



INFORMATION PAPER

A large graphic with a blue background featuring several overlapping speech bubbles in various shades of blue and white. The central, largest speech bubble is white and contains the text 'WORD-OF-MOUTH MARKETING' in a bold, blue, sans-serif font.

WORD-OF-MOUTH MARKETING

MARCH 2017

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PREAMBLE

AKI measured the insurance awareness levels at the end of 2016 using an omnibus survey targeting persons aged 18 years and above at a national household level. The survey results indicated that 44% of the target respondents are aware of insurance. Out of the respondents who were aware of insurance, only 11% of them had in depth knowledge.

TV and Radio emerged as the key source of information on Insurance at 37% and 25% respectively, while Word of mouth was at 16%. In considering the information sources, word of mouth emerged as an important communication channel as many people rely on friends (35%), colleagues (24%) and family (13%) for information. The power of Word of Mouth basically lies in the social connections thus the advances in information technology have transcended the traditional limitation of social contact boundaries. Consequently, social media channels were also well ranked Facebook (12%); Whatsapp (7%); Twitter (4%); Google+ (3%); Instagram (3%) and YouTube (2%).

Word of Mouth has been recognized as one of the most influential resources of information transmission. This paper describes how best the different players in the insurance sector can harness the power of word of mouth because it plays a significant role in creating awareness and influencing consumer purchase decisions.

INTRODUCTION

"Word of Mouth Marketing [is] a marketing method that relies on casual social interactions to promote a product. This method has been in place even before the advent of the Internet, and is widely touted as the most effective form of marketing. A person is more likely to believe something that comes from a person that he knows or respects, instead of a canned source like commercials and print ads ... word-of-mouth advertising has become even more powerful with the advent of online social networks."

http://www.marketingterms.com/dictionary/word_of_mouth_marketing/

FACTS ABOUT WORD OF MOUTH MARKETING

There's probably no more effective branding strategy in existence than word of mouth, since consumers have always valued opinions expressed directly to them. Below are a few facts that explain why:

Advertising specialists proclaim word of mouth marketing to be the most powerful ways of communicating a company's message

According to a study done in 2014 by WOMMA and the American Marketing Association (AMA), 64% of marketing executives indicated that they believe word of mouth is the most effective form of marketing. However, only 6% say they have mastered it.

Word of Mouth has been amplified by digital revolution

The digital revolution has amplified and accelerated its reach to the point where word of mouth is no longer an act of intimate, one-on-one communication. Today, it also operates on a one-to-many basis. Product reviews are posted online and opinions disseminated through social networks. Some customers even create Web sites or blogs to praise or punish brands.

Consumers trust word-of-mouth more than anything else

According to the Nielsen Global Trust Advertising Survey, 92% of people trust recommendations from family, colleagues and friends over all forms of advertising (promotional content that comes directly from brands).

Trust of advertising messages is at an all-time low, with only 14% of people saying they trust advertising. Consumers prefer to make purchasing decisions largely independent of what companies tell them about products as they have become overwhelmed by product choices from company-driven advertising. Word of mouth recommendation from a trusted source cuts through the noise quickly and effectively.

Advertising used to serve a very beneficial function: it kept us informed of what was new, what was better and what was well priced. The reason advertising avoidance is now at an all-time high is not only because we are fed up with being interrupted and

distracted by unwanted, irrelevant messages; but ultimately because we now have ways and means to get this information where we need it, when we need it.

Word of Mouth has the greatest influences of all purchasing decisions and at every single stage of the consumer's journey

Word of mouth marketing is the most influential form of information consumers rely on when making purchase decisions. E-marketer reports that two thirds of all economic activity in is now influenced by word of mouth. According to Nielsen, 77% of consumers are more likely to buy a new product when learning about it from family, colleagues and friends.

According to McKinsey and Company word of mouth is the biggest consumer influencer each stage of the consumer purchase decision journey i.e. Initial consideration set (brands formed through product experience, recommendations, or awareness-building marketing); Active evaluation (as consumers gather product information from a variety of sources and decide which brand to purchase) and Moment of purchase. Their post sales experience then informs their next purchasing decision and also encourages spreading the word.

According to Radius Global Millennials ranked word of mouth as the number one influencer in their purchasing decisions.

Word of Mouth Marketing helps companies reduce their advertising budget

Free publicity from word of mouth means the company needs not to spend as much on marketing and advertising but invest more on customer service and customer experience. Some products have become a huge success without a penny of promotion and some multi-million-dollar advertising campaigns fail to get noticed.

