Table of Contents

Introduction

The promise of word of mouth (WOM) marketing initiatives has practically saturated the consciousness of every brand marketer: relevant, more targeted reach leading to more efficient use of marketing dollars, a virtual focus group providing commentary about a company's products and services, opportunities for engaging customers in greater dialogue, just to name a few.

But one important barrier to adopting WOM marketing more broadly has been a lack of understanding about what, and how, to measure the impact of WOM marketing. Without this understanding we lack the ability as marketers to build our business cases, demonstrate the impact of our programs, and have the security and support from upper management to make huge leaps forward.

What this Guidebook Is and Is Not

The Guidebook is intended as an educational resource for marketers to better understand metrics and measurement as they relate to word of mouth and social media marketing programs. The following pages offer a broad overview of the types of metrics available, key considerations for their use, and specific examples of their application. It will cover topics such as how to quantify the volume and sentiment of WOM, measure advocacy, determine what a brand-related conversation is worth to the brand's bottom-line, and calculate the ROI of WOM and social media marketing initiatives.

The Guidebook is *not* intended to offer industry standards or a definitive statement on the "one right way" to measure WOM. Standards develop in industries over many years of productive debate and refinement and moving towards standardization too quickly can stifle growth and innovation.

How this Guidebook is Organized

The different metrics are organized according to WOMMA's Word of Mouth Terminology Framework. The Terminology Framework lays out basic terms and concepts related to the who, what, when, where, and result of brand-related interactions between consumers (see Table 1).

Each entry corresponds to a particular metric that can be used to measure the quantity or quality of WOM and provides the following information: an overview and definition of the metric, how it is used, key considerations when using, specific examples, and additional resources where the interested reader can learn more.

Who Is Behind this Effort?

WOMMA is providing this guidebook as a service to its members, provided by a handful of WOMMA research company members who researched, developed and edited this content. WOMMA supports advancing the industry and efforts of all its members. As such WOMMA does not officially sanction one particular method or approach nor does it endorse specific research companies that may be referenced in each entry.

Special thanks to the following members of WOMMA's Measurement and Research Council for their outstanding contributions:

Dr. Walter Carl – ChatThreads – http://chatthreadscorp.com - Chair, Author
Idil Cakim – GolinHarris – http://golinharris.com - Board of Directors Sponsor, Author
Steve McLaughlin – BzzAgent – http://bzzagent.com - Author
Vince Nowinski – Satmetrix – http://satmetrix.com - Author
Jennifer Voisard – ComBlu – http://comblu.com - Author
Matthew Stradiotto – Matchstick – http://matchstick.com - Author
Ed Keller – The Keller Fay Group – http://kelleryfay.com - Author
David Rabjohns – Motivequest – http://motivequest.com - Author
Neil Beam – Lithium – http://lithium.com - Author
Margaret Francis – Scout Labs – http://scoutlabs.com - Author
Blake Cahill – Visible Technologies – http://visibletechnologies.com - Author
Leigh Choate – Bazaarvoice – http://bazaarvoice.com - Author

Feedback Requested

This Guidebook is a work in progress. The Measurement and Research Council invites feedback on how we can make the Guidebook more comprehensive, accessible, and useful to marketers. Interested readers can provide feedback by going to http://womma.org/metrics. Your comments and suggestions will be considered as we revise the document for WOMMA's Research Symposium and Marketing Summit, Nov. 18-20, 2009 at the Paris Hotel, Las Vegas, NV.

Regards,

Dr. Walter Carl
Chair, WOMMA Measurement and Research Council
Chief Research Officer, ChatThreads

Idil Cakim
Board Sponsor, WOMMA Measurement and Research Council
Vice President, GolinHarris

Table 1. Measurement and Research Framework (adapted from Terminology Framework)

WOM EPISODE	Who	How	What	Where	Result	ROI
Objects >	Participant	Action	WOMUnit	Venue	Outcome (intention & behavior)	
Qualities >	Propensity Demographics Psychographics Credibility Reach	Velocity Distribution Spread Source Diversity	Topicality Timeliness Polarity Clarity Depth	Population Audience Rules	Consumptions Inquiries Conversions Relays Re-creations	
Tracking or Aggregate Metrics >	[Common Segmentation for other metrics: e.g., by influence factor, demographics, etc.]	Conversation Volume Conversation Share Media References Rating / Review Score		Reach / Awareness	Conversions (e.g., click-throughs, trials, purchases) Advocacy Metrics (e.g., Net Promoter® Score, Online Promoter™) Market Share Shifts in awareness, image, brand equities, etc.	Cost Per Conversion Cost Per Conversation Value of Conversation or Advocacy (e.g., Conversation Value®, Net Promoter® Economics)
Translation Metrics >	Value of conversation versus value of impression					
Methods, Research, and Analysis Designs >	Pre-post Test-control Continuous Tracking Online Anthropology Message Testing Correlations (e.g., volume or brand advocacy to sales) Market Mix Modeling (using sales or WOM volume as target variable)					

	Econometric Modeling Computer-based Simulations (e.g., agent-based simulation)

ADVOCACY MEASUREMENT

Advocacy is an act. Merriam describes it as: *"the act or process of **advocating** or supporting a cause or proposal"* Advocates go out of their way to actively recommend products, services and causes to those around them (and beyond in the online environment). Advocacy measurement therefore describes the processes used to measure the act of advocacy. This section outlines the approaches available to you.

CONTENTS

SO WHY DOES BRAND ADVOCACY MATTER?

People have always advocated for the things they care about by making recommendations to each other. In Roman times people would ask each other what pot won't break around the fountain. In modern time people ask each other what laptop or cell phone is best around the internet.

In recent times advocacy measurement has become an increasingly hot topic for three reasons:

1. Advocacy has always driven behavior and the internet has allowed advocacy to scale. Instead of one recommendation affecting a few people it can affect thousands and be saved forever online.

2. People have realized the power of networked advocacy to affect behavior. President Obama used this understanding to build a large and active base of grass roots advocates to help him win the election.
3. New measurement tools have made it easier to track manage, monitor advocacy and some have even demonstrated a strong correlation between advocacy and sales.

ARE THERE DIFFERENT APPROACHES TO ADVOCACY MEASUREMENT?

The key to measuring advocacy is to:

I. Identify all of the different ways people verbalize their advoacy
II. Methodolologically isolate advocacy from positive sentiment (for example I might like five different car brands but will only tell my aut to buy one of them)
III. Explore who is doing the advocating and analyze the level of advocacy from that individual for a brand/topic vs other brands or topics that they have talk about passionately.

