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THE ROLE OF WORD-OF-MOUTH IN CUSTOMER ACQUISITION IN SERVICE COMPANIES: A ‘SIX-MARKETS MODEL’ ANALYSIS

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ABSTRACT

Many authors maintain that word-of-mouth (WOM) from satisfied customers is a significant contributor to customer acquisition, and professional firms and SMEs rely on it. However, we know little about how WOM processes work for service firms, and how managers can influence recommendations. This multiple case study of three service organizations is used to explore the significance of WOM as a contributor to new customer acquisition. Even when organizations focus on and apply sizeable resources to customer relationship management (CRM) in order to achieve customer satisfaction, WOM is weak and very much less significant than anticipated. WOM’s power in attracting new customers lies in organization-influenced WOM and relationship marketing networks. Some of these organization-influenced WOM processes are managed, some are relatively unrecognized, but all may be important contributors to new customer acquisition.

I believe a sound understanding of the organizational factors influencing WOM amongst customers and non-customers may help to create more pro-active and productive communications within organizations, and more effective use of WOM in customer acquisition.

Keywords: Word-of-mouth, customer acquisition, lead generation, network marketing, customer relationship marketing, services marketing.

INTRODUCTION

This paper reports partial findings from a larger ongoing study of the management of word-of-mouth (WOM) by service organizations. The aim of the overall research program is to discover whether, and how, companies manage WOM, and to recommend strategies for WOM management that might be applied by service organizations. This multiple case study focuses on several key aspects of WOM:

- Corporate understanding of WOM management. How aware, if at all, are companies of the role and importance of WOM?
- The objectives of WOM management. What, if anything, do companies (hope to) gain from WOM management?
- Generation of positive WOM. How, if at all, do companies generate positive WOM?
- Prevention and control of negative WOM. How, if at all, do companies prevent, or control, negative WOM?
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- Processes and structures for managing WOM. Is WOM management a defined organizational responsibility? What metrics, if any, are employed to measure WOM activity and effects? What processes and technologies, if any, are deployed to support the management of WOM?
- How can companies improve their management of WOM?

Previous research indicates that WOM can influence marketing outcomes, suggesting that management should take a more systematic view of WOM communications. However, examples of researched cases are few. While it is generally agreed that WOM is the principal source of new business acquisition for professional firms and SMEs (Stokes and Lomax, 2002), little is known about whether or how service companies have incorporated WOM strategies into their marketing.

This paper reports on WOM and WOM networking effects as they apply to customer acquisition within the services sector. Using three case studies it examines the influence of WOM on new customer acquisition in the context of the Six Markets Model of Relationship Marketing (Christopher et al., 1991; Peck et al., 1999) and proposes an expansion of the categories to more accurately reflect the sources and circumstances in which the prospect was initially attracted to the organization.

LITERATURE REVIEW

WOM communication has long been regarded as an important source of influence on short-term and long-term consumer attitudes (Bone, 1992) and purchase behavior in many service contexts (Price et al., 1987; Gremler and Brown, 1999). WOM is widely thought to be credible and independent, being beyond the influence of organizational management (Arndt, 1967; Murray, 1991). A number of authors maintain that WOM influences new customer acquisition and purchase of new products (Rogers, 2003), and services (Mangold et al., 1999) is a significant contributor to organizational performance (Reichheld, 1996). WOM has been reported to be many times more influential than information derived from newspapers and magazines, personal selling, and radio advertising (Katz and Lazarsfeld, 1955; Herr et al., 1991). Evidence of a powerful role for WOM in the diffusion of innovations is well documented (Mahajan and Muller, 1998). Katz and Lazarsfeld (1955) stressed that the diffusion of innovations and information acceleration rely on opinion leaders who impart a large amount of information to others in their social networks via WOM (Fieck and Price, 1987; Slama and Williams, 1990) and, in spreading WOM, they legitimize the product for other consumers (Uray and Dedeoglu, 1997).

The general consensus in the literature is that positive WOM is an outcome of customer satisfaction (Anderson, 1998), whereas negative WOM results from customer dissatisfaction (Richens, 1983; Richens and Root-Shaffer, 1988; Sundaram et al., 1998). Many practitioners and researchers focus on the power of WOM from satisfied customers in influencing new customer acquisition (McKenna, 1991; Murray, 1991; Tax and Chandrashekaran, 1992; Mittal and Lassar, 1998; Mangold et al., 1999; Harrison-Walker, 2001). In practice, Eismann, a German frozen food manufacturer, estimates that 30 per cent of its new customers are recruited by referrals from satisfied customers (Naumann, 1995). Industry leaders have also trumpeted the importance of WOM. James Dyson, inventor of the bag-less vacuum cleaner, believes WOM is responsible for the company’s profits (Marketing, 2002), and Richard Branson of Virgin
has lauded the beneficial effect of WOM referrals on business performance (Peck et al., 1999).

More recently, WOM has been given added significance by the Internet (Dellarocas, 2003; Carl, 2006). It is now very easy for consumers who have never met to exchange positive or negative views about products and organizations (Widdows and Widdows, 1998). The WOM effect on new customer acquisition is most noticeable in the literature concerning online companies who have built their customer numbers and their profitability through eWOM (electronic word-of-mouth) processes (e.g. Hotmail and Google). For example, Meg Whitman, eBay's CEO, was reported in the Wall Street Journal as saying 'We're spending less than $10 to acquire a new customer, the reason is that we are being driven by WOM' (Strauss, 1997). Jupiter Media Metrix 2001 confirmed that 45 per cent of online shoppers choose e-commerce sites based on WOM (Berry, 2001). WOM is also being more closely integrated into the operations of many Internet companies with beneficial effect (Reichheld and Shefter, 2000). This includes customer referral ratings and affiliate referral; for example, Amazon's reader ratings and affiliates alliance partners who receive monetary compensation for referral.

While Internet WOM is clearly conducted in a highly networked environment, many authors have endorsed the idea of WOM itself as a networking activity involving multiple recipients (Brown and Reingen, 1987; Heskett et al., 1997; Tullier, 1998; Goldenberg et al., 2001). Freeman (1979, p. 219) used the example of a communication network to describe an actor with a high degree of centrality as a person 'in the thick of things', highly connected with many others, a person who is 'a major channel of information' for other contacts. File and Prince's (1992) findings extended the exploration of WOM and referral networks in non-profit settings where informal networks are supplemented by formal intermediaries and philanthropic advisors, as well as key influencers who recruit new donors from amongst their own business and social networks (Rosso, 1991; File et al., 1994). Gummesson (2002) went further, stressing the importance of relationships with the media, local governments, local trading block partners, and others overseas. The nature and composition of these networks has been explicated by Christopher et al. (1991) and Peck et al. (1999), in their Six Markets Model of Relationship Marketing (Figure 1). I use this model to structure and present my findings.

The six markets model proposes six key market domains that can contribute towards organizational value in both business-to-consumer and business-to-business markets:

1. Customer markets are made up of buyers, intermediaries and consumers.

2. Referral markets, comprising both customer and non-customer referral sources, produce advocacy referrals and customer-initiated referrals. These referrals can be further divided into general, incentive-based and staff referrals.
3. Internal markets are composed of employees and staff, some of whom deal directly with customers and may be in a position to influence referral behaviors.

4. Supplier and alliance markets include inter-organizational alliances. These are often struck to gain access to each others’ customers (Payne, 1995).

5. Recruitment markets are composed of potential employees.

6. Influence markets comprise a divergent range of constituent groups: regulatory bodies, industry bodies, press and media, user and evaluator groups, environmental groups, political and government agencies, and competitors as well as financial and investor groups, and unions.

Other researchers have also recognized the contribution of organization-influenced WOM, for instance, the control of negative WOM within complaint management processes (Buttle, 1998) and WOM’s contribution to network organizations, such as Amway or Avon (Coughlan and Grayson, 1998). Thus WOM processes may be more prevalent than has been thought. Buttle (1998, p. 243) concluded ‘perhaps all that distinguishes WOM is that it is uttered by sources, who are assumed by receivers to be independent of corporate influence.’

Despite these authors’ findings, Mangold et al. (1999) believe only a small proportion of WOM communications are stimulated by commercial efforts. Indeed, according to Gremler et al. (2001), many companies have struggled to develop effective marketing
programs that encourage WOM. Perhaps this is because WOM is particularly applicable to certain industries (Dye, 2000) or because to elicit WOM that is sufficiently powerful to influence customer acquisition, conditions of customer affect have to exceed the norm (Gremler and Brown, 1996; Reynolds and Beatty, 1999; Gremler et al., 2001).

Thus there is ambivalence in the literature. Peck et al. (1999) endorsed Bayus's (1985) argument that WOM has received little attention, particularly as regards marketing in service settings. They consider that the subject of advocacy and referral marketing is significantly under-emphasized from the perspective of both academic research and corporate practice.

Many questions remain unanswered. For example, we do not know how organizations regard WOM; nor do we understand what companies gain, if anything, from management of WOM, its stimulation, control and measurement (Buttle, 1998).

**METHODOLOGY**

The research approach has used qualitative multiple case studies with a replication design as defined by Yin (1994). Cross-analysis and comparison of cases improve the generalizability of the findings beyond that afforded by a single case. Primary data sources and collection methods comprised interviews, texts, observation and transcripts — the four classifications outlined by Scapens (1990). Interviews were the primary source of data and were fully transcribed. Transcripts were triangulated with internal documentation and other materials such as company annual reports, newspaper stories, marketing plans and internal memos, and creative communication including television commercials.

My research comprised three case studies of companies with offices in Australia; two have overseas head offices. The companies are a regional energy company which is expanding its commercial divisions beyond its traditional boundaries, and two multinational organizations; one from the financial services sector and the other from the not-for-profit (NFP) welfare sector. The latter is reviewed from its donor services perspective, rather than from its welfare perspective. We gathered data from 54 in-depth and semi-structured face-to-face interviews with managers of the companies' marketing and communication departments, and from participant observation during business meetings.

The interviewees were selected using snowball sampling (Hussey and Hussey, 1997). Initial interviewees were chosen on the recommendations of the firm's executive who authorized research access. Interviews were conducted until it was obvious that theoretical saturation had occurred (Glaser and Strauss, 1967) and that triangulation with documentation and interviews was consistent. Participant observation (Denzin, 1978) in business meetings and observation of business practices helped to create an understanding of the role of communications processes involved in new customer acquisition. Adopting the approach of Ferreira and Merchant (1992) the study also ensured there was 'an attempt to explicitly link the observations to a pre-existing body of knowledge' i.e. within the literature.

The cross-case analysis, guided by Creswell (1997), brought together the findings of the three individual cases and the literature. First, the services sector organizations were compared, then these were compared with the NFP. During this process, I followed
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Miles and Huberman’s (1994) model of qualitative data analysis, using various analytical techniques including pattern matching, i.e. word tables, the display of data and searching for patterns (Yin, 1994, 2003). N-Vivo software was used as a repository and analytical tool to manage coding of the voluminous and complex data. It also provided a location to record observations, questions and thoughts.

RESULTS

I report here the findings from the three cases of the role of WOM in new customer, or donor, acquisition.

Case A: Not-for-profit welfare organization

WOM in this context occurs primarily as a result of organization-influenced communications, significantly from media comment, and from satisfied volunteer donors. WOM can be positive or negative. Not surprisingly, positive WOM is strongly linked to increased donations from loyal donors, while negative WOM, often sparked by media comment, is linked to significant donation reduction from current donors and affects new donor acquisition. Negative WOM effects tend to be further reaching, causing internal management upheaval and longer term negative image effects amongst key influencers, including the media, corporate donor decision-makers and the federal government, a major stakeholder. Thus media comment and negative WOM are considered a major threat to the organization. A crisis management process, managed through the Public Relations department, has proven inadequate in preventing negative WOM.

Organizational policy precludes paying for media; space and time are donated by media owners and managers. Consequently mass communications are inconsistent. However, new donor acquisition is effected through direct mailings, inserts in newspapers, and PR exposure. Fundraising is focused on one key annual public doorknock appeal, using the testimonials of media and sporting identities to create publicity and WOM. Other press releases throughout the year highlight the organization’s welfare commitments; the resulting WOM is not always positive. In fact, the most significant positive WOM has been sparked from widespread exposure given to the organization’s involvement in disaster relief. This managed exposure contributes significantly to the organization’s image and triggers positive WOM and donations from previous and some new donors. Increasing numbers of donations from past donors come via the website. However, WOM from satisfied donors does not significantly influence new donor acquisition.

A more significant contribution to new donor acquisition is made by formal WOM networking strategies. A volunteer fundraising sales force, using a strategy similar to pyramid selling, identifies influencers within the business community who, in turn, use their networks to raise more donations. Approximately one quarter of the organization’s annual fundraising target has been met by bequests generated through formal identification and visitation programs to key influencer solicitors who, in construction of a will, can refer the charity to their clients. Other significant referral occurs between business donors who are voluntary committee members and their contacts with past business donors who are, in turn, connected with corporate fundraisers.
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Case B: Financial services company

In this context WOM is closely linked to customer dissatisfaction with service, and to the organization’s sophisticated customer complaint processes. While the organization seeks minimization of negative WOM and maximization of positive WOM outcomes, dissatisfied customers demand authoritative handling and speedy resolution to their complaints. However, customer dissatisfaction can linger suppressed; many potential new customers have been lost because of the testimonials of customers the company thought would be advocates, but who actually uttered negative WOM. Negative WOM is also promoted by competitors who have ‘bad-mouthed’ the company resulting in the company gathering data on a worldwide basis in formulation of counteractive measures. Against a background of consistently low customer satisfaction, the company is actively pursuing increased customer satisfaction levels and positive WOM by conducting intensive call center and sales force customer service training. CRM work practices are being used to identify dissatisfied customers. Spontaneous WOM from satisfied customers has been deemed an insignificant contributor to either the consumer or business divisions’ new customer acquisition. Management’s doubts are reflected in the regular collection of statistics from new customers, which include data about WOM, but which are deemed unreliable and inoperable.

Negative WOM is also strongly associated with crises that touch the company. The resulting negative publicity creates negative WOM, which detracts from management tasks, affects the company identity, and brings pressure from stakeholders. During a crisis, the Public Relations department and senior management all follow a rigorously enforced protocol, which includes media liaison. The PR department seeks positive WOM by generating press releases, providing company exposure, and encouraging employees’ involvement in sponsorship; over one third of employees are involved in social welfare programs.