According to McKinsey & Company Word of Mouth generates more than 2X the sales of paid advertising. Brands should cut back on traditional advertising and invest more into Word of Mouth Marketing channels.

Word of Mouth referrals has a higher persistency

A referral from a loyal customer has a 92 percent retention rate versus 68 percent for a customer acquired from advertising. (Source: Bill Bleuel, PhD, Graziadio Business Report). According to Forbes, a study done by Goethe University revealed that customers recommended to the business were 18% more likely to stay with the organization than other customers. The article reiterates, "People tend to have a stronger attachment to an organization if their friends or acquaintances share a bond to the same establishment."

DEVELOPING A WORD-OF-MOUTH MARKETING STRATEGY

To increase insurance penetration, insurance companies need to increase the positive impact of word of mouth marketing by creating a foundation that builds trust with their customers, resulting in truly passionate brand promoters/ambassadors that will spread positive vibe about their experience with others.

Step 1: Ascertain Who Are Your Promoters

To ascertain who your promoters are, customers are asked to rate the likelihood of recommending the company or brand to a friend or colleague.

"On a scale of 0 to 10, how likely are you to recommend this company's product or service to a friend or a colleague?"

Based on their rating, customers are then classified in 3 categories: Customers who record a 9 or 10 (Highly Likely) are labeled promoters. Those who respond with a 7 or 8 (Likely) are called passives, and those who answer six or below are detractors.



A Promoter –Is a loyal customer, repeat buyer and recommends company products and services to other potential buyers.

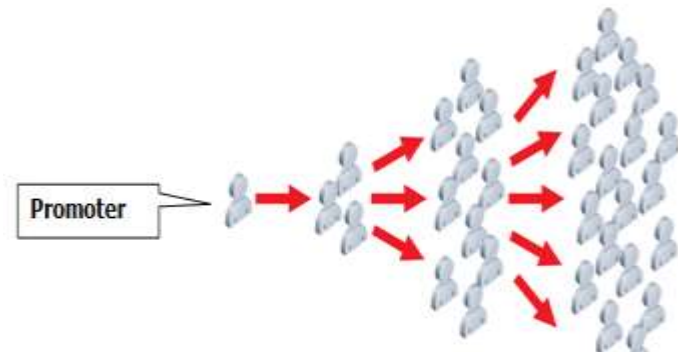
A Passive –Is a satisfied customer, could easily switch to a competitor’s offering if given the opportunity, not enthusiastic enough about your products or services to actually promote them.

A Detractor –Is an unsatisfied customer, not likely to purchase again from the company and could potentially damage the company’s reputation through negative word of mouth.

Step 2: Increasing Promoters

a. Leveraging on Promoters

Effectively leveraging Promoters may bolster the loyalty of the new customers they bring to your company and reduce your cost of acquiring new customers. If you’re intent on reducing costs, harnessing the power of your Promoters should be a focal point.



Companies should keep on working on increasing their promoters, then plan to effectively leverage on them by:

- Keeping them extremely satisfied and it will encourage them to spread the word.
- Letting them have the best customer experience with regards to the product and services provided – and the customer’s “emotional” wishes, wants, and needs (Treat them like gold).

In social media Promoters are mainly active sharers of your content.

When you align with a promoter, not only do they bring their audience, but they also bring their audience’s network as well. Because of the loyalty of their audience, a promoter has the ability to drive traffic to your site, increase your social media exposure, and sell your products or services through their recommendation or story about their experience.

b. Convert Passives to Promoters.

Passives are **unenthusiastic** customers, and can be your biggest uncertainty since they can be easily wooed by the competition and may influence other current and potential customers away from your company. They are looking for an experience but less able, or inclined, to voice their expectations. They probably wouldn't spread any negative word-of-mouth.

Passives can be shifted to promoters by stimulating their curiosity and focus and getting them interested. Providing them with an unforgettable customer experience is also critical in converting the passive customer into a loyal customer.

In social media, they are they mainly like – they're are lurkers and not sharers.

c. Convert Detractors to Promoters.

Detractors are **unhappy** customers with a bad experience with your company's products and services and can be your worst critics and can influence many other current and potential customers away from your company.

With their strong negative emotions, you have an opportunity to make a lasting positive impact and shift them to highly engaged promoters, by understanding their issue, and fixing it to their satisfaction.

Spend most of your effort in proactively preventing problems by identifying where the next big leaks are likely to occur so that you minimize time in reacting to problems and also ensure negative publicity is managed and thus never shows in internet searches as this can be picked up, conveyed and recorded for posterity.