According to Google search the three highest scoring Advocacy metrics are:

1. **The Net Promoter Score (NPS™)** developed by Bain & Company in 2003 and marketed by Satmetrix http://www.satmetrix.com/ . NPS defines Brand Advocacy as "Likelihood to recommend". The score is calculated by asking consumers on a scale of 1-10 their likelihood to recommend a company or brand. The score is the percentage of respondents likely to recommend (Answering 9-10) minus those less likely to recommend (Scoring 0-6). http://harvardbusinessonline.hbsp.harvard.edu/hbsp/hbo/articles/article.jsp?articleID=R0312C&ml_action=get-article&print=true

2. **The Brand Advocacy Quotient (BAQ™)** developed by Neilsen Online http://www.nielsen-online.com/. BAQ explores advocacy as it relates to satisfaction and importance. The score aims to combine consumer generated social media activity, website activity and survey based data with Nielsen's MegaPanel to determine whether consumers are promoting or eroding brands. http://www.nielsen-online.com/emc/0804_wb/Webinar050108_Brand_Advocacy_Clients.pdf

3. **The MotiveQuest Online Promoter Score (OPS™)** developed by MotiveQuest http://www.motivequest.com/brandadvocacy

   The Online Promoter Score (OPS) is a methodology that was created by MotiveQuest in 2005 to help brand owners measure the effect of their marketing on consumer advocacy (recommendation) for their brands. It was the first metric based on online word of mouth (OWOM) to show a correlation between online advocacy and sales, as documented by Forrester in a recently published book titled Groundswell. http://humanvoice.wordpress.com/2008/04/29/groundswell-book-review/

   More detail can be found here: The Aberdeen Group explored these three options as part of their September 2008 report titled Companies Search for and find, Metrics to measure Social Media ROI. http://www.aberdeen.com/c/report/perspective/5520-AI-metrics-social-media.pdf

   Other less frequently mentioned metrics include:
   - The Smith and Jones Advocacy Index™ http://www.smithandjones.com/brand-advocacy
   - Customer Focused Insight Quotient (CFiq), which was developed by IBM's Institute for Business Value http://thecustomerinstitute.blogspot.com/2007/09/cfiq-versus-nps.html

ARE THERE ALTERNATIVES TO THESE FIRMS?

There are a lot of ways to go about measuring brand advocacy, including custom research solutions. One of the most common ways people measure advocacy is the simple question included in many surveys "Would you recommend this product/service to a friend?" This can be included in almost any kind of customer survey that you use. Other approaches involve commissioning research to identify the advocates within your customer base and explore the types of issues discussed above: Who they are, what motivates them to advocate on your behalf, what things about you they discuss when they advocate, what you (as a brand) can do that would stimulate them to advocate further on your behalf, and so forth. It is also possible to identify brand advocates and, through statistical techniques, to then "score" your database (or any third party database) to allow you, as a marketer, to engage in special outreach programs targeted specifically at the advocates.

IS THAT ALL I NEED TO KNOW, IS THERE ANY DEBATE ABOUT THE APPROACHES?

There is some debate about the different approaches. Some people have posited that measuring " intention to advocate" is a less reliable measure that examining the "actual act of advocacy".

The styles of measurement tend to break into three areas:

I. Asking people to recall if they would recommend (usually a survey question)
II. Measuringeople's actual recommendations to each other via a survey questionnaire
III. Measuring people's actual recommendations to each other via monitoring of their online conversations.

At this time there does not appear to be a definitive body of research comparing the reliability of these various approaches with each *other.*

OK ENOUGH METHODOLOGY. CAN YOU GIVE ME SOME REAL EXAMPLES?

OBAMA: For the 2008 general election MotiveQuest measured the correlation between online advocacy for the two candidates (McCain and Obama) and the popular vote. The model predicted the end result http://dotwom.blogspot.com/2008/11/motivequest-called-it.html.

MINI: Mini (BMW) used the Online Promoter Score to measure the correlation between shifts in advocacy and shifts in sales. The work changed their marketing focus from prospects to current customers and their business grew. http://www.slideshare.net/motivequest/motive-quest-advocacy-for-mini and http://www.slideshare.net/motivequest/motivequest-bssp-mini-case-study.

MOTOROLA: The Online Promoter Score predicted the decline in Motorola share two quarters before share actually stated to decline. If Motorola had headed the warnings they would have seen the challenges their cellular division faced two years before they hit the wall.

http://www.slideshare.net/motivequest/motivequest-telco-advocacy-presentation

WHERE CAN I LEARN MORE ABOUT ADVOCACY MEASUREMENT?

1. A WOM book Groundswell explored the idea of advocacy measurement in Chapter 5. http://www.forrester.com/Groundswell/book.html .

2. WOM Experts Justin Kirby, DMC, and Alain Samson, ISE/LRCG, report on how UK companies are using the NPS, and ways in which its use can be improved. Customer advocacy metrics: the NPS theory in practice:http://www.dmc.co.uk/home/wp-content/uploads/2008/02/admapnpsreportfeb2008.pdf.

3. Leading research company Neilsen Online discusses propensity to recommend http://www.clickz.com/3629611.

4. WOM measurement firm Keller Fay talks about advocacy measurement at http://www.kellerfay.com/?page_id=51

5. Satmetrix, the caretakers of the Net promoter score, talk about their approach http://www.satmetrix.com/satmetrix/netpromoter.php?page=6 .

WHERE CAN I READ SOME MORE ABOUT BRAND ADVOCACY?

1. Presentation on the changing role of branding, measurement and advocacy http://www.slideshare.net/motivequest/motivequest-brand-advocacy

2. Why Brand Advocacy Matters http://www.clickz.com/3629611

3. And Many more: http://www.google.com/search?hl=en&rlz=1T4DELA_enUS309US309&ei=z8aySfOPGInOtQPMuPBz&sa=X&oi=spell&resnum=1&ct=result&cd=1&q=brand+advocacy&spell=1

Conversation Volume and Share

Conversation volume measures the overall amount of word of mouth a product, service or brand (or a topic such as the environment) receives within a specified period of time. It is the word of mouth equivalent of sales volume (how much of a product was sold), or consumption (how much was consumed), or television viewership (how many people watched a show).

Any interval can be used for measurement – it can be the volume of talk on a given day, or week, or rolling four weeks, or a month, or a quarter, or year. There can also be measures of volume in period 1 vs. period 2 to measure change over time. The period should be decided by the research team and its clients based on whatever best suits the research objectives.

The measurement of volume can be undertaken in a number of different ways, using either syndicated research studies or custom research.

Syndicated Research

There are a number of research firms that have ongoing studies to measure the volume of conversation about a wide spectrum of topics. (These studies generally provide WOM-related metrics beyond volume, as well.)

One type of syndicated study is provided by firms that measure online word of mouth, using technology to crawl the web to analyze consumer generated online content regarding products, services, brands, or themes. This online content can come from blog posts, discussion forums, microblogs (such as Twitter), social networking sites, rating and review sites, and other locations where consumers post online content. The total number of mentions is then added up and the results are presented either as a percentage of all online word of mouth, or the actual number of posts is reported. These databases are generally available for the past several years, providing the ability to measure word of mouth volume at present, or on a trended basis, or via comparisons to an earlier period (e.g., year over year comparisons) can be made.

