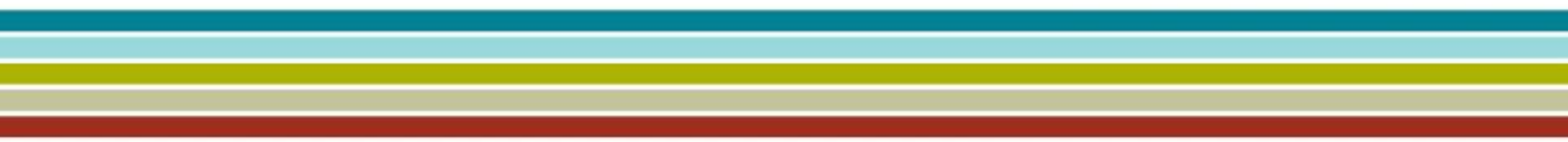


Marketing 2.0

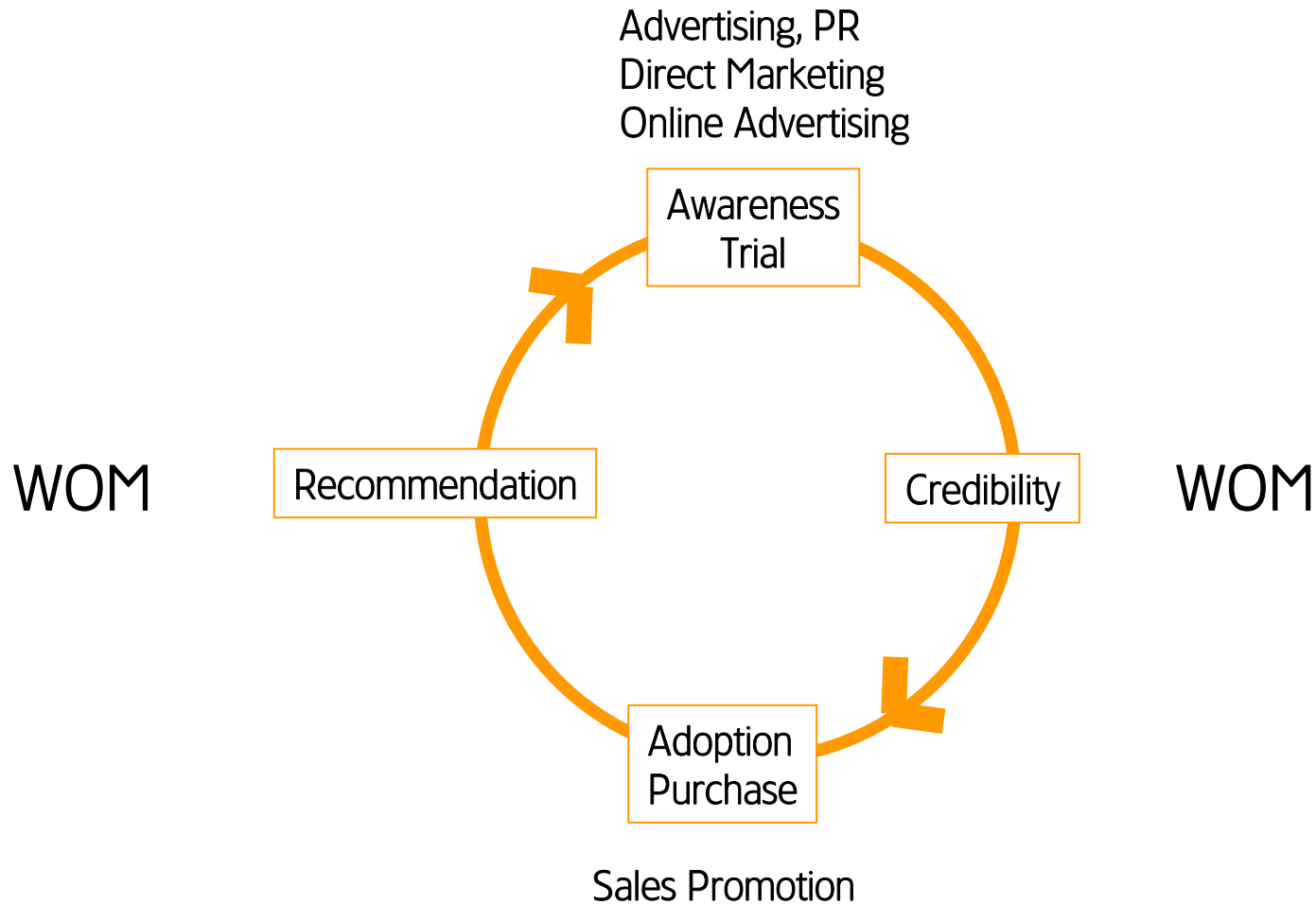
The role of online word-of-mouth
in influencing purchase decisions

Milan, 10th of May 2007

20th of February



WOM In The Marketing Mix



Hear It From The Grapevines...