Step 3: Getting Customers Talking: Engage, Equip, Empower

When people are pleased with their experience of your product and company, they will joyfully and voluntarily recommend it to others; you can achieve this by engaging, equipping and empowering them.

Engage— Stay active on your social media pages. Talk about topics that interest them. Listen to what they are telling you. Be part of the conversation about your brand. Be a presence in your fans' lives. Gauge their needs and expectations. Fulfill their demands. Solve problems and address complaints. React to comments, whether favorable or unfavorable.

Equip—giving them a “talkable” story that they will want to carry from person to person, by:

- Making it easier for them to refer your company's products and services by making the products simple and straightforward.
- Creating informational and humorous messages consumers can easily relate to. Messages that they can easily understand and rely on when making purchase decisions. Messages that addresses an issue that people are passionate about (real human experiences). This will make them feel a personal connection, and your brand becomes more memorable and more likely to recommend.

Empower—Give consumers content and different ways to talk and share. Let them know that they are important to you and that sharing their opinions is important to you by valuing their input and acting in their best interest. Help them find ways to share within their circles, make it easy for them to leave reviews and find ways to help move the conversations around.

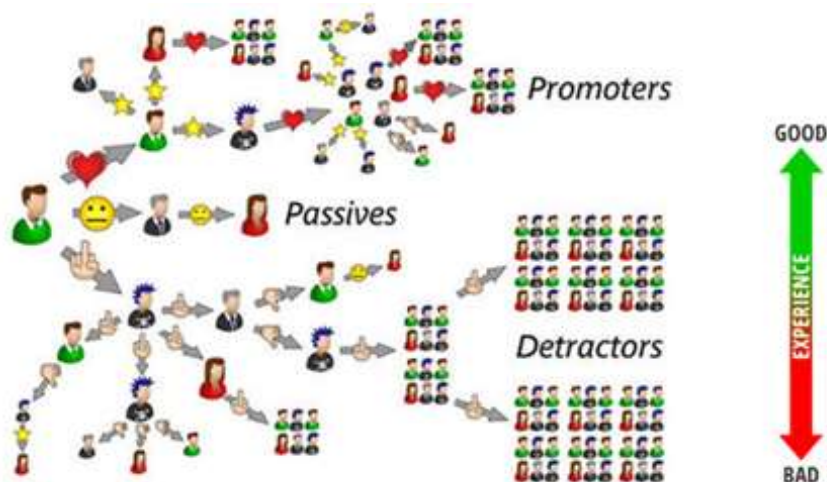
Net Promoter Score (NPS*)

The Net Promoter Score is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. It determines the likelihood that the customer will buy again, talk up the company and resist market pressure to defect to a competitor.

$$\text{NPS} = \% \text{Promoters} - \% \text{Detractors}$$

A Net Promoter Score (NPS*) is calculated by subtracting the % of Detractors from the % of Promoters.

An NPS that is positive (i.e., higher than zero) is good, while an NPS of +50 is excellent.



Higher Net Promoter Scores tend to indicate a healthy business, while lower Net Promoter Scores can be an early warning sign to dig deeper into potential customer satisfaction and loyalty issues.

To get real value from NPS, organizations can ask their customers (promoters, passives and detractors) open ended questions as outlined below:

Promoters (9-10 score)

"Thank you for your feedback, we're glad to hear you're happy! If you were

recommending our company's product or service to a friend or a colleague, what one reason would you give them?"

Passives (8-7 Score)

"If one aspect of your experience with our company could've been better, what would it be?"

Detractors (6-0)

"What was missing or disappointing in your experience with our company?"

The feedback helps to address customer concerns and to fuel innovations with the ultimate objective being to leverage on the promoters; convert passives and detractors into promoters to put the word out and allow for increased revenues and profits.

Getting the most out of the Word of Mouth Marketing Strategy

Word of Mouth Marketing can work well and be a great recipe for growth, profitability and sustainability for your company if:

- It is **acompany-wide effort** adopted by the senior leadership of all the company functions (marketing, sales, claims, underwriting, customer service etc) with the aim of improving customer experience by listening, learning and utilizing the information obtained by proactively delivering what customers need to achieve the desired outcomes.
- Net Promoter Score should be tracked regularly on company level, business unit, product etc. also for customer segments e.g. gender, location, age etc.
- The data collected should be properly analysed and well dissected for the success factors and root causes of poor customer's experiences by seeking out the "whys". On social media for example, reading all the comments, tagging them (what it does well, can fix or improve), classifying them (product issue, support issue, logistics issue etc) and looking for patterns (quantify).