Firms that undertake this type of research include (but are not limited to) WOMMA members such as BrandIntel, Crimson Hexagon, MotiveQuest, Nielsen Online Radian6, TNS Media Intelligence/Cymfony, and J.D. Power & Associates/Umbria, among others.

There is another type of syndicated research that measures WOM via consumer surveys. The Keller Fay Group's TalkTrack®, for example, measures the volume of both offline as well as online word of mouth, thereby providing a measure of "all word of mouth." To accomplish this, Keller Fay employs an ongoing survey in which every week a fresh cross-section of Americans ages 13-69 are asked to report on word of mouth conversations that they were are part of "yesterday." The results of the survey can then be projected to the total population represented for a measure of total WOM volume for a product, service or brand over whatever period of time is the most relevant. As with the firms that measure online word of mouth, this database is available for the past several years, providing the ability to measure word of mouth volume at present, or on a trended basis, or compared to an earlier period (e.g., year over year comparisons).

Each of these syndicated approaches measures the overall volume of word of mouth for a product, service, or brand being studied, or a conversational theme (e.g., the economy, health and wellness, or the environment) and are not tied to a specific word of mouth campaign, or any particular marketing strategy. The impact of a campaign (WOM, advertising, point of sale, new product launch, etc) can be determined by looking at the increase in conversational volume during the time period under study. These measures of WOM value can be aligned to the start and end period of a marketing or media campaign in order to measure the impact of the activity and whether WOM was stimulated by those initiatives. Optionally, a pre-period can also be measured to see the extent of the WOM lift following the campaign launch.

As an example, we might find that during a given period of time Brand A receives 1 million conversations per week. Brand A then launches a specific marketing campaign and over the next few weeks we see the volume of conversation about that brand increases from the 1 million per week in the pre-period, to 1.1m per week in the first two weeks following the launch, to 1.2m in the next two weeks, to a new plateau of 1.3m following that. We would then conclude that there has been a 30% ongoing increase in conversation volume as a result of the campaign. Or, alternatively, we might find that after a month once the campaign ends the volume of WOM comes back down to 1 million per week. In this instance researchers would conclude that the campaign produced a total of "x" million additional conversations during a finite period of time, and that in the absence of the campaign there is no permanent WOM "lift."

Custom Research

Another approach to measuring conversational volume is to measure the number of conversations generated as a result of a particular word of mouth or marketing campaign. This type of research can be done in a number of ways, a few of which are outlined here.

One approach is to interview the primary participants in a word of mouth campaign and ask them how many people they spoke with, thereby generating a measure of conversation volume generated by participants in the word of mouth campaign. This is a measure of what has become known in the industry as "generation one" word of mouth, because it relates to the conversations taking place directly between the WOM participant and their conversational partners.

This measurement approach, however, does not factor in the conversation volume generated when the first generation conversational partner (i.e., the person who was told about a product, service or brand by the WOM participant) talks to someone else (Generation 2), and that person in turn talks to someone else (Generation 3). To measure this "multigenerational" approach requires access not only to the people who participate in a word of mouth campaign, but also access to the people they talk to, and then the people they talk to. Companies that have developed and published approaches to measure multigenerational conversational volume such as this include ChatThreads, which measures conversations that take place offline through a system it calls G2X Analytics, and Marketing Evolution, which relies primarily on online social networking venues to measure what it calls the Momentum Effect.

Other custom research approaches that are employed to measure WOM volume include pre-post studies, in which WOM levels are measured during a pre-period, and then during a post period. Projections are made regarding the conversational lift caused by a marketing or WOM program.

An alternative to this is a test-control approach, in which WOM levels are measured in a test market (or markets) where a marketing program is underway, and comparisons are made to a control market where there is no comparable program.

In each of these approaches, it is often the case that beyond an overall measure of WOM volume, sentiment (positive/negative) is measured as well. This allows marketers to know not only how much word of mouth they are achieving, but also the volume of positive and negative word of mouth.

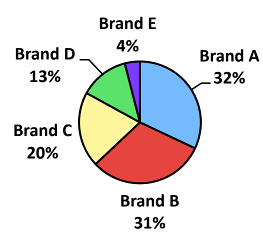
Conversation Share

Measurement of conversation share builds on the work to measure conversation volume. Instead of measuring the conversation volume of a single brand, or a group of brands, in absolute terms, conversation share analysis looks at a group of brands and the amount of conversation each enjoys versus the total for all the brands combined. It is the equivalent of a market share analysis.

Here is an example, drawn from Keller Fay's TalkTrack®:

Brands "A" & "B" Jointly Hold Lead in Share of Word of Mouth

(Share of word of mouth for telecom brands, among consumers 18-49)



In this example, we see that two telecomm brands ("A" and "B") are running neck and neck for the greatest share of conversation among five that are part a selected group of competitive brands (Brand A-E). Brand "A" leads with 32% of word of mouth, while Brand "B" captures 31%. Brand "C" captures a 20% share of talk. And so forth. This analysis can be done at a moment in time (e.g., annual, as is presented here, or semi annually, monthly, weekly), or it can be trended over time to see how a brand's share of talk increases or decreases over time.

With this type of analysis, brands can compare their share of word of mouth to market share – to see whether they are performing above or below their market share. It is reasonable to hypothesize – although this is not yet proven – that strong and growing brands have a share of talk that exceeds their market share, while brands that are weaker will have less talk than market share. In other words, if people are talking about you at levels beyond your market share, there is something about what you are doing that is interesting to consumers and portends positive things for future market growth. Assuming this is true, then conversation share analysis can be employed as a leading indicator of sales trends.

It would also be possible (and enlightening) to compare conversational share figures to media expenditures, to see which brands achieve word of mouth levels that extend beyond their "paid share of voice" via advertising expenditures. This, too, is a potential sign of brand health.

Resources

McGlinn, Matt. *Measuring Word of Mouth, vol. 4. "*Understanding the Impact of Product and WOM Campaign Attributes on Generational Reach." Chicago: WOMMA, 2008

Carl, Walter. Libai, Barak. Ding, Adam. *Measuring Word of Mouth, vol. 4*. "Measuring the Value of Word of Mouth." Chicago: WOMMA, 2008

Fay, Brad. Keller, Ed. *Measuring Word of Mouth vol. 4.* "Comparing Online and Offline Word of Mouth: Quantity, Quality and Impact." Chicago: WOMMA, 2008

Lauer, Camille. *Measuring Word of Mouth vol. 4.* "Measuring the Social Mix: Quality, Quantity, and a Bit of Intuition." Chicago: WOMMA, 2008

Ackerman, Lauren. *Measuring Word of Mouth, vol. 3.* "Influencer Product Seeding Programme." Chicago: WOMMA, 2007

Carl, Walter. McGlinn, Matt. *Measuring Word of Mouth, vol. 3.* "Spread of Word-of-Mouth Conversations and Marketing-Relevant Outcomes." Chicago: WOMMA, 2007

Nail, Jim. *Measuring Word of Mouth, vol. 3.* "Is There No Such Thing as Bad News?" Chicago: WOMMA, 2007

Fay, Brad. Keller, Ed. *Measuring Word of Mouth, vol. 2.* "Single-Source WOM Measurement: Bringing Together Senders & Receivers; Inputs & Outputs." Chicago: WOMMA, 2006

Morris, Ted. *Measuring Word of Mouth, vol. 2.* "Branded Engagement: Using Metrics to Support Marketing and Branding Decisions." Chicago: WOMMA, 2007

Malone, Laura. McNeill, Ronnie. Nail, Jim. *Measuring Word of Mouth, vol. 2.* "Consumer-Generated Media," Chicago: WOMMA, 2007

Cost Per Conversion

Overview

Cost per conversion is a metric used by advertisers and marketers to describe the cost to get one person to take a desired action and ultimately become a customer.