1977: Best sources of ideas, information

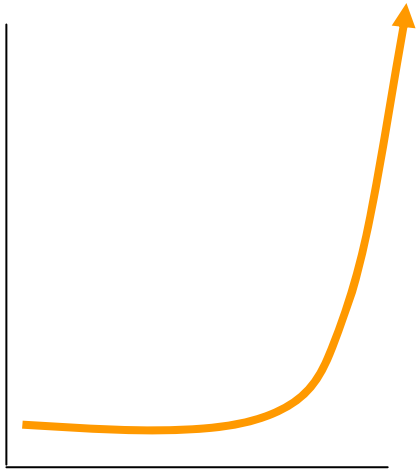


Today: Best sources of ideas, information



Source: RoperASW/NOP World 2003

Why Read Reviews? The Paradox Of Choice



- More purchasing options and information
- Amount of options and information that must be reviewed increases
- Consumer search costs escalate
- Difficult to arrive at a decision (What and where is the “right product?”)



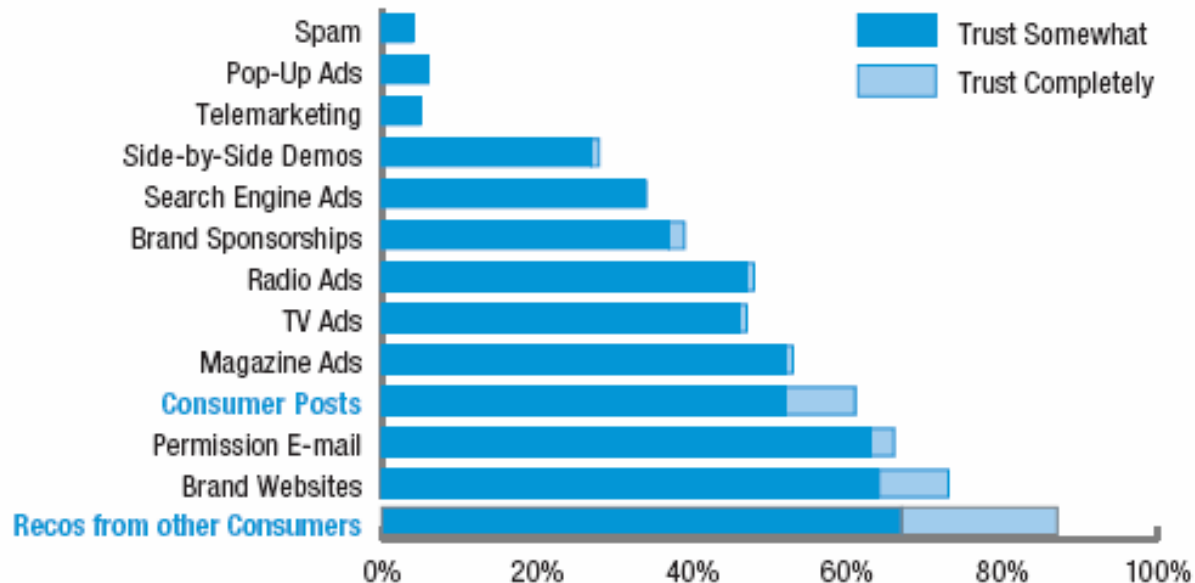
More stress, more time spent and decreased purchase satisfaction.

Consumer reviews:

- Save search time
- Minimise purchase risks

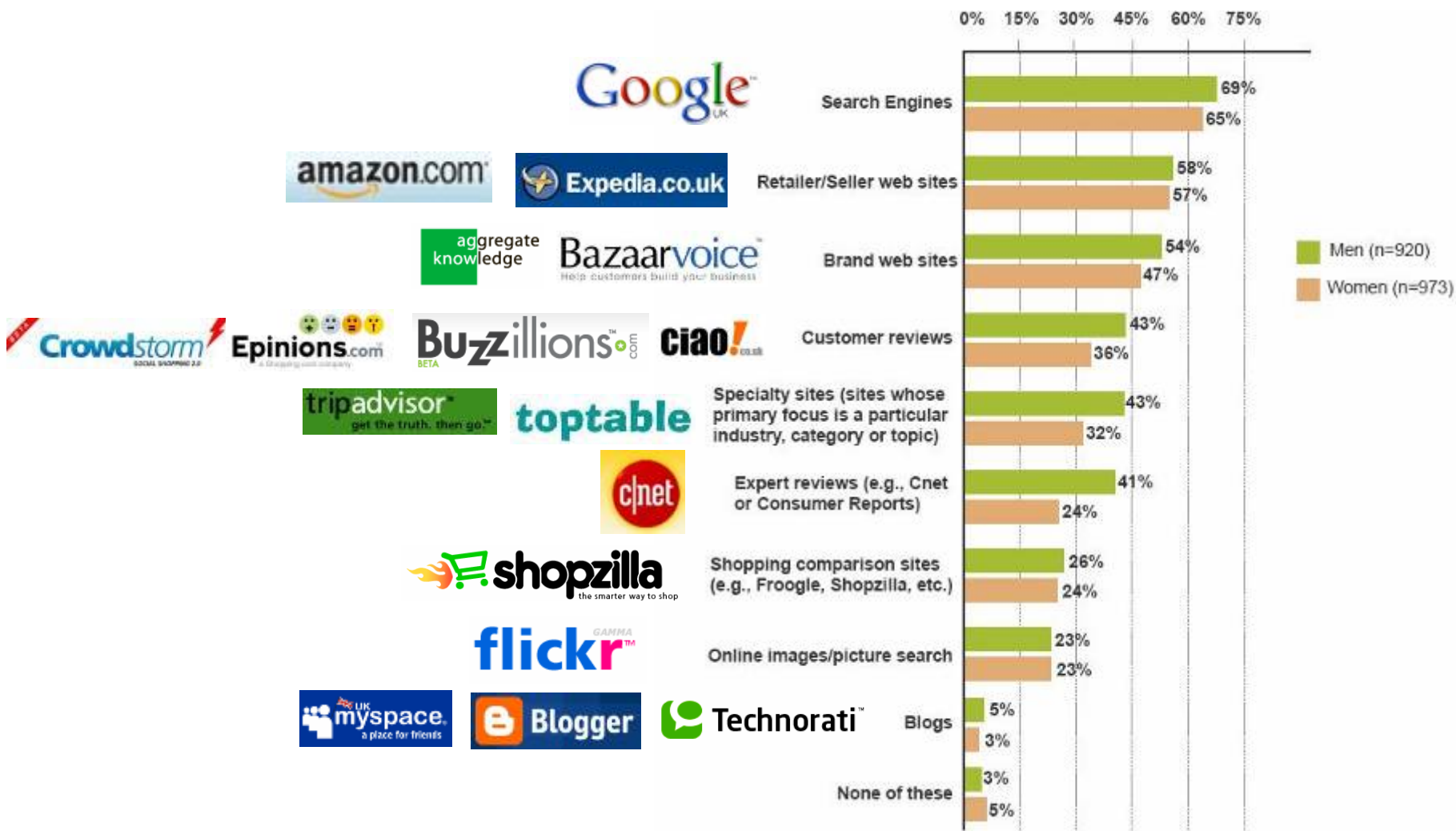
A Question Of Trust

85% say word-of-mouth communication is credible, compared with 70% for advertising and PR.