Though WOM is not considered to be a significant component of the marketing mix, on investigation, WOM processes abound. Both the company’s advertising strategy, implemented over 30 years, and its online viral campaigns are testimonial-based. Though viral success is yet to be established, the website is becoming a channel for significant new customer acquisition, facilitated by discrete enquiry and eWOM. Other influences on new customer acquisition include cultivation of advocates and use of their testimonials in new business presentations, formal and informal networking arrangements amongst industry-associated third parties, and sponsorship within the corporate travel and finance industries and leisure events promoted by the organization. These events are used, first, to convert invited new business prospects to customers and, second, to convert customers, key influencer non-customers and media into advocates. The striking of supplier/alliance partnerships has markedly increased new customer acquisition, mainly by WOM from satisfied new customers. Thus management’s attitude towards the importance of WOM to new customer acquisition is changing.

Case C: Regional energy company

In this context, WOM is strongly associated with customer dissatisfaction with service. Negative WOM is widespread in times of power outage, which have been frequent, but it is also generated by unsatisfactory handling of billing queries by the call center and
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by the delivery of poor service by the outsourced installation company. Both these sources offer opportunities for positive WOM through satisfactory customer complaint resolution. However, complaints can escalate into disputes and crises if customers complain to the company’s government stakeholder or to the media, who champion the customer’s cause. Such incidents damage the company’s image, and also disrupt normal business practice and put management under significant additional pressure. Thus management are ever conscious of the threat of criticism from incidents that generate negative WOM and require thorough regulatory investigation and lengthy explanation to government.

As a result, CRM processes and strategies have been established to counteract customer dissatisfaction and negative WOM outcomes. Two processes dominate: 1) customer complaints handling processes, which are handled by customer service and the sales force and 2) the crisis management process. The latter is directed through the corporate PR department, who implement crisis management protocols and media liaison processes in concert with senior management, including the managing director. Corporate PR is also responsible for stimulating positive WOM outcomes. This is closely linked to press releases and to the exposure given to the company’s sponsorships of the arts, environmental and social causes, the rescue helicopter and notably its four-year rugby union sponsorship. Team player endorsements, used in TV advertising, have achieved high advertising awareness for the brand.

The incidence of positive WOM related to customer satisfaction is inhibited by consumers having little choice of energy supply. However, the company is facing deregulation, and has embarked on initiatives for cross-selling appliances and energy products. The Energy Institute, an authoritative body endorsed by the federal government, gives free advice on energy savings and appliances. While both are blatantly organization-influenced, management believe they influence WOM, and as such have proved successful in creating additional sales and establishing customer loyalty. The company regularly collects statistics regarding reasons for selecting the firm, which include WOM, but the data are not considered reliable.

Of more significance to new customer acquisition is the WOM networking strategy based on the sponsorship of the country’s national rugby team. While this has afforded image benefits, it has also given the sales force access to difficult-to-reach target decision-makers in national businesses through their fixture event attendances. Other WOM referral schemes include expertise referrals given to key health influencers, fee agreements and employee incentives for referral amongst third parties. Fee agreements have been struck with third parties to help build relationships amongst family groups to influence schools. Alliances with innovative energy and air-conditioning suppliers, with links to partner organizations’ websites for each-way referral, also promote WOM.

Cross Case Analysis

While the ongoing battle to raise customer satisfaction levels remains high on management’s agenda, these cases show that management’s main concern surrounds processes designed to reduce customer dissatisfaction and negative WOM. Thus complaint management processes have been built around CRM systems. However, management are most concerned about issues emanating from media comment which can ‘hit the organization from out of the blue.’ Thus the sampled companies have
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developed sophisticated crisis management processes designed to counteract any negative WOM from the media which puts focus from stakeholders upon the organization and its management and disrupts day-to-day management of the company. In fact, the organizations devote much of their effort to counteracting negative WOM, or the threat of it.

New customer acquisition is barely influenced by WOM from satisfied customers in company-to-consumer markets. More vital have been the WOM advocacy and the significant and varied networking practices, both reciprocal and incentivized, undertaken by sales forces in these organizations' business-to-business divisions. Alliance partnerships struck with complementary suppliers and marketers have also contributed significantly to WOM referral.

DISCUSSION

The role of WOM in new customer acquisition

The power of WOM referral is found not in business-to-consumer markets but in business-to-business markets, where sales force personnel are closely involved with customers and key influencers, and organization-influenced WOM is widely practiced. In the quest for new customer acquisition these organizations actively embrace both formal and informal WOM processes that include fee-based and reciprocal referral arrangements with third parties. New customer conversion techniques include customer and non-customer advocacy and testimonial endorsements. WOM networking opportunities designed to link sales force personnel with identified difficult-to-reach prospects provide a productive platform for WOM amongst customers and prospects. These have gone beyond the work environment, for example, socializing ‘in one’s own time’ at sponsored industry conferences and at specifically targeted sponsored events, where cultivation of customer advocates, non-customer advocates and media key influencers can also be effected. Alliances with complementary suppliers also offer major opportunities to improve awareness and gain new customers by WOM referral amongst their customer bases.

Findings compared with the literature

A large body of literature maintains that positive WOM from satisfied customers is a significant contributor to new customer acquisition. Two main types of outcome from customer satisfaction are highly regarded (Durvasula et al., 2004): behavioral loyalty, related to repurchase of the service, and attitudinal loyalty (Reinhardt and Kumar, 2002), which is reflected in a customer's likelihood to recommend the service provider to their social networks (Dick and Basu, 1994). While the majority of customers remain loyal, this research suggests attitudinal loyalty is weak and that WOM from customer satisfaction is not occurring amongst business-to-consumer customers. A plausible explanation is suggested by Gremler and Brown (1996). They maintain that when customer satisfaction falls below certain industry norms, stimulation of WOM is less likely, and new customer acquisition is unaffected. Dye (2000) also states that some industries are more WOM-susceptible than others; the energy industry (Case C), for example, enjoys limited opportunities for WOM.
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However, organizational-influenced WOM is widely used by these service companies. For instance, Case A demonstrates the use of media manipulation, which has led to donations from new donors, existing donors and long lapsed donors. Testimonial-based communications in all cases have created both awareness and WOM. When these integrated programs migrate to their business-to-business operations, particularly the employment of heavily promoted sponsorships which also facilitate networking amongst key target audiences, these significantly promote new customer acquisition. This study has found that WOM is most pronounced in the business-to-customer divisions when senior management and the sales force direct referral networking and WOM processes amongst prospects, customers and key influencers. The diverse range of referral techniques described within the sixmarkets model suggest that though customer satisfaction is not high, positive WOM can be stimulated to benefit new customer acquisition. This finding is contrary to those of Mangold et al. (1999) and Gremler et al. (2001).

The Six Markets Model as an analytical frame work

The three cases have provided substantial insights into the influence of WOM on new customer acquisition. I now use the Six Markets Model of Relationship Marketing to help structure the findings.

The model highlights the network of relationships in which firms engage that influence new customer acquisition. The market domains that proved significant to cultivating both customer and non-customer advocates are customer markets, supplier/alliance markets, influence markets and referral markets – both customer and non-customer. Data from the three cases illustrate all categories within these four domains, with two exceptions: referral markets – substitute/complementary referrals and influence markets – financial investor categories. The case data did not support a role for internal and recruitment markets in new customer acquisition.

The model also helps identify the crucial role of non-customer key influencers and the interrelationships between markets and organizational-influenced methodologies. For instance, the act of sponsorship involves several markets within the model. As an example, under Influence markets media/celebrity, when using sports personalities’ endorsements in advertising, the same activity involving sporting fixtures and sports personalities and their personal appearances may also occur within referral activity around new customer prospecting. The same activity may also be categorised under Customer-based development (existing customer advocacy development), as well as those categories concerning Fees. This model allows each activity to be identified.
Thus, not all findings from this study fit easily into the organization of the Six Markets Model. I am therefore proposing that customer markets, referral markets, supplier/alliance markets and influence markets within the model be modified. These proposed revisions are illustrated in figures 2 and 3 and are discussed below.

The following discussion relates to Figure 2, which is a modification of the original model that takes account of these research findings.

**Customer markets:** The case data identify the importance of customer-generated WOM following satisfactory complaint resolution. This has not been adequately addressed in the current model. Viral email pass-on also needs to be addressed.

**Referral markets:** The current model does not recognize the importance of incentive-based referrals. The significant fees paid out through sponsorship endorsements differ considerably from the nominal amounts that might be spent on a lunch, bottle of wine or invitation to a sporting event. I propose, therefore, the addition of a *fees-based* category.

**Referral Markets–Staff referrals:** This category includes referrals generated by sales staff’s networks, attendance at conferences, or company sponsorships. The evidence from the cases suggests there is merit in introducing the category *incentive-based referral* to include sales drives initiated by management, which have the objective of gaining additional referrals. Referrals attributed to various echelons of senior management are also identified in my case data.
Referral Markets—Advocacy referrals: Viral WOM, albeit organization-influenced, is transmitted by customers, and thus merits inclusion in this category.

FIGURE 3

Six Markets Model: Influence Markets

The following discussion relates to Figure 3, which is also a modification of the original model that takes account of these research findings.

Influence Markets—Media: 
(1) The influence of journalists has been established in the model. However, media influencers also include media identities and celebrities who, on account of their profile within the community and the exposure of their testimonial in advertising or sponsorship, also stimulate WOM. (2) The current model fails to acknowledge websites as a referral source. Search engine eWOM rankings also affect consumer acquisition. Therefore, the revised model includes search engine and website categorizations.

Influence Markets—Family Groups: Family Group WOM was observed in Case B. In its ethnic markets, the brand was reviled by some family key influencers and thus merchant adoption was prevented. In Case A, donations were withheld by paternalistic veto.

The data also suggest a further modification to Supplier/Alliance Markets (Figure 1). My case data identify referrals generated both by the alliance partner’s employees and their third party suppliers and customers, many of whom may become the customers of the sponsor of the alliance.
CONCLUSIONS

The importance of WOM to customer acquisition is generally recognized in the service marketplace. However, across all three cases, WOM generated by satisfied customers has had little impact on new customer acquisition. On the other hand, organization-influenced WOM does contribute significantly to new customer acquisition, particularly in business-to-business divisions, where it has been shown to have a much greater role than anticipated or previously realized. In fact, it could be argued on the basis of the case data that organization-influenced WOM is predominant.

The influence of WOM in customer acquisition appears to be relatively weak in those organizations with low customer satisfaction, or where there is little direct customer interaction. In these circumstances WOM has to be stimulated by organization-influenced methods. For instance, sponsorship of industry-related conferences and sports sponsorships promote WOM networking and cultivation of advocacy amongst customers and non-customers, and a significant number of sales force programs encourage incentivized and cultivated referrals through third party vendors.

This study has shown that organization-influenced WOM is also an essential complement to new customer acquisition in those situations where customer satisfaction is low but direct contact with customers is available.

Therefore the cultivation of advocacy amongst customers who have direct experience of a service, as well as the stimulation of advocacy amongst non-customers, are essential to the new customer acquisition process. Tactics for promoting advocacy might include sponsoring industry seminars and forums, sports sponsorship activities, and popular community events. However, a significant component of organization-influenced WOM’s success in these instances relies on encroachment on employees’ and customers’ social environments and their own time, suggesting these events should be selected for their strong affinity with the target audiences of both prospects and customer-facing employees.

Other WOM methods include those related to the marketer’s offering of knowledge-based services that assist risk reduction, i.e. Case C’s Energy Institute. Each-way referral is being achieved via online links to reputable companies offering complementary services. Testimonials from unpaid advocates linked to websites are an effective way of establishing connections with prospects who seek information.

This study investigated three widely different industries – financial services, energy supply, and fundraising – with similarities in terms of marketing department structure, customer acquisition goals, and organizational communications, in order to explore the significance of WOM as contributor to new customer acquisition. The findings could be expanded in future research by undertaking a multiple-source study covering a larger variety of industries that market to both business and consumer markets, comparing organizations that display higher levels of customer satisfaction.

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REFERENCES

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Appendix 2: Abstract of submission for WOMMA 2007 conference

WOM in Services: Identifying the sources and improving the processes.

Martin Williams and Francis Buttle

Word-of-mouth in services can be a powerful tool for marketing a brand. The effect of advocacy from customers and stakeholders as well as non-customers can have a significant effect. This research studied the influence of organisational influences particularly internal and external WOM networks and the various advocacy and referral processes organisations can employ to stimulate and manage word-of-mouth communications. The results showed that organisational influenced WOM processes have significant effects on new customer acquisition. However, these processes are not well organised or understood. This paper puts forward a WOM model for understanding and categorising advocacy processes, and to help in directing sales force and communications departments' efforts more productively.
WOM in Service Organisations: The case for talking louder to people that matter.

Martin Williams and Francis Buttle

This article presents an analysis of word-of-mouth referral communication in the service environment. The goal of the paper was to clarify the existing terminology of WOM behavior, and to examine the different structures and networks that encourage WOM within such an environment. The study showed that in services, where there is low customer satisfaction and WOM, that the dominant WOM is created by organizational influenced means and these are directed through WOM networks and targeted communications. Results suggest these organizations could benefit from WOM when a balance is placed towards communication effects. These findings would help in directing their promotional programs more effectively.
Appendix 4: Abstract of paper to be submitted to *Journal of Reputation Management*

Is your reputation worth talking about?

Martin Williams and Francis Buttle

This paper makes a case for further understanding of the power of WOM in the formation of corporate reputation. Many factors contribute towards an organisation’s reputation including its behaviour, its value proposition and the integrity of its top team. This report presents the best current determination of marketer controlled signals and other signals to key stakeholder groups which contribute to building and maintaining strong organisational reputations. In an attempt to discover data that substantiates the role of WOM in the formation of a firm’s reputation, this report’s emphasis is concerned with investigating the role of informal communication (word of mouth/WOM) in services. The authors find the links between corporate reputation and WOM (what people say to each other about an organisation, its reputation, its legitimacy, the reputation of its products and its people and other stakeholders) the results indicating that customer and other stakeholder WOM (including organisation influenced WOM) is an important component to formation of a firm’s reputation (and its destruction) and thus its performance.
Appendix 5: The thesis journey

This thesis, The Management of WOM in Services: A Multiple Case Study, has taken five years six months from start to finish (see diagram below). During much of that time approximately 30 hours has been allocated to the project per week.