The definition of conversion varies by business and situation and commonly refers to a purchase or lead but can also refer to other types of actions such as visiting a page on a website, registering for a newsletter, requesting information, and redeeming a coupon.

Tracking cost per conversion is important for a few key reasons:

1. To ensure you are not paying too much for conversion (e.g., if you are spending $25 to acquire a new customer but the value of the customer to your organization is only $15 than you are likely paying too much)
2. To enable cross-channel comparisons of performance (e.g., compare cost per conversion across print ads vs. online display ads vs. paid search ads to understand which marketing vehicle is most efficient)
3. To test and optimize marketing levers within a channel (e.g., test different messages or offers within a channel and compare cost per conversion to see which levers are more efficient at generating conversions)

Calculating cost per conversion is straightforward: divide the cost of the marketing activity by number of conversions generated. (cost per conversion = cost / conversions)

For example:

- Campaign Cost: $250,000
- Conversions Generated: 20,000
- Cost Per Conversion: $12.50

Word Of Mouth Marketing & Cost Per Conversion

Cost per conversion can be used as a key performance indicator (KPI) for word-of-mouth (WOM) marketing along with other KPIs such as reach and purchase intent.

The importance of cost per conversion and the way it is calculated does not differ when applied to WOM marketing.

Some key considerations to keep in mind, when using the cost per conversion metric to track the success of WOM marketing activities are:

- *Conversion Value:* The value of a conversion should be taken into consideration when using cost per conversion to optimize spend across different marketing choices. It is important to understand the relationship between the cost of generating a conversion and the value of that conversion. When comparing different sources of conversion it is possible for one source to have a less favorable cost per conversion but a higher return on investment (ROI) than another source due to differences in the value that those conversions generate.

- *Conversion Attribution*: Attributing conversions to a specific source is a common challenge across most marketing activities. This challenge is often amplified for WOM marketing because a WOM recommendation can often be the catalyst for a response that occurs through different channels (e.g., a recipient of a WOM recommendation may respond indirectly through other media such as typing a query into a search engine, visiting a brand's website, buying a product from an online retailer, and the attribution of the conversion may not be clear).

- *Incremental Conversions:* Even if you are able to attribute a conversion to a particular marketing activity it may not mean that the conversion is incremental. (i.e., would the conversion have occurred anyway.) This is an important dynamic to understand and there are multiple methods that can be used to try to measure incremental conversions including test vs. control and market mix modeling.

Conclusion

Cost per conversion is a valuable key performance indicator to track WOM marketing success, especially when combined with other relevant KPIs. This metric can help you understand if you are paying too much for a conversion, enable you to compare your WOM activities to other marketing initiatives and to test and optimize levers within your WOM marketing program. When using cost per conversion to optimize your business start by defining the conversions that are most relevant to your business situation, identify the cost to generate the conversion, consider the value of the conversion, the accuracy of the conversion attribution, and implement solutions to measure incremental conversions.

Resources

Carl, Walter. *Measuring Word of Mouth, vol. 4.* "Measuring the Value of Word of Mouth." Chicago: WOMMA, 2008

Paolucci, Jane. *Measuring Word of Mouth, vol. 4.* "Metrics that Matter: Developing Key Performance Indicators to Measure, Communicate, and Maximize the ROI of Word of Mouth." Chicago: WOMMA, 2008.

Lovett, John. "A Framework For Multicampaign Attribution Measurement." New York: Forrester Research, 2009.

Reach

Overview

The principle of 'reach' is an important metric to the practice of media or marketing measurement. Reach is a primary marketing outcome metric which, when understood, paves the way for further analysis such as examining sales results and marketing return on investment. The method for calculating reach and the implications of those calculations are important to understand within any marketing measurement undertaking.

Most commonly, reach represents the degree of 'marketing penetration' within a given target audience. That degree of penetration (expressed either as a number of individuals or as a percentage of individuals) is equal to the degree of 'exposure' the target audience has had to an intended marketing message.

Why measure reach?

Reach is a valuable metric to track within most all marketing measurement endeavours. Firstly, it allows for an understanding of how far a given marketing message may (or may not) have spread. Second, it affords the marketer the opportunity to extrapolate other outcome based metrics (e.g. sales, awareness, purchase intent) to a wider population, which in turn affords a more accurate valuing of marketing expenditures.

Reach vs. Audience

A common mistake which marketers should aim to avoid is the substituting of "audience size" as a proxy for reach. The reach for a given marketing message is not the same as the "audience" for that message.

Reach refers to the total number or percentage of individuals exposed, at least once, to a marketing message during a given period of time. A message's audience is the total number or percentage of individuals who *had the opportunity to* be exposed to the given message during a given period of time.

> Audience (e.g.):
>
> *The website www.abcwebsite.com averages 50,000 unique visitors per week. In an average week, 50,000 individuals (the website's audience) have the opportunity to see one of the website's articles; for instance an article on 'lunar phases' posted to www.abcwebsite.com. Thus, one could say that, over the past seven days, the audience for the particular article on lunar phases was 50,000.*
>
> Reach (e.g.):
>
> *Continuing from the example above, supposing that in the past seven days 10,500 individuals who visited www.abcwebsite.com viewed the specific article on 'lunar phases'. The reach for the particular article on lunar phases was 10,500 over the past seven days.*

Individuals reached by a marketing message are de facto members of that message's audience. However, the audience for a given marketing message is not the same group as those reached by that message.

Reach may be expressed either as a number, or as a percentage of a given population over a period of time. For instance, reach may be stated as: "10,233 females who witnessed a concert yesterday evening", or as "15% of men aged 18-39 in Iowa who viewed the broadcast on Wednesday".

Reach vs. Frequency

Marketing reach and marketing frequency are not to be confused. As stated above, reach is a count of a quantity of *individuals exposed*. By comparison, frequency is a count of the *exposures* each individual has experienced. When counting reach, individuals are counted only once, irrespective of the number of times they may have been exposed (frequency) to a given marketing message.

Reach and Word of Mouth

When we speak of reach as it pertains to word of mouth, we are speaking of the number of individuals who have been exposed to a WOMunit (the brand-related message) through an action of peer-to-peer connectedness. To distinguish between traditional media measures of reach, which are typically based on impressions, some in the WOM industry use the term "conversational reach" to indicate that people are active participants in synchronous or asynchronous conversations, as senders, receivers, and people who pass-along or re-distribute brand-related content to others.