CASE STUDIES

1. Dettol in China

Reckitt Benckiser distributed 48,000 samples of Dettol to 4,000 influencer moms, with encouragement to try one sample and share 10. They incorporated a gamification element to the campaign to encourage continued word-of-mouth discussion among the super-influencers. The campaign reached 46 percent of its target audience.



The results were impressive: Overall brand awareness increased five times, and purchase intent doubled. Sales increased 86 percent as a result of the campaign.

Reckitt Benckiser is an example of a company that zeroed in on key influencers and created a great program to promote word-of-mouth communication about their product.

2. Red Bull

Red Bull is the market leader in the worldwide energy drink market, and they continue to grow awareness through word-of-mouth focused activities. Among the initiatives that drive Red Bull's WOM:



Red Bull Wings Team – a group of Red Bull employees that drive around in Red Bull branded vehicles distributing samples

Student Brand Manager Program – Red Bull sponsors student advocates to discuss Red Bull at events around their respective schools

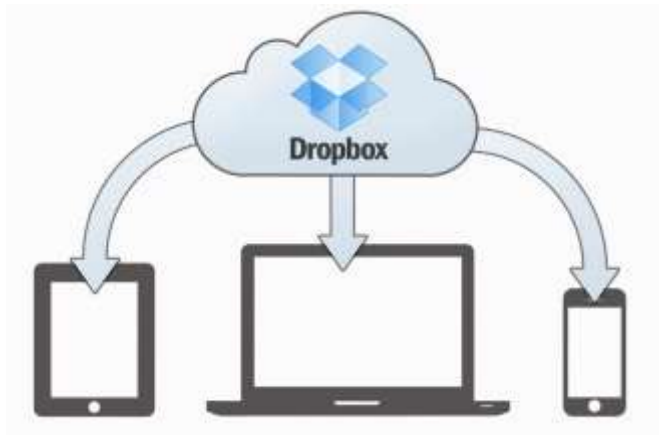
Red Bull Bedroom Jam – A talent show event focused on their targeted student demographic

Red Bull Reporter – A program where Red Bull sponsors journalism and film students to create news stories around the Red Bull brand

Red Bull is an example of a company that creates compelling events that create buzz, and amplifies these by leveraging influencers.

3. Dropbox

Dropbox, a cloud storage company, has been able to grow from a software startup with fewer than 100,000 users to more than 4 million users in fewer than two years. All of this by spending no money on advertising and having no prior marketing experience.



Dropbox encouraged growth by starting an incentive program. They did so out of necessity more than desire, but the rewards were incredible. With PPC ads too expensive and long-tail search terms too competitive, Dropbox decided to

launch a double-sided referral program, with both the referrer and the referred having incentive to take action.

In addition to the referred member getting benefits, the referrer was given extra storage space (a key component of product enjoyment). The program permanently increased signups by a whopping 60 percent, with more than 2.8 million direct referral invites taking place in the first 18 months. In fact, 35 percent of all signups now come from the referral program.

4. Airbnb

Airbnb took a straightforward referral approach by sending email invitations to existing participants.

The offer was enticing -For each person you refer, there are two opportunities to earn travel credit. You earn credit when your friend completes a qualifying reservation as a guest (\$25) and also when they complete a qualifying reservation as a host (\$75).

From Airbnb's perspective, the referral program was a no-brainer. After all, they were only paying for referrals after new users made a purchase. This ensured that they



weren't wasting any money on unprofitable referrals. The program worked (and still does), helping Airbnb to achieve incredible growth, in which the total number of users has practically doubled each year since 2012.

As of March 2015, Airbnb was valued somewhere around \$20 to \$25 billion. That's nearly double what it was worth March 2014. This is impressive for a company that is in the hospitality industry and does not own any hotels.

5. Uber

Early adopters have been able to take advantage of Uber's referral program to give friends free rides, while earning credits themselves.



This give money-get money program gave first-timers a more concrete reason to try the service. It's been massively successful both for Uber and for certain super-fans, one of whom earned over \$50,000 in referral credits. Drivers also get referral incentives, thereby making acquisition on both the customer and "contractor" sides faster and easier. To this day, referrals are an integral part of Uber's marketing strategy.

Uber has rating systems for both drivers and passengers (Online Reviews). This promotes trust in Uber and better behavior on the parts of both driver and passenger.

CONCLUSION

If you're not getting word-of-mouth recommendations for your business, you're missing out on the natural, oldest, single most effective and trusted means of getting new customers.

"You should aim at word of mouth as the most ultimate promotion platform".