



Institute for Market-Oriented Management

Competence in Research & Management

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IMU Research Insights # 010

Drivers of eWOM Marketing for Successful New Product Launch

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2012



UNIVERSITY OF MANNHEIM
BUSINESS SCHOOL

Relevance of Topic

Traditional advertising suffers from diminished effectiveness, causing managers to seek out alternative ways to communicate with customers to effect product adoption and sales. Customers learn about new products through social channels and are willing to provide word of mouth about new products on the internet. This process is referred to as electronic word of mouth (eWOM).

→ There is need to investigate how a firm can leverage eWOM in marketing new products.

Study Characteristics

Goal 1: Explore current use of eWOM in marketing new products.

Goal 2: Identify strategic factors which influence the intensity of using eWOM in marketing new products.

Goal 3: Determine the impact of eWOM marketing on the success of new product launch.

Method: Exploratory pre-study of 262 managers. Online survey with 232 managers who were asked to provide information regarding eWOM marketing activities during market launch.

Industry Focus: B2C

Key Learnings

- eWOM is a valuable marketing tool to facilitate fast adoption of new products and increased product exposure.
- Companies pursue eWOM in marketing new products especially because of a good fit to target market. High perceived cost inhibits use of eWOM.
- Managers aim to achieve both financial (e.g. increased sales) and non-financial (e.g. brand awareness) goals with eWOM in marketing new products.
- When customers are more socially connected, more intense eWOM in marketing new products will lead to increased success of new product launch.

- Topic Relevance and Introduction

- Key Questions for Innovative Companies

- Study Characteristics

- Answers to Key Questions

- Learnings for Managers

- References

- Contact and Further Information

Importance of eWOM Marketing for Successful Market Launch

- Successful market launch is a prerequisite for successful innovations (Hultink et al. 2000).
- Customer to customer communication influences product adoption and sales (Berger and Schwartz 2011).
- Marketing managers face the challenge of reaching their target audience while compensating for the decreased functionality of traditional media channels which causes them to look for alternate forms of marketing communications which are better aligned with customer media behavior (Godes and Mayzlin 2009; Karniouchina, Uslay, and Erenburg 2011).
- Customers are more trusting of eWOM messages from peers than traditional media (Bickart and Schindler 2001) and firms can leverage customers' trust of eWOM messages for marketing (Godes and Mayzlin 2009; Stephen and Galak 2012).

For innovative companies, it is important to understand usage and objectives of using eWOM in marketing new products and drivers influencing its use. Furthermore, an investigation is warranted as to whether eWOM marketing can influence successful market launches.

Electronic Word-of-Mouth (eWOM)

Public statements made by customers, previous, current or potential, related to a product, service, or company via the internet. eWOM can be regarded as a public form of word of mouth which spans both time and distance.

Vehicles for eWOM

eWOM can be spread through various vehicles, including:

- Blogs (e.g. BlogHer)
- Microblogs (e.g. Twitter)
- Discussion forums (e.g. Qype)
- Online social networks (e.g. Facebook)
- Videos (e.g. YouTube)
- Smartphone Apps (e.g. Instagram)

eWOM Marketing

Encompasses the deliberate influencing of statements made by customers which are accessible to a multitude of individuals via the internet. eWOM marketing is a hybrid of marketing techniques and customer created eWOM messages.

Examples of eWOM Marketing

Companies can provide incentives in order to encourage customers to review a new product.

> Nokia offered a new mobile phone model to popular bloggers for free. The bloggers were not instructed to write anything specific about the phone but many provided positive product reviews.

Companies can use eWOM vehicles to facilitate discussion.

> Mercedes Benz initiated a “Tweet Race to the Big Game” in 2011 where participants were chosen based on their internet popularity and required to solicit Tweets and re-Tweets with custom hash tags (e.g. #MBteamGL) to fuel their cars as they raced to the Super Bowl. The winning team received a pair of the all new 2012 Mercedes-Benz C-Class Coupes months before they were available for purchase.