> **Word of Mouth Generations**
>
> This re-distributing may be expressed in terms of 'generations' or 'ripples' of word of mouth.
>
> **Generation 0** = the first senders of a WOMunit
>
> e.g. Fred (G0) tells Elaine (G1) about the great weekend he had in Vermont.
>
> **Generation 1** = the receivers of Generation 0's WOMunit, some of whom may re-send
>
> e.g. Elaine (G1) tells John (G2) about Fred's great Vermont weekend.
>
> **Generation 2** = the receivers of Generation 1's WOMunit, some of whom may re-send
>
> And so on…
>
> e.g. John (G2) emails Linda (G3) and Sam (G3) about the hotel which Fred discovered in Vermont.

The cumulative reach for a WOMunit would include all of the individuals reached (those directly or indirectly exposed to the WOMunit) throughout the interconnected generations of new individuals (four individuals total in the above example). Further, the process of summing generations of individuals reached may apply equally to offline and online WOM episodes. For instance, generational reach may be tracked by following conversations which occur by phone, or in person as well as by tracking online episodes such as email exchanges; instant messaging conversations; or blog post reading, and/or linking, and/or forwarding.

Methods for Quantifying Word of Mouth Reach

Offline

- Reporting on WOM Episodes by participants after they occur
- Word of mouth diary maintenance by WOM participants
- Coupon/voucher/offer redemption at retail channels
- Generational conversation validation and tracking platform

Online

- URL analytics tracking of website visitors
- Email analytics tracking
- Refer-a-friend / Send-to-a-friend tracking platform
- Blog reader surveying
- Generational conversation validation and tracking platform

Future Considerations

WOM Episode Sender and Receiver Validation

- Conversations or WOM Episodes can be difficult to recall in detail after they have occurred
- Consider how to better validate that WOM Episodes have occurred, and thus how to better validate the reach metrics that arise from person to person communications

What is the definition of "exposure"?

- What specifically constitutes a marketing exposure?
- How do exposures differ between mediums (e.g. TV, Print, WOM)?
- Should exposure be tethered to 'time spent'?

Counting Click-Through

- Is there a difference between a marketing exposure and a click-through?
- Is counting click-troughs the same as counting reach?

Resources

Carl, Walter. Ding, Adam. Labai, Barak. *Measuring Word of Mouth, vol. 4.* "Measuring the Value of Word of Mouth." Chicago: WOMMA, 2008.

McGlinn, Matt. *Measuring Word of Mouth, vol. 4.* "Understanding the Impact of Product and WOM Campaign Attributes on Generational Reach." Chicago: WOMMA, 2008.

Levy, Lauren. *Measuring Word of Mouth, vol. 4.* "The Impact of Credible Reach: How the Scalability of Online Word of Mouth Programs Delivers Better ROI." Chicago: WOMMA, 2008.

Other Resources

BARB (Broadcasters' Audience Research Board Ltd.) *Glossary of Commonly Used Industry Terms:* http://www.barb.co.uk/about/glossary?_s=3 (accessed April 29, 2009).

The Marketing Association of Australia and New Zealand, *Glossary of Marketing Terms:* http://www.marketing.org.au/default.aspx?i=o7/3rRJaaY0=&t=jZS6ngCVPug= (accessed April 29, 2009).

The Influence Factor

Influencers are information-hungry word of mouth propellers. They spread news, start dialogues and help shape the public agenda. Marketers, who want to share messages with such a powerful group of advocates, need to know how to identify them and understand their habits.

Influencers are more than subject-matter experts. Their peers recognize them for their deep knowledge, commitment and enthusiasm. They gain their public opinion leader status, as they speak up and infuse networks with new information. While the average consumer may share a story with one or two others, influencers have the capacity to spread news to dozens of people at a time – depending on the topic and technologies they use. Demographically, influencers may not stand out of the crowd. Yet their behaviors are quite different than the rest. They are vocal citizens who often take on leadership roles. Influencers are PTA presidents, public speakers, community organizers and bloggers who gather, distill and spread news.

Influencers turbo-charge communications online and offline. In today's communication landscape, audiences simultaneously use traditional and Web channels to gather information. Subsequently, marketers need to speak with individuals who make waves through face-to-face, phone and online conversations. They also need to gain a perspective on influencers' networks and the extent to which these word of mouth agents can send messages across disparate groups of people.

There are three main approaches to identifying influencers and measuring their word of mouth activities:

1- Surveys that delve into self-reported communication and related behavior

2- Online buzz monitoring and conversation tracking

3- Identifying people's position within a social network

Surveys and Self-Reports

After determining the criteria that constitutes influence for their organization (e.g,, propensity to share messages, civic-mindedness, community activities, number of friends, etc.), marketers can conduct surveys that identify their public opinion leaders and ask them additional questions about their attitudes and behaviors. Through the surveys, marketers can ask respondents about their awareness of news, their likelihood to share new information with their friends and family and their intentions to issue recommendations or warnings. This approach relies upon audiences' ability to accurately recall and report on their past choices. Marketers can verify their findings by running statistical tests on the results and aligning their questions to crosscheck and confirm responses.

Study and questionnaire design can affect the quality and type of results. Therefore, it may be best to partner with professionals who can craft surveys and analyze data. Surveys can be tailored and dedicated to individual brands' needs. While brand specialists articulate what influence means in their industry and give examples of influential behaviors in their area, market researchers can write questions and measures that probe for such qualities and activities among audiences.

Marketers can work with a number of research firms that have access to consumer and business panels. Those who would like to focus on customer loyalty and customer experience issues can partner with Satmetrix®, which uses specific criteria to identify influencers (based on self-reported credibility, social connections, and charisma) and has developed a methodology to measure audiences' likelihood to recommend products and services that has been correlated with business growth. Alternatively, organizations can sign up with market research institutions that conduct large syndicated studies about influencers. GFK's Roper Consulting Group and the Keller Fay Group are examples of two companies who conduct ongoing research in this area.

Online Buzz Monitoring and Conversation Tracking

While much of word of mouth activity takes place offline, the advent of social media tools has turned millions of cybercitizens into publishers and online buzz agents. As audiences mix and merge traditional and online media channels while consuming news, marketers need to keep tabs on what influencers are saying about their brands and how these individuals are driving conversations online.

One of the challenges in this area is the lack of a standard definition of what constitutes online influence. When working with research partners who conduct online conversation analyses, marketers need to ask questions about how these firms' tools and analysts define and determine influence.

Online conversation analyses can be done at three varying levels of depth and precision, using tools that can search, gather and scan through thousands of online posts at a time:

1- Online blog search engines:
Plugging in key words into free blog search engines such as Technorati, Icerocket, and Google's Blogsearch among others, marketers can get a quick scan of online buzz on a given topic. This method is best suited for a pulse check on an issue or breaking news. It takes considerable resources to gather all blog mentions and analyze their content. Besides Technorati's authority rankings, marketers may have to rely upon site traffic information and qualitative factors (e.g., the blogger's background, the breadth of his/her background, the frequency of comments, etc.) to determine influence.