A major proportion of time included the literature review. The most recent online WOM literature was researched and the rudiments of a paper were completed. However, it was decided to abandon this in favour of concentrating properly on case analysis. Other major diversions included undertaking comprehensive reviews of the reputation and new customer acquisition literatures. The resulting sizeable document is likely to be published online by MGSM after the completion of this project. This again took focus away from the task in hand. Other incidents closer to home included the sale of a property and a move from Sydney up the coast, and the ill health of my father and his subsequent demise, which entailed more frequent trips to the UK than had been anticipated.
Appendix 5: The thesis journey

Perhaps the greatest learning took place during the data analysis phase, where major hurdles were encountered. The amount of data collected, particularly from Case A, was overwhelming, a point recognised by Professor Peter Steane during coursework and in the publication by David Silverman (2000) *Doing Qualitative Research: A Practical Handbook* (Paperback) published by Sage. Indeed the project lost its way. However, this was addressed with supervisory guidance and the research questions were revisited across all three cases, resulting in a revision of the previous analysis.

The result of this process allowed the cross-case analysis to answer the questions more thoroughly, and in a way in which results could be validated and more rigorously compared with the literature. This revision took approximately 14 months and included going back through the interviews and extracting additional data. This shortcoming added significantly to the overall time of the project (a point identified by Laurence Prusak and Thomas H. Davenport in their 1998 publication *Working Knowledge: How Organizations Manage What They Know*. Harvard Business School Press ISBN 0875846556). Thesis progress was also delayed at this time by allocating approximately 8–10 weeks to the preparation and presentation of a paper at the International Business and Economic Conference 2007 in San Francisco, the attendance at which was subsidised by a Macquarie University grant.

The lessons learned are chiefly that the stages clearly delineated during coursework were not adhered to. For instance, my literature review became enormous, and at times seemed never-ending. I just could not stop myself going well beyond my boundaries, (John W. Creswell, 2002, *Research Design Qualitative, Quantitative, and Mixed Methods Approaches*. Sage Publications) into sometimes seemingly unrelated territory. Despite this, these departures eventually produced benefits, particularly the excursion into the literature on reputation, which has contributed to this WOM study. The lack of discipline could be criticised; however, I was not held to account on the research methodology, which then had to be revisited in relatively late stages of the process. Each of the ‘milestone reviews’ simply rubber-stamped my slough. There were no benchmarks against which I could judge my progress. In fact, since the disappearance of DBA colleagues Janaky Grant and Sergio Biggemann, with whom I shared every moment for the first three years, the balance of the DBA journey has, until the advent of editorial input from Alison Basden, been less much less eventful. I have missed their cajolling.
Appendix 5: The thesis journey

So, significant assistance has come from the contribution of an editor. She has helped me not only produce a more coherent document but has assisted with style and presentation that had been of increasing concern. Another human being to share more simple queries, even fears and doubts and interactions along the journey, is therefore highly recommended. Furthermore, the sheer weight of the task in terms of the assembly of the material had previously weighed heavily. To get to the final cross-case analysis and trip over thoughts that have more to do with presentation – through the clarity of the data and the dispatch of the weight of other more pedestrian worries – allowed these emerging thoughts to flow. Thus I have been altering the WOM model beyond the recommendations made in my WOM conference paper, right up until the last moments.

Another advantage that helped advance the thesis came in the form of an office allocation, Office 153, which I shared with PhD student Lien Thi Pham. This worked well. I now had at my disposal a dedicated computer with online access and an office with storage for books and materials. It also gave a sense of self and its location opposite the offices of Associate Professor Lesley White, coincidentally in her past life a client of my company Cartwright Williams, and Dr Chris Clark, a fellow DBA student of 2002, added to a sense of purpose and often humour. I am also grateful to Professor Ernest Jordan for unlocking the doors to both this office and various grants, as well as for his encouragement throughout the process. Indeed, my thanks go to the research office, particularly Elizabeth Thomas and Jayshree Thuraisingam. Despite the sometimes long hours there have been great moments of friendship and, in academic discovery, even elation.
Appendix 6: Invitation to participate

RESEARCH INTO CUSTOMER RELATIONSHIPS

Your company is invited to participate in a research program being conducted from Macquarie Graduate School of Management. Participation will yield specific benefits for managers of the communication, marketing, sales and service functions. This is leading edge doctoral-level research, not being carried out anywhere else in the world.

Goals of the research

The goal of this research is to help companies enhance their influence with their customers and in turn, their referral persuasiveness over potential customers, so that overall business performance is improved.

We have some early indications that it is possible to measure and manage ‘word of mouth’ to improve reputation for service excellence with customers, in terms of their influence over their networks, both work and social. The idea of managing ‘word of mouth’ is new and relatively unexplored.

Companies have long been able to measure and manage service quality and customer satisfaction and determine how that impacts on performance. We are now developing tools and methods for aligning customer expectations with relationship market strategies and business structures, which we believe, offer considerable potential for competitive advantage.

Benefits for your company

The results from the research will be made available to participating companies before publication in the doctoral thesis of the principal researcher. We expect that the research will answer the following questions:

1. what do your managers believe counts towards attracting prospects and profitable customers?
2. what levers can the company pull to shape expectations, through word of mouth, within marketing, sales, service or other networks?
3. what can managers do within the company in terms of strengthening relationships and loyalty with their customers to generate word of mouth?
4. what levers can managers pull to stimulate positive word of mouth amongst the company’s customers?
5. what are managers doing to address negative word of mouth influences?

We believe the results of the research will enable the company to improve its reputation with both customers and prospects. From a marketing perspective we anticipate that enhanced positive word of mouth utterance would lead to

1. improved image and reputation
2. greater share of new prospects with high profit potential.
3. improved employee loyalty.
4. longer customer tenure, and
5. reduced costs of selling.
Appendix 6: Invitation to participate

Participation
Your company would incur no costs through its participation. It would involve permitting the principal researcher, Martin Williams, to generate enough information to write a detailed analysis. He would expect to interview employees of your company and possibly attend meetings, examine documents and observe work practices. The precise research program would be agreed with your company.

Confidentiality and ethical standards
The entire research program is conducted according to Macquarie University’s Code of Practice for Research. This ensures the integrity of the research process. All data will be held in confidence and used only for the purposes intended. The principal researcher, Martin Williams, is working under the guidance of Professor Francis Buttle. These two will be the only Macquarie University persons to see the data. The main academic product from the research will be a DBA (Doctor of Business Administration) thesis. This will be examined by academics in other institutions. It is expected that academic research be eventually published in academic journals and at academic conferences. Any publications that employ data that might be traceable to your company will be cleared with the company first.

Introducing the Principal Researcher
Martin Williams is a database and CRM expert with more than 25 years of business experience. He has a Diploma in Marketing and has earned Fellowships from The Chartered Institute of Marketing of which he is a graduate and The Australian Institute of Company Directors. Now he is enrolled on the DBA program at Macquarie Graduate School of Management.
Prior to coming to MGSM, he was CEO of Cartwright Williams direct marketing for 16 years and a director of CW Database Services, both now part of Leo Burnett/Publicis. He has published over 250 articles on Customer Management and is author of Interactive Marketing, Building loyalty one to one, published by Prentice Hall. A lecturer at Masters level, teaching database practise at UNSW and MGSM, he has consulted on Customer Management processes and practices in Australia, New Zealand and Asia.

What to do next
This document is a short introduction to the proposal. Please contact Martin Williams, Doctoral Candidate, to follow up, or with any queries. He can be reached at: Email1: mmrs6698@bigpond.net.au Email2: dennismartinwilliams@hotmail.com
Phone: (02) 9363 1295 Mobile: 0438 355 015
Appendix 7: Interview protocol

Interview Protocol for research on word of mouth and its contribution to business performance.

1. The Research Study

This will encompass an assessment of word of mouth (WOM) practice and comparison in service companies.

The title is: Word of mouth management in service companies, its generation and measurement: A multiple case study.

At this stage the research phenomenon will be generally defined by two major research questions:

i). What, if any, systems or processes do organisations employ to generate WOM referrals?

ii). How do service companies manage and measure the effectiveness of WOM?

2. Research Objective

The purpose of this study is to examine, in depth, the state of the processes of word of mouth referral (WOM) from the organisation’s perspective, within the service sector. It will render a critical perspective on the strategies and processes of the part played by WOM in customer acquisition. It will determine current management practice, as well as encompass management beliefs of the effects WOM utterance has on business performance. This theory of best practice of the phenomenon can then be used to influence future communications action.

A series of papers will be produced including a paper on customer acquisition and how customers are acquired.

To effect this we wish to investigate the following 5 areas :-

- Organisation’s commitment to a market orientation.
- Word of Mouth (WOM) strategies for customer acquisition.
- WOM stimulation amongst customers and key influencer networks.
- WOM management (systems) and measurement processes.
- WOM’s relationship to business performance.

Specific questions are:-

Customer acquisition

- Tell me how the organisation goes about encouraging lead generation and customer acquisition? Whom do you target and what are the sources of new
Appendix 7: Interview protocol

customers? Establish what the current incidence of acquisition of new customers through existing methods?

- How many customers (percentage vs other means) come to the company via word of mouth referral vs customer (personal) referral either given directly or sought, as distinct from acquisition of customers through media buzz or advertising?

- How many sources of information does a customer rely on? Which ones are more important? Explore the influence of networks.

- What are the effects of networks of influence? Media, Sales processes, Advertising, PR, employees, The web/Internet, Member get member schemes etc. What is it's/ are their relative success?

- What, if anything, does the company do to leverage value from Investors/owners, Board, Suppliers, Bankers, Management, Media, Customers, and Unions. Employees

What other kinds of information are being spread through them?

- Do you plan these aspects of your new customer acquisition strategy? How manageable is it?

WOM stimulation

- What do people say when they recommend your products or service?

- How do you get people talking about your company?

- How fast does information about your product spread, compared to other products on the market?

- Tell me how the organisation goes about encouraging WOM generation amongst existing customers to stimulate new customer acquisition?

- When and where does information about you hit a road-block?

- What elements of the company's marketing mix, (7Ps stimuli jigsaw) or which channels of communication have most impact on creating positive WOM?

- What else might cause positive WOM? What incentives have worked to encourage WOM? And how about rewarding customers? ie Offers, Advertising, or special networks of people, like user groups? Tell about referral schemes like friend get friend or M-G-M ones?

- If the creation of advocates is a positive business advantage, what are you doing to perpetuate the process?

- What else could the company be doing to create a zone of high conversational value?

- (Also explore why companies don’t try and stimulate WOM?)
Appendix 7: Interview protocol

Customer retention

• What is the current state of customer retention? Tell me how you stop customers leaving and what success do you have? (keeping customers)
• What is a customer to you? What is that to the market?
• What determines a loyal customer to your company? Is that the same as the market's perception?
• What about 'Welcome' processes? Is there a planned process? Who carries it out?
• How does customer's loyalty impact on convincing other customers to use or to try your services? Does the longer a customer stays with you have any impact on the WOM effect? (ie. the possible impact of a customer's lifetime value).
• Tell me about the depth of a customer's loyalty, (number of products held, total share of wallet other family members relationships). How does this kind of loyalty impact on positive WOM for the company?
• Is a WOM customer any more likely to be a good customer? Do they in turn give good WOM?

WOM Measurement

• Tell about how WOM impacts on business performance, and if so, in which areas?
• Tell me how you measure your customers' predisposition to spread good word to other prospective customers about you?
• Are there customers who strongly recommend? How can you identify them? (segmentation)
• What is the company doing to measure WOM effects for example in terms of reputation or gaining new customers?

Negative WOM

• Tell me about the causes of negative WOM? How important is its potential impact on business performance? What does the company do to go about dealing with it?
• Tell me about the processes does the company employ to reduce the incidence of negative WOM? What is the relationship of negative WOM and with a customer defection? Volume/sales reduction?
• How do you gain clues about customers preparing to defect/complaint WOM?
• Tell me about the ways you stop defection or any WIN-Back processes
• How do you analyse defection? (After they've gone, before they go/exit survey)
In terms of its impact on creating negativity in the market, (impacting existing customers and potential ones) how important is stopping it to management? Is there a process to manage it?
Appendix 8: Entering the field, data collection and analysis

My research gathered data from 54 in-depth and semi-structured face-to-face interviews with managers of the companies' marketing and communication departments, and from participant observation during business meetings. The research approach has used qualitative multiple case studies with a replication design as defined by Yin (1994).

To decide which companies to target a purposeful sampling methodology is normally followed (Daymon & Holloway 2002). The objective was to study companies that offer diverse services, that is, to avoid cases in the same industrial group and yet choose companies from within the top 100 Australian companies. In the end the process to gain access to the companies relied heavily on the researcher's personal relationships established during business activity prior to joining the DBA course, however significantly large organizations with international affiliations or head offices were chosen. I made contact with five companies, four of which finally granted access, with three eventually participating. The fourth was not finally approached as sufficient data had been gathered from the first three participants.

Those relationships provided the initial contact with an individual occupying a senior position within the targeted organisation, termed by Creswell (1998) as the 'gatekeeper', in these cases, 'the research champion'. Having established the initial contact, I despatched a brief document describing the research goals, the core research questions, the expected benefits for the participating company, the activities proposed for data collection, the standards for confidentiality and ethics, an introduction to the principal researcher, and an invitation to make contact for further explanation (See 'Access Proposal').

Follow-up calls arranged an initial research meeting; in two cases these initial meetings resulted in Pilot Interviews. Each case study has its own peculiarities. For Case A, a national subsidiary of a large international organisation operating in the welfare and non-profit arena, contact had been made with a senior manager interested in participating because of his relationship with the researcher. This person received the 'Access Proposal' and provided access to
senior management levels and the person responsible for communications, who is higher within the organisation and reports to a person directly under the Commissioner, their CEO. The planning process consisted of a preparation meeting in which the research objectives were explained and it was made clear that the organisation would bear no costs associated with the research. Access to research is always a problem that needs to be solved. Gatekeepers are likely to decide whether or not access will be granted after evaluating costs and benefits involved (Daymon & Holloway 2002). This initial meeting commenced to build rapport between the researcher regarding the project and the project champion within the company, in a different way from how previous relationships had been struck. This person felt that both he and the organisation could benefit from the research, particularly when comparing it with other similar research activity that involved considerable cost to the organisation. He also felt empowered by being involved in setting the agenda and the anticipated outcomes.

Once the initial interest was attained, and the preliminary meetings were held, I submitted a summary of the meeting reflecting the topics discussed. Following discussion of objectives and precise research questions, the project champion’s major concerns were tabled, and any other topics arising from the preliminary meeting were discussed and resolved. Finally, a list of potential participants was prepared and a time-line for interviews and analysis was suggested.

**Purposeful sampling strategy**

Once the case has been chosen and initial access granted, the next step is the sampling strategy – determining who to involve in the research and who to exclude. Glaser and Strauss (1967) propose the theoretical sampling method that includes any person encountered during the research who can be relevant to better understand a particular topic. This strategy is different for each case and depends on the type of themes emerging.

