Chatter that Matters: Word-of-Mouth Marketing of Selected Micro Businesses and Small and Medium Enterprises in Malolos City, Bulacan

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Abstract

The study quantified the usage of and range of word-of-mouth (WOM) marketing, and analyzed the present state and satisfaction with WOM marketing tactics of selected micro businesses, small and medium enterprises in Malolos City, Bulacan.
Purposive and convenience sampling were employed on marketers and owners who were available and who were willing to participate in the study using structured interview questions. 125 companies situated only in Malolos City proper and proximate places were selected. Results revealed that a significant number of selected micro, small and medium businesses in Malolos considered using WOM marketing/social media as well as increasing budget allocation for such. Albeit majority are in agreement that WOM is more effective than traditional marketing, customer service was still considered a major spending item.

Keywords: marketing; micro business; small medium enterprises; SMEs; word-of-mouth; WOM.

1. Introduction

Word-of-Mouth has become a catchphrase in recent years. In the Nielsen Global Survey conducted between February to March, 2015 and which surveyed more than 30,000 consumers in 60 countries throughout Asia-Pacific, North America, Europe, the Middle East, Africa, Europe and Latin America, word-of-mouth (WOM) recommendations from people they know and trust, continue to be the most reliable source of advertising by consumers.

Across Southeast Asia, 88% of consumers placed the highest level of trust in word-of-mouth recommendations from people they know, with Filipino consumers leading the way at 91% (up 1 point from 2013). Word-of-Mouth endorsements gathered the biggest increase in approval from Vietnamese consumers, up eight points to 89%. Similarly, 89% of Indonesians gave the advertising source the nod, followed by Malaysians at 86%, Singaporeans at 83% and Thais at 82% [30].

Consumers have always valued opinions expressed directly to them. Several scholarly works [34; 35; 6; 40; 24], have generally ascribed the effectiveness and efficiency of Word-of-Mouth (WOM) as a means of gaining customers, to its high credibility. Because customers communicate among themselves at low or no cost at all for the company, WOM also can be a highly efficient means for recruiting new customers [27].

According to a 2010 study made by the International Practitioners in Advertising (IPA) in UK, the average British consumer discusses around 10 brands per day. Around two-thirds of conversations about brands are mostly positive, with more than one-third of WOM with an active recommendation to buy or try a brand/product. Food, dining and media, and entertainment are the top categories discussed by consumers.

The balance of power between companies and consumers has radically been changed by the overload of information available today in a consumer-driven world [9]. As consumers have become overloaded, they have been increasingly skeptical about traditionally-driven advertising and marketing. Customers are now in control when it comes to public brand awareness The Internet has given consumers a powerful voice. Various tools of WOM communication such as blogs, emails, consumer review websites and forums and social networking sites (SNS) have become the main media for the exchange of varied product news and experiences [14; 20; 26]. WOM made a huge breakthrough by getting rid of the confines of face-to-face information exchange [12; 31;26]. SNS represent an perfect tool for WOM, as users can easily create and circulate brand-related information in their established social networks of friends, colleagues and other associates [16].
Word-of-mouth (WOM) is the original marketing channel; probably the oldest means of exchanging views on various market offerings for goods and services. Even before the onset of billboard marketing, e-mail and other forms of social media, there was Word-of-Mouth. WOM is not just the oldest and cheapest form of marketing but also one of the most effective [37, 8, 41, 1, 17].

Researches on word-of-mouth have proven that its effectiveness is based on the overpowering impact it has on consumer behavior. Day [In 18] estimated that word-of-mouth was nine times more effective than advertising in changing consumer attitudes, whereas [28] as cited in [22] showed that “other people’s recommendations” were three times more effective in terms of stimulating purchases of over 60 different products than was advertising. Similarly, [15] found that personal influences is seven times more effective than print advertising in magazines or newspapers while [32] found consumers viewed 90% of advertising to not be credible but that 90% of WOM was credible. WOM and improved brand image are fully supported as consequences of a strong brand/cause relationship. According to Reicheld [18], these effects are amplified by a higher degree of customer loyalty and profitability. Today, many researchers continue to maintain that word-of-mouth constitutes one of the most effective ways of attracting and keeping customers [13] as cited in [1].

Through the use of technology such as the Internet, Word-of-mouth communication strategies have become more interesting and appealing as they combine the prospect of overcoming consumer refusal to accept or comply with significantly lower costs and fast delivery. Unfortunately, empirical evidence is currently limited regarding the relative effectiveness of WOM marketing in increasing firm performance over time [37]. This raises the need to study how firms can measure the effects of WOM communications and how WOM compares with other forms of marketing communication.