2- Desktop online buzz research tools:
To get more robust information about online conversations, automatically tabulate data and obtain a list of influencers per topic, marketers can subscribe to services that provide them with turnkey dashboards. Buzzlogic and Radian6 are among the companies that provide such analytical tools.

The desktop tools use strong search engines and algorithms to scour the Web and categorize content. Their results are based on a number of factors that affect the influence of a given post, such as number of comments, in-bound links, unique commentators, views, votes, topicality and reach.

3- Custom online buzz analyses:
If marketers would like to do in-depth buzz analyses over an extended period of time, they may wish to partner with a firm that specializes in analyzing online conversations such as Nielsen Online, TNS Cymfony, Umbria, Kaava, Converseon and Empower. Similar to desktop tools, they gather large amounts of content and analyze them based on keyword and topic trends. These firms have content experts and analysts on staff that can cull through the data and prepare custom reports for brands.

Identifying People's Position In A Social Network:

A third way influencers can be identified is based on how people are interconnected with others in their social network, or what is called a "sociometric" approach. Rather than asking people to self-report on their own about attitudes, behaviors, and personal characteristics, people might be asked to identify others whom they would turn to for advice about a product or service. The most influential are typically those who are reported by others as the "go-to" people on certain topics, or those who are in a position at the boundary between groups of people.

For instance, a major pharmaceutical company realized that physicians who were sociometric leaders (physicians who were identified as opinion leaders by their peers) were more likely than self-reported opinion leaders to use a new drug and were more likely to influence other physicians to try the drug. They also learned that sociometric leaders acted as followers as well as leaders because they often took into account what other physicians were doing. As a result of focusing on the relationships between physicians, the brand shifted their attention to engaging other types of physicians that had not previously considered in their marketing efforts.

Sociometric leaders can be identified through interviews, surveys, or mapping online connections of who-links-to-whom. In order to understand how social networks impact influence, a marketer could consult a company like Icosystem who develops models of how WOM influence, social networks, media, and other business conditions interconnect.

Conclusion

Some may question the effort behind reaching out to a handful of consumers to create sizable impact (see the work of Duncan Watts as one example). Yet influencers can accelerate movement and increase campaign success, by spreading ideas and leading others. Their support in times of crisis is invaluable, as they refute negative comments and protect brands' reputation. Identifying and understanding influencers—who issue recommendations and propel news fast and far—is an imperative for brands that need to manage their reputation and drive business.

Resources

Lazarsfeld, Paul. Katz, Elihu. *Between Media and Mass.* 1955.

Berry, John. Keller, Ed. *The Influentials*. 2003.

Burson-Marsteller; *e*-fluentials® studies, 2001-2006.

Libai et al.; The Social Value of Opinion Leaders, working paper, 2008.
The Buzz Starts Here: Finding the First Mouth for Word-of-Mouth Marketing: Knowledge@Wharton
(http://knowledge.wharton.upenn.edu/article.cfm?articleid=2170

Viral Marketing for the Real World. Harvard Business Review. Duncan Watts. 2007.
http://cdg.columbia.edu/uploads/papers/w_p_HBR_07.pdf

WOMMA; Measuring Word of Mouth, Vol 1-4, 2004-2008.

WOMMA; Influencer Handbook: The Who, What, When, Where, How and Why of Influencer Marketing, 2008.

Cost Deflection

Definition

Cost deflection is an operational business metric, primarily associated with CRM activities, such as call centers. The traditional definition of cost deflection is the removal of hard or soft costs from the methods the business uses to support customers. From strictly an operational perspective, social media tools are simply another series of touch points in which to engage customers. Cost deflection occurs when social media removes the expense from the process, using a tool, that the business would otherwise incur.

Key Metrics

Key metrics associated with cost deflection:
- Decreased product quality and R&D costs
- Decreased time to market
- Decreased customer service and support cost

Reducing product quality and R&D spending, decreasing time to market, significant customer service and support savings through community can be measured in the following ways:

Reducing Product Quality and R&D Cost	Decreasing Time to Market	Customer Service and Support Savings
• Increase product quality/performance • Increase number of bugs identified, fixed and reduced • Increase number of qualified testers • Decrease bug fix open and increase close rate	• Decrease cost of product development cycle (compare cost per unit before and after) • Decrease time to market through focus groups and product council participation • Drive improvement and development through ideas and innovation	• Decreased e-mail and phone support costs • Faster response rate and resolution time • Decreased escalation • Increased satisfaction • Decreased customer complaints

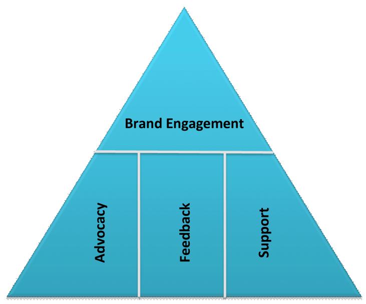
Methodologies

Application of a cost deflection model within the touch points of social media and community, originate from direct brand engagement to the consumer. Measurement is organized and derived from three key areas:

- **Advocacy:** Consumer engagement intended to influence transactional behavior.

- **Feedback:** Formal channel between the end user and the brand intended to have a direct influence on the product or service.

- **Support:** Member created content or conversations intended to solve problems and also provide answers to specific questions/needs.



If the business KPI is cost deflection via social media or community–it is typically derived and measured as a result of consumer feedback and peer-to-peer support. Research has shown that the more a brand involves its customers, brand advocacy and loyalty becomes stronger. Brand advocacy is a critical success benchmark, and one that social media and community can influence. Different channels or activities to involve and engage customers through the use of these tools are: Product usage, product feedback and peer support. For example, a centralized and low cost way to engage customers is through an online community. A community can roll-up advocacy, feedback and support; and in terms of cost deflection it can allow you to measure the following:

1. Savings achieved during different stages of the product lifecycle using direct customer feedback:
   - Beta testing
   - Focus groups
   - Product reviews

2. Utilization of consumer expertise to deflect customer support costs:
   - Technical support
   - Peer-to-peer expertise and mentorship
   - Relevant user-generated content (UGC)

Case Study: Customer Support Community

Through an online support community, many technology brands are saving money efficiently. Microsoft is a good example because they have learned to leverage the expertise of brand advocates. Microsoft has yielded significant ROI through reduced customer escalation costs and through a peer-to-peer support model.

Microsoft rolled out a product that was free to their customers. It was a platform for small business owners and entrepreneurs to design and maintain their own Web sites. In order for Microsoft to make this a viable business decision, it had to devise a way to deflect the increasing amount of customer service and support costs. Microsoft built an online support community which allowed it to identify and activate its most experienced and passionate users.

