



WHITE PAPER

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The Practical Value of Disclosure In Word-of-Mouth Marketing Campaigns

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Introduction

Until now, the debate on whether or not volunteers should reveal their affiliation with word-of-mouth (WOM) campaigns has centered on the relationship between disclosure and marketing ethics. Surprisingly, few experts have analyzed the impact disclosure (a.k.a., “transparency”) has on real-world campaign performance. This paper will detail the *practical* benefits of disclosure in WOM campaigns.

WOM has become one of the most hotly debated topics in the marketing industry. A recent study by advertising trade research firm eMarketer indicated WOM is the second fastest growing non-traditional marketing technique¹.

This surge is attributable in part to the effectiveness of WOM programs, as evidenced by a recent *CMO Magazine* survey that determined marketers to be more receptive to WOM than any other technique².

The WOM boom, however, has resulted in considerable confusion. Although WOM is defined as “the sharing of an honest opinion between two or more consumers,” many observers mistakenly associate it with surreptitious forms of marketing, such as stealth or shill campaigns. This confusion has contributed in part to the groundswell of debate surrounding the topic of disclosure.

Summary

BzzAgent, Inc. has studied the impact disclosure has on WOM campaign performance. Its findings are based on three primary sources:

- An analysis of upwards of 270,000 real-world WOM reports filed by actual volunteers over a span of three years.
- Preliminary data for a forthcoming study on WOM communication by Dr. Walter Carl of Northeastern University.
- Various third-party sources as identified throughout the report.

Simply stated, BzzAgent’s analysis reveals that disclosure *increases the validity of WOM interactions without reducing the breadth of campaign reach.*

Summary, continued

The positive correlation between disclosure and performance counters a widely held belief that transparency weakens credibility (“... since disclosure undermines the value of buzz marketing, advertisers are in a Catch-22,” Douglas Wood, chairman of advertising and marketing law at Reed Smith³).

The early seeds of this discovery contributed to a groundbreaking policy change. At inception in 2001, BzzAgent ascribed to conventional wisdom, with regard to trust building, by deferring disclosure to the judgment of its individual volunteers. Yet in November 2004, the company adjusted its policy and published a decisive Code of Conduct requiring all members to disclose fully their affiliation with the company and their involvement in the active campaign. BzzAgent continues to receive meaningful insight into WOM influences, behavior and patterns at a rate of approximately 9,000 reports each week, and the company will continue to refine its policies as behaviors and results dictate.

Specific examples of the favorable impact transparency has on WOM success include:

- Disclosure does not reduce WOM activity.
- Disclosure creates peer trust.
- Disclosure combats “stealth” stigma.
- Disclosure supports perceived product value.
- Disclosure increases depth and reach of product-related discussions.

Individually, each item above incrementally improves the effectiveness of a WOM campaign. Collectively, however, they enhance a brand’s reputation by building open, honest dialogue with consumers – and helping consumers build open, honest dialogue with each other.

The following sub-sections include detailed information on each of the aforementioned benefits of disclosure.

Disclosure does not reduce WOM activity

When BzzAgent changed its disclosure policy from a passive guideline to a proactive directive, the decision engendered skepticism. Many observers questioned whether the aggressive policy would cause a drop in WOM activity. Actual statistics, however, validate the policy change.

Disclosure does not reduce WOM activity, continued

BzzAgent experienced stable reporting volume after introducing the proactive policy. Activity reporting actually *increased* by a modest four percent after the November 2004 change, while the average number of reports each participant filed remained largely unchanged⁴. Simply, WOM participants maintained the same activity level after being required to disclose their affiliation, but the *value* of each WOM event was increased considerably.

Disclosure earns peer trust

Honesty and transparency are bedrocks of peer trust. Active WOM marketers who disclose campaign affiliation quickly earn the confidence of their social network.

Because these individuals are commonly offered access to products in advance of their general release, they become a reliable source for “inside” information. In many cases, the opinions of WOM volunteers are overtly solicited by friends and family.

The frequency of such solicitations may surprise those who theorize that involvement in WOM programs has an adverse effect on an individual’s perceived trustworthiness; however, actual reports dispel this myth.

Figure 1 contains three strikingly similar excerpts from real WOM campaigns.

While the comments are consistent in terms of tone and message, the authors themselves appear to lead remarkably different lives.

One is the 35-year-old president of a company; another is a 25-year-old teacher; another is a teenage manicurist. What unites these three women is not their professional status, but rather their social standing.

Figure 1: Consistent WOM Commentary

- *“I was having dinner with a friend. She knows about BzzAgent and was asking me about my campaigns.”*
- *“I was driving my friend to the airport and we started talking about random topics. She knows I am an Agent and asked me what campaigns I was in.”*
- *“... The reason she knew to call me was because she knew I was working with BzzAgent.”*



Disclosure earns peer trust, continued

In each case, the WOM participant is perceived by her peers to be a reliable source of privileged information. This reputation would not be achievable without disclosing repeatedly one's affiliation with promotions. Through honest opinion sharing and full disclosure, otherwise "regular people" are transformed into powerful influencers.