A number of essential employees were delineated. Each participant received an email memo giving them details of the project and the tacit agreement that
Appendix 8: Entering the field, data collection and analysis

should they at any stage of the process wish to withdraw, this was their decision with no consequences attached. Each was subsequently telephoned and the memo explained. The project champion defined almost the complete list of participants at the beginning. However, each company expected these actors would be confined to communications. Therefore a case had to be made for including sales forces and call centre personnel, and the participants were selected relying on theoretical sampling. Thus participants included employees from marketing and sales, customer service and operations, as well as senior line management.

The interviewees were selected using snowball sampling (Hussey and Hussey, 1997). Initial interviewees were chosen on the recommendations of the firm’s executive who authorized research access. New participants were added later following the snowball process (Creswell 1998). These new informants were identified during interviews with key initial interviewees. However, in four instances those nominated could not, for different reasons, make themselves available for interviews arranged. Other employees – either within their department or nominated by the original participant – were interviewed instead. Their agreement to proceed followed a similar process. It is notable that these respondents felt more pressure to participate. A follow-up memo to their superior by way of thanks for their substitution and subsequent participation was appreciated and led to other meetings being recommended.

For Case B, an initial meeting was arranged internally with the senior general managers of the company. Having the research approved took longer than the researcher or gatekeeper had anticipated, because of the uncertainty of the ultimate benefits to the company, given that this is doctoral research, weighed against any expected costs (Thibaut & Kelley 1959). The project champion had to expend considerable energies to ensure the research was approved at senior level. Generally keeping expected costs low resulted in a positive evaluation of rewards by the companies that agreed to participate, particularly when the value of the outcomes was balanced with the option of participating at little or no cost. However, provisos were established. The research would be sanctioned by senior management only if the organisation would be anonymous and results were not made public. With my supervisor’s approval, such reassurances were
Appendix 8: Entering the field, data collection and analysis

given and following resolution the same path as in the other cases was adopted and access was granted. For Case C, the project champion strongly suggested to his superiors that it would be beneficial to participate. From then onwards, the process was similar to the previous Case A study. Within the companies that granted access for this research, potential participants were selected following a purposeful sampling strategy.

Making appointments

Participation in the study was always voluntary. Initially, the project champion, a senior manager, sent emails to potential informants inviting them to participate, always stressing the voluntary character of their participation. Then, a list of names, their positions and contact details was made available to me. I sent emails to those on the list arranging for a one-hour interview. Most replied suggesting a date and time. However, it was necessary to send a second email to a number of potential participants. Then I telephoned those who did not answer, sent a second email across all participants giving access to the complete group, and the subsequent peer pressure apparently contributed to the necessary appointments being made.

The interview

As part of the standards of Macquarie University’s Ethics Review Committee, each interviewee has to fill in a consent form before being interviewed. This consent form includes a brief description of the project, information about the principal researcher and his supervisor, acknowledgment that the research is being conducted to obtain a doctoral degree, an explanation about what is expected from the participant, information about the recording methods, information regarding privacy and confidentiality, information of the means to obtain feedback, a statement that guarantees participants the right to withdraw from further participation at any time without having to give a reason and
Appendix 8: Entering the field, data collection and analysis

without adverse consequences, and a footnote regarding complaint procedures and any negative WOM about the process (‘Consent form’).

Finalising these consent forms took much time. The forms reassured participants but provided a barrier for some at the start of the meeting. However, some decided they would sign their copy at the close of the meeting. Generally participants felt happier when they had signed the form and noted their ability to withdraw and the ethical nature of the processes. The University’s endorsement regarding high ethics standards established grounds for commitment to the meeting (Scanzoni 1979), built trust and added to the validity of the process taking place. This was, above all, reassuring to respondents.

Gaining interview participant agreement

The nature of the agreement to participate was stressed at every respondent interview. The proviso by Case B that their company should remain anonymous was lauded by participants. In fact, the idea that respondents’ superiors had insisted on this clause was widely endorsed by participants. It was clear participants believed that as a market leader they could be contributing information useful to a competitor, and which could potentially damage their individual positions and that of the organisation.

Collecting Data

Three main data collection methods were used: 1) Interviews, 2) Observation, and 3) Analysis of documents.

1) Interview

Interviews were the main and most important source of data obtained, and upon which the research is based. One hour in-depth semi-structured interviews were conducted and tape-recorded with employees of the three focal companies, with
Appendix 8: Entering the field, data collection and analysis

the addition of one volunteer donor of the non-profit organisation. The purpose of the interviews was to access the managers’ perspectives on the features, relevance, value and dynamics of WOM and WOM networking. Prior to starting the interview itself, participants were asked to read and sign the consent form, of which they had previously received a copy signed by the researcher and the researcher’s supervisor. Then each interviewee’s agreement to use the tape recorder was verified.

The primary relationship to be managed was that between researcher and the researched. Participants in some instances believed their time was more valuable than any benefit being derived. This made for some moments that had to be skilfully managed. However, following the initial part of interview and their involvement in what respondents came to understand was a worthwhile project for them and the organisation, they became satisfied to contribute.

The interviews commenced by giving a general explanation of the research aims, and subsequently very open question, typically “Tell me, what do you think in this organisation is important to stimulating WOM?” or “How does your company manage WOM?” or “How does the organisation benefit from WOM?” was asked. As this was the starting point, the interviewee was subsequently allowed to build on his/her ideas.

During the interview, probes rather than direct questions were used to permit the relevant topics to emerge and to lessen the likelihood of influencing the interviewees. The interviewees were asked to describe their views of WOM, and also to recall specific WOM episodes, both within and beyond their jurisdiction. The interviewees were strongly encouraged to comment on episodes that could enhance understanding of the topic, even if the episode occurred with a competitor.

The prepared interview protocol served as a reminder of the topics and as a source of probes. However, it was impossible to be used in any particular order. Participants would take a particular route and only when the topic was extinguished in their minds could the interview revert to the protocol. All interviewees agreed to the use of the recorder. The interviewees appeared to be
Appendix 8: Entering the field, data collection and analysis

less concerned and forget about the presence of the recorder soon after the interview commenced. Another advantage in the use of a digital device is that it worked in the background without interfering with the conversation but it also helped in the later process of transcription. The tape recorder was alluded to by only one participant who felt he had given information about which more senior managed might have a different opinion.

2) Observation

It was not possible to observe meetings in all the cases. For the interview, the observation protocol contains a grouped list of the research objectives (see ‘Observation protocol’). Given that the observation opportunities were diverse, the observation protocol worked as a guide and was customised to the specific situation. For example, participants’ agreement was sought for observation of inter-company meetings. However, the addition of more people, whether part of the internal structure of the company or their customers or part of an industry group, can create difficulties arising from how they perceive their participation might immediately benefit themselves or the organisation. This was particularly evident where meetings involved more than one actor.

Different observation opportunities existed during the research process. They were subject to the specifics of each case study. Within the three case studies, I observed business practices whilst waiting for interviews and during the interviews themselves when somebody interrupted with an urgent problem. For case study C, I was given full access to a sales team meeting; for Case B, I attended no meetings with more than three participants. For Case A, I observed three inter-departmental review meetings and committee meetings of the City of Sydney Central Committee meeting, which involved both employees and volunteer donors. I also attended a relationship management meeting with ‘Customer Loyalty Futures’ to which Case A subscribes, in which 11 (non-sponsoring company) members took part. I visited a number of sales channels looking for specific advertising material produced by the company and noted if sales people tended to favour any modus operandi in their interaction, and
Appendix 8: Entering the field, data collection and analysis

collected evidence of direct marketing, advertising and electronic communications.

3) Documents and artefacts

During the data gathering process in the three case studies, which included 56 interviews, four meetings were observed, and marketing strategy documentation and several advertising videos and emails were collected in each case. (See each case for specific details). Among the public documents are those available on the companies' websites, printed publications, sales catalogues, TV commercials, direct mail and other advertising communication. Internal documents included customer surveys, strategy documents, employee updates, internal emails and internal communiqués. Physical artefacts were also presented and collected, for instance, direct mail communication and incentive communications used to inform sales forces.

Single source data analysis/contact summary form

Soon after the interview, a Contact Summary Form (explicated by Miles & Huberman 1994) was produced. This had the purpose of collating the information obtained during the interview and helped the researcher keep in mind emerging topics stemming from the interview. These topics could need further explanation from the same informant, they could be complemented by information provided by another informant, or they could be triangulated from other sources to increase reliability. An interview report (see over) summarised the points discussed in the interview.

The interviews were transcribed in full and were supplemented by notes from observations and pertinent parts of the reviewed documents. Interview reports were sent to some interviewees, through the project champion, if a specific topic needed clarification. The next operation was document coding.
## Appendix 8: Entering the field, data collection and analysis

### Contact summary report

Data analysis was conducted throughout the research. Two stages in analysis are generally acknowledged: within-case and cross-case analysis (Daymon & Holloway 2002). Cross-analysis and comparison of cases improve the generalizability of the findings beyond that afforded by a single case. Primary data sources and collection methods comprised interviews, texts, observation and transcripts – the four classifications outlined by Scapens (1990). Interviews were the primary source of data and were fully transcribed. Transcripts were triangulated with internal documentation.
Appendix 8: Entering the field, data collection and analysis

and other materials such as company annual reports, newspaper stories, marketing plans
and internal memos, and creative communications including television commercials.

Interviews were conducted until it was obvious that theoretical saturation had occurred
(Glaser and Strauss, 1967) and that triangulation with documentation and interviews
was consistent. Participant observation (Denzin, 1978) in business meetings and
observation of business practices helped to create an understanding of the role of
communications processes. Adopting the approach of Ferreira and Merchant (1992) the
study also ensured there was ‘an attempt to explicitly link the observations to a pre­
existing body of knowledge’ i.e. within the literature.

Within-Case Analysis

All case interviews were transcribed in full. The notes from observations as well as
pertinent parts of the additional documents reviewed were also word-processed. These
operations provided the basis for the next operation of document coding.

Coding and Memo-ing

Coding is the process of defining categories in which field notes and transcriptions can
be sorted and compared for searching and theorising (Yin 2003), in which field notes
and transcriptions can be sorted (Sayre 2001). It can also be regarded as putting labels to
themes that shared common patterns in the data (Llewellyn, 1993; Miles & Huberman,
1994). Themes that have various dimensions were defined as nodes, child and sub-child,
using NVivo 2.0, a software program that permits management of qualitative data.
These categories, labels, or nodes as they are called in this thesis, represent themes
extracted from the literature review. NVivo 2.0 software permits management of
qualitative data into which the data was loaded. The researcher attended a three day
residential workshop to allow training in the software’s use. NVivo software was used
as a repository and analytical tool to manage coding of the voluminous and complex
data. All documentary evidence and interview transcripts being loaded, the software
was used to manage the coding activities described in earlier sections while also

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providing a location to record other observations, questions and thoughts which form an important role of theoretical memos described by Glaser (1978 p. 83-92). All documents, transcripts of interviews, presentations, internal letters, observation notes and inter-company documentation, were coded with the assistance of NVivo 2.0.

The procedures followed several steps:

1) Documents were converted into rich text format and then imported to a project created using NVivo 2.0.

2) Attributes were assigned to characterise each document. This helped in grouping and separating documents. Document attributes include the case study to which it belongs, the correct number to identify quotes, the position of the interviewee within the company and the document type.

3) Each document was read through seeking to match paragraphs –the initially defined coding unit– with a previously defined node. At this stage it became clear that within a paragraph several themes were mentioned, therefore the coding unit was reduced to the sentence level.

4) Passages that could be coded with more than one node were initially assigned more than one node. Thus constructs that have various dimensions were defined as nodes, child and sub-child, using NVivo 2.0 notation. Because of the flexibility that NVivo 2.0 offers, it was always possible to withdraw a code or to recode a passage or document.

5) Any new theme emerging from the data resulted in the creation of a new node, which afterwards was made available to be used with other documents. With this procedure in place, any new data were potentially suitable for straightforward comparison, insertion and analysis. This prescription was then applied to other documents, and the rules were thus uniform across documents. Therefore any newly introduced data were potentially suitable for analysis. This also occurred when non-verbal information, from text or observation, was added to verify and confirm data. In addition, each document was colour-coded to allow easy identification of the source of the information, and its repetition within cases.
Appendix 8: Entering the field, data collection and analysis

Writing the Reports

Having all the documents completely coded, reports by node were produced to make the texts suitable for writing the case study reports. The structure of the case study reports was prepared to be as consistent as possible. The NVivo software was especially helpful in displaying the coding schematics in hierarchical order which enabled recording of reflections during the coding process, often reminding the researcher of incidents which allowed for more accurate analysis. It also assisted in linking data in documents allowing cross-referencing of the memos with codes when developing themes and in data pattern matching. To start with, the initial codes created were linked to existing literature and to the research questions, thereby grounding the conceptual constructs directly to the field data (Miles and Huberman, 1994). However, as the data collection and analysis progressed, codes were redefined or often merged, or alternatively discarded, which allowed the analysis to develop inductively. Within the reorganised texts opposing views were sought to confirm or alter the researcher's interpretation of the organisation and its officers (those who participated in the study) and their viewpoints. Thus, within the data reduction process the researcher reviewed and re-reviewed the data and verified any reflective views within the organisations.

The three case study reports include many quotes to assist in illustrating a point and to enhance validity and reliability, and also to give life to the report. Each quote ends with a code and paragraph number. This protects the respondent's identity whilst making it possible to trace the source of the information in the original data back to its place within the NVivo software. This allows other research analysis to be undertaken or other researchers to access the original data.

Early versions of each case's transcripts were sent to participant companies to seek organisational feedback. Meetings were arranged when the topics presented within the transcripts and queries from either party were discussed. The views expressed in these meetings were used to make clarifications. These meetings were also useful to examine if the taxonomy used within the report made sense to the company members. Each one of the organisations operates in different contexts with different traditions towards its customer relationships and variance in the ways each communicates with its audiences.
Appendix 8: Entering the field, data collection and analysis

Thus each case study has its own peculiarities. They have also provided different amounts of information relevant to the various research questions. Consequently, the three case study reports vary. However, there are more similarities than differences for most research questions. Eisenhardt (1989) urges that an essential feature of theory building is the comparison of emergent concepts, theory and hypotheses with the existing literature. This has helped sharpen the construct definitions, and identify connections between themes not normally associated with each other. The within case analysis for each case was assisted by data displays. An initial WOM effects display chart helped to condense information on the overall structural context of the first case. By systematically analysing all interview transcripts and documents the series of structural events that contributed to the influence of WOM within the organisation could be established and practices and processes identified, enabling comparisons to be made during analysis of subsequent cases.