Once engaged directly by the brand, these advocates formed a product council. Despite the fact that they were the smallest percentage of the community, they did the heavy lifting, spending much of their free time in the forums offering how-to tips and technical support for users at large. As a result, Microsoft was able to greatly reduce the number of escalation instances to customer support. ROI was achieved, as measured by:

- Reduction of cost per answer
- Reduction of answers by Microsoft
- Amortized cost of development and community management

The table below contains data from the pilot community. The cost deflection formula consisted of number of answers, number of posts and the unit cost of customer service escalation.

Segment	Percent of Community	Questions Answered
Advocate	.46%	42%
Internal Microsoft	1%	2%
Community at Large	98.54%	56%

Conclusion

Cost deflection is both attainable and quantifiable; it will drive KPIs and impact ROI. Two methods or approaches to a cost deflection model through social media and community, are the creation of a legitimate feedback channel and a peer-to-peer support network. Studies show that a community is an easy and cost effective way to achieve this. Key metrics prove that direct consumer feedback and peer-to-peer support will drive down product quality, R&D, marketing and customer service costs.

Resources

Interactive Insights Group, Social Media Metrics Superlist: Measurement, ROI, & Key Statistics
http://www.interactiveinsightsgroup.com/blog1/social-media-metrics-superlist-measurement-roi-key-statistics-resources/

Construction Social: For Architects of the Social Web
http://constructingsocial.com/planning/

Case Study
http://comblu.com/forums/t/1.aspx

Len Devanna, Confessions of an eBiz Junkie, March 23, 2009
http://lensblog.typepad.com/ebiz/2009/03/measuring-roi-in-social-media.html

Scott Dodd, You Can't Get ROI from an Empty Community, December 24, 2008
http://lithosphere.lithium.com/t5/Enterprise-on-the-Surface/You-Can-t-Get-ROI-from-an-Empty-Community/ba-p/1283

David Carter, Awareness. May 2008
http://carter.awarenessnetworks.com/default.asp?mode=blog&month=5&year=2008

Forum One Communications, Online Community ROI Models and Reporting Study
March 28, 2008, http://www.onlinecommunityreport.com

Romain Péchard Dimelo, Fast.Fwd.Innov@tion, August 7, 2008
http://www.fastfwdinnovation.com/2008/08/07/opportunities-for-brands/roi-measurement-items-yes-you-can-measure-social-media-roi/

Matt Rhodes, FreshNetworks, August 2008
http://blog.freshnetworks.com/2008/08/so-how-do-you-measure-roi-of-online-communities/

Mukund Mohan, Best Engaging Communities, March 3, 2007
http://bestengagingcommunities.com/

Connie Bensen, Community Strategist, November 7, 2007
http://conniebensen.com/blog/2007/11/07/measurement-roi-social-media/

Shane Atchison, ZAAZ May 18, 2006
www.clickz.com/showPage.html?page=3606596

VALUE OF A CONVERSATION

Overview

Across multiple product and service categories a recommendation from a trusted, personal source is consistently at the top of the list for driving purchase behavior. As a result marketers want to know the value that brand-related conversations have to the bottom line. More specifically, they want answers to questions like:

- I know how much a customer spends with my company but how does that compare with new business gained (or lost) as a result of their recommendations?
- When a person has a conversation about my product that can be tied to a particular marketing initiative, what is the value of that conversation?
- What is the relative value of an advertisement as compared to a consumer passing along information to another consumer?

The *value* of a brand-related conversation is a currency-based metric that shows how much a positive or negative conversation is worth to the brand's bottom line. In contrast, the *cost* of a conversation is what a brand spends in order to generate consumer conversations or recommendation behaviors.

While there are a range of methodologies used to measure the value of a conversation and answer the questions above, two common approaches involve incorporating word of mouth (WOM) communication into 1) customer lifetime value models, and 2) media mix models.

Customer Lifetime Value + WOM Referral Value Models

Customer lifetime value (LTV) models show the value customers bring to the company as a result of their direct purchases over a defined period of time. The "lifetime" of a customer could be many years or just a few months, depending on the industry and product/service category.

By focusing on purchase behavior alone, however, companies undervalue customers because revenue can be added to, or subtracted from, the bottom-line based on positive or negative referrals customers make in their social networks. As a result, the revenue gained or lost as a result of customer referral behavior should also be measured as part of their overall value.

To illustrate, take two customers who each spend $100 with the company over the course of a year. Customer A is highly satisfied with the service and three friends become customers as a result of Customer A's positive recommendations, generating incremental revenue for the company and saving the company money they would otherwise have to spend to acquire those new customers. Customer B, on the other hand, is dissatisfied with the service but stuck in a contract. Customer B recommends that friends *not* use the same service but choose a different one. As a result of Customer B's negative recommendations the company lost the potential revenue stream from four of Customer B's friends. Which customer has more value to the company's bottom-line, Customer A or Customer B? Based on purchase behavior alone both customers seem to have equal value, but when the company considers the impact of each customer's WOM conversations, it becomes clear that Customer A is much more valuable. The value of a conversation metric attaches a financial figure to each conversation.

Net Promoter® Economics

A specific model that uses this approach is the Net Promoter® Economics model developed by Satmetrix. This model allows marketers to understand the financial value of people who promote, and detract from, their brands. Promoters are defined as customers who are very likely to recommend a brand to a friend or colleague while detractors are customers who are unlikely to recommend and/or actively recommend against a brand.

Here's how this model works: the referral impact of customers is defined as the number of new customers acquired or lost due to word of mouth. The positive referral impact is calculated as the percent of customers who made a positive referral in a given time period times the number of positive referrals made, times the probability or likelihood that referral will result in a new customer. To determine the additional revenue generated by Promoter referrals, their referral impact is multiplied by the worth of an average customer (which may be estimated as amount spent, net present value (NPV), or customer lifetime value). The referral impact for Detractors is defined as the number of customers lost per Detractor and is calculated similarly: the percent of Detractors who made a negative referral in the past year, times the number of negative referrals made, times the percent of customers lost through those referrals. To determine the lost revenue from these negative referrals, multiply Detractors' referral impact times the worth of an average customer.

In a study of the B2C computer hardware industry, Satmetrix determined that nearly all of the revenue from purchases made by detractors was erased by revenue lost from negative recommendations. In contrast, promoters purchased more than detractors and brought in new business from their positive recommendations. Models like the Net Promoter® Economic framework allow marketers to build a solid business case to justify investment in loyalty and advocacy programs and to demonstrate ROI.

Campaign-Specific Measurement and the Conversation Value® Model

The lifetime + referral value model approach can also be used to measure the ROI of specific marketing programs designed to generate WOM and stimulate purchase or trial. To illustrate, take a group of consumers who participate in a marketing program where they get first-look access to a new product and free samples to share with friends and family. Suppose 50% of the initial group of consumers (whom we'll call Generation 0) purchase the product (beyond the free one they received) and tell 10 of their friends. Then suppose 20% of those friends (whom we'll call Generation 1) decide to purchase the product and go on to tell 3 other friends (Generation 2), etc. The value of each conversation can be calculated based on the total number of people reached in the program, the percent of those people who become new customers as a result of the positive or negative recommendations from friends, and the revenue generated by the those new customer purchases over a defined period of time (say, one year).