Key Question 1

What is the current usage of eWOM in marketing new products and what goals do managers pursue when using it?

Key Question 2

How do strategic factors influence the intensity of using eWOM in marketing new products?

Key Question 3

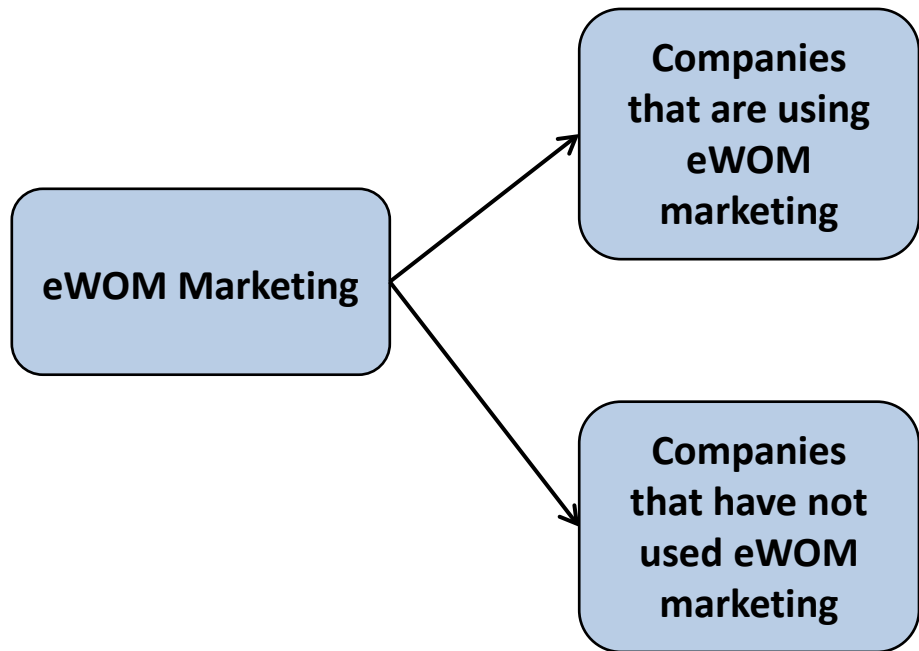
What is the impact of eWOM marketing intensity on new product launch success?

Key Question 1

What is the current usage of eWOM in marketing new products and what goals do managers pursue when using it?

eWOM marketing represents a relatively new technique in the marketing mix. Companies have begun to acknowledge the value of eWOM in that it provides access to customers in a way that cannot be achieved by other aspects of the marketing mix (Chen and Xie 2008).

→ Managers have the ability to use marketing instruments to co-create eWOM marketing messages together with customers.



New customers acquired through eWOM have been found to bring more long term value to the firm when compared to customers gained through traditional marketing techniques (Villanueva, Yoo and Hanssens 2008).

The challenge for marketing managers lies in finding a way to practically implement eWOM marketing techniques when managing customers (Kumar, Petersen and Leone 2010).

Key Question 2

How do strategic factors influence the intensity of using eWOM in marketing new products?

Customers are connected in ways that were not possible in the past, creating fundamental changes in the relationship of firms with customers and allowing firms to better observe the social connectedness of their target customer base. Engaging customers is a necessary component of eWOM marketing and requires a full firm commitment to redefining marketing actions (Libai et al. 2010).

When competitive intensity is high, as is often the case for new B2C products, marketing tactics are more important (Hultink et al. 2000; Jaworski and Kohli 1993).