Disclosure combats "stealth" stigma

Many skeptics argue that transparency is incompatible with natural dialogue, suggesting that cumbersome disclosure creates the air of an unwelcome sales pitch. Once again, actual WOM reports indicate this belief is counterfactual.

According to the latest research conducted by Northeastern University's Dr. Walter Carl, disclosure has virtually no adverse effect on the conversational partner's perception of the WOM participant, product or company.

In fact, 77 percent of those who were made aware of a product through organized WOM said disclosure had *no effect* on their perception of the WOM participant, while 23 percent indicated disclosure contributed to a positive perception. Seventy percent indicated that disclosure did not alter their perception of the product, while for 30 percent said it improved their opinion of the promoted item. Similarly, 64 percent said their view of the product manufacturer was unchanged by disclosure, 35 percent indicated their conversation partner's acknowledgement of WOM participation augmented their opinions of the company, and *less than two percent* said it led to a negative impression.

The most striking aspect of real-world disclosure is how effortlessly it fits into everyday conversation. Seventy percent of WOM participants disclose their affiliation *without being prompted* by their conversational partner (only 14 percent of the time was the volunteer asked about his or her participation in the campaign or did the topic of WOM arise throughout the course of the conversation).



Disclosure combats “stealth” stigma, continued

While the number of WOM narratives containing explicit references to disclosure has spiked since BzzAgent’s policy change, the following example is representative of the whole. A 27-year-old property manager from Oregon wrote, “My boyfriend has a bull dog that has a few allergies that affect his skin. I told him all about BzzAgent and that I had just received some coupons for [pet food maker].”

The unambiguous reference to BzzAgent is neither awkward nor heavy handed. It is a natural – essential even – element of an everyday exchange between everyday people.

Some WOM marketers have taken disclosure a step further by specifying they did not pay for the products supplied by BzzAgent. During a WOM campaign for Levi’s Dockers brand of clothing, a participant received a compliment on her husband’s attire. The volunteer explained to her friend that she didn’t buy the clothing, but rather “got it from BzzAgent” and is now “spreading the word on the new Dockers line of clothes.” Like the earlier pet food example, the individual’s pride in her affiliation with BzzAgent led to a proactive disclosure.

For many volunteers, involvement in WOM campaigns becomes a facet of their personality. A 28-year-old Oregon-based volunteer reported, “... over appetizers Mike asked me ‘So how is your Bzzing going?’” A 24-year-old from South Carolina who, after recommending a promotional product to a friend, was asked rhetorically, “Let me guess, BzzAgent right?” In each instance, the person’s affiliation with BzzAgent has become a component of his or her reputation.

This relationship is valued, often greatly, by many BzzAgent volunteers. Many write to thank the company for, as a 50-year-old from Georgia put it, “the opportunity ... to share these exciting products with my dear friends.”



Disclosure supports perceived product value

Peer confidence is a significant factor of one of the most difficult-to-track benefits of any marketing campaign: correlating promotion to purchase. WOM participants often report that after discussing a product experience with a friend or relative, their dialogue partner has indicated a purchasing intent. In other words, the fact that one party received a free sample of a product does not diminish the monetary value placed on the item by the other party.

For example, following is a partial report from a 40-year-old Texan who participated in a WOM campaign for Energizer e² Lithium batteries.

I talked to my brother who lives in another state this morning. We discussed our online activities and I mentioned being an Agent and described the campaigns I am in at moment. He was particularly interested in this one for the Energizer e² Lithium batteries. I told him how long the batteries in my son's PowerTouch had been in use (since Christmas) and how often he uses this toy (daily for hours at a time!). He was as impressed as I am at the length they have lasted. He also made me repeat the name so he could write it down to go look for some at store ASAP.

In most cases, WOM leading to secondary purchases happens serendipitously. The following example of a typical WOM exchange demonstrates how honesty, disclosure, product quality and circumstance converge to lead to secondary purchase, courtesy of a 29-year-old student in Idaho:

My neighbor and her husband inquired about the [BzzAgent-supplied educational collateral that accompanies each campaign]. Not only did I get to tell [them] about Clamato I got to Bzz them on the BzzAgent website! [We] loved the ideas that were included [in the educational materials]. ... I made sure to copy the idea booklet for my neighbors and poured some of the Clamato into a jar for them to take home. I also gave them two coupons for Clamato. I know they went out and bought some because [my neighbor] came over this morning to tell me she loved the way it tasted in her ceviche she made on Saturday evening.



Disclosure increases depth and reach of product discussions

In a 2005 study published by Dr. Carl, the professor determines that nearly 15 percent of all social interactions involves a reference to a product or service⁵. Given the high volume of naturally occurring WOM activity, it is reasonable to conclude that sharing product experiences is not only a springboard to meaningful dialogue, it *is* meaningful dialogue.

Reports filed by campaign participants contain stories of informative WOM exchange in professional, social and familial settings. Superiors have discussed products with subordinates, brothers with sisters, parents with children, even empanelled jurors with one another.