A specific model that uses this approach is the Conversation Value® model developed by ChatThreads. There are three types of inputs into the model: 1) the customer lifetime value inputs are profit per unit sold, frequency of purchases, retention rate, and a discount rate to account for the time value of money; 2) the WOM inputs are program reach (calculated in terms of the number of new people reached at each generation, or degree of separation, from the source), purchases attributable to the program (calculated in terms of the percent of people at each generation who purchase as a result of the program), and recommendation time period (how long people continue to recommend the brand); and 3) program inputs including the number of participants engaged (or samples distributed to unique people, depending on the type of program) and costs related to program development and execution. Lifetime value purchases are typically modeled over a one-year time period and WOM referrals over a one-month time period after the initial brand touch point (which may be attending an event, receiving a sample, having a conversation with an influencer, etc.).

The WOM inputs are collected based on self-reports from the program participants as well as their conversational partners. People from the prior generation invite those in the subsequent generation and their reports are matched and cross-validated. In order to help isolate the effects of a particular program, results can be compared to a control group made up of people who are not direct participants or who have not had a conversation with a program participant.

ChatThreads determined the value of each conversation generated by a WOM advocacy marketing for a consumer packaged goods product was $0.51, which meant that each time a consumer had a conversation about the CPG product with a new person reached, that conversation contributed $0.51 to the company's bottom-line. Companies who use models like the Conversation Value® framework are able to track the ROI of marketing initiatives designed to amplify WOM over time and to decide how best to scale their programs. By combining this metric with cost per conversion they can also compare across different types of marketing initiatives such as comparing search to sampling to influencer programs.

Walter J. Carl, Ph.D. 5/13/09 2:10 PM
Comment: Cross-reference

<u>Media Mix Models</u>

Media mix models are used to help marketers understand how the various media channels (such as TV, print, online, etc.) interact and how much each medium contributes to desired outcomes, like shifts in purchase intent or sales. (Marketing mix models are similar but include a broader range of marketing initiatives beyond investments made in media). Recognizing the increased importance of consumer-generated media and peer-to-peer conversations, an increasing number of marketers are looking to incorporate the "momentum effect" of WOM into their media mix models. The Momentum Effect occurs when people pass-along brand-related content to a peer or use a brand as a reference point in stories of who they are (such as downloading branded content onto a social networking profile page). Media mix models allow a marketer to measure both consumer-to-consumer (C2C) communication (the Momentum Effect) and classic online advertising, which is business-to-consumer (B2C).

A specific media mix model that measures the value of peer-to-peer conversations was developed by Marketing Evolution. The model was first used in 2007 for two campaigns – Adidas and Electronic Arts – and has been replicated half a dozen times in social networks. Both campaigns involved online advertising, branded online communities that consumers could directly visit, as well as content that consumers could download to their own MySpace profile page (such as branded wallpaper, badges, etc.). To isolate the unique value created by both the B2C and C2C interactions Marketing Evolution used a sophisticated design involving multiple test-control groups and pre/post-test measures. Data were collected from both behavioral tracking and online intercept surveys. The average cost to influence the purchase intent of each person, based on the B2C advertising alone, were $1.19 (EA) and $1.87 (Adidas). But when the researchers added in the C2C Momentum Effect the average cost to influence purchase intent for each person dropped to $0.34 (EA) and $0.40 (Adidas). Marketing Evolution concluded that over half of the value created for the brands was driven by the Momentum Effect (the only exception was in terms of unaided awareness, which was driven by advertising). Thus, the value created by the C2C pass-along effect was due to the following factors: 1) since people could download and share content the program reached more people beyond those directly exposed to the advertising or who directly visited the branded online community, and 2) people who both received a recommendation and then actually visited the brand community were more likely to change their attitude towards the brand.

Key Considerations

There are a number of points brands should consider when measuring the value of a conversation. First, understand how each model defines "value." Models like Net Promoter® Economics and Conversation Value® define value in terms of bottom-line revenue that is gained, or lost, as a result of specific recommendations made from one person to another. For models like the momentum effect, value is defined in terms of amplifying the impact of traditional B2C media and reducing the cost to influence key branding metrics, such as what it costs to increase the proportion of people who are aware of the brand, have a positive image of the brand, or intend to recommend or purchase the brand. But value can also be gleaned from consumer conversations in other ways that these models do not explicitly incorporate, such as by reducing customer acquisition costs or deriving consumer insights by listening to, or participating in, conversations with consumers.

Second, choose the right model depending on your research goal. For example, the Conversation Value® and media mix model of the momentum effect may be better suited to assess proof of performance for specific marketing initiatives designed to amplify WOM while Net Promoter® Economics may be better suited for ongoing tracking of organic WOM independent of specific marketing initiatives.

Third, consider how inputs to the model are collected and validated. For example, coupon redemption and actual sales figures can be used to validate self-reported purchase behavior for the Conversation Value® model. It's also important to know when a model relies on inputs collected from actual data and when a model is projecting to a larger population. For example, the media mix model used to measure the momentum effect collects data from a random sample of participants in both test and control groups (people exposed to a brand's advertising versus those who are not) and then projects to a larger population. Since data are collected from a large, random sample a brand can have greater confidence in the accuracy of the projections.

In summary, the value of a conversation metric helps brands to recognize the positive or negative impact that consumer conversations have on their bottom-line. It can be used to justify allocating budget to marketing initiatives designed to generate consumer conversations, to minimize the impact of negative conversations, or to participate more deeply in consumer conversations through listening for insight or through active dialogue. Finally, the value of a conversation metric can be used as a ROI-based proof of performance metric for WOM and social media marketing initiatives.

List of Examples

Net Promoter® Economics: "Net Promoter® Economics: The Impact of Word of Mouth: Exploring the Relationships Between Net Promoter and Word of Mouth in the Computer Hardware Industry" (Satmetrix). *Measuring Word of Mouth, Volume 4*.

Conversation Value®: "Measuring the Value of Word of Mouth" (ChatThreads). *Measuring Word of Mouth, Volume 4*.

Momentum Effect: "Never Ending Friending: A Journey Into Social Networking". 2007. Available for download at http://tinyurl.com/NeverEndingFriending

Resources

Kumar, V., A. Petersen and R. P. Leone (2007), "How Valuable is Word of Mouth?", *Harvard Business Review*, (October), pp. 139-146.

Answering the Ultimate Question: How Net Promoter Can Transform Your Business (Richard Owen and Dr. Laura Brooks)

"Measuring Conversations: A Proposal to Quantify Public Relations Campaign Results" (Golin Harris). *Measuring Word of Mouth, Volume 4*.

"The Social Value of Opinion Leaders." Working paper. Barak Libai, Eitan Muller, and Renana Peres.

Value of a Conversation Whitepaper Series (BzzAgent). Available for download at http://tinyurl.com/bzzvalue