Shaping Hypotheses

Whilst there are no testable hypotheses in this research, the researcher has sought evidence that could be used either to endorse a construct or to suggest its modification. For example, given the various uses made of the word ‘advocacy’, it became necessary to refer to the literature in an attempt to understand its different meanings within the context of their use.

Enfolding Literature

This was an aspect observed throughout the research. The case study reports have relied on comparing current WOM knowledge with the emerging empirical evidence and this has been referred as the analysis progressed. Therefore evidence obtained in the literature has been cross-referenced with the data. However readers will recognise this validation process being particularly evident in Chapter 8.

Reaching Closure
Appendix 8: Entering the field, data collection and analysis

Reaching closure is the recognition that the evidence has been exhausted (Eisenhardt, 1989). Chapter 3 explains why three case studies were conducted. In summary, three case studies were felt to offer sufficient variety to answer the research questions. Regarding the number of interviews conducted in each case, as many respondents as possible were approached who could improve the researcher's understanding of WOM management. Levels of data saturation were reached regarding the many themes that emerged in the data gathering process when high levels of respondent iteration occurred. Since WOM processes are permanently evolving (e.g. online innovations) and new WOM-related episodes keep occurring, closure was reached by imposing a limit in time to which new topics could be added. The DBA research journey is understood to take three years. My journey took considerably longer.

Cross-Case Analysis

The cross-case analysis, guided by Creswell (1997), brought together the findings of the three individual cases and the literature. First, the services sector organizations were compared; these were further compared with Case A. During this process, I followed Miles and Huberman’s (1994) model of qualitative data analysis, using various analytical techniques including pattern matching, i.e. word tables, the display of data and searching for patterns (Yin, 1994, 2003).

Both within-case and cross-case analyses were guided by Yin’s (2003) model of multiple cases research, which proposes a three-step model. 1) the process of define and design, 2) prepare collect and analyse and re-analyse and 3) conclude for data analysis within multiple case studies. This last phase includes the processes needed to write the cross case report, which potentially included theory modifications. The first two steps have been already described; one of the tasks within the third step is the cross-case analysis. The cross-case analysis, which is presented at length in chapter 7, sought to accomplish three objectives: 1) Show commonalities and differences amongst the cases that could be explained drawing on contemporary knowledge; 2) Based on the empirical evidence, make propositions that advance current theory and management practice; . 3) To better articulate WOM within these service organisations and assist in building a model of WOM.
Appendix 8: Entering the field, data collection and analysis

During the cross-case analysis it became clear that comparisons must be built on detailed case-by-case analysis. It was decided to score the incidence of WOM activity on a departmental basis, each case having a comparable number of like departments. The departments scored included 1) senior management/administration (includes volunteer committee member Case A), 2) marketing department, 3) sales department, 4) customer service/telemarketing department, 5) PR department, 6) direct marketing/database department, and 7) advertising department. For the purposes of the comparison, other departments were discounted.

Though more than one respondent was sometimes interviewed from any one department, the scoring system reflects the importance of the WOM activity as perceived by respondents, not the number of times the activity was mentioned. The scores are reported in tables throughout the thesis and use an asterisk rating. The greater the number of asterisks, the more important the activity. Consider, for example, Table 7.10. This shows that respondents across six departments in case B, six departments in case C, and seven departments in case A were convinced of the role of PR in stimulating WOM. Within the case study text, the intensity of each of these phenomena has been underscored case by case. Heeding the advice of theorists (Eisenhardt, 1989; Miles and Huberman, 1994; Yin, 2003) the broad themes and patterns that were identified in the research were reduced to ensure that each research question was answered specifically. Thus the research’s conclusions have been drawn against the research questions (pages 2–4).

Addendum

Each case study has its own particularities. Each of the companies operates in different contexts with particular marketing approaches, however similar they may at first appear. However, the modus operandi of the non-profit organisation has more pronounced differences than the variations between the service companies. Because these cases consequently provided different amounts of information about different topics, the case study reports are different. For this reason, the cross-case analysis was made first between the service cases and then the non-profit organisation was compared. In other words, the non-profit
Appendix 8: Entering the field, data collection and analysis

results were overlain over the results from the first two. The decision to conduct the analysis this way was not part of the initial analysis. I had submitted a paper to IBEC USA in September 2006 and the reviewers suggested this approach. Consequently, I am indebted to Professor John Marsden and Professor Anand Shetty of IBEC for their observations and suggestions that helped explicate the conditions of WOM in service cases and explanations for the differences that may exist in the non-profit.

One other observation may have hastened the culmination of the thesis: in the early stages I was not predisposed to printing reams of paper. This has proved to be counterproductive. Interpretation of one’s ideas and diagnosis is greatly assisted by printing out analyses of case reports, rather than attempting to do the same on the computer screen. Despite the devastation done to forests, my experience suggests a ‘publish and be damned’ attitude is probably a necessary evil in the timely completion of a DBA thesis.

Within case and cross case analysis

Data analysis commenced as soon as data collection processes started, driven by the reality that a staggering amount of data would be collected (Pettigrew 1988). The analysis comprised two stages: ‘within case’ analysis and ‘cross-case’ analysis. For the ‘within case’ analysis, following the interview a contact report was prepared which recorded the interview its circumstances and any emerging themes that could be further explained in subsequent interview with the same or different informants. Miles and Huberman (1994) advise addressing five questions:-

1. What people, events or situations were involved?

2. What were the main themes or issues of contact?

3. Which research questions and which variables in the initial framework, did the contact bear on most centrally?

4. What new hypotheses, speculations, or hunches about the field situations were suggested by the contact?
Appendix 8: Entering the field, data collection and analysis

5. Where should this researcher place most emphasis during the next contact? And what information should be sought?

An interview report supplemented this information, summarising the points discussed in the interview. Interview reports were collated and discussed with the project champion in each case. In some instances they were used to shape further questions and to seek clarification.
Appendix 9: Business Appeal results in $000

<table>
<thead>
<tr>
<th>Business</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee</td>
<td>42.4</td>
<td>27.7</td>
<td>42.3</td>
<td>72.4</td>
<td>61.6</td>
<td>73.5</td>
</tr>
<tr>
<td>Commercial</td>
<td>361.1</td>
<td>461.0</td>
<td>239.5</td>
<td>360.9</td>
<td>364.7</td>
<td>407.9</td>
</tr>
<tr>
<td>Finance</td>
<td>182.6</td>
<td>200.7</td>
<td>193.0</td>
<td>252.6</td>
<td>205.7</td>
<td>211.8</td>
</tr>
<tr>
<td>Industrial</td>
<td>319.4</td>
<td>248.5</td>
<td>364.7</td>
<td>496.8</td>
<td>359.4</td>
<td>374.7</td>
</tr>
<tr>
<td>Professional</td>
<td>525.3</td>
<td>518.1</td>
<td>641.2</td>
<td>688.2</td>
<td>681.9</td>
<td>609.7</td>
</tr>
<tr>
<td>Total</td>
<td>$1,430.9</td>
<td>$1,558.0</td>
<td>$1,480.9</td>
<td>$1,871.1</td>
<td>$1,673.4</td>
<td>$1,677.8</td>
</tr>
<tr>
<td>Special funds</td>
<td>500.0</td>
<td>551.0</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>± average</td>
<td>-1.1%</td>
<td>-0.03%</td>
<td>-0.08%</td>
<td>+16%</td>
<td>+0.03%</td>
<td>+0.03%</td>
</tr>
</tbody>
</table>
Appendix 10: Salvos’ donor profile

<table>
<thead>
<tr>
<th>Data comparison Research 2002</th>
<th>2005 Research (NB. Database has been de-duplicated since 2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td>42% of donors have given over 5 years +</td>
<td>50% of donors have given over 5 years +</td>
</tr>
<tr>
<td>20% of donors have given over 10 years +</td>
<td>25% of donors have given over 10 years</td>
</tr>
<tr>
<td>54% mailed hadn’t given in past 2 years</td>
<td>25% mailed haven’t given in past 5 years</td>
</tr>
<tr>
<td>N/A</td>
<td>65% donate more than once per annum</td>
</tr>
<tr>
<td>N/A</td>
<td>Only 1% donate after four years</td>
</tr>
<tr>
<td>N/A</td>
<td>Only 0.5% donate after five years</td>
</tr>
<tr>
<td>N/A</td>
<td>40% are 65 years +</td>
</tr>
<tr>
<td>40% give under $30</td>
<td>60% give under $30</td>
</tr>
<tr>
<td>16% give over $50</td>
<td>22% give over $50</td>
</tr>
<tr>
<td>Donor average $85</td>
<td>Donor average $51</td>
</tr>
<tr>
<td>LTV/ NA</td>
<td>LTV Average LTV $445-$500/5 years</td>
</tr>
<tr>
<td>27% donors have LTV of less than $50/over 5 years</td>
<td>After first donation 40% loss</td>
</tr>
</tbody>
</table>

Source: Data Profile by R Pester 2004
### Appendix 11: Total individual Salvos’ donors 2004/2005

<table>
<thead>
<tr>
<th>Donation (monetary) segment</th>
<th>General donors</th>
<th>Business donors</th>
<th>All donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1–$19</td>
<td>number 23,555</td>
<td>630</td>
<td>24,185</td>
</tr>
<tr>
<td>± 5-year average</td>
<td>-75%</td>
<td>-46%</td>
<td></td>
</tr>
<tr>
<td>$20–$99</td>
<td>number 80,759</td>
<td>5,253</td>
<td>86,012</td>
</tr>
<tr>
<td>± 5-year average</td>
<td>-12%</td>
<td>-20%</td>
<td></td>
</tr>
<tr>
<td>$100–$999</td>
<td>number 32,495</td>
<td>5,491</td>
<td>37,986</td>
</tr>
<tr>
<td>± 5-year average</td>
<td>+27%</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td>$1000–$4,999</td>
<td>number 1,515</td>
<td>922</td>
<td>2,437</td>
</tr>
<tr>
<td>± 5-year average</td>
<td>+11%</td>
<td>+4%</td>
<td></td>
</tr>
<tr>
<td>$5000+</td>
<td>number 187</td>
<td>369</td>
<td>556</td>
</tr>
<tr>
<td>± 5-year average</td>
<td>+4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of donors</td>
<td>138,511</td>
<td>12,665</td>
<td>151,176</td>
</tr>
</tbody>
</table>
### Appendix 12: Donor/fundraising acquisition

<table>
<thead>
<tr>
<th>Donor Acquisition</th>
<th>RSA Response</th>
<th>Christmas Appeal Response</th>
<th>Total Appeal Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 inserts in newspapers</td>
<td>6,652*</td>
<td>7,466*</td>
<td>Est total *After de-duplication Approx 6,000</td>
</tr>
<tr>
<td>2004 inserts in newspapers</td>
<td>6,067*</td>
<td>5,690*</td>
<td>Est total *After de-duplication Approx 6,000</td>
</tr>
<tr>
<td>2003 rented lists</td>
<td>3,510</td>
<td>3,463</td>
<td>6,974</td>
</tr>
<tr>
<td>2004 rented lists</td>
<td>4,028</td>
<td>9,764</td>
<td>13,792</td>
</tr>
<tr>
<td>Website 2004</td>
<td></td>
<td></td>
<td>2,100</td>
</tr>
<tr>
<td>133032 Hotline 2004</td>
<td></td>
<td></td>
<td>Credit card 2,500***</td>
</tr>
<tr>
<td>WOM</td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>WOM networking</td>
<td>12,000 Individual Business Appeal RSA donors</td>
<td>12,000 individuals give approx $1.2 million per annum</td>
<td></td>
</tr>
<tr>
<td>Doorknock</td>
<td>7,500 RSA individuals</td>
<td></td>
<td>? /No record</td>
</tr>
<tr>
<td>WOM advocacy Bequests 2004</td>
<td></td>
<td></td>
<td>230 approx bequestors per annum</td>
</tr>
</tbody>
</table>

*** Not necessarily all new donors

RSA = Red Shield Appeal

*Inserts are responded to by existing donors who for different reasons react to the insert trigger, rather than to the appeal mailing. Existing donors are therefore de-duplicated and taken out of the insert response calculation.

(Source: JH 05/2005)
# Appendix 13: Donor reactivation

<table>
<thead>
<tr>
<th>Donor Re-activation</th>
<th>Feb OTS</th>
<th>Red Shield Appeal</th>
<th>June OTS</th>
<th>Sept OTS</th>
<th>Christmas Appeal</th>
<th>Dec OTS</th>
<th>Total per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 Mail</td>
<td>10,883</td>
<td>34,444</td>
<td>15,925</td>
<td>18,533</td>
<td>53,352</td>
<td>17,764</td>
<td>150,000E</td>
</tr>
<tr>
<td>2005 Mail</td>
<td>16,429</td>
<td>36,612</td>
<td>10,161</td>
<td>16,690</td>
<td>55,124</td>
<td>20,208</td>
<td>150,000E</td>
</tr>
</tbody>
</table>

OTS: "On the Scene"
### Appendix 14: Red Shield Appeal mailing, Doorknock and Business Appeal results

<table>
<thead>
<tr>
<th>Results</th>
<th>Eastern Territory</th>
<th>Red Shield Mailings $000</th>
<th>± 5-year average</th>
<th>Total Doorknock Sydney East $000</th>
<th>± 5-year average</th>
<th>Red Shield Business Appeal $000</th>
<th>± 5-year average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
<td>$4,476.1</td>
<td>-13%</td>
<td>$1,195.6</td>
<td>-0.07%</td>
<td>$1,558.0</td>
<td>-0.05%</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>$5,773.6</td>
<td>+11%</td>
<td>$1,370.1</td>
<td>+.06%</td>
<td>$1,480.9</td>
<td>-10%</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>$5,515.0</td>
<td>+6%</td>
<td>$1,454.9</td>
<td>+13%</td>
<td>$1,871.1</td>
<td>+13%</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>$5,299.4</td>
<td>+-%</td>
<td>$1,228.5</td>
<td>+-%</td>
<td>$1,673.4</td>
<td>+-%</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>$4,876.9</td>
<td>-5%</td>
<td>$1,189.9</td>
<td>-0.07%</td>
<td>$1,677.8</td>
<td>+-%</td>
</tr>
</tbody>
</table>

Results for the past five years indicate that within the three categories of fundraising within the Red Shield Appeal, Mailings, Doorknock, Business Appeal, the latter relies on WOM (Appendix 10). Thus a minimum of 20 per cent of funds raised are achieved directly through WOM. However, the Doorknock collectors are also recruited through WOM, thus up to 35 percent of funds raised can be attributed to WOM in some way. In addition, receipts attributable through solicitor ‘Honoured Friends’ bequest recommendations amount to approximately 15 million dollars, the majority of which are receipted in the Sydney area, thus WOM and WOM networking are the dominant stimuli of fundraising for the Salvos’.
Appendix 15: Red Shield Doorknock Appeal recruitment processes: Doorknock Appeal Chairman

Qualities

- Leadership ability
- Outstanding community leader
- Financial leader in own right

Role

- Member of City of Sydney Appeal Committee
- Overall responsibility of the Doorknock (house-to-house solicitation)
- Develops an implements a plan to achieve 100% coverage
- Identifies and enlists committee members
- Liases with Salvation Army personnel
- Makes a standard setting gift
- Ex officio member of all subsequent Doorknock Committees
- Assists subordinates in identification and enlistment of Chairmen

Method

- Chairs all meetings of the Doorknock committee
- Enlists Area Chairmen who in turn
- Enlists Zone Chairmen who in turn
- Enlists District Chairmen who in turn
- Enlist Section Chairmen who in turn
- Enlist Team Captains
- Enlist Collectors

Aim

To have a member of the Appeal organisation to call at every home

(Source: Appeal Chairman’s Briefing Document 2004)
Appendix 16: Red Shield Business Appeal volunteer recruitment process

Objective

To use your time, influence and personal example within the designated Division of the Sydney Metropolitan business community to generate 'standard setting' giving to the Salvation Army Red Shield Appeal

THE ARMY in effect asks the chairperson the advantage of:

The influence of his/her person (developing a peer network of support throughout the community)

The influence of his/her gift (the opportunity for the community to generously give to the Salvation Army)

The influence of his/her time (a minimum investment of time to produce a maximum effect).