Some other studies have shown that word-of-mouth demonstrated a strong and positive correlation with the clients’ communication with trusted people [10], quality of service [29, 45], satisfaction [45], perceived value [39] and [19] as cited in [26], relationship quality [7, 38, 33, 36], and with clients’ intention to purchase [44].

Conversely, as an interesting finding by [21], that while “trust in word-of-mouth promoted consumers’ purchasing behavior, empathy raised the satisfaction level. Although consumers’ trust in word-of-mouth stimulated decision making in relation to purchases, it lowered the satisfaction level.”

The Word-of-Mouth Marketing Association [43] laid down the basic principles of WOM, which it defined as any business action that results from customer recommendations. It is grounded on the following principles of effective word-of-mouth marketing: (1) credible (2) respectful (3) social (4) measurable and (5) repeatable. A credible WOM is honest and authentic marketing messages from brands to customers, and from customers to customers. Respectful WOM is transparent and trustworthy behavior as it relates to privacy between brands and customers. Social WOM involves brands listening to conversations, participating in conversations, responding to conversations and engaging conversations online and offline. Measurable WOM is the ability to define, monitor, and evaluate a program’s success while repeatable WOM is the ability to do it over and over again in order for the business to become a truly talkable brand [43].
On the other hand, Reference [2] laid down five principles of WOM marketing which helped set realistic expectations about what can and cannot be accomplished through WOM marketing, namely: “Principle No. 1: Not all social networks are equal, and not all individuals in a given social network have equal influence; Principle No. 2: Word-of-mouth happens in the context of a specific situation and occasion; Principle No. 3: People make decisions based on a complex interplay of cognitive preferences and emotional benefits.; Principle No. 4: The consumer environment in which word-of-mouth takes place is constantly changing.; and Principle No. 5: The diffusion of impact of messages within the social network varies based on the popularity (positive/negative) of the messages being communicated.’

What is important is to understand how the specific social network in a certain category operates, and in particular, which individuals within that social network are most active in creating and spreading messages about such product category to others. While personal significance is the groundwork of any type of marketing, it is especially important when talking about WOM. To fully understand word-of-mouth, with all of its moving parts, requires a sophisticated analytical approach that is beyond the reach of traditional marketing research methods [2].

The study was anchored on the multi-step flow of interaction or communication theory of [23], which posited that most people are influenced by opinion leaders, also called influencers, and second-hand information. An influencer is a third party who significantly shapes the customer’s purchasing decision [11] and has a greater than average reach or impact in a relevant marketplace [42]. The theory further explains that not only information received by each consumer from media outlets are passed on to other people, but also their own interpretations of such information. When two people meet, as long as there is any form of rapport maintained, the person with the most certainty will eventually influence the other [3]. The theory added that the opinion leaders both influence and are influenced by opinion followers or receivers. There are also the so-called “gate keepers” who are not influenced by or do not influence others, but merely pass along information their get from media sources to both opinion leaders and opinion followers.

If marketers can identify opinion leaders and fully recognize the nature of marketing flow of communications between and among opinion leaders and opinion followers or opinion receivers, then, they can target their efforts accordingly by making strategic use of the opinion leaders.

The study aimed to quantify the usage of and range of Word-of-Mouth marketing, and analyze the present state and satisfaction with Word-of-Mouth marketing strategy of selected micro businesses, small and medium enterprises in Malolos City, Bulacan.

2. Materials and Methods

The study made use of the descriptive research design. A quantitative research method using a structured interview was employed. The researchers made use of the following means in conducting the interviews: face-to-face interview, via email or Facebook and over-the-telephone conversations.

The study employed the use of structured interview questions which were patterned from standard WOMMA
questionnaire used for their state of Word-of-Mouth marketing reports.

Purposive and convenience sampling were employed. Micro businesses and small and medium enterprises which are situated in Malolos City proper and proximate places within Malolos were targeted. Only marketers and owners of selected micro businesses and small and medium enterprises who were available and willing to participate in the study were identified as respondents. Out of the total 150 businesses visited, only 125 were willing to partake in the conducted interviews. Data gathered were subjected to frequency and percentage counts.

3. Results and Discussion

3.1 WOM as a major expense budget (Figure 1)

Overall, the results demonstrated that 66.10% of the respondents allot a major portion of their spending budget to customer service. 42.9% and 40.2% of respondent marketers and owners claimed that among their major spending areas were online social media marketing and offline WOM marketing respectively. Print, which is one of the traditional means of marketing, ranked well above the rest, having been identified as a major budget area by 39.3% of the respondents.