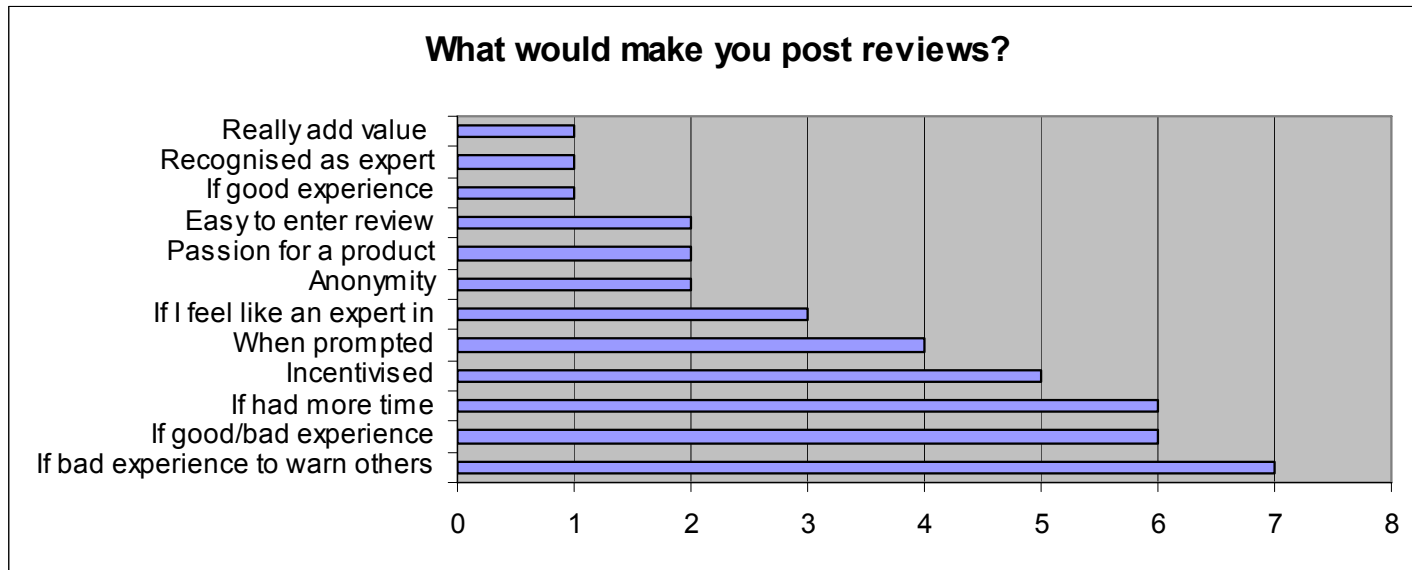


Source: Forrester & Intelliseek -2004

Where Do Consumers Look For Reviews?



Motivation For Posting Reviews



- Extreme experience: good or bad.
 - To promote
 - To punish
- Distribution of ratings is skewed: Negative more likely to emerge than positive
- Reviewer's ego
- Community rules (give and take)

Impact On Sales

amazon.com

- An improvement in a book's average review score enhances book sales.

BARNES & NOBLE.com

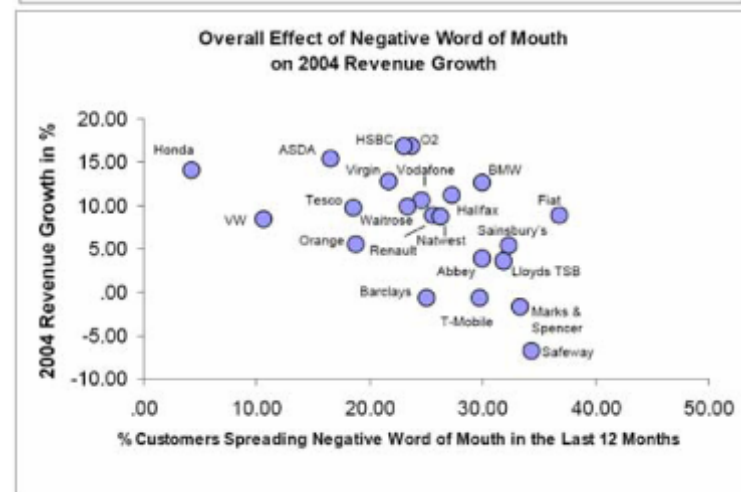
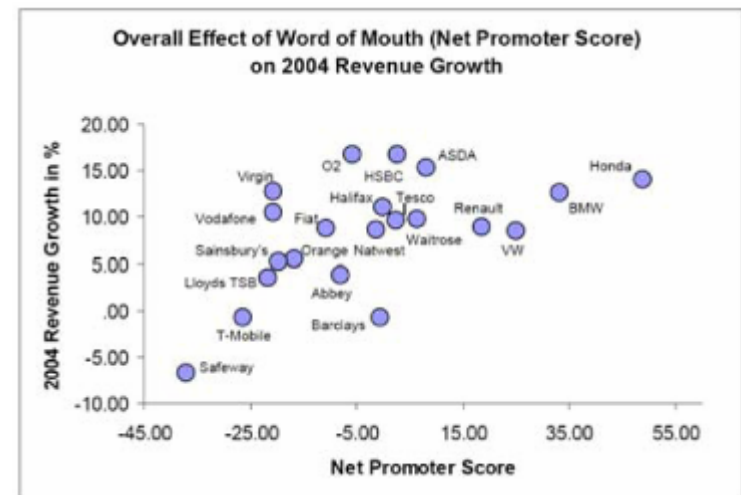
- Conversion nearly doubled, going from 0.44% to 1.04% after the same product displayed its five-star rating,

Most mentioned determining factor for purchase
across 9 out of 10 product categories.

Sources: Chevalier and Mayzlin (2003), Li and Hitt (2004), Journal of Marketing Experiments, 2005
Forrester 2006

Advocacy Drives Growth

- Companies with high level of positive WOM grew faster than their competitors in 2003-2004.
- Companies with low level of positive WOM grew slower than their competitors in 2003-2004.
- Every 1 point increase in positive WOM correlates with an £8.82M increase in sales
- A 1% reduction in negative WOM lead to £24.84M additional revenues.



Source: Advocacy drives growth – London School of Economics 2005

“A customer’s propensity to recommend a brand is the most important measurement in business today, before customer satisfaction”.

20th of February: My wife’s birthday.

Fred Reichheld, founder of Bain & Company's Loyalty Practice



Thank you

Question time?

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