in four control markets that received only radio advertising promotion.

The results supported correlation with increased sales, if not causality: sales of espresso drinks in the test markets rose an average of 26 per cent versus an 8 percent increase in the control markets.

The unanswerable question, of course, is whether the WOM campaign will have staying power. Does a successful WOM event build brand loyalty that translates into increased customer lifetime value (CLV)? Or does it simply deliver a temporary boost on par with other one-off promotions?

Measuring the effect of viral marketing

Viral marketers can measure the reach of a viral video, isolate the incremental effect of agented WOM, and determined the polarity of blogosphere buzz. But can they tell you definitively that the viral campaign on which you just dropped a dime led to increased market share?

Consider the underlying problems of the Dunkin' Donuts test: because BzzAgent did not have access to point-of-sale information, they could not isolate Latte Lite drink purchases; they could only measure category espresso drink sales. The imperfect test-versus-control environment saw one control market outperform its companion test market. These are not fatal flaws, but they demonstrate the difficulty viral marketers face in collecting actionable data. And it is not just marketing executives who are dissatisfied with current ROI measurements. Interactive agencies themselves encounter client executives whom they sometimes have to talk down from the diving board.

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The quest for reliable metrics has led some marketers away from viral tactics that draw short-term attention but little else to individual campaigns to tactics that allow for prospect identification and capture of behavioural data. Swiss computer peripheral manufacturer Logitech, for example, recently punted their viral campaigns for a trio of adver-games hosted on its website. Players of its Ball Balancer, Jelly Jumper and Jellybattle games are prompted to register their e-mail addresses and receive traceable discount coupons for unlocking higher game levels.

The dirty secret of the viral marketing industry, then, isn't so secret after all: Outside of subservient chicken-level success or insanely expensive sustained WOM efforts like P&G's Vocalpoint, viral marketing is difficult to execute successfully and measure adequately.

Four commandments

Going viral confers considerable advantage: you can spread word of a new product or service at light speed; generate buzz at the approximate level of a Hollywood premiere; and leverage brand evangelists to encourage trial and activation. To build true customer loyalty, however, your viral campaign must connect at the front end of your customer strategy, open a doorway into customer data collection, and then connect on the back end to engage your most valuable segments. Viral content that does not encourage identification or dialogue is just mass marketing tarted up for the digital age.

To integrate viral marketing into your own customer strategy, consider following these Viral Commandments:

1. *Use viral tactics to build awareness and trial*. P&G's Vocalpoint campaign and BzzAgent's army of advocates have successfully tapped into a fundamental human desire: the desire to appear trendy and in-the-know. We all like to share good news; the ability to tell your friends and family about a new product and bask in the attention is, in itself, a compelling soft benefit for your best customers.

2. *There is no acquisition without identification*. Customer identification is essential to building long-term advocacy. Viral marketing without capture of customer identification – by collecting an e-mail address, signing up the customer for an opt-in programme or tracking offer redemption – is not an effective acquisition technique. Metrics that end by measuring the reach of your viral campaign only tell you how consumers responded to that particular campaign. They cannot tell you whether any of those consumers try your products and become long-term customers.

3. *Look beyond the transactional*. The most cutting criticism of loyalty marketers is that we are loath to admit that transactional loyalty does not always, or even frequently, equate to emotional loyalty. Viral marketers say their techniques are ideally suited to identify and engage those hidden champions in your customer file. Customer potential becomes a measure not simply of propensity to buy, but also of propensity to advocate on behalf of the brand.

4. *Connect your advocates to product development*. Perhaps the greatest potential of viral marketing is as a platform to connect brand advocates with your product development cycle. Toy manufacturer Lego relied on customer feedback through their Lego Club to identify lucrative new product lines. Likewise, Dell Computer recently launched a new website, DellIdeaStorm.com, to allow Dell customers to suggest improvements and new product lines – and saw over 200,000 posts in 90 days.

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