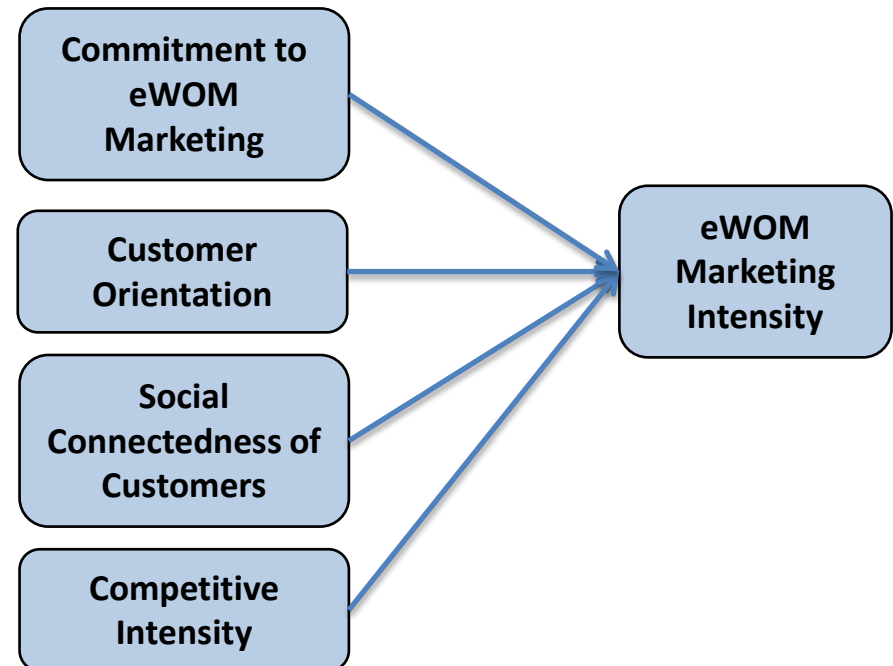
→ How does this impact the intensity of using eWOM in marketing new products?

Increased commitment to eWOM marketing should lead to increased eWOM marketing intensity.

Increased customer orientation should lead to increased eWOM marketing intensity.

Higher levels of social connectivity among customers should lead to increased eWOM marketing intensity.

High levels of competitive intensity should lead to increased eWOM marketing intensity.