Procedure

Enlist the top financial and influential leaders within the defined division as committee members (a minimum of 5 members).

The Salvo Business coordinators will provide co-ordination, liaison and organisational support.

The enlistment process follows the proper progression.

Select-inform-invite-enlist

After enlistment is complete, arrange training:

• To give a sound view of the concept
• To give information on Appeal procedures
• To give explicit training in how to solicit a gift at various committee meetings

1. Provide inspiration and a sense of urgency and worthwhileness of the common effort

2. Call a meeting with committee members to confirm goals for presentation to the City of Sydney Appeal Committee, activate top 50 givers on the existing mailing list in each respective Group and emphasise the importance of the personal follow-up

3. Make your own donation early as a standard setting exercise when requested by Appeal chairman.

4. Follow up your personal donation with letters to committee members seeking their personal and business donations prior to the official opening.

5. Personally identify names of individuals and companies (suggest 20) for making personal contact prior to the Official Opening function seeking their financial support.

6. Invite at least eight of these prominent business people to the Official Opening function where you will host them at your table.

7. Secure five, 15 minute presentations at prospective corporations with the intention of securing significant donations.

8. Seeks to develop more and appropriate ways to completely engage the Business community in the work of the Salvation Army

Personally follow-up on those contacts on your list, asking them for a generous gift prior to the close of the financial year.

Keep personal contact with Committee members following the Official Opening to ensure follow-up donations.

(Source: City of Sydney Appeal Committee, Chairman's Information Brief 2004)
Appendix 17: Case specific recommendations I: Case B

A17.1 Conclusions Case B

Table A17.1 overleaf summarises the WOM problems and solutions for Case B.

A17.2 Product/service WOM Pillar 1

*Stop negative WOM triggered by a division of Case B*

Travel insurance is creating a WOM problem for Case B and is a threat to new customer acquisition. It is unreasonable to anticipate WOM will be generated on Case B’s behalf in the fiercely competitive travel securitisation business, and thus negative WOM is likely to continue from this source. If Case B focuses on clearly defined targets, negative WOM from certain sectors of the industry, threatened by doubts towards their intentions, could be reduced. To reduce negative WOM being stimulated by Case B’s own business units, it may be more pertinent to put these businesses under a separate brand name.

A17.3 Customer service WOM Pillar 2

*Complaint resolution amongst the many, not the few*

Complaint resolution can occur on a customer base that is small and is outside the orbit of senior customer decision-makers. Complaints have been resolved at a level of management that is too low to maintain strong customer relationships. The resulting customer dissatisfaction has led to loss of important accounts and lingering negative WOM. The memory of the complaint lingers and can result in that company using a past event to terminate the business. In fact, many researchers have suggested that receivers of negative information give it a disproportionate level of importance in subsequent dealings with the company (Wright 1974; Lutz 1975; Miserski 1982).
### Appendix 17: Case specific recommendations I: Case B

<table>
<thead>
<tr>
<th>Case B: WOM Problem</th>
<th>WOM Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case B has no universal understanding of WOM, its contribution to its image or its effect on new customer acquisition.</td>
<td>The precise contribution of the various types of WOM and its channels needs to be understood. Analysis of the value of the various stimuli of WOM, including image contribution to customer acquisition, is required.</td>
</tr>
<tr>
<td>Customer acquisition and customer retention are divided responsibilities in Case B. This has major effects on the understanding and deployment of WOM strategies.</td>
<td>The retention team, as part of their task, should be charged with delivering a significant quota of referrals to the acquisition team.</td>
</tr>
<tr>
<td>The Internet is a new customer acquisition channel which needs supporting by the acquisition team.</td>
<td>The effect of search engines on prospecting to be assessed. Case B website to be linked with testimonials and eWOM prospects navigation understood.</td>
</tr>
<tr>
<td>Advocates pose a negative WOM threat to new customer acquisition.</td>
<td>WOM customer advocates to be identified and to receive education and advocacy information.</td>
</tr>
<tr>
<td>Amongst WOM networking, there is threat of WOM referral deflection from key influencer referrer/advocates.</td>
<td>Employ more talented WOM networkers. Incentivise key influencers, referrers and employees receiving the referral.</td>
</tr>
<tr>
<td>Complaint resolution occurs amongst too few decision makers and leads to dissatisfaction and to customer attrition.</td>
<td>Complaint handling procedures require thought as to how to demonstrate amongst senior managers that satisfactory resolution has occurred.</td>
</tr>
<tr>
<td>Negative WOM occurs when customer acquisition is mismatched with customer needs.</td>
<td>Qualify prospect customers more thoroughly and motivate the field force to concentrate on high value prospects only.</td>
</tr>
<tr>
<td>Negative WOM, rumour and innuendo circulate when the company comes under media scrutiny. Negative WOM damages the organisation’s internal image.</td>
<td>In crises existing internal employee communication processes are inadequate. Internal communications need to form a significant part of crisis management and negative WOM reduction.</td>
</tr>
<tr>
<td>WOM and the willingness to utter WOM currently go unrecognised. Satisfaction research uses WOM measures but finds them inoperable.</td>
<td>WOM measures could be an advantage. Reichheld’s (2002) findings regarding customer satisfaction research and WOM require investigation, including the understanding of WOM detractors.</td>
</tr>
<tr>
<td>Trade press coverage and awareness of ‘Corporate Services’ could be louder and more consistent.</td>
<td>Media liaison and placement amongst trade press are required, particularly Case studies destined for consumption by financial management. Consideration to be given to a Case B financial newsletter to relevant customers.</td>
</tr>
<tr>
<td>Case B service innovations which create WOM are not being capitalised upon.</td>
<td>More discriminate selection of relevant innovations and their promotion will enhance positive WOM.</td>
</tr>
<tr>
<td>Case B consumer card members could advocate Corporate Services.</td>
<td>WOM referral could be effected across Case B Corporate cardholder members.</td>
</tr>
<tr>
<td>Negative WOM from Case B’s travel securitisation division.</td>
<td>As price of negative WOM might be too high, consider Brand name change to this division.</td>
</tr>
</tbody>
</table>

Table A17.1: Case B WOM problems and solutions
Appendix 17: Case specific recommendations I: Case B

Case B's complaint resolution must be spread across a wider customer-employee base than simply the program administrator. Complaint handling, when effective, offers the opportunity to develop customer loyalty, whereas unsatisfactory resolution of complaints can lead to negative WOM and customer attrition. Case B needs to resolve issues within senior management circles of aggrieved parties, thus preventing negative WOM prejudicing the service in the longer term. This requires a team approach, including senior management, retention management, customer service and the field force. Each of these departments has a role to play in the management of WOM outcomes.

Stop negative WOM triggered by customers oversold and mismatched against the offer

There are indications that the Case B product is mismatched against a segment of its 'middle market' target audience, which causes dissatisfaction and negative WOM. One of Case B's field force managers has described those running 'mid market' companies as less sophisticated and less skilled than those in larger markets, with company needs that do not extend to sophisticated management expenses processes. With no dedicated staff to manage, they tend to be 'stretched' and do not appreciate the value of Case B's service offer. The Case B field force needs to screen prospective customers more thoroughly. As the cost-to-serve component and negative WOM may be too high a price to pay, they should decide whether the smaller customer is inappropriate and whether the field force NCA incentives need to be reconfigured. Alternatively, Case B could create a different level product to suit these smaller customers.

Customer satisfaction market research could provide advocacy insights

WOM measures could provide more insights into customer satisfaction, commitment and loyalty, segment by customer segment. Making the current customer satisfaction research available to customer acquisition and retention managers for statistical cross analysis would give Case B management a better idea of its standing with customers. Currently Case B does not scale its customer satisfaction scores to any particular
customer segment. In other words, the customer database analysis uses transactional information and other demographic overlays, but includes no cross-tabulation that could provide information on customer satisfaction. Albeit that only 30 per cent of responses can be ascribed to a definite corporation, cross-tabulation could still provide valuable insights. A research executive believes a useful exercise would be to overlay customer satisfaction results onto specific customer segments to give a better idea of strengths or weaknesses: ‘We only get 30 per cent disclosure. But it's a good idea.’ (AA0 134-141)

A17.4 Communications WOM Pillar 3

Websites need more WOM hooks

Case B’s worldwide website home page takes visitors immediately to the page containing current media comment or information on recent Case B press releases. Management consider this feature contributes to knowledge of the company. It should be employed on the Australian site. The Case B worldwide website also has a particular focus on the Small Business Network and a variety of relevant information. It promotes ‘Rewards and Benefits’, ‘Open Savings’ and ‘Articles and Discussions’. This latter facility talks about ‘How to increase cash flow’, ‘Access articles about Case B’ and how to ‘Connect with other businesses’, a network maintained by Case B. Lessons learned in the US could be relevant to an Australian web site aimed more towards Australia’s ‘middle market’. Such a site would be a less expensive way of producing more WOM, reducing purchase anxiety and gaining new customers. Appropriate strategies could include testimonials from satisfied customers, case studies of advocates, and descriptions of companies who have benefited from Case B’s service under the page ‘Connect with other businesses’. Supporting advocacy programs segmented by business size (as on the Case B worldwide website), and referral rewards for new customer introductions by alliance WOM partners, as well as advocates, should be considered.
Appendix 17: Case specific recommendations I: Case B

Increase WOM referral through Case B Card Member Services’ database

It has been suggested that Corporate Services’ positioning complements Member Services. Therefore, WOM referral could be effected across Member Services cardholders advocating Corporate Services at their workplace. In this way Member Services card members targeted from the database, such as key influencer business people, could receive information on Case B Corporate Services.

Increase WOM through business trade journals and the financial press

Press coverage for Corporate Services could be more obvious and more consistent. Executives believe that while negative WOM control through Public Affairs has been impressive, press attention can favour Member Services. Corporate Services could focus more on financial management, press exposure and positive WOM. What is required is media liaison and placement amongst trade press, particularly that destined for consumption by financial management, and possibly a Case B financial newsletter targeted at key decision makers.

A17.5 Influence markets WOM Pillar 4

See general recommendations in Chapter 8, Section 8.5.5.

A17.6 Referral markets WOM Pillar 5

Stop advocates posing a negative WOM threat

Because radical changes to the service model have not been communicated, the ‘champions of the brand’ are possibly not equipped to articulate the brand adequately or entirely in Case B’s favour. The field force feel that advocates and the field force’s special ‘mentors’ – however keen to give WOM about Case B – are not in a position to effectively sell Case B’s proposition. Yet despite the dismissal of advocacy by some Case B executives, genuine advocacy exists amongst loyal customers and other
Appendix 17: Case specific recommendations I: Case B

advocates and it can be harnessed to enhance Case B’s new customer prospecting: “(I don’t want) my advocates and my mentors out there to sell it, because we always do a better job than they will.” (AA7 384-396). Therefore, rather than dismiss advocacy altogether, Case B must consider methods in which loyal customer advocates can transmit WOM to customers without its back-firing on new business acquisition.

Stop WOM referral defection amongst key advocates

A significant quantity of WOM referral leads come to Case B’s field force and to other employees from personal ties rather than through company relationships, though both may happen in tandem. In fact, WOM referral is considered by the field force ‘to be ours’, not the company’s. Management endorse this view by encouraging the autonomy enjoyed by the field force. So whilst these personal relationships are unstructured and seemingly a consequence of an organisation’s business relationship building, there is a strong bond between referrer and the Case B employee. WOM referral ties may be stronger and longer lasting than inter-company ties. In other words, while the conditions have to be right, which includes the service offering, the dominant relationship is that between the referrer and the employee to whom the referral has been given.

In the travel industry, relying exclusively on individual WOM key influencer advocates raises the risk of potential defection to competitors and loss of WOM referral. Therefore Case B proposes to introduce incentives to encourage more referees to refer directly to the company, rather than through these non-company advocates. They see a more successful strategy is to offer incentives to the referrer who gives the lead, their salesperson who brings in the lead and, if their ‘key influencer’ referrer is involved, that person also.

Employ talented WOM networkers

Case B should employ field salespeople who have already demonstrated networks. Case B should be prepared to pay more highly for those talented individuals who can bring high quality leads through cultivating their network. Based on this interpretation,
Appendix 17: Case specific recommendations I: Case B

employing those without a WOM networking track record, and relying on NCA incentives, will be unproductive.

A17.7 Supplier/alliance markets WOM Pillar 6

See general recommendations in Chapter 8, Section 8.5.7.
Appendix 18: Case specific recommendations II: Case C

A18.1 Conclusions Case C

Table A18.1 summarises the WOM problems and solutions for Case C.

A18.2 Product/service WOM Pillar 1

See general discussion in Chapter 8, Section 8.5.2.