I was called for jury duty, so I brought along my Freakonomics to pass the time. ... Within the first 10 minutes of my opening the book to peruse, an older gentleman asked me what I was reading. Slowly, but surely, all heads turned my way, as I explained a bit about Freakonomics and a bit about BzzAgent too. ... Eight people wrote down the name of the book and the author, to take with them on their next book shopping trip. Not bad!

Not all WOM events are explicit product recommendations. Many are shared experiences absent of commercial underpinnings. The Energizer e² Lithium battery campaign provided a Ph.D. in New York with an opportunity to participate in a collaborative project with his young child. The 45-year-old wrote:

In the previous report, I told you of my son choosing the Energizer e² Lithium battery as a science fair project. Since that time, I have sort of 'deputized' him. I went online to get the .pdf of the [BzzAgent-supplied educational collateral] for him and he asked me about BzzAgent in general. Given the neat nature of being considered 'an influencer' and the longevity of the battery, he has decided to put the batteries in his CD Walkman and chat the batteries up with his friends in 6th grade.

Even routine WOM exchanges can be infused with non-commercial elements. This narrative, provided by a 29-year-old woman in Michigan, illustrates how product recommendations are woven into the fabric of even the closest knit families.

My first Bzz for Clamato happened here at home. I had my sisters over to hang out and we made some drinks. I brought out the Clamato and we made Bloody Marys. While we were in the kitchen, I told them all about BzzAgent and the Clamato campaign. They thought the whole thing was pretty cool ... One of my sisters was having a party a couple of weeks later and she asked for a couple of coupons so she could buy some Clamato to mix drinks with. The Clamato got us talking about when we were little and we all loved drinking V-8.



Disclosure increases depth and reach of product discussions, continued

The overarching message contained in these WOM events is that disclosure contributes to deeper, more meaningful conversations related to specific products and services. This insight is consistent with quantitative evidence contained in Dr. Carl's research. The professor has found that WOM events in which the volunteer's participation is known by the dialogue partner are perceived to be more relaxed, personal, informal and have greater depth.

In each of the previous WOM examples, the product discussion segued into personal dialogues infused with natural mentions of how a particular item complements the lives of the parties involved. It is clear from the reports that the discussions – inspired by and related to – promotional products were more than passing references. There was an exchange of significant duration. In fact, the median length of these WOM episodes, as determined by Dr. Carl, is a noteworthy 10 minutes.

Not only does *depth* of WOM episodes result directly to transparency, but, according to initial findings by Dr. Carl in his latest research, disclosure also appears to positively correlate to second-generation word-of-mouth episodes. Or, more simply, early stage data suggests that conversational partners of transparent WOM volunteers are more likely to continue to spread WOM than those who were unaware of the volunteer's affiliation (specifically, those who were aware of the volunteer's affiliation told just over two people on average, while those who were unaware told a little more than one person).

Conclusion

WOM is one of the fastest growing marketing techniques. eMarketer estimates that as many as 43 percent of marketers are either currently engaged in WOM campaigns or plan to influence customers with WOM programs over the next six months.¹

For any company planning to incorporate WOM into its marketing mix, it is imperative that the marketing team considers transparency to be a prerequisite for WOM success. Disclosure creates peer trust, combats the stigma of "stealth marketing," supports perceived product value, and increases depth and reach of product-related discussions. The qualitative benefits of interaction, trust and honesty between brand-and-consumer and consumer-and-consumer create a *disclosure imperative*.



Conclusion, continued

BzzAgent has long advocated for disclosure. It was the first company to require its volunteers to be transparent with regard to campaign involvement, and it helped the Word of Mouth Marketing Association author its seminal Code of Ethics. Through its ongoing analysis of more than 270,000 reports filed as part of more than 200 campaigns, BzzAgent discovered that the business case for disclosure is just as critical as the ethical case.

Methodology

This report excerpts entries from hundreds of thousands of actual reports, written by actual WOM volunteers for actual campaigns. To ensure ease of reading, some reports have been edited for clarity, spelling and grammar. Unedited versions of comments included in this paper are available upon written request. Specific campaigns are referenced whenever explicit client permission has been granted.

Disclosure policy

Figure 2 is a copy of the disclosure policy as contained in BzzAgent's Code of Conduct. This requirement is posted prominently on the BzzAgent website and it is also sent directly to each volunteer upon joining BzzAgent and registering for any BzzCampaign™ or BzzBlast™ program. This language was introduced to the company's community of volunteers, which now totals 120,000, in November of 2001.

Figure 2: BzzAgent Code of Conduct

A BzzAgent is free to talk about BzzAgent.

Be proud to be a BzzAgent. When Bzzing others, you must first let them know that you're involved with BzzAgent, and that you've chosen to volunteer your time to share your opinion. If you like a product or service, it doesn't matter where you found out about it, so don't feel as though you need to be anonymous or stealthy. Just be open, honest and let your opinion count.



Glossary of terms

BzzAgent™:	WOM marketing and research firm.
BzzCampaign™:	Marketing-focused WOM campaign implemented on behalf of a client.
BzzBlast™:	Research-focused WOM campaign implemented on behalf of a client.
BzzGuide™:	Educational collateral sent to WOM volunteer at start of campaign.

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