![Figure 1: WOM as a major expense budget](image)

It is noteworthy to mention that TV campaigns were given the least spending budget allocation according to 4.5% of marketers and owners, since TV advertising was more concentrated on larger companies.

Interestingly, small and medium enterprises were found to have shown lesser financial commitment to offline WOM marketing than their micro business counterparts (48.2% vs. 57%). On online social media marketing
however, major spending area results for small and medium enterprises were well above results for micro businesses at 62.4% vs 29.4% respectively.

3.2 Spending on marketing channels (Figure 2)

More than any other marketing channel, 57.4% of the respondents claimed to be still spending more on customer service. Online social media was found to be poised for further growth, according to 50.5% of the marketers interviewed for the survey. Many respondents (44.2%) expected their spending on offline WOM marketing to remain stable, but more marketers (50.5%) expected to increase spending on offline WOM marketing than to reduce it.

Figure 2: Spending on marketing channels

This result was in contrast of TV campaigns. Meanwhile, medium enterprises fell behind micro businesses and small enterprises in terms of their commitment to increase budget for offline Word-of-Mouth marketing.

3.3 WOMM/social media vs. traditional marketing (Figure 3)

Overall, about 9 in 10 marketers and owners believe that WOM marketing and social media are more effective than traditional marketing and majority (88.4%) has integrated WOMM/social campaigns with traditional marketing tactics. The results indicated that WOM, as an effective marketing strategy for the businesses, is promising albeit most marketers or owners agree rather than strongly agree, suggesting a need for more definite evidence.
Results for small and medium enterprises fell behind those of micro businesses. 97.3% of micro businesses’ marketers were in agreement that WOMM/social media is a more effective marketing strategy than traditional marketing, while only 90.7% and 89.8% of marketers and owners of small and medium enterprises respectively, agreed that WOMM/social media is more effective than traditional marketing.

### 3.4 WOMM/social media objectives (Figure 4)

The respondents perceived that word-of-mouth marketing is used to increase brand awareness, increase direct sales, and enhance the firms’ competitive advantage. The aforecited objectives were identified by close to two-thirds of the marketers and owners surveyed. The fewest percentage of marketers (9.7% and 5.3%) perceived drive engagement and change of brand image respectively as among the objectives of WOMM/social media. A significant number, though less than majority (33.6%) of the marketers used WOM marketing to enhance/improve brand perception.
3.5 WOMM tactics used by respondents (Table 1)

Notably, a significant number of marketers and owners had espoused WOM marketing tactics including building, monitoring, and managing. These activities permitted them to take control; conversely, tactics that engaged customers or delegated responsibility to consumers ranked the lowest namely: engaging fans in product campaigns (9%), engaging bloggers (7.2%), and engaging fans in product development (5.4%).

Marketers and owners have identified managing customer reviews and responding to online social as WOM marketing they have considered using. Foregoing tactics are poised for growth with 27.9% and 28.8% respectively of marketers and owners adopting said tactics.

WOM and social media marketing may not yet command huge peso spending by the respondents but nevertheless have been adopted by them, thus suggesting their affordability.

Table 1: Current WOMM / Social Media Tactics

<table>
<thead>
<tr>
<th>Objectives</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Customer referral</td>
<td>54</td>
<td>48.6%</td>
</tr>
<tr>
<td>Building/managing pages/profile</td>
<td>50</td>
<td>45.0%</td>
</tr>
<tr>
<td>Monitoring online social</td>
<td>46</td>
<td>41.4%</td>
</tr>
<tr>
<td>Responding to online social</td>
<td>32</td>
<td>28.8%</td>
</tr>
<tr>
<td>Managing customer reviews</td>
<td>31</td>
<td>27.9%</td>
</tr>
<tr>
<td>Monitoring offline (WOMM)</td>
<td>27</td>
<td>24.3%</td>
</tr>
<tr>
<td>Organizing parties or events</td>
<td>27</td>
<td>24.3%</td>
</tr>
<tr>
<td>Creating visual content</td>
<td>25</td>
<td>22.5%</td>
</tr>
<tr>
<td>Encouraging customer-created content</td>
<td>23</td>
<td>20.7%</td>
</tr>
<tr>
<td>Using share buttons</td>
<td>22</td>
<td>19.8%</td>
</tr>
<tr>
<td>Creating/managing shareable content</td>
<td>17</td>
<td>15.3%</td>
</tr>
<tr>
<td>Having WOM/Social ad objective</td>
<td>14</td>
<td>12.6%</td>
</tr>
<tr>
<td>Using agents for sampling</td>
<td>13</td>
<td>11.7%</td>
</tr>
<tr>
<td>Enlisting influence</td>
<td>10</td>
<td>9.0%</td>
</tr>
<tr>
<td>Engaging fans in Product development</td>
<td>10</td>
<td>9.0%</td>
</tr>
<tr>
<td>Creating/managing &quot;brand Communities&quot;</td>
<td>10</td>
<td>9.0%</td>
</tr>
<tr>
<td>Engaging Bloggers</td>
<td>8</td>
<td>7.2%</td>
</tr>
<tr>
<td>Engaging fans in campaign dev.</td>
<td>6</td>
<td>5.4%</td>
</tr>
<tr>
<td>Enlisting advocates</td>
<td>3</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