A18.3 Customer service WOM Pillar 2

*Stop negative WOM disaffecting both customers and employees*

Power outages and government policies have damaged Energex’s image and standing within the community. The public believe the government has responsibility for Energex’s performance, and so an environment of negative sentiment and negative WOM towards the government surrounds Energex. In this regard Energex has had to call on its ‘bank of goodwill’ but, despite its heavy emphasis on sports, social and business sponsorships, Energex may still be found wanting. Of major concern for management are the effects of negative WOM on employees. The morale of the company rests with its employees, who can be affected by the constant pillory of the media. This is compounded through employees’ business and social networks by constant questioning. If the management cannot bring some perspective to this problem, the consequences of a negative WOM epidemic may cause key staff to reconsider their employment options. If not contained, a perpetual circle of negative WOM may spiral to the detriment of Energex. Solutions may be found in separation from government through a capital-raising buyout by the private sector. However, before that occurs, infrastructure must be built and interim supplies from other states assured. When this is achieved the organisation can reinvest in a similar formula of sporting sponsorship activity localised to its markets and appropriate to building relationships with target key influencer prospects within them.
### Appendix 18: Case specific recommendations II: Case C

<table>
<thead>
<tr>
<th>Case C: WOM Problem</th>
<th>WOM Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energex has no company-wide understanding of WOM, its stimulation or its contribution new customer acquisition or to the organisation’s image.</td>
<td>Definition of WOM’s role in each department. Rigour in data collection of lead sources required. WOM’s contribution to new customer acquisition to be measured.</td>
</tr>
<tr>
<td>WOM data collection is unreliable. Management ignore lead source data.</td>
<td>Precise lead source data (lead source DNA) will allow assessment of channels to define WOM’s contribution.</td>
</tr>
<tr>
<td>WOM referral as a result of customer service experience and resulting image enhancement has not been measured.</td>
<td>Measurement of sources of WOM and the effect in terms of contribution, in terms of both image and sales, required.</td>
</tr>
<tr>
<td>Annual customer satisfaction market research and loyalty/WOM measures are deemed as being unusable.</td>
<td>Energex require to reassess their customer satisfaction criteria and to substantiate whether ‘likelihood of referral’ is a valid customer measure. Reichheld’s (2002) research work into WOM and customer satisfaction deserves further enquiry.</td>
</tr>
<tr>
<td>Customer satisfaction measures are not shared with those responsible for the corporation’s image and reputation.</td>
<td>Participation in customer satisfaction measurement is required by Energex’s advertising and PR department personnel.</td>
</tr>
<tr>
<td>The Internet’s contribution to referral and customer acquisition goes unrecognised.</td>
<td>Ownership must be balanced more equably between the Advertising Public Relations and Energex regulatory authorities in tandem.</td>
</tr>
<tr>
<td>Negative WOM surrounding Energex is disaffecting both customers and employees.</td>
<td>Influence to be brought to stemming prevailing internal negative WOM sentiment through service and process initiatives.</td>
</tr>
<tr>
<td>How will Energex continue their WOM networking without the sponsorship. What consequences are there to WOM, WOM networking and image?</td>
<td>Energex must find a strategy to equal the effect of their existing sponsorship in the prevailing negative WOM surrounding the organisation, or wait until supply problems are solved.</td>
</tr>
<tr>
<td>The Energex Energy Institute is under-valued as an image enhancing WOM device.</td>
<td>The Energex Energy Institute sponsorship could form the basis of Energex’s push into small business.</td>
</tr>
<tr>
<td>After-marketing customer care WOM opportunities are not being exploited.</td>
<td>A follow-up customer care procedure would enhance Energex’s standing with customer installations and stimulate WOM.</td>
</tr>
<tr>
<td>The innovation of alliance partners could be put to better WOM benefit.</td>
<td>Support budget via alliance partners with both interest-laden information and those with co-op money to spend.</td>
</tr>
<tr>
<td>Segmented communications means WOM output may be unevenly allocated favouring less valuable ‘value destroyer’ segments. Watershed events offer better WOM opportunities for campaign development.</td>
<td>Energex could encourage more positive WOM outcomes with more careful handling of the ‘value destroyer’ segment. WOM campaigns aimed at targeting young couples, and their parents, in press media, particularly magazines is advised.</td>
</tr>
<tr>
<td>Bonus incentives could include incentives for WOM recommendations.</td>
<td>Review of sales force bonus systems with addition of incentives to generate WOM referrals.</td>
</tr>
</tbody>
</table>

Table A18.1: Case C WOM problems and solutions
Appendix 18: Case specific recommendations II: Case C

*Institute after-marketing customer care, a heightened time for WOM*

Energex could be losing a significant customer acquisition opportunity through WOM. Not all customers of Home Suite installations receive follow-up customer care calls. Though the Home Suite call centre conducts post-installation campaigns to gauge customer satisfaction, they are limited by capacity. For example, the call centre employs casual staff during peak seasonal periods when customer expectation or need is relatively high. Thus when capacity is stretched and efficiencies are reduced, Energex has less control over its external image. Energex is then in a very weak position and is crucially vulnerable to negative WOM stemming from dissatisfied customers.

Furthermore, licencees are working to capacity and presumably also stretched to their limit. Therefore when work is at its peak, control of independent contractors and call centre are both at their lowest point. At this time it is very unlikely that completed work is being evaluated.

Better control and instant feedback could occur with a follow-up customer care/CRM touch point process, together with a comprehensive customer satisfaction monitor. For example, Blodgett et al. (1995) determined that there is a clear relationship between customer satisfaction and WOM, and one of the positive effects of satisfaction is that new customers, at this stage of the purchase cycle, are more prone to delivering advocacy-based referrals.

Therefore a follow-up ‘after-marketing’ customer care procedure could enhance Energex’s standing with customers. It would provide immediate feedback on the installer’s processes, motivate the installer and promote an Energex connection while improving relationships with the customer. Any customer doubts or dissatisfactions could be addressed there and then. Negative WOM could be ‘nipped in the bud’, a potential disaster turned to the company’s advantage, and positive WOM amongst satisfied customers could be magnified.

There are grounds for suggesting the follow-up customer care processes (Vavra 1994) could be better effected under the aegis of the Energex Energy Institute, as customers could benefit from advice about the purchase of saving energy devices and consequently produce positive WOM.
Appendix 18: Case specific recommendations II: Case C

"I remember we had a call from a customer last year who had just spent $16,500 on ducted air conditioning. The installer said that it was more energy efficient for her to leave this air-conditioner on 24 hours a day, than to turn it on and off. She rang us after week two and we've managed to save her $1,400." (EE70 302-321)

A18.4 Communications WOM Pillar 3

Repeat success through WOM producing sponsorships

WOM for the industrial and commercial division has created awareness for the Energex brand over a relatively short time. The WOM networking component of this division has been outstandingly successful in facilitating lead generation and customer acquisition through the sales force. However, this three-year sports sponsorship, which has given Energex a significant advantage in entree into new markets, ends soon. This sponsorship and its effects will be difficult to replace. Any resulting WOM vacuum would be undesirable for Energex in current circumstances. Energex has to find a strategy to equal the effect of their existing sponsorship, which has carried the Energex brand into new territories and new accounts and facilitated WOM and WOM networking.

Segmented communications means more or less WOM

Energex may be encouraging more WOM at opposing ends of their customer segmentation spectrum. Energex concentrate their marketing action in either making money from the ‘higher value’ and ‘priority customer’ segments of the business, or alternately in saving money in the ‘value destroyer’ segment. In Energex, these segments receive most communication. While ‘higher value’ and ‘priority customers’ receive more targeted communication designed to stimulate WOM, the middle customer segment, the majority of Energex’s customer base, receives less communication and so less WOM may be occurring in that segment.

Ironically the ‘value destroyer’ segment may be in a better position to utter more WOM. This segment appears to be in more frequent direct contact with the company than any other group, particularly through Energex’s call centre employees. Energex
Appendix 18: Case specific recommendations II: Case C

could therefore take advantage of the greater customer service experience of this group. Further research might be undertaken to establish whether these customers are providing above or below average WOM output, whether it is positive or negative, and where best potential exists for WOM referral (EE50 362-370). Energex could encourage more positive WOM outcomes with better handling of the ‘value destroyer’ segment, which might be more disposed to giving out negative WOM. Limiting negative sentiment, which might be poisoning the marketplace, is desirable.

On the other hand, Energex’s Home Suite has a potential customer base of about one million customers, and carries out about 20,000 jobs a year. Over the last few years the company has estimated that approximately 50,000–70,000 of these home-based customers are in a position to utter WOM. These customers may be the best place to begin when aiming to design WOM activity to help sell more services amongst Energex customers. Secondly, watershed events, particularly young married couples setting up home, provide Energex with opportunity for sales which should be targeted. The Energex Energy Institute could initiate WOM campaigns in relevant magazines aimed at targeting parents or young couples.

A18.5 Influence markets WOM Pillar 4

See general recommendations in Chapter 8, Section 8.5.5.

A18.6 Referral markets WOM Pillar 5

Include WOM referral incentives in bonus schemes

Energex LPG’s bonus system, called the Customer Excellence Awards and based on volume, safety and customer satisfaction, are awarded each quarter to two tanker drivers who go out of their way for the customer. This incentive should be expanded into generating customer referrals. For instance, Brown (1999), citing Southwest Airlines’ employee rapport policy, suggested that management should train and reward employees for positive interpersonal behaviours with customers in situations where rapport building leads to referrals. The Energex LPG reward system could beneficially
Appendix 18: Case specific recommendations II: Case C

adopt a similar approach, including a review of sales force bonus systems with the addition of incentives to generate referrals.

A18.7 Supplier/alliance markets WOM Pillar 6

See general recommendations in Chapter 8, Section 8.5.7.
Appendix 19: Case specific recommendations III: Case A

A19.1 Conclusions Case A

Table A19.1 summarises the WOM problems and solutions for Case A.

A19.2 Product/service WOM Pillar 1

See general discussion in Chapter 8, Section 8.5.2.

<table>
<thead>
<tr>
<th>CASE A (NP): WOM Problem</th>
<th>WOM Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>WOM benefits in terms of donor acquisition, or WOM’s contribution to image is across all</td>
<td>Form an understanding of WOM’s contribution to each department and hence to the organisation.</td>
</tr>
<tr>
<td>departments, not well understood.</td>
<td>Develop a WOM team to include human relations, corporate communications, service employees (and volunteers), operations, marketing, finance and crisis management.</td>
</tr>
<tr>
<td>Salvos are not donor or relationship oriented.</td>
<td></td>
</tr>
<tr>
<td>No inclusion of donor satisfaction within its mission statement.</td>
<td>Revise Mission Statement to reflect donor orientation.</td>
</tr>
<tr>
<td>No complaints management system.</td>
<td>Instigate stakeholder satisfaction measurement.</td>
</tr>
<tr>
<td>No satisfaction measurement.</td>
<td></td>
</tr>
<tr>
<td>Consideration to be given to instigating complaints management processes</td>
<td>Employ CRM management tools to allow central communication and agreed fast response to be executed locally.</td>
</tr>
</tbody>
</table>

Table 8.4: Case A WOM problems and solutions
<table>
<thead>
<tr>
<th>CASE A (NP): WOM Problem (continued)</th>
<th>WOM Solution (continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor relationships with Salvos’ top 3000 donors are weak. Relationship processes are lacking with donors, donor volunteers, advocates and the media. Donor satisfaction is low. Thus WOM output is low, affecting image and donor recruitment.</td>
<td>Revise donor contact. Program/relationship management and ‘thanking’ visitation is urgently required. Donor volunteer contact management (CRM) tools would assist WOM Networking.</td>
</tr>
<tr>
<td>In conditions of high staff turnover, Case A has lost management control of identification and recruitment of advocates. The relationship processes with key business leaders and advocates is weak.</td>
<td>Instigate ‘cradle to the grave’ donor relationship strategy, through first donation ‘welcome’ process up ‘relationship ladder’ to bequestor status. CRM tools would assist.</td>
</tr>
<tr>
<td>The Salvos have no ability to manage the pipeline of WOM prospecting and donor acquisition. Key influencer relationships are weak. Doorknock WOM donor volunteer acquisition is becoming less effective.</td>
<td>Increased management control of WOM networking prospecting with adoption of CRM tools, and provide prospect, key influencer, and integrate volunteer donor and advocate WOM referral.</td>
</tr>
<tr>
<td>The Salvos’ image is indistinct; advertising and communications schedules are not competitive. The Salvos have less relevance amongst women in the 55-plus age group. In this segment there is a WOM black hole.</td>
<td>Adoption of CRM tools distributed over the Internet would allow better local practices, integration, enhanced management and control</td>
</tr>
<tr>
<td>Case A use limited channels for PR exposure and exercise no media relationships. There is no PR presence in corporate, business, trade press or youth programs</td>
<td>Revise advertising policy to include ‘paid for’ schedules in DRTV and the Internet. Create innovative products attractive to womens’ concerns, particularly 45-55-plus age segments</td>
</tr>
<tr>
<td>Advertising and direct marketing and PR creative content to be more emotive and reflective of the Salvos’ mission.</td>
<td>Instigate PR media liaison processes directed by senior management. Business and financial PR strategic planning required</td>
</tr>
<tr>
<td>Crisis management response varies.</td>
<td>Institute WOM objectives in all communication. Use victims’ testimonials to enhance emotional content and WOM.</td>
</tr>
<tr>
<td>Negative WOM lingers harming image amongst key influencers</td>
<td>Crisis management requires an overhaul and adoption of key principles recommended by Davies et al. (2003).</td>
</tr>
<tr>
<td>Negative WOM is occurring as a result of a perceived lack of professionalism, thus disaster PR opportunities are jeopardized.</td>
<td>Instigation of relationship management processes and CRM system should obviate problem</td>
</tr>
<tr>
<td>Negative WOM is being used as a competitive advantage against Case A.</td>
<td>Increase professionalism, particularly amongst government welfare staff, and institute government lobbying.</td>
</tr>
</tbody>
</table>

Table 8.4 (continued)
Appendix 19: Case specific recommendations III: Case A

A19.3 Customer(donor) service WOM Pillar 2

*Increase donor satisfaction and WOM*

Unlike customer-focused organisations, the Salvos’ do not include objectives of donor satisfaction within their Mission Statement. Thus lack of relationship concern may not only be connected to mobility but may also stem from its absence in the Salvos’ objective to ‘save souls, grow saints and serve suffering humanity’. Furthermore, their goal ‘to grow saints’ is confined to ‘saints’ within their own ranks, and does not include donors or donor volunteers.

The Salvos’ WOM networking relationships with their donor volunteers have been thwarted through constant job mobility and pressure of work. The Salvos’ resources are stretched and relationships are soon broken, creating dissatisfaction when parties move. Relationships are further frustrated through donor information being held in individual Salvos’ heads. Data on donor volunteers are not shared with incoming management. With no process to capture and distribute donor data, WOM networking to build relationships is made complex, particularly with Red Shield Appeal donor volunteers.