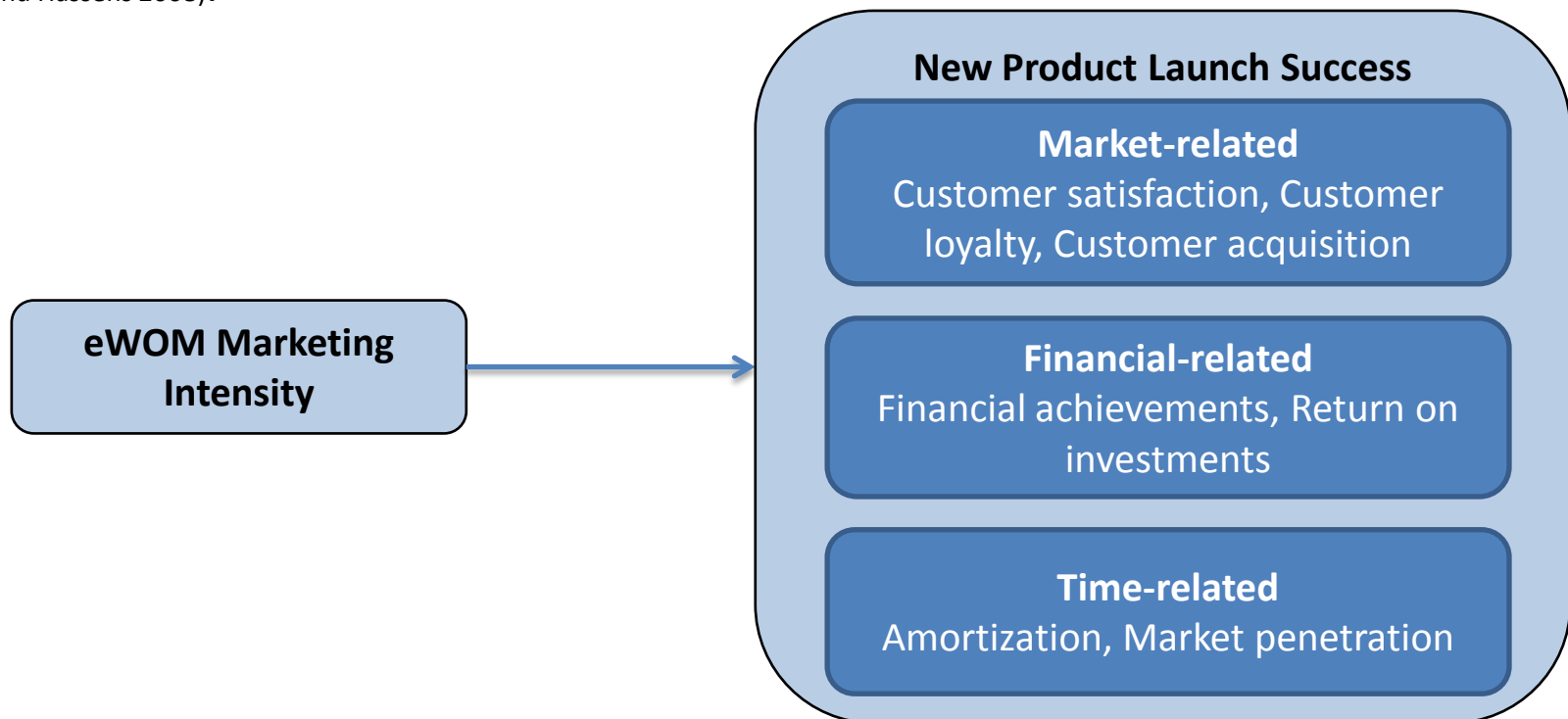


Key Question 3

What is the impact of eWOM marketing intensity on new product launch success?

New product launch success has been measured on non-financial success dimensions, e.g. brand awareness, financial success dimensions, e.g., ROI, (e.g. Berger and Schwartz 2011) and with regard to market-related success (e.g. Kuester, Homburg and Hess 2012).

Measuring time success is appropriate for eWOM marketing in order to further investigate the claim that eWOM marketing successfully impacts customer acquisition and retention over time (Villanueva, Yoo and Hassens 2008).



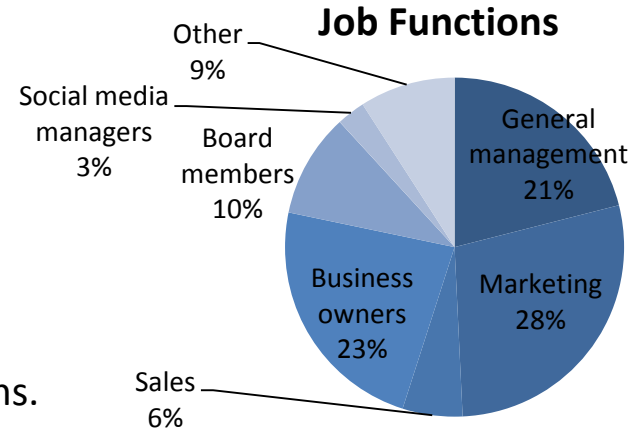
Pre-Study

Goal: Explore current use/goals of eWOM in marketing new products.

Data Collection: Exploratory survey

- Respondents were asked about their company's current and planned use of eWOM marketing.

Sample: 262 managers responsible for marketing decisions.



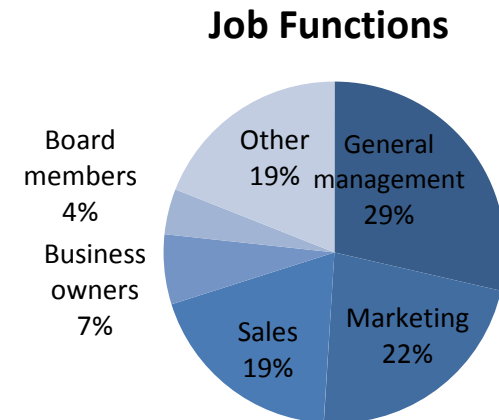
Main Study

Goal: Identify drivers of eWOM in marketing new products and determine its impact on the launch success of new products.