3.6 Level of satisfaction on WOMM tactics employed (Figure 5)

On the whole, marketers and owners claimed satisfaction for each WOM marketing tactic used by their
businesses, with at least 6 in 10 marketers/owners satisfied with their marketing experiences.

Managing customer reviews obtained the highest level of overall satisfaction, with 8 in 10 marketers and owners expressing they were very satisfied or satisfied with a WOMM tactic. In like manner, other company-led efforts ranked high in satisfaction including building/managing pages/profiles (83.6%), responding to online social (84%), monitoring online social (82.6%), creating visual on line (81%), and managing customer referrals (82%).

On the other hand, the lowest tactics rated were those most likely to put control in the customers’/consumers’ hands: engaging bloggers (5.1%), and engaging fans in product development (64.8%). While many marketers expressed satisfaction with WOM marketing tactics of all kinds, the intensity of such satisfaction differs among marketers and owners. WOM marketing/social media tactics with the lowest percentage of very satisfied respondents are: enlisting advocates (16.5%), enlisting influence (15.3%), using agents for sampling (14.9%), engaging fans in product development (14.3%), monitoring offline WOMM (13%), and engaging fans in campaign development (13%)

![Figure 5: Satisfaction on WOM tactics employed](image_url)

3.7 Association of WOMM with online or offline (Figure 6)

In today’s era when word-of-mouth has been viewed to include social networking sites (SNS) such as Facebook, Twitter, Instagram and the like, the word social has been attributed to online networking by 84.8% of marketers and owners interviewed. Conversely, Word-of-Mouth was associated with offline WOM by 69.6% of the respondents.

Medium enterprises were more likely to have associated the word social with online rather than offline with 92.6% medium enterprise marketers and owners who have completely agreed as compared with 86.2%, and 64.5% of micro businesses and small enterprises respectively who have completely agreed. Same results were gathered relevant to the association of word-of-mouth marketing with offline rather than online. Small and Medium enterprises marketers and owners have associated word-of-mouth marketing to offline rather than online with 8 in 10 marketers and owners claiming such. On the one hand, only 54.8% of micro businesses’ marketers and owners attributed WOM marketing with offline rather than online. Findings suggest than
although WOM marketing strategies have already been employed or adopted by the respondent-businesses, there still remains some confusion on what constitutes social and WOM marketing.

Figure 6: Association of WOM with online or offline

3.8 WOMM obstacles (Figure 7)

Majority of the respondents (53.5% to 79.2%) were in agreement that most of the obstacles identified are merely minor roadblocks in the pursuit of WOM marketing strategies. Some, however were identified by a significant number of marketers and owners (albeit not the majority) as mounting obstacles that need to be somehow addressed: lack of understanding (46.5%), lack of technology expertise (46%), hard to get legal support (43%), and difficulty measuring online social (40.6%).

Figure 7: WOMM obstacles as identified by the respondents

Small and medium enterprises saw measurement concerns as bigger obstacles than micro businesses do (62% vs. 45%) such as: can’t show ROI, difficulty measuring offline WOM, and difficulty in measuring online social media.
4. Conclusions and Recommendation

The following conclusions were drawn from the results of findings presented: (1) For most companies, Word-of-Mouth marketing is not yet a major budget item; (2) Growth in spending for offline WOMM marketing and online social media marketing is anticipated; (3) WOM/Social marketing is more effective than traditional marketing; (4) Marketers and owners identified objectives of WOM marketing and social media; (5) Marketers and owners have already adopted many WOM marketing strategies/tactics; (6) Marketers expressed broad satisfaction with WOM marketing tactics employed; (7) Most associate the terms WOM and Social with offline and online respectively; (8) Measurement issues are considered as major obstacles by small and medium enterprises.

Since larger companies have expressed the urgency for WOM measurement standards, it is deemed necessary to establish effective measurement standards for the return on investment (ROI) for both offline Word-of-Mouth marketing and online social media marketing.

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