Amongst the ‘Wills and Bequests’ program’s ‘Honoured Friends’, from whom the most prolific donations are derived, visitation and ‘thanking’ is again severely limited. ‘Honoured Friend’ bequestor acquisition and retention strategies are inconsistent and communications budgets are stretched. This research indicates that ‘Honoured Friends’ do not generally have a happy, rewarding experience. Honoured Friends representatives already have 100 donors in their charge and are stretched to their limit. Thus there are not enough ‘Honoured Friends’ representatives, nor are they of the calibre their bequestors expect. Thus the strength of the donor volunteer relationship in this segment is weaker than ideal, with unsatisfactory relationships, dissatisfaction and negative WOM a likely occurrence. A revision of the current contact management and visitation program amongst these advocates is strongly advised.

*Get the measure of WOM networking*

The need for employment of software that assists the WOM networking process is glaringly obvious. Case A has no system to manage donor relationships or determine
Appendix 19: Case specific recommendations III: Case A

their strength. With no tracking of existing relationships between prospects, donor volunteers and Business Appeal donors and Doorknock volunteers, relationships with individuals within companies cannot be effectively passed from officer to officer, or shared with line management and volunteers whose task it is to manage relationships and gain donations.

![Proposed DRM database implementation (Donor RM)](Source: Modified from Buttle 2004 p.159)

**Figure A19.1: Proposed DRM database implementation (Donor RM)**

Implementation of a CRM database (Figure A19.1) is recommended, with contact management and Doorknock volunteer contact management systems being accessible over the Internet to facilitate WOM networking.

**Reassess direct marketing relationships, satisfaction and WOM**

The Salvos have a loyal donor base of approximately 33,000 donors and a total of approximately 150,000 donors per annum. However, the Salvos’ *On the Scene* newsletter suggests that WOM utterance is poor amongst those donors receiving direct mail Appeal communications, which reflects a low level of donor satisfaction. In fact,
Appendix 19: Case specific recommendations III: Case A

overall the Salvos’ relationship experiences contradict the arguments of Prince and File (1994) and Rosso (1991) for signalling more donor visitation and appreciation.

![Figure A19.2: Ladder of fundraising effectiveness (Rosso 1991)](source)

Therefore a complete revision of the Salvos' donor database relationship management, information dissemination and visitation policies are urgently needed. A ‘cradle to the grave’ relationship for all donors through the employment of the relationship ladder from Appeal to Appeal (Christopher et al. 1991) should be instigated and a contact strategy (Figure A19.2) outlined by Rosso (1991), implemented. Existing donors who are identified using CRM tools as being higher donors, should be offered a more interactive and intimate relationship. A new contact strategy to service the approximately 600 high value donors and 2500 existing ‘Honoured Friends’ needs to be initiated and carefully policed. A key influencer WOM relationship strategy, which encompasses solicitor and Public Trustee identification with targeting of financial advisors, is recommended (see Prince and File 1994, p.195 for discussion of such strategic alliances). So likely is the program to contribute significant funds it may occasion a redirection of the current duties of serving officers.
Appendix 19: Case specific recommendations III: Case A

Employ donor satisfaction market research

The Salvos need to identify what correlates with stakeholder satisfaction and business performance. They need to establish a WOM monitor, which measures donor satisfaction and how this relates to the Salvos' image. Knowledge of volunteer-donors and donors and their opinions are essential to keeping the Salvos' relationship and communication processes relevant and current. The Salvos also need to investigate the reasons for negativity, and the feasibility of establishing further image and identity research measures with employees and perhaps other stakeholders, such as government.

Institute a complaints management system

Case A has no method of collecting or addressing grievances of donors or the public. In other words, unlike customer-focused service organisations, they have no complaints management system which, giving early warning of customer or donor grievances, can be used stem negative WOM, prevent attrition and win back dissatisfied donors. Therefore a new CRM system, incorporating a complaints process administered by senior Salvos and integrated with crisis management, is deemed essential.

A19.4 Communications WOM Pillar 3

Reduce negative WOM through revised crisis management processes

Bad publicity and negative WOM have not been contained. Whilst the organisation has crisis management procedures to ameliorate or eradicate bad publicity and negative WOM, they have no early warning system to deal with negative WOM or complaints from dissatisfied customers or donors. The Commissioner is less involved in media liaison than are counterpart CEOs in industry. No finite procedure has been put in place.

In fact, Davies et al. (2003) consider the management of crises too important to be left to the Public Relations department; rather, most senior management should direct processes to ameliorate negative publicity and consequences of media attack, a
sentiment endorsed by Australian PR practitioner Kazi (2005). Thus the Commissioner has a key role to play in forming the public’s opinion of the organisation and reducing negative WOM. Existing crises management procedures need to be assessed, with clearly stated functions for the job of the CEO, and a greater public profile role for the Commissioner in public relations, WOM networking and in defence of adverse criticism in times of crisis (Davies et al. 2003).

**To effect WOM, communications should be emotive**

The Salvos enjoy comparatively greater numbers and amounts of donations at times of disasters, whereas their appeals are less successful. This suggests that their regular communications for funding may lack the emotional power associated with donations for disasters. Disasters aside, other competing causes are possibly perceived as having higher relevance, emotive power and more WOM, especially in the expanding ‘baby boomer’ segment now critically important to donor acquisition for the Salvos and to their future prosperity.

There is a reticence to use victims’ testimonials in the direct marketing appeal communications, even though their power in increasing donations is recognised, as endorsed by File and Prince (1993). By not employing victims’ testimonials, the Salvos are negatively affecting business performance by not bringing donors to an emotional state where they will gladly give.

For instance, Bennetton’s advertising concerning social issues has sparked comment through its being controversial, and has led to the brand’s growth. Bennetton’s stated aim was to display photographs that would overcome cultural barriers and human indifference, with the hidden agenda of causing a stir and deliberately inviting media comment. Through this strategy it was able to boast the highest levels of spontaneous recall in the history of advertising. The campaign also achieved high WOM, both for and against the ideas (Saunders 1994).

Therefore, advertising and PR objectives should incorporate WOM objectives.
Appendix 19: Case specific recommendations III: Case A

More WOM hooks in financial and business press and amongst youth

Despite strategic objectives placed against corporate donors and more emphasis being placed on corporate-designated ‘Major Gifts’, the Salvos have little focus on the business audience in any of their communications. For instance, there are no specific business PR plans designed to impact the financial quarters of the press. WOM stimuli in support of WOM networking from PR would be an advantage for the Business Appeal, where the response to direct mail appeals and levels of donation are higher. There are no plans to promote to youth. Therefore, in this segment, WOM is also less likely.

Public relations needs media relationships to maximise WOM

Three other WOM communications opportunities exist (Figure A19.3). First, the PR department needs to focus on creating relationships and conducting media liaison with journalists of the news and public affairs consumer media as well as the business and industry trade press. Media liaison should commence with relationship building across all media, with emphasis on appropriate WOM stimulating media such as press and magazines (Vernette 2004) and business-oriented newsletters. There is evidence that placement in webzines would be appropriate for younger online audiences.

Second, PR functions have no clear policy of engagement. For example, the Salvos’ most outstanding opportunity for affecting their image lies with disasters, yet reticence towards media manipulation pervades Salvos’ internal management. The Salvos must participate in PR media activity, and put their message across in the media by identifying and appropriately training suitably talented personnel.

Third, PR communications are inconsistent. Policies on drugs and ‘media hijack’ have gained exposure but conflict with Case C’s core mission, and so positive exposure – and subsequent satisfactory WOM outcomes – have been less likely. This contrasts with Rosso’s (1991) recommendations that the content of PR and communications must reflect the needs and desires of the donor base in a way that will increase donor satisfaction, donations and donor goodwill.
Appendix 19: Case specific recommendations III: Case A

Figure A19.3: Proposed Salvos’ PR media strategy

Organisation-stimulated communications should aim to reproduce the emotions created by disasters. Advertising content needs to reflect the Salvos’ mission. Victims’ testimonials should form a significant part of appeal communications. The organisation could re-employ the tagline “Thank God for the Salvos!”, which encapsulates Case A’s core values and is easily remembered and associated with the organisation. Lifting the public’s awareness would possibly increase WOM output (See Appendix 18 for example of mission oriented press exposure: Opportunity Knocks).

Increase donor satisfaction and WOM

Direct marketing campaigns have hitherto resulted in significantly low levels of donations. The organisation should try other potentially more effective methods (Figure A19.4), such as telemarketing. Employing a CRM system would enable individualised responses, which would enhance donor satisfaction and positive WOM.

Direct marketing should aim to create relationships with a degree of donor intimacy. CRM donor management systems would help the volunteers and the Salvos execute
Appendix 19: Case specific recommendations III: Case A

their individual prospecting and fundraising tasks. It would assist the prospecting, reactivation and retention processes of the corporate ‘Major Gifts’ donor base without the current duplication. It would decrease the resulting dissatisfactions and negative WOM and rejection occurring with the Business Appeal. It would be compatible with the needs of the ‘Wills and Bequests’ program prospecting. In short, it would benefit new customer acquisition overall. A contact management system available over the Internet would facilitate the Doorknock. The gradual accumulation of donor information and their WOM referral connections would eventually become the Salvos’ greatest fundraising asset.

Figure A19.4: Proposed donor relationship exchanges

The relationship with first-time donors may well be reinforced by more interaction with the organisation, such as a telephone and a more responsive ‘thanking’ process; such a strategy could also be used by the Salvos to gain more donor information and promote WOM at an early stage of engagement.
Appendix 19: Case specific recommendations III: Case A

A19.5 Influence markets WOM Pillar 4

Stop negative WOM being used as a competitive advantage

Competitive causes have used negative WOM, emanating from media scrutiny, as a competitive advantage. Such tactics can exacerbate the negative publicity and WOM across all industry competitors. Protocols should be reinforced amongst the Salvos and their workforce. Industry bodies such as the Australian Institute of Fundraising could be co-opted to produce a charter to limit utterance of competitors’ negative WOM.

Stop negative WOM occurring from a perceived lack of professionalism

Negative WOM amongst key welfare and government influencers is undermining the Salvos’ contribution in disasters, which further limits the Salvos’ role. Therefore access to free PR exposure is diminishing. The organisation must address lack of professionalism in court work and disaster management, which sparks negative WOM amongst government circles. Non-ordained staff should have professional qualifications. Finally, lobbying government for maintenance of the Salvos’ role in disasters is recommended.

A19.6 Referral markets WOM Pillar 5

Increase donor volunteer relationships with individuals of influence

Case A management is losing WOM networking influence, particularly in the corporate and business arenas (Figure A19.5). Identification of influential business people has diminished significantly. Abrogating the major part of WOM networking management to volunteer-donors, and the consequent inability to direct these volunteers, has significantly affected donor volunteer acquisition and allowed relationships to lapse. Even with clearly defined ‘one-gets-five’ and ‘right asker’ WOM networking strategies, the absence of a strong mechanism of control makes the Salvos’ appear less capable and less interested in the outcome.
Another major area being impacted by WOM networking breakdown is the ‘Major Gifts’ program. Here, the goals of its adviser, Navion, are predicated on WOM networking relationships that no longer exist as their WOM networking committee members have resigned. Therefore pressure has to be applied from the Commissioner down to identify the most influential business people who have the interests of the Case A at heart. This activity will form the basis of a revival of the WOM networking performance, affecting the Red Shield Business Appeal and the ‘Major Gifts’ program. Because of the competition in Australia for non-profit advocates, this task should not be underestimated (Kazi 2005).

A19.7 Supplier/alliance WOM Pillar 6

See general recommendations in Chapter 8, Section 8.5.7.
An opportunity knocks

You can help the Salvation Army change lives this weekend

An opportunity knocks

By GREG DANVERS

There's bound to be a knock on your door this weekend and it won't be a door-to-door salesman or the dreaded "We'd just like to take a minute or two of your time" — it will be the Salvation Army.

The Salvo's annual Red Shield Appeal takes place this weekend, a time when the organisation raises funds for programs aimed at helping those in need turn their lives around. Former drug addict, Kathryn, 35—who has also battled alcoholism and depression—is just one among many who say her life turned around thanks to the intervention of The Salvation Army.

Kathryn, who asks that her surname be withheld, says her struggle with drug addiction started around the age of 16 and also loved the happy feeling it gave me. "For so long all I wanted to do was die," she says. "The speed that I was falling apart got faster but I continued to pretend everything was OK when everyone could clearly see how damaged I was."

The marijuana smoking, the binge drinking and the visits to the psychiatrist continued until three years ago, when Kathryn was admitted to a psychiatric unit as her attempts to end her life became more frequent.

She had no self-esteem, no self-respect and no trust — but knew there had to be an answer to her problems. Kathryn's parents were left with no choice as they had told me they'd had enough and they couldn't continue to stand by me as I slowly but surely destroyed myself," she says.

Kathryn left home to start detoxification, and in September of last year arrived at the Salvation Army Rehabilitation Centre on the Central Coast of NSW. "I did not believe I would last the 18 months it has taken to complete the program," Kathryn says. "But it didn't take long for me to get this tiny glimmer of hope inside that maybe, just maybe, there was a better life for me."

"Now I am in the very final stages of my program and as I graduate on Tuesday, I have been integrating myself back into the community, which is something I find extremely exciting as a whole new world of opportunities has opened up."

Kathryn's journey to recovery, self-esteem restored, drugs gone, alcohol non-existent in her life, thoughts of self harm locked in a vault (never to be opened) and strengthened by her love of God and the work the Salvo's do.

"From someone who hated the world I am now overflowing with gratitude for the chance I have been given," Kathryn says of her time at the Salvation Army rehab. "I am proud of myself for the things I have worked hard to achieve ... I don't let my feelings of guilt; shame and remorse rule my life any more. "I no longer suffer from depression and for the first time in my life, I am genuinely happy." Kathryn, by her own admission, does not strive for perfection but has given up all self-judging and self-pity. "For so long all I wanted to do was die," she says. "The biggest gift I have received is that today I have the will to live and for that I can never repay them."

The road for the Salvation Army themselves has not been easy. Since as far back as the late 1950s, the need for funds to meet the ever-increasing demand on their social services has been paramount.

	The Red Shield Appeal was developed for Australia, based on a Canadian model of the 1940s, in response to these issues. "We call on Australians to help those in need and donate to The Salvation Army's Red Shield Appeal," Major Mark Campbell says. "The Salvation Army needs to reach a national goal of $8 million if we are to maintain services in the year ahead. Many farmers are suffering the effects of the drought, single mothers are in crisis and many young people are fighting addiction and homelessness."

"Without the hundreds of millions of dollars raised through the appeal to date, The Salvation Army's extensive social service network simply would not be what it is today," Thank God for the Salvo's.