Data collection: Critical incidence survey

- Respondents were asked to recall a recent new product (68%) or service (32%) and provide information on use of eWOM during market launch.

Sample: 232 managers responsible for marketing decisions.

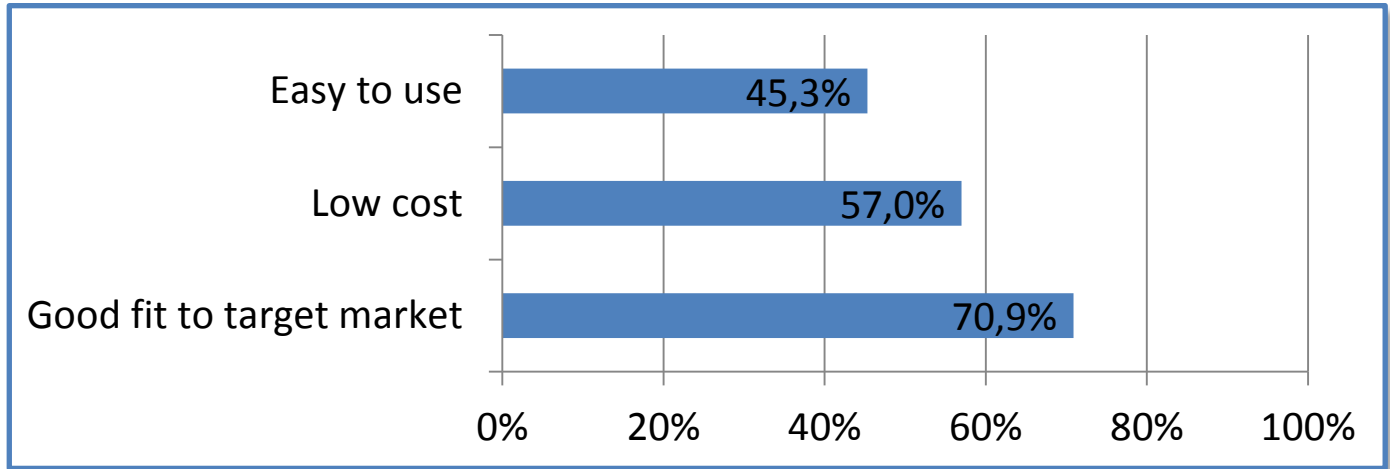


Answer to Key Question 1

What is the current usage of eWOM in marketing new products and what goals do managers pursue when using it?

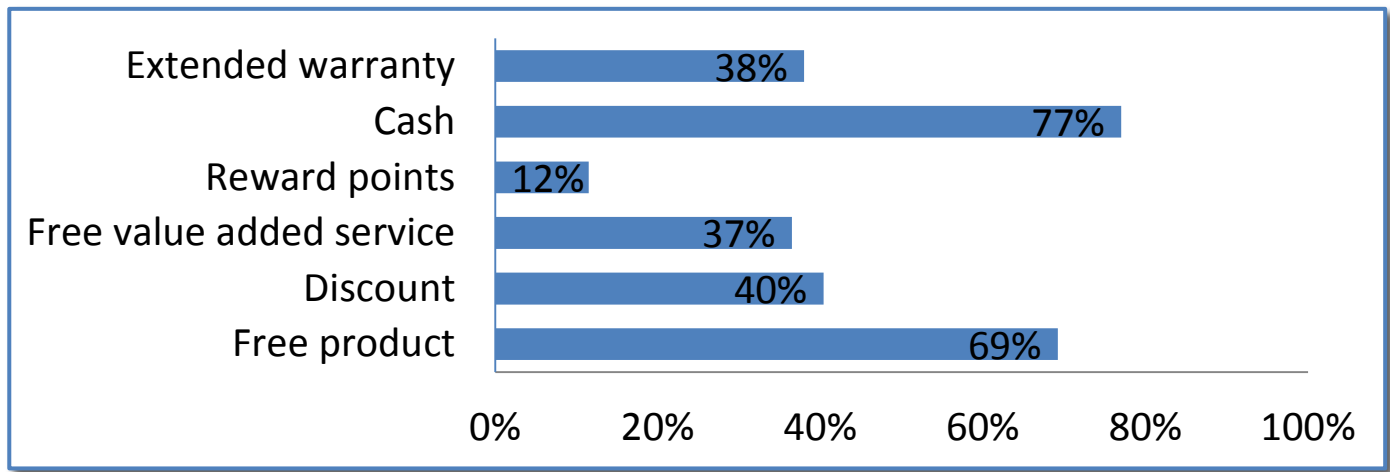
Companies that are using eWOM in marketing new products (33%)

Reasons for using eWOM marketing



Respondents were able to select more than one answer.

Incentives used in eWOM marketing



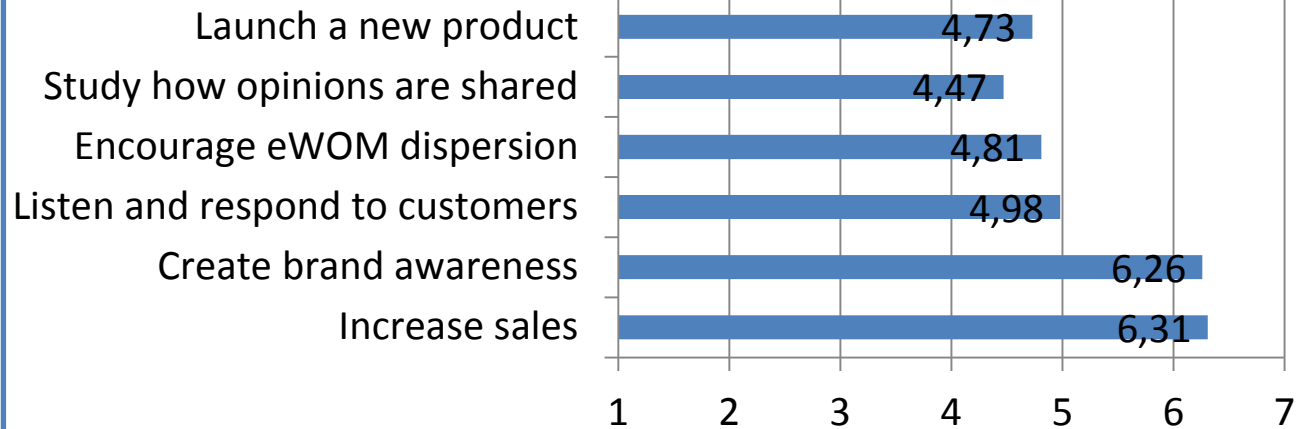
Respondents were able to select more than one answer.

Answer to Key Question 1

What is the current usage of eWOM in marketing new products and what goals do managers pursue when using it?

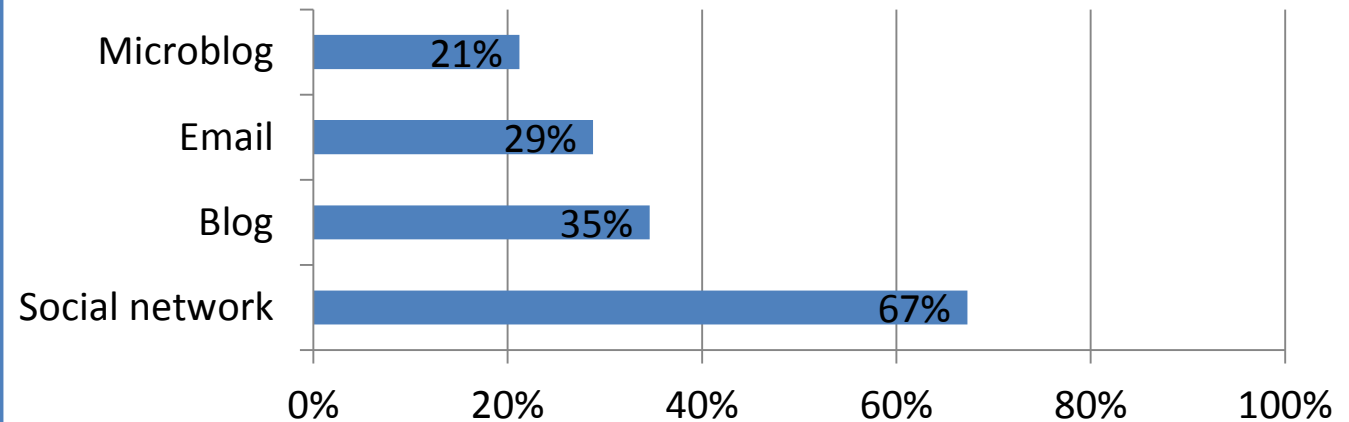
Companies that are using eWOM in marketing new products (33%)

Goals for eWOM marketing



All items measured by 7-point Likert scales, with 7 indicating total agreement.

Vehicles used to deliver eWOM messages



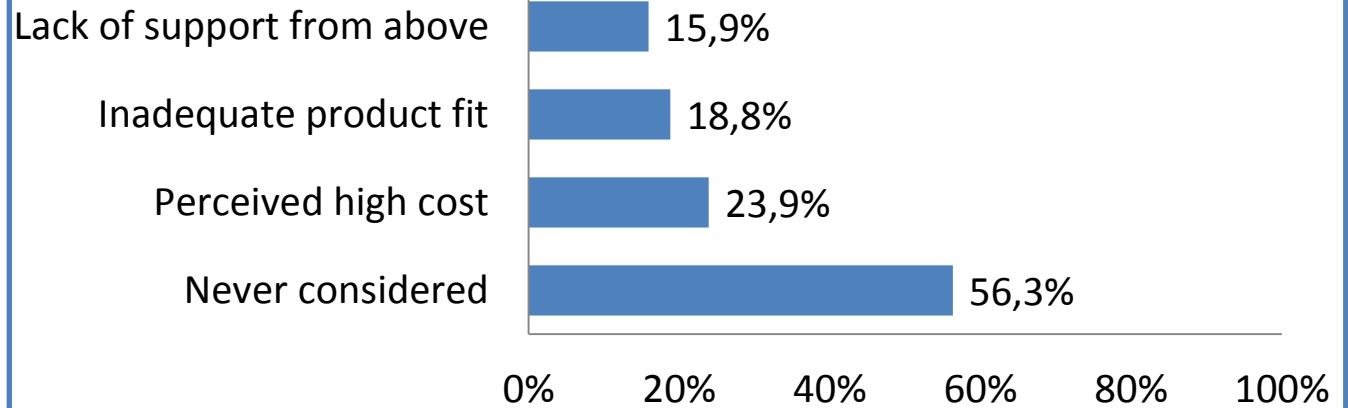
Respondents were able to select more than one answer.

Answer to Key Question 1

What is the current usage of eWOM for marketing new products and what goals do managers pursue when using it?

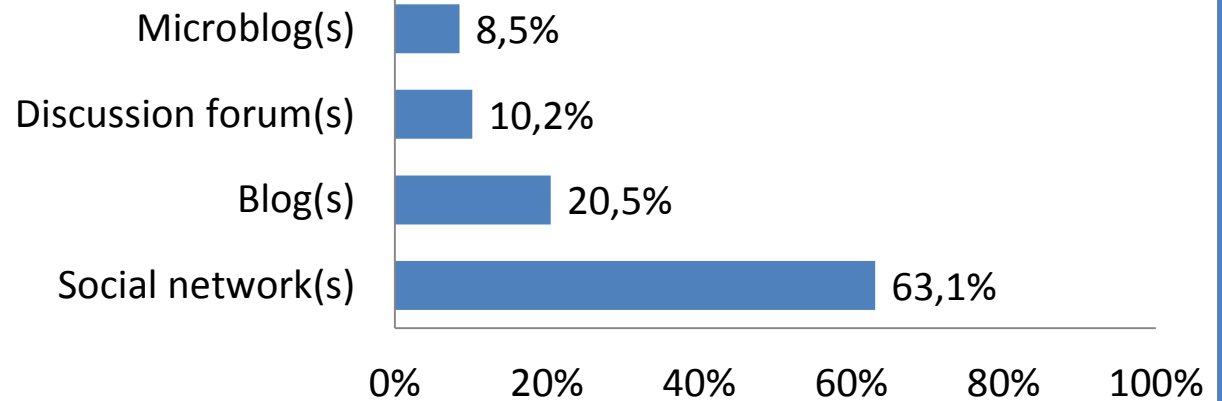
Companies that have not used eWOM in marketing new products (67%)

Reasons for not using eWOM marketing



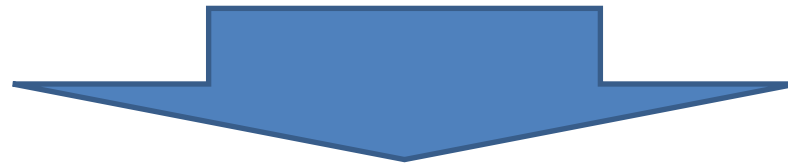
Respondents were able to select more than one answer.

Planned use of eWOM marketing vehicles over the next 12 months



Respondents were able to select more than one answer.

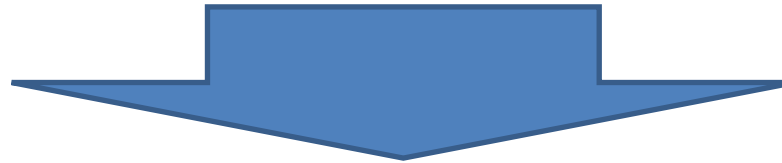
| | eWOM Marketing Intensity |
|--|---------------------------------|
| Commitment to eWOM marketing | Significant Impact +++ |
| Company's customer orientation | Significant Impact + |
| Social connectedness of customers | Significant Impact +++ |
| Competitive intensity | Significant Impact ++ |



Commitment to eWOM marketing, customer orientation, social connectedness of customers, and competitive intensity each have a significant influence on the intensity of using eWOM in marketing new products.

- Companies benefit from an internal commitment to implement a customer-focused eWOM marketing strategy.
- Highly competitive market environments and markets where customers have the ability to connect and share information with others impact how intensely companies use eWOM.

| | Market-related Launch Success | Financial-related Launch Success | Time-related Launch Success |
|---------------------------------|--------------------------------------|---|------------------------------------|
| eWOM marketing intensity | Significant Impact + | Significant Impact + | Significant Impact +++ |



The use of eWOM in marketing new products significantly influences all three dimensions of new product launch success. We observe the strongest influence on time-related success.

- Intense use of eWOM in marketing new products leads to faster adoption by customers.
- When launching a new product, eWOM marketing can shorten the time horizon required to realize success.

Learning 1

Companies pursue eWOM in marketing new products especially because of a good fit to target market. High perceived cost inhibits use of eWOM.

Learning 2

eWOM marketing can be appropriate for achieving a variety of managerial goals with increase in brand awareness and sales being dominant goals.

Learning 3

When customers are more socially connected, more intense eWOM in marketing new products will lead to increased success of new product launch.

Learning 4

eWOM is a valuable marketing tool to facilitate fast adoption of new products and increased product exposure.

Learning 5

Managers should measure the success of the new product based on multiple dimensions in order to accurately report a return on eWOM marketing